MYCRONIC

ANNUAL AND SUSTAINABILITY REPORT 2018

The business partner of choice, enabling the future of electronics

Mycronic in brief

Content

Mycronic has developed innovative solutions for advanced electronics production since the 1970s. In the same spirit, we continue today to help our customers to create world-leading production solutions for electronics and display manufacturing with rigorous demands on precision and flexibility. Our operations are conducted through two business areas: Assembly Solutions and Pattern Generators.

Assembly Solutions holds a leading position within systems for electronics production with a complete offering for SMT, inspection, dispensing solder paste and mounting fluids. Within the field of automation, Mycronic is also leading in assembly equipment for manufacturing camera modules to the automotive industry, and die-bonding systems for manufacturing optoelectronics and microelectronics.

Pattern Generators holds a unique position as the only supplier of mask writers to produce advanced photomask, which in turn are used by global electronics producers when manufacturing advanced displays for products such as mobile phones, tablets, TVs and computer.

A large share of Mycronic's net sales is derived from **aftermarket business** where service is provided to in excess of 3,000 customers in more than 50 countries with over 12,000 installed systems.

WHO WE ARE

We are innovators with a genuine passion for technology. Our company has more than 1,200 dedicated employees in ten countries around the world.

Read more on pages 1 and 10

WHAT WE DO

We create world-leading production equipment for electronics and display manufacturing with rigorous demands on precision and flexibility.

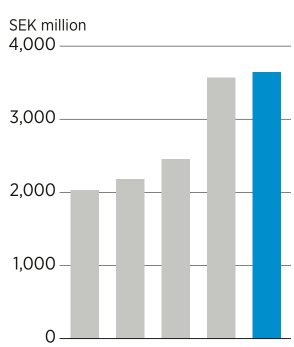
Read more on pages 11–23

OUR DIRECTION

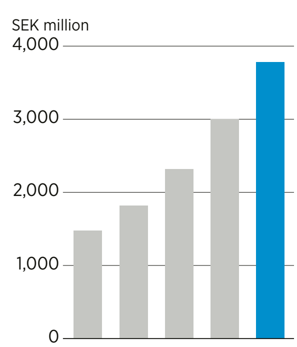
Mycronic will continue to grow profitability, strengthen its market positions and use leading innovation to create additional value for customers.

Read more on pages 2–9

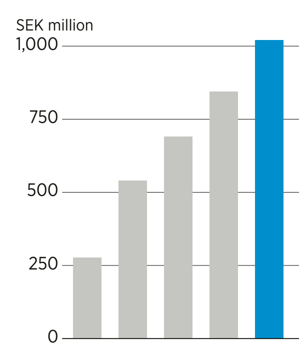
Order intake



Net sales



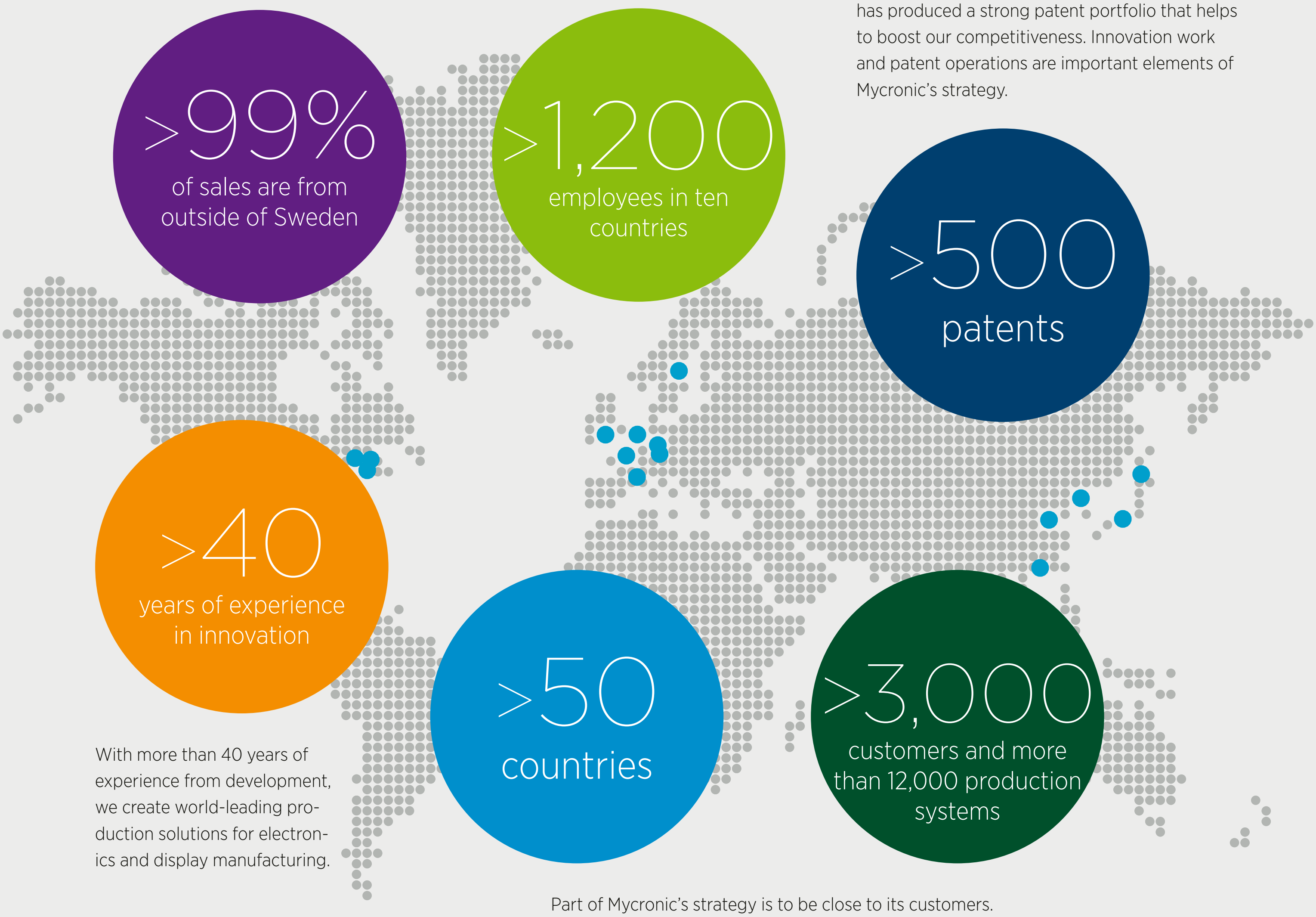
EBIT



A Swedish innovative company with global operations

Mycronic is a global high-tech company, based in Sweden, that develops, manufactures and markets production equipment which meets the electronics industry's high demands for precision and flexibility. We have more than 40 years of experience in innovation and developing world-leading production equipment for electronics and display manufacturing.

Mycronic's innovative capacity and long experience has produced a strong patent portfolio that helps to boost our competitiveness. Innovation work and patent operations are important elements of Mycronic's strategy.



With more than 40 years of experience from development, we create world-leading production solutions for electronics and display manufacturing.

Part of Mycronic's strategy is to be close to its customers. Today, we have over 3,000 customers in more than 50 countries and a total installed base in excess of 12,000 systems.

Record figures made possible by long-term business development

Mycronic's record figures for 2018 provide confirmation that the strategy we have consistently followed since 2013 is delivering. Through our selective acquisitions, unique capacity for innovation and ability to understand the needs of electronic manufacturers and end-users, we have continuously reinforced our offering and our position over the past five years.

It has been a fantastic journey. A successfully implemented strategy, together with the collective expertise, innovative capacity and technological know-how that is characteristic for Mycronic, has paved the way for this year's record result.

The current strategy was adopted in the autumn of 2013. This has resulted in the transformation of Mycronic from a company with all of its development and manufacturing in Sweden into what has become today – a global company with more than 1,200 employees in ten countries and with nine development units and five production units on three continents.

A stronger company

Mycronic is in all respects a stronger company now than it was in 2013. We were then, as we are now, clear in our ambition to strengthen our position in existing market segments while expanding in adjacent areas. Our leading product development and unique innovative capacity combined with seven selectively chosen acquisitions means we can, five years on, see that our efforts have borne fruit.

As the only supplier in the world of laser-based mask writers for advanced photomasks, we have been successful in continuing to revolutionize the production of high-resolution displays. We have grown in the Asian market. In Assembly Solutions, we now have a leading position in several market segments, where we previously only offered service in surface mount technology. Assembly Solutions now also offers advanced and flexible production solutions in inspection, dispensing and assembly automation. In the latter segment, the acquisition during the year of MRSI Systems has enabled us to also offer die-bonding systems for manufacturing opto and microelectronics. The Group's aftermarket and service offering has grown and now accounts for almost 30 percent of Mycronic's sales.

Our rapid growth has been achieved while maintaining profitability, and our acquired units are making significant contributions. As a result of our strategic shift, sales have increased almost fourfold – from almost SEK 1 billion in 2013 to almost SEK 3.8 billion in 2018. Operating profit during the corresponding period grew more than 31 times and EBIT for the year exceeded SEK 1 billion, the first time in Mycronic's history.

Employees and the corporate culture we have developed are key factors behind our success. Year by year, each employee has contributed to achieving Mycronic's goals, through their expertise and their commitment to the company's vision and strategy.

Positioned for constant development

The electronics industry is a global, mature industry that is growing in line with or slightly faster than the global economy. It is also an industry that is technologically complex and in most segments strongly competitive.

Ordinary consumers constantly want increased functionality, better image quality, and longer battery life in mobile phones or other electronics. Despite shorter product life cycles, most of us are at the same time interested in buying a product that is sustainable from a social and environmental perspective. The leading manufacturing companies are increasingly integrating sustainability into their business operations, which makes greater demands on us as a supplier of production solutions. Resource use in manufacturing, choice of materials and the volume of electronic waste are examples of sustainability issues that the industry is endeavoring to improve.

We are convinced that profitability and sustainability go hand in hand. Combining customer demands to quickly produce new, high-performing products with sustainability is a complex challenge, at the same time as it offers growth opportunities for innovative companies such as Mycronic. As a leading supplier, we are firmly committed to continue creating advanced and flexible production solutions that are capable of rapid changeovers, high-quality production while helping customers to switch to more sustainable electronics production.

Capacity for innovation for efficient and sustainable electronics production

Mycronic has always had the courage to be one step ahead. We continuously read and interpret the market and have particularly analyzed in detail the requirements and wishes of customers and end users. We have noted a favorable order intake for our advanced and competitive production solutions with related software and aftermarket solutions. In Assembly Solutions, our software-based complete solution Mycronic 4.0 is one clear example of how we have developed a production concept that helps our customers to increase productivity and manage the complexity of cutting-edge electronics production when just-in-time production is vital. We also strive to systematically improve sustainability aspects of our products to become a good example for the global industry moving forward. For example, since 2017 we have run a project to radically reduce the energy consumption of mask writers, as the lasers used in mask writers are energy-intensive and are our single greatest source of carbon emissions.

> "Mycronic has had the courage to be one step ahead and continues to create unique customer solutions

We have about 400 employees and consultants working with research and development, which has created a solid portfolio with more than 500 patents. To maintain and strengthen the capacity for innovation, it is essential to interact with stakeholders, conduct initiatives to be an attractive employer and to carry out systematic work with diversity. Mycronic is striving to attract, retain and develop cutting-edge expertise and to capture the perspectives of employees with unique personalities, experiences and knowledge. Employees, who work in strategic partnering projects with customers, production equipment manufacturers and leading universities, are driving developments forward.

Solid basis for next step

As I step down as CEO for Mycronic in the spring of 2019 and hand over to Anders Lindqvist, I do it in the assurance that I am passing on a company with a solid basis for continued profitable growth. Mycronic has a strong team that year after year have demonstrated that it is possible to develop world-leading products, improve market position at the same time as addressing necessary investments in, for example, administration, market and IT systems in a balanced manner.

It has been a fantastic journey to be involved in the transformation of the company together with employees who in a patient, constructive and determined way have improved essentially all areas of the business. This is an impressive achievement in an organization that is rapidly expanding.

There is potential to further improve the business to make optimal use of the expertise, synergies and economies of scale present within the Group. Supported by this and with continued focus on Mycronic's established strategy, I am confident that Team Mycronic will continue to do its utmost to create attractive customer solutions that add value. I would like to express my thanks to all employees and stakeholders for making my years at Mycronic into this fantastic journey.

Lena Olving
President and CEO

How we are addressing conditions in the market

Substantial and robust market

The global electronics industry is substantial and constitutes in its entirety just over 3 percent of the total global economy. Overall, the market is robust and the electronics industry is expected to maintain a favorable growth rate of 3.7 percent per year until 2022 (Prismark, December 2018). In 2018, the global electronics industry is expected to have grown to just over USD 2,130 billion (Prismark, December 2018).

The electronics industry is mature, albeit constantly changing. Previously it was strongly influenced by individual dominant driving forces, such as personal computers or mobile communication, but is now driven by developments in a number of additional segments, such as industrial electronics, the automotive industry, medical technology, aviation, space and defense and security.

Seen from a 20-year perspective, Asian markets have driven growth in the electronics industry. According to the research firm Prismark, growth is now more balanced across regions. Asia is still exhibiting a high growth rate and is expected to achieve annual growth of just over 3 percent for the period until 2022 even if the historically high growth rate in China is expected to slow slightly. The USA and Europe are also strong regions that are expected to demonstrate annual growth of just over 3 percent until 2022 (Prismark, October 2018). An increase in electronic content in products and greater prosperity is driving the industry forward, while the current electronics industry has been impacted by developments in the global economy, including events such as political turmoil, increased protectionism and trade agreements.

Mycronic's perspective

Mycronic has grown rapidly and built a strong global market position. The macroeconomic situation combined with the electronics industry's trend-driven development has created a continued demand for manufacturing solutions, both in the form of capacity and performance, which Mycronic is addressing with unique production solutions in the company's business areas. For Assembly Solutions, market developments contribute specifically to increase demand in regions and industrial segments where the business area has its strengths, for example in manufacturing equipment in the automotive industry, optoelectronics and other high-value production in the manufacturing industry. From a geographical perspective, we have a strong position in key markets in Europe, the USA and Asia.

We are now established in all strategically important markets and Mycronic's installed base with more than 12,000 systems is in over 50 countries. Our manufacturing solutions are used by various customers in small and large-scale electronics manufacturing.

Investment carried out within the scope of Mycronic's product development program have created a strong portfolio. At the same, we are proactive in broadening our addressable market, through our own initiatives within existing operations and through acquisitions.

As a natural part of Mycronic's long-term strategy, we have continued to work to develop production systems that address demands in growing markets.

Continual development in the electronics industry

A combination of end-user demands and the product and market innovation in global electronics companies are the main factors driving the industry forward.

From a consumer perspective, expectations for electronics products center around increased functionality, better image quality, longer battery life and a better experience. The cost of electronics is gradually falling. The lower cost scenario is often used to increase the value for end-users through stronger performance and better product properties.

Current displays are increasingly based on newer AMOLED technology that provides better image characteristics and allows greater variation and design of displays, such as bending and folding displays. In the future, end users can expect mobile devices with displays that are 1.5–2 times larger that demonstrate the same or better quality.

As mobile phones become less important for the electronics industry, demands from other segments become more important, with the automotive industry as one such example. This entails increased demands on reliability, flexibility and accuracy in the manufacturing processes. As cars become more advanced and the development of autonomous vehicles progresses, the electronics industry is changing even more.

The presence of electronics in society is expected to continue to increase, which is driving long-term demand for greater production capacity. Access to modern and flexible manufacturing equipment is essential if electronics producers are also to provide their own market innovations and at the same time meet rising demands from end users for better functionality.

Mycronic's perspective

In recent years, investments in our offering have strengthened Mycronic's market position. Together with sustained initiatives in research and development, our acquisition strategy is contributing to the creation of an offering that helps our customers to meet the demands of an electronics industry that is constantly changing.

The latest acquisitions of Vi TECHNOLOGY and MRSI have broadened our offering in key segments. To date, the completed acquisitions have more than doubled the addressable market for Mycronic. However, Mycronic is also strengthening and supporting offerings in every business area with new and better solutions. One such example is the complete assembly solution MYPro Line developed for smart factories. Another example is Mycronic's Prexision-800 system for photomask production that satisfies requirements faced by a growing number of players in the display industry today.

External factors that impact our operations include stringent demands from end users on new technology and the industry's market development, including digitalization's growing role for electronics manufacturing and display production. A selection of the driving forces that are changing conditions in the electronics sector and in our business are described below. Mycronic addresses developments in the business environment through the company's long-term strategy and presents here an overall impact assessment from our perspective.

Digitalization creates new business opportunities

The digitalization of our surroundings is widely evident, such as in mobile communication, automated services, smart assistants in devices, including mobile phones and speakers, e-commerce, medical systems and smart vehicles, to name a few. Society is becoming increasingly digitalized and automated, which is driving and is driven by developments in the electronics industry.

Digitalization impacts all steps in the chain, such as components, electronic devices, infrastructure, software and digital services. Infrastructure includes, for example, large-scale datacenters, established telecom and datacom links as well as the approaching roll-out of 5G. These in turn are driving rising demand for optical communications, based on sophisticated optoelectronics to reach high transfer rates. Digital services and software solutions utilize new breakthroughs such as artificial intelligence and drive the market forward. Connected and intelligent electronics make greater demands on, for example, sensors and low power electronics.

Strong growth in the number of cameras and other sensor systems for advanced integrated driver assistance in modern cars has also contributed to the digitalization of the automotive industry. The field of advanced driver assistance is rapidly expanding and in 2022 the average car is expected to be fitted with at least three cameras (Prismark, May 2018). As digitalization of the automotive industry continues, autonomous vehicles will become more widespread.

Mycronic's perspective

We are adapting our offering to meet demands in customer segments where conditions have changed, which is in line with the company's long-term strategy. The recent acquisition of American company MRSI Systems, which manufactures die-bonding systems for high-precision assembly of optoelectronics and microelectronics, complements Mycronic's offering in an expanding market segment.

In addition to Mycronic's established operations in SMT and dispensing, we currently provide advanced inspection systems and automated assembly solutions for assembling and testing highly precise camera modules, referred to as CMAT systems This enables us to address demand in the rapidly growing markets for advanced automotive electronics.

Digitalization also influences our customers' production environment and Mycronic is constantly striving to increase the degree of intelligence in our own production systems. In this area, we offer, for example, the software-based complete solution Mycronic 4.0 for the intelligent control of production.

Shorter production cycles increase demands

A faster path from development to finished product, increased expectations on the manufacturers' delivery speed and greater customization to the needs of the end users are all examples of driving forces that are shortening production cycles in the electronics industry.

An electronic product and its characteristics are defined by its building blocks, meaning the electrical components, the manner in which it is put together and by software. The range of components is enormous and ways they can be assembled are countless, which offers electronics manufacturers opportunities to design products that meet their requirements. The ability to quickly and efficiently manufacture pre-series and production lines is a competitive advantage for manufacturers and they also therefore require flexible production solutions. The need for flexible solutions while maintaining efficiency and high quality is also moving gradually higher up in production volumes. Overall, these demands result in production systems that are more integrated and automated with a higher degree of intelligent software support.

In the display industry, the increase in variation is driven by the integration and customization of displays to more product types. Previously, the use of one or more displays was primarily concentrated to computers, TVs and mobile phones, but now cars, watches, dishwashers and information screens are also fitted with more displays.

Mycronic's perspective

There is gradually 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.

The changeover capacity and ability to adapt the production equipment to various production environments is increasingly important. Historically, Mycronic has been highly competitive in flexible production and will also continue to lead developments in the field in the future.

Mycronic's automated and flexible complete solutions with entire assembly lines for electronics manufacturing also provides us stronger opportunities to meet demand driven by the increasing diversity of the electronics industry.

In the Pattern Generators business area, Mycronic is focusing on satisfying the needs of global display manufacturers for increased capability, while we support the industry's capability demand for the production of different types of photomasks.

Our strategy stands firm

Mycronic's strategy has been consistently implemented since 2013. The success created by the realization of the strategy has reinforced belief in ourselves, improved our market position and created the right conditions for new initiatives.

Mycronic's strategy, expressed in financial goals and five strategic guidelines, defines the way forward. It is a forward-looking strategy based on our ability to convert investments into value for our customers and other stakeholders while we continue to grow and remain profitable over time.

Consistent execution of the established strategy and continuous adaption to market conditions have resulted in a positive financial performance. The earnings trend shows that Mycronic's strategy is right, though it is also important to enable necessary investments for the future and address market developments in a rapidly changing business environment.

During the past year, Mycronic has carried out many different activities that jointly contribute to the pursuit of our strategic direction and the realization of the company's financial goals. Work on the strategy and its prioritized activities are monitored and measured at many levels. The following is a presentation of a small sample of events and activities from 2018.

Strategic direction	Main activities in 2018
Strengthen the position as a leading supplier within existing market segments	– First Prexision-800 system delivered to a customer in Asia. The system sets a new standard by producing patterns that are almost 25 percent more compact than previously possible. – Launch of SMD Tower 8000, the ultra-compact, storage solution close to production for electronics components – Pattern Generators' system FPS8100 launched to meet increased demand for photomasks for manufacturing fine metal masks, used for the deposition process of organic material used when manufacturing OLED displays – Work to leverage synergies in acquired units continued through, among other activities, greater focus on cross sales between the acquired units' customer bases
Profitable growth within adjacent market segments	– Mycronic acquired MRSI Systems and broadens its offering to the automotive industry, driven by ADAS[1] and autonomous vehicles – Development of the smart assembly solution MYPro Line and the compact SMT systems MY300HX and MY300EX
Profitable growth in Asia within existing and adjacent segments	– Of Mycronic's approximately 1,200 employees, more than 500 are located in Asia – Mycronic is engaged in product development together with strategic partners in Asia – More than 60 percent of Mycronic's net sales are found in the Asian markets
Ensure innovative capacity for increased competitiveness	– A center for deep learning was set up, together with partners, in San Jose, California to effectively leverage deep learning's potential for electronics manufacturing to drive technology development in the industry – Research and development remained a prioritized area while work in the nine different development units was coordinated to fully realize synergies in acquired companies – The company has continued to consistently implement the strategy to further strengthen the platform for future growth
Value creation through focus on sustainability	– Work continued with clear ambitions and activities to reduce environmental impact at a Group-wide level, ensure responsible business, drive innovation and social responsibility

1) Advanced Conducting Assistance Systems

Mycronic's mission, vision and our value are important principles in our business operations. In combination with the company's strategy, these help to express our aim, what we wish to achieve and how we are to act.

VISION

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

VALUES

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

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

Mycronic's long-term financial goals

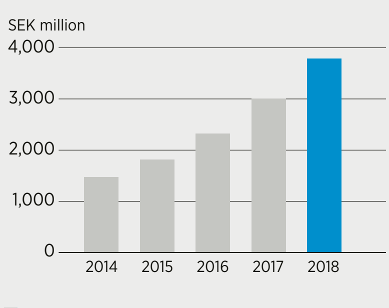
Growth

5 billion

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

Net sales in 2018 were SEK 3,781 million. The net sales target shall be reached through a combination of organic growth and acquisitions.

Net sales



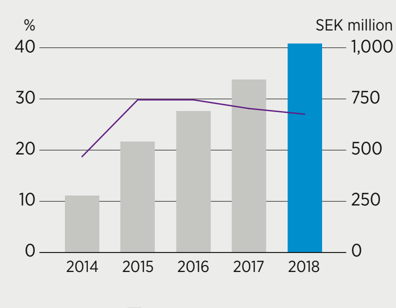
Profitability

>15%

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

This year's EBIT margin of 27 percent is primarily due to strong mask writer sales. In 2018, seven mask writers were delivered.

EBIT



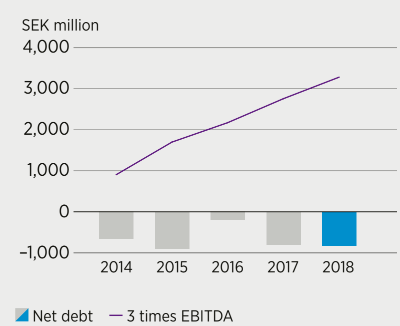
Capital structure

< 3x

Net debt shall not exceed 3 times the average operating profit before depreciation, amortization, interest and tax. The average is calculated over a three-year period.

The possibility to take on debt allows the Group to expand further to achieve long-term growth and profitability goals.

Net debt



Long-term value creation

Our genuine commitment to technology development, people and our customers' business creates the right conditions for a favorable result. This also provides a basis for meeting the expectations of customers, employees and society, which generates value for our shareholders.

Our stakeholders and their expectations

With its comprehensive business operations and global market presence, Mycronic has a wide range of stakeholders whose trust in us as a company is one prerequisite for our operations. Our aim is to fulfill and exceed their expectations and we therefore maintain a continuous dialogue with our key stakeholders. The result of our stakeholder dialogue can then be used as an important input value for Mycronic's long-term strategy and business plan.

Customers

Customer requirements drive the direction of our core operations. Our customers have high expectations and demand dependable and high-quality production systems. High availability and proactive service are other areas valued by our customers.

Employees

Mycronic's more than 1,200 employees work on a daily basis to realize our offering and implement the company's goals. Their commitment, expertise and continuous development is crucial if we are to remain successful moving forward.

Shareholders

We have just over 15,000 shareholders, whose capital is a foundation for running our operations. Shareholders expect competitive and sustainable returns on their capital.

Suppliers and partners

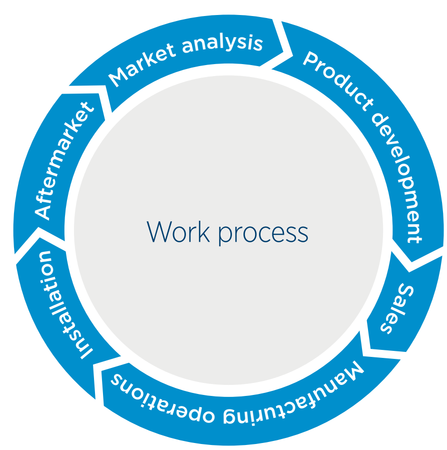
As a manufacturer of advanced production solutions, Mycronic relies on suppliers and partners. Ethics, privacy and professionalism are therefore important and also a prerequisite in fulfilling our commitments.

Society as a whole

Mycronic as a company has an important role to play in society and is to contribute to economic growth and to create positive social values, particularly in regions where we conduct operations. Responsible and ethical business is a key factor for sustainable operations.

Operations and business model

Mycronic is a high-tech company that creates world-leading production solutions for global electronics producers in our two business areas. Properly functioning work processes are therefore a crucial part of Mycronic's operations. One key for Mycronic's diverse operations is a structure and organisation that creates the right conditions for the various parts of our business model. This includes the whole spectrum, from continuous market analysis to product development, manufacturing operations, installation as well as service and support.



Long-term strategy, customized offering, functional support systems, financial strength and clear corporate governance are continuous processes that together with our business model help us to achieve our goals.

As an innovation and development company and as a manufacturer of advanced production solutions for electronics and display production, Mycronic plays an important role and influences a number of players, worldwide. We are committed to conducting responsible operations and act in a long-term sustainable manner, socially, economically and environmentally. Good relationships with our key stakeholders and an ability to deliver a high level of quality over time is therefore essential if we are to be successful. In order to live up to the market's and our own high standards, Mycronic works in accordance with a clear Code of Conduct, and with Group-wide values that are deeply rooted in the organization.

Read more about Mycronic's mission, values and Code of Conduct on pages 7 and 28

Offering

Assembly Solutions provides a complete offering of production solutions for high-quality electronics production.

- **SMT** includes equipment for non-contact application of solder paste, assembly of electronics components and necessary material management and storage solutions
- **Inspection equipment** with three-dimensional machine quality assurance, which ensures reliable and qualitative production processes
- **Dispensing** in the form of equipment for high-speed dispensing of solder paste, application of mounting fluids, and coating of circuit boards
- **Assembly automation** with equipment for high-precision assembly of camera modules, for example to the automotive industry, together with die-bonding systems for manufacturing optoelectronics and microelectronics

Aftermarket
Mycronic provides support services at several different levels for all production solutions in both Assembly Solutions and Pattern Generators. Service agreements form an important part of our offering and business model given that service operations ensure the performance and reliability of the production equipment we deliver to our customers. The aftermarket also contributes with stable revenue.

Pattern Generators offers mask writers that are indispensable for manufacturing photomasks. Photomasks are used by world-leading electronics manufacturers for production of the advanced displays used in mobile phones, tablets, TVs and computers, and for applications within, for example, electronic packaging.

- **Mask writer** for manufacturing photomasks that are required in the production of the most advanced displays
- **Multi-purpose**, which is a collective name for mask writers that draw photomasks for use in applications other than displays, for example, electronic packaging, touch screens, or advanced 3D structures.
- **Measuring machines** that verify and ensure the quality in manufactured photomasks

Mycronic consolidated earnings 2018

26%

Net sales growth

21%

Increase in EBIT

29%

of net sales is derived from aftermarket

1

major acquisition in the form of the American MRSI Systems

20%

increase in proposed dividend

Strategic innovation confirms our leading position

Mycronic is investing just over 12 percent of the company's net sales in research and development for the future. With about 400 employees and consultants dedicated to R&D operations, innovation work is crucial if we are to remain successful moving forward.

The clear strategic direction – to ensure innovative capacity to increase competitiveness – enables us to prioritize development efforts as a core component in the company's strategy. Mycronic's research and development work is based on Group-wide initiatives and projects, and through business area ventures. Overall, about 400 employees and project-specific consultants work with research and development activities.

Global development work

Our global development work is distributed between nine units in seven countries and includes the innovation hub at the headquarters in northern Stockholm as well as own development or with partners in the USA, France, the Czech Republic, Germany, China and Japan. During the past year, Mycronic has also set up a deep learning center in San Jose, California, together with partners. Mycronic's acquisition of MRSI Systems in the USA has further reinforced the Group's innovative capacity in the area of die bonding and flexible high-precision equipment for manufacturing electronics assembly systems. Also the most recent acquisition of a minor development company in Japan has strengthened our innovative capacity moving forward.

Innovation on several levels

To maximize the value generated by our innovation initiatives, Mycronic is working cross-functionally according to a structure that creates space for joint-platform technology development and dedicated product initiatives that further develop existing systems.

This ensures a competitive offering for the needs of both today and tomorrow.

Our reputation attracts innovative capacity

Mycronic's operations and culture has for some time been characterized by continuous development and pioneering innovation. Our reputation therefore helps us to attract and retain cutting-edge expertise that is crucial if we are to develop new systems and solutions. As an innovative company with well-established cutting-edge expertise and growth ambitions, Mycronic is constantly seeking committed and talented employees for its research and development activities, both in hardware and software.

Software solutions for the future

Software development is an important part of our strategic research and development operations. From a strategic perspective, Mycronic is pragmatic and therefore collaborates with other parties where joint development with other players favors both parties. Currently, Mycronic has more than 60 ongoing collaborations with carefully chosen operators. Several of these projects aim to develop software that is necessary for the production solutions of tomorrow.

Mycronic's research and development operations follow the Group's product development strategy, which extends over several years.

Read more about Mycronic's innovation efforts on pages 34–35

High-tech and comprehensive offering

We develop and manufacture world-leading production solutions for the electronics industry and advanced laser-based mask writers for the production of photomasks used in the manufacture of displays. With a leading market position in both of Mycronic's business areas, we are constantly endeavoring to develop our offering further.

Assembly Solutions provides a complete offering of production solutions for high-quality electronics production.

Surface mount technology
Equipment for the production of circuit boards and storage solutions. We supply, for example, the unique MY700 system for non-contact application of solder paste, the flexible assembly robot MY300 and the intelligent storage tower SMD Tower.

Inspection
Inspection solutions from Vi TECHNOLOGY for electronics of the highest quality. We offer advanced inspection equipment for three dimensional inspections of solder paste on PCBs and for mounted components on circuit boards.

Dispensing
Equipment for high-speed dispensing of solder paste, application of adhesives, and coating of circuit boards. In this area, Mycronic offers a comprehensive range of products under the Axxon brand in China and parts of Asia or under the MYSmart brand in the rest of the world.

Assembly automation
Equipment for the assembly of camera modules and die-bonding systems for the production of optoelectronics.

Pattern Generators offers mask writers that are indispensable for manufacturing photomasks. Photomasks are used by world-leading electronics manufacturers for production of the advanced displays used in mobile phones, tablets, TVs and computers, and for applications within, for example, electronic packaging.

Advanced mask writers
The new generation of mask writer systems, including Prexision-8/-10, Prexision-80 and Prexision-800 for the display industry.

Multi-purpose
The FPS series with systems including FPS6100 and FPS8100 for a range of applications, such as advanced electronic packaging and touch screens.

Mask measurement system
The new generation of measuring systems for position measurements in the production of photomasks.

Aftermarket
Mycronic provides support services for all production solutions in both Assembly Solutions and Pattern Generators.

> Mycronic's two business areas operate in various segments, but are both engaged in innovative and technology-driven operations that can benefit from shared research and development and coordinated business solutions and back-office functions

Assembly Solutions

Outcome 2018

- Order intake for 2018 increased 51 percent year-on-year to SEK 2,149 million (1,424)
- The underlying EBIT, excluding acquisition-related costs, improved significantly to SEK 125 million (19) in 2018
- Investments in product development within Assembly Solutions continued. These investments are necessary to secure future growth and competitiveness

Assembly Solutions in figures

Net sales by region

- EMEA, 38%
- Americas, 25%
- Asia, 37%

Customers

>3,000 customers in more than 50 markets worldwide

Key ratios	2018	2017
Order intake, SEK million	2,149	1,424
Net sales, SEK million	2,012	1,419
Gross margin, %	42	39
EBIT, SEK million	69	-88
EBIT margin, %	3	-6
Underlying EBIT margin, %	6	1
R&D costs, SEK million	322	280

Complete solutions that enable the electronics of tomorrow

Initiatives to further develop an already competitive offering strengthen the position of Assembly Solutions. By combining flexibility, precision and reliability, we deliver production solutions for the electronics of the future. Our ability to meet customer requirements both today and tomorrow create the prerequisites for growth and increased profitability.

Substantial and robust market

The global electronics industry is solid and is expected to continue to grow by an average of 3.7 percent per year until 2022 (Prismark, December 2018). The industry as a whole is mature and established at the same time as it is in constant change in pace with market developments. Previously it was influenced by individually strong segments, such as personal computers or mobile communication, but is now driven by developments in a number of different segments where highly reliable electronics applications are increasingly important in consumer products, industrial electronics, the automotive industry, medical technology, aviation, space and defense and security. In 2018, the global electronics industry is expected to have grown to just over USD 2,130 billion (Prismark, December 2018). Market growth and developments in the electronics industry's various segments help to boost demand in all divisions within Assembly Solutions.

Demand for advanced production systems for electronics manufacturing remains high and growth is now more balanced across different regions. Asia is still exhibiting a high growth rate and is expected to achieve annual growth of just over 3 percent for the period until 2022 even if the historically high growth rate in China is expected to slow slightly. The USA and Europe are also strong regions that are expected to demonstrate annual growth of just over 3 percent until 2022 (Prismark, October 2018).

From a broader geopolitical perspective, the established and strong electronics industry is also impacted by a general increase in prosperity worldwide and business environment changes in the form of regionalization of markets and the design of trade agreements.

Sustained consumer trends influence market developments

The rate of growth in the electronics industry is based on a number of interacting driving forces, where the needs of end users is an important factor. This is a significant trend for Assembly Solutions. End users expect increased functionality, better image quality, longer battery life and a better experience in each electronics product. Even if the price levels in different product groups may vary, increased functionality is expected to add to products while the price level remains relatively constant.

Furthermore, the importance of these consumer trends grows when an increasing number of products contain more electronics. New consumer electronics will moreover be smaller and more energy efficient while increasing awareness in both the consumer and supply chain will gradually raise demands on more efficient and responsible resource utilization.

New segments in the electronics industry, with the automotive electronics industry as one clear example, are emerging and bring with them demands for precision in manufacturing operations and assembly processes. As cars become increasingly advanced and are being equipped with more electronics, such as computers, control systems, light sources, displays, and sensors, market developments are contributing to a steadily growing segment.

Changing circumstances for electronics manufacturers

The fierce competition in the electronics industry is driving the constant pursuit of competitive advantages between players. Production systems that can satisfy market demand are therefore increasingly important.

This development is an advantage for Mycronic and we can see clearly how consumer behavior in combination with the product and market innovations from electronics systems suppliers are reflected in how our customers are developing their production systems.

Jointly, Assembly Solutions' four divisions offer a complete solution to customers as they face new challenges in manufacturing. At an overall level, this means production processes are influenced by the diversity of consumer electronics.

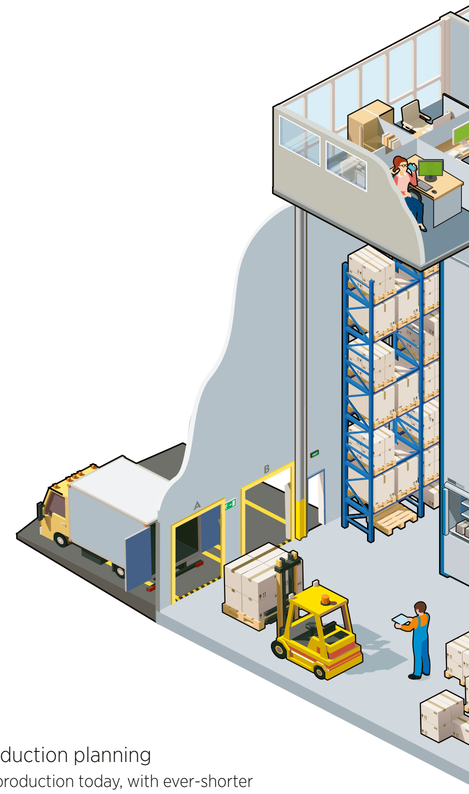
A faster path from development to finished product, and increased expectations on the manufacturers' delivery speed are examples of driving forces that are shortening production cycles in the electronics industry. The ability to quickly and efficiently manufacture pre-series and production series is a competitive advantage for manufacturers and they also therefore require flexible production solutions. In addition, the need for solutions that provide an efficient changeover of products, while maintaining productivity and high quality, is moving gradually higher up in production volumes. Overall, these demands result in production systems that are more integrated and automated with a higher degree of intelligent software support.

Positioned to achieve goals

Assembly Solutions noted strong growth in 2018 with favorable conditions for continued profitability and growth. The robust investments in recent years in the offering, combined with a number of strategic acquisitions, including this year's acquisition of the US company MRSI Systems, have given us a good position in the global market for advanced production equipment to the electronics industry.

Our installed base of more than 12,000 systems and 3,000 customers in the business area is significant and our strong market presence offers us the right conditions to further expand our aftermarket business.

Sought-after systems for a wide range of applications



Smart production planning

Electronics production today, with ever-shorter production series, requires more changeovers of the manufacturing process for new products with larger material and information flows in the factory as a result. At the same time, electronics producers are constantly striving to efficiently use both staff and production systems. This is made possible with an infrastructure that offers data-driven preparation of production data, smart production planning, optimization of production lines and a high degree of automation.

As the leading Swedish high-tech company supplying the electronics industry with high-precision, flexible and reliable production equipment, Mycronic is addressing a market in continuous change. In recent years, we have changed our position in Assembly Solutions. Historically, the main focus was on flexible SMT systems with multi-purpose functionality that was easy to changeover. Mycronic is now a supplier of complete solutions for electronics manufacturing.

Four divisions create a comprehensive offering

Mycronic is endeavoring to expand the company's addressable market, which is one reason why we are continuously broadening and strengthening our offering. We achieve this through initiatives within existing operations and through acquisitions. In the past year, Mycronic acquired the American company MRSI Systems, which manufactures die-bonding systems for high-precision assembly of opto-electronics and microelectronics.

We strive to improve the ability of our customers to maintain flexible, reliable and profitable electronics production. Mycronic's production equipment must therefore satisfy the manufacturing demands of both today and tomorrow. The continued miniaturization is driving the trend toward ever smaller components, circuit boards with higher packing densities, and new production technologies. Moreover, consumer demands on product quality and constantly improved experience at a lower price create a need for more 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 the build up of inventories. The diversity of consumer electronics is shortening production cycles, which is driving demand for production lines with efficient changeovers, a field where Mycronic is world leading.

Mycronic's customer-focused offering gathers together, in addition to comprehensive aftermarket services, many different types of production equipment within the four divisions; surface mount technology, inspection, dispensing and assembly automation. Together with our assembly process software solutions, we help to solve our customers' challenges in an increasingly complex production environment.

Surface mount technology

Within the surface mount technology division, also referred to as SMT, Mycronic offers several types of production systems for flexible and just-in-time electronics manufacturing. Our complete solutions for SMT include machine platforms for high-speed dispensing of solder paste and adhesives, for mounting of electronics components onto circuit boards, for inspection of solder paste and mounted circuit boards as well as board handling systems. In addition, storage solutions and process software comprise important elements in our complete solutions.

The market

The market for manufacturing equipment associated with surface mount technology was valued at approximately USD 4,800 million in 2018. Pick-and-place machines comprise the largest segment with sales of USD 3,070 million (Protec, January 2019). Year-on-year growth was 17 percent, which illustrates a market that is continuing to grow.

Our SMT customers are usually small or medium-sized subcontractors to both small and large electronics systems suppliers or manufacturers of their own end products. Customers are found mainly within the space, aviation, automotive, energy, medical, IT and telecom industries. Mycronic's jet printing technology has enabled us to also address high-volume manufacturers.

Our offering

Mycronic's offering in SMT includes five main areas:

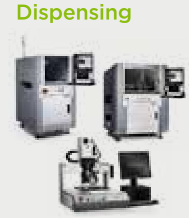
- MY700 Jet printer, a unique technology for non-contact application of solder paste to PCBs
- The MY300 pick-and-place machine offers the

Assembly Solutions offers production equipment in four divisions

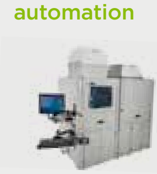
Surface mount technology

Inspection

Dispensing

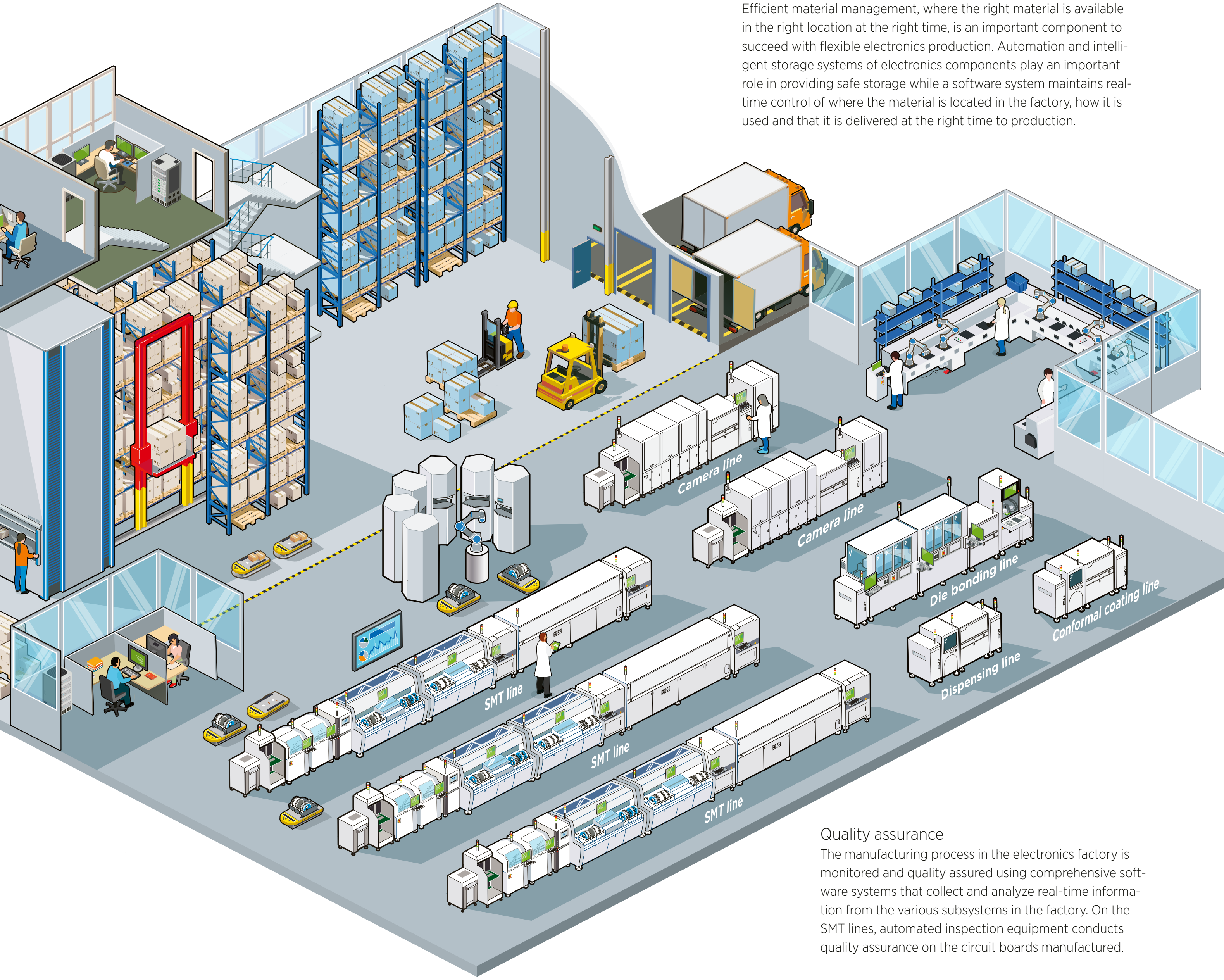


Assembly automation



Intelligent material management

Efficient material management, where the right material is available in the right location at the right time, is an important component to succeed with flexible electronics production. Automation and intelligent storage systems of electronics components play an important role in providing safe storage while a software system maintains real-time control of where the material is located in the factory, how it is used and that it is delivered at the right time to production.



Quality assurance

The manufacturing process in the electronics factory is monitored and quality assured using comprehensive software systems that collect and analyze real-time information from the various subsystems in the factory. On the SMT lines, automated inspection equipment conducts quality assurance on the circuit boards manufactured.

lowest changeover cost on the market for electronics manufacturers. With its unique design and high level of automation, it enables efficient and high-quality component placement

- Products to inspect solder paste and mounted circuit boards
- Material management systems, such as the new automated storage tower, SMD Tower 8000
- Customized process software for factories

Our software-driven complete solution Mycronic 4.0 reinforces our leading position in the flexible electronics production segment, where just-in-time production is crucial.

Traditionally, Mycronic's customers manufacture electronics with high levels of added value in small or medium volumes. Customers therefore rely on flexible equipment that can easily be changed to manufacture new products.

Inspection

As part of our offering in SMT, Mycronic provides world-leading inspection equipment that identifies defects in circuit boards during the manufacturing process and helps to improve and enhance the efficiency of production.

The market

The market for inspection equipment to the electronics industry includes systems to inspect solder paste (SPI) on PCBs, automated optical inspection (AOI) of mounted components on circuit boards and automated x-ray inspection (AXI) of circuit boards.

Our offering

The acquisition of Vi TECHNOLOGY in 2017 strengthened Mycronic's position in the market for inspection equipment. Today, we have world-leading expertise in the field and provide products in three main categories: Mycronic's K series for three-dimensional automated optical inspection of circuit boards, the PI series for advanced three-dimensional inspection of solder paste on PCBs and the software suite SIGMA Link, which provides customers with real-time information of the inspection process.

Dispensing

Mycronic provides equipment for dispensing adhesives, other mounting fluids and protective coating of circuit boards, which is important to secure the functionality of the electronic products over time and in difficult or challenging environments. The dispensing process is increasingly important in manufacturing operations and is now a natural stage in production to ensure the electronics can withstand vibrations, temperature, humidity and dirt. Mycronic's offering in dispensing was strengthened with the acquisition of Axxon, which enables us to provide a comprehensive range of products under the Axxon brand in China and parts of Asia and under the MYSmart brand in the rest of the world.

The market

The global market for dispensing is stable with sales of approximately USD 770 million in 2017 (Prismark, May 2018). Dispensing and protective coating are areas that also extend outside the manufacturing electronics industry, for example in electronic packaging.

Following the acquisition of Chinese Axxon in 2016, Mycronic is now one of the world's leading suppliers of dispensing systems and is aiming to become one of the two largest.

Our offering

The electronics we use daily 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, we can provide a comprehensive range of production equipment for dispensing and coating of circuit boards used in, for example, the consumer electronics, aviation, space and automotive industries in markets worldwide.

The product portfolio encompasses production systems with dispensing and coating robots and a broad range of applicators to dispense the various adhesives, mounting fluids and coatings used in the production of modern electronics.

Mycronic's customers can manage electronics production of existing and future products, mounting fluids and component types using the company's dispensing and coating systems.

Assembly automation

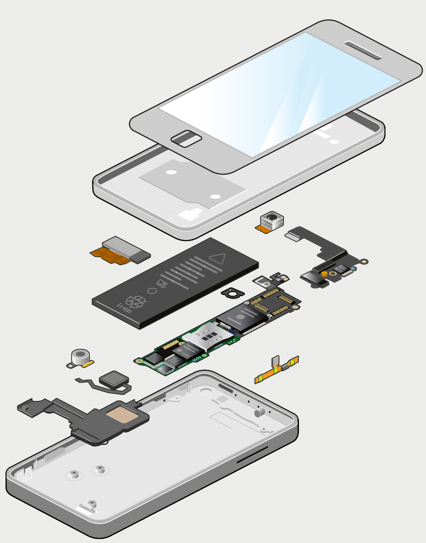
The assembly automation market has existed in the electronics industry for some time, but is becoming gradually more important. Equipment for assembly automation is used in the aviation, space and defense industries, and for camera modules to the automotive industry and life science sector where a high level of precision and reliability are crucial. The continuing miniaturization trend is contributing to rising demand in the market. Assembly automation is also important in new growth segments, such as optics. The continuing digitalization of society requires faster communication speeds, which is in turn driving the development of bandwidth through optical communication based on optoelectronics.

Robotization is contributing to the development of assembly automation. Mounting steps that were previously difficult to automate can now, thanks to advanced robots, be automated. In addition, Assembly automation is absolutely necessary from a quality perspective as components become smaller and smaller and mounting requires extreme precision if the technology is to work.

Mycronic began operating in the area in 2016, following the acquisition of American AEi. This part of the Group's operations offers automation solutions for assembly and test of highly precise camera modules. The largest customer segment here is for assembly automation to the automotive industry and automotive electronics.

Additional steps were taken in 2018 with the acquisition of MRSI, which provides die-bonding systems for the production of micro- and optoelectronics used in the telecom, defense and aviation industries and in AR/VR electronics. Other application areas include

The manufacturing processes for electronics products are changing



The manufacturing processes are changing in line with the rapid technology development of electronics products. For example, we have all witnessed the major changes in smartphones that are increasingly equipped with a variety of sensors, where high-resolution displays are standard, the processing power is increasing at the same time as products are becoming thinner and can withstand a tougher environment.

Mycronic provides many of the technologies that are completely necessary to meet industry demands for modern production equipment: advanced inspection equipment for the highest possible production yield, jet printing technology to produce electronics of the highest possible quality even for the most difficult applications, dispensing and coating robots for making the electronic component robust and flexible and precise robots for mounting electronic and optical components.

LiDaR (Light Detection and Ranging), which expands our offering to the growing market for automotive electronics.

The market

The market for assembly automation is broad and Mycronic's addressable market has grown substantially through the acquisition of MRSI Systems. Even if developments in telecom and traditional industries – the defense and aviation sectors, life science and industrial electronics – are creating the need for advanced assembly equipment through their increased focus on sensors, the market potential is expanding through growth sectors such as automotive electronics.

The market for camera modules used in advanced driver assistance systems (ADAS) is one growing part of the automotive electronics segment. In terms of the number of camera devices for vehicles, the annual average growth rate is forecast at 18 percent until 2022, with 300 million devices (Prismark, May 2018) expected to be manufactured by the end of the period, which will create a capacity need for assembly equipment.

The field of LiDaR, which relies on optoelectronics to identify, measure and analyze surroundings, is driven by developments in advanced driver assistance, and by the area of autonomous vehicles.

Within the assembly automation division, where Mycronic addresses the market through its subsidiaries AEi and MRSI, our major customers are subcontractors of electronics and subsystems, for example to the global automotive or communications industries.

Our offering

Our offering in assembly automation is designed to meet market demands for both capacity and capability. Through AEi, Mycronic can provide advanced production systems for assembly and test of camera modules, so-called CMAT systems (Camera Module Assembly and Test) that are tailored to the customers' various production needs.

In addition, we provide market-leading, flexible ultra-precise die-bonding systems for mounting optoelectronics and microelectronics through MRSI Systems.

Comprehensive service offering

The business area offers service and support to all production systems. With more than 12,000 systems in use worldwide, the company's aftermarket operations account for an important part of our business. Aftermarket activities now account for about one quarter of the business area's net sales. In acquired companies, the share is slightly lower which is why there is good potential to continue the

implementation of our aftermarket offering in these units.

The aftermarket offering in Assembly Solutions includes both preventive and traditional service and maintenance, training in local markets in the customers' production environment as well as application development, upgrades, and accessories. Aftermarket operations are being steadily developed to provide our customers with a better experience, which also contributes to stable and valuable revenue over time.

Assembly Solutions: Market opportunities

Manufacturers' pursuit of new competitive advantages in the extremly tough electronics market generates business opportunities for Mycronic. Their needs to manage a more complex production process with new component technologies is driving demand for reliable production equipment with a high degree of flexibility.

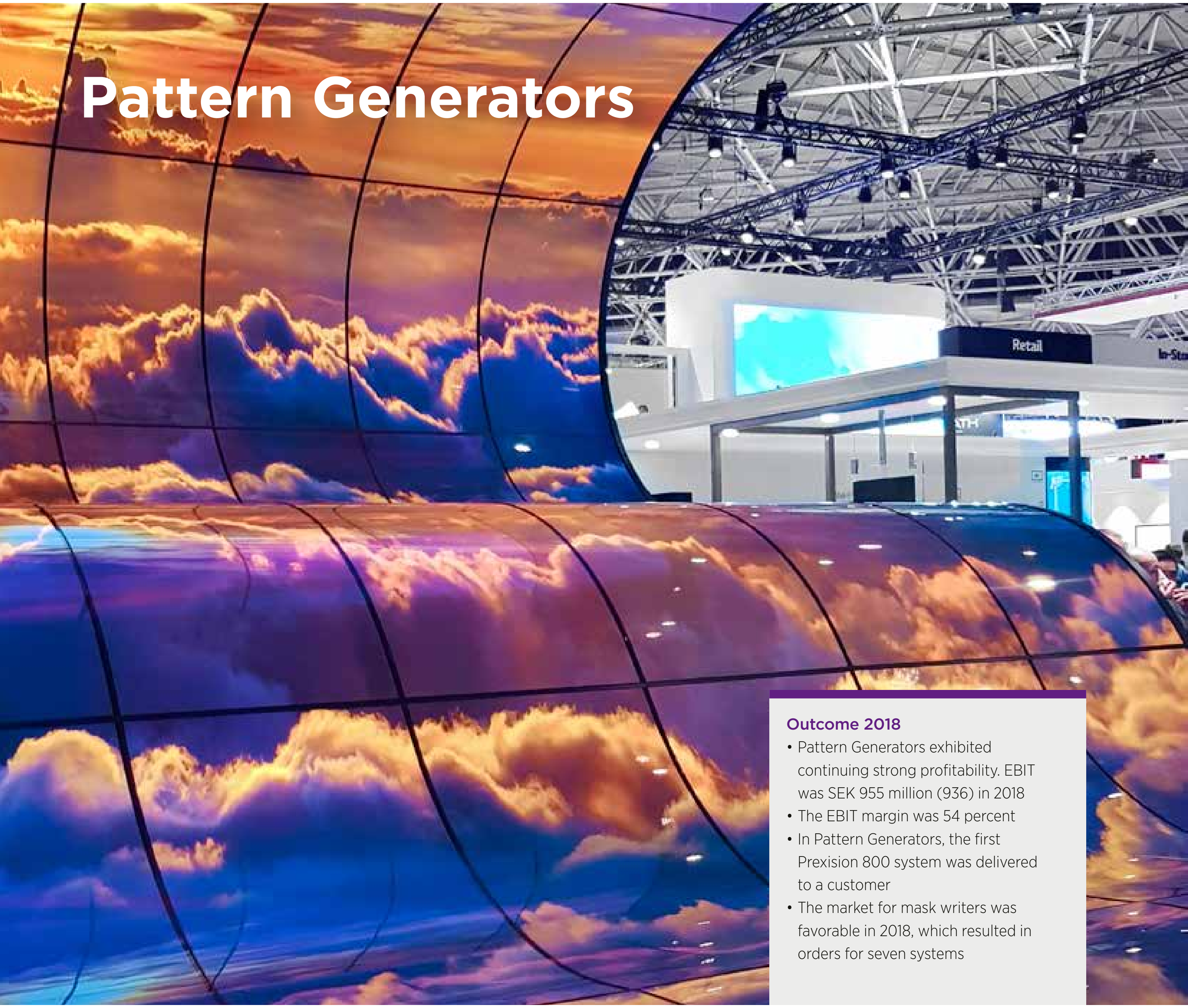
Toward greater profitability

At the end of 2018, Assembly Solutions reported stable operations and that conditions remain favorable for continued growth and profitability. The robust investments in recent years in the offering, combined with a number of strategic acquisitions, including this year's acquisition of the American company MRSI Systems, have given us the correct position in the global market for advanced production equipment to the electronics industry.

By further customizing our offering and providing modules that can be integrated into a complete solution, we can make it easier for our customers to conduct efficient operations regardless of production environment. Mycronic is continuously striving to increase the degree of intelligence in our production systems to meet the demand for factory environments that are increasingly intelligent and digital. In this area, we offer the software-based complete solution Mycronic 4.0 for the intelligent control of production.

Investments in research and development remain important for Mycronic's innovative capacity. Furthermore, our strong local market presence, with service and support operations, and an opportunity to train our customers on-site is an important factor to help our customers develop their operations.

Pattern Generators

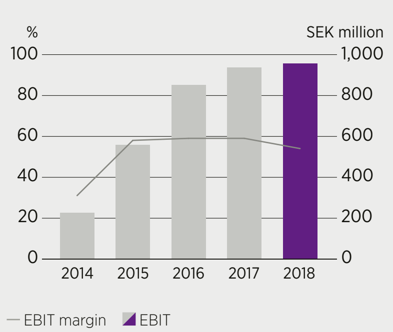


Outcome 2018

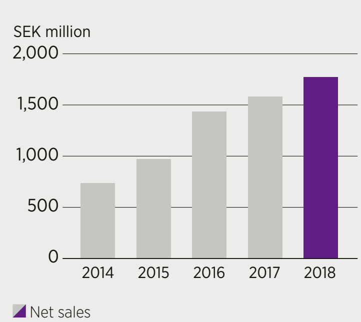
- Pattern Generators exhibited continuing strong profitability. EBIT was SEK 955 million (936) in 2018
- The EBIT margin was 54 percent
- In Pattern Generators, the first Prexision 800 system was delivered to a customer
- The market for mask writers was favorable in 2018, which resulted in orders for seven systems

Pattern Generators in figures

EBIT



Net sales



Key ratios	2018	2017
Order intake, SEK million	1,492	2,143
Net sales, SEK million	1,769	1,581
Gross margin, %	71	73
EBIT, SEK million	955	936
EBIT margin, %	54	59
R&D costs, SEK million	154	68

Consumer requirements driving demand

The Pattern Generators business area offers Mycronic a unique position as the world's sole supplier of production equipment for the advanced photomasks that are essential for manufacturing complex displays.

Mask writers that make displays possible

The market for the Pattern Generators business area is equipment for manufacturing and measuring photomasks with related service of the systems. The offering mainly consists of mask writers for manufacturing photomasks to the display industry and measurement systems that quality assure photomasks by measuring the position precision of the written pattern.

Pattern Generators also offers mask writers for the broader multi-purpose segment that uses slightly less complex photomasks, for example, in electronic packaging, touch screens and advanced 3D structures. A very important element of the offering is also service and additional products to the installed base of systems that, in addition to display and multi-purpose systems, also encompasses systems for semiconductor applications.

The business area's innovative and technically highly advanced mask writers enable a high level of productivity and also extremely high quality and precision in writing complex patterns. For Mycronic's customers, the ability to deliver increasingly advanced photomasks used in the development and manufacture of, for example, new designs of displays is crucial.

The photomask market is not directly related to the number of devices produced by the display industry. Demand for photomasks is primarily driven by technology shifts, such as the transition to AMOLED from LCD, larger displays, new types of designs for displays and increased demands on quality from photomask and display manufacturers and end consumers.

Positive momentum

The market trends for Mycronic's customers, and their customers, remains stable and positive. The growing number of applications for displays, such as in portable electronics, medical technology and in the automotive industry, is driving the general demand for photomasks.

In addition, innovations by electronics manufacturers are contributing to greater product differentiation with different display types and designs, which require new and often more photomasks to realize the product.

With these several interacting positive trends in the consumer market and a strong technology and product portfolio, Mycronic is in a good position to meet customer challenges.

Quality demands driving the market

Display users now make increasing demands on the display's quality. Greater pixel density, more natural color rendering and black, rapid response time, thinner designs, lower energy consumption and material flexibility are all consumer demands that are driving developments in displays, and also the need for advanced photomasks.

The share pf mobile phones with very high-quality displays is expected to grow from 40 percent today to more than 50 percent by 2021 (IHS, May 2018).

With the roll out of 5G, the next generation of mobile network technology, new opportunities for connection and communication will be additional factors that will drive demand for new mobile phone designs, which will have repercussions for the demands made on new models and the photomasks required to manufacture these.

Transformation of the display industry

Mask writers from Mycronic produce photomasks that are then used by all manufactures during the development and manufacturing of advanced displays.

Following a decrease in the growth rate for the display industry by 8 percent in 2018, the rate is expected to grow by 4 percent in 2019 (IHS, February 2019), which is a normalization of the strong growth rate reported by the display industry in 2017. Long-term growth of display size is expected to remain stable as global demand for more, larger and better displays increases.

The displays used today and tomorrow will increasingly use AMOLED technology, which offers better imaging and allows greater flexibility in the design of displays, such as bending and folding displays (see page 21).

The growing value of complex photomasks

Future generations of more complex displays will require more and advanced photomasks and is therefore driving demand for more advanced mask writers – which Mycronic is constantly endeavoring to satisfy.

The growth in photomasks and revenue for photomasks will primarily be in the segment for advanced photomasks with higher value. Up to 2021, revenue growth for photomasks is expected to average 12 percent (IHS, May 2018).

Assuming the growth of photomasks, with a shift toward more advanced photomasks, the investment need for global manufacturers is centered on more advanced mask writers.

Upgrading installed base

Mycronic provides support through a service organization that is close to the customer and a very large share of the installed systems have service agreements with a high level of support. To ensure a modern installed base of systems, Mycronic has also provided an attractive trade-in program since 2014. For Mycronic's customers in display applications, this entails a cost-efficient method to renew production equipment as they are offered a scalable configuration of Prexision platforms when replacing their old systems. The trade-in program is an important part of Mycronic's offering of mask writers.

The future for Pattern Generators

Pattern Generators enter 2019 with confidence.

The business area has a solid order book and with a display industry that requires a growing number of advanced photomasks and with a steady stream of emerging applications, Mycronic will continue to develop its world-leading position as a manufacturer of unique production equipment for manufacturing photomasks of today and tomorrow.

Mask writers crucial for the display industry

Strong offering addresses new market trends

The global electronics industry is undergoing a number of changes that could benefit Mycronic. As more products are fitted with one or more displays, the number of displays increases in absolute terms. But for Mycronic, the pace of development for advanced displays is more important that the volume of manufactured displays.

A general transition from LCD to AMOLED displays is taking place, driven by consumer demand for higher quality in imaging and by the products enabled by AMOLED technology. AMOLED is a more complex display technology that in turn requires more complex photomasks.

As demand increases for more complex photomasks, Mycronic's most advanced systems will be needed, such as Prexision-80, Prexision-800 and Prexision-MMS.

The average size of TV displays is growing by approximately one inch per year. The number of TV displays that are larger than 60 inches is expected to increase from 26 to 45 million between 2018 and 2022 (IHS, October 2018). The trend toward larger displays is driving demand for Mycronic's largest mask writer system, Prexision-10.

Mycronic also manufactures the multi-purpose systems, FPS6100 and FPS8100, for less complex photomasks for use in, for example, touch screens and electronic packaging.

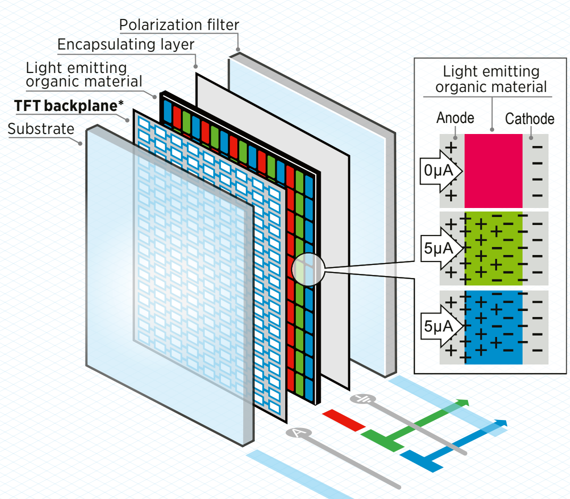
Unique expertise in photomasks

Mycronic has, over several decades, gathered together and built cutting-edge expertise in the development and production of high-tech mask writers for photomasks. Mycronic's breadth of unique expertise is required to satisfy the very high demands made by the industry on the mask writer market.

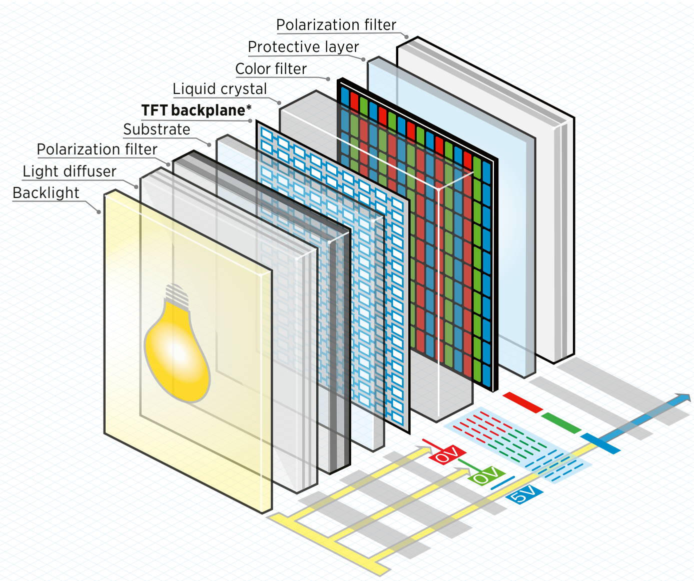
Mycronic's system can handle photomasks of up to 1,800x2,000 millimeters. The lengthy writing times of up to 2–3 days needed by mask writers to write a photomask places high demands on stable systems, a crucial quality possessed by Mycronic's mask writers.

Through long-term collaborations with customers and an advanced combination of hardware design and software solutions, Mycronic has developed profound expertise to satisfy the very high demands on production quality and stability.

Based on Mycronic's lengthy market presence, close cooperation with customers and through continuing initiatives in innovation and technical development for the photomask production in the future, the Pattern Generators business area will continue to offer unique products that satisfy the needs of customers.



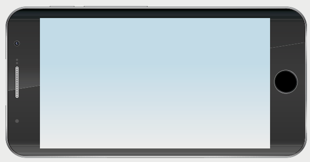
With AMOLED technology, current passes through the organic material which generates light in each pixel. This reduces the number of layers of material, which increases energy efficiency and flexibility. In the example above, current passes through a green and a blue pixel, which lead these pixels to generate light. One major advantage of AMOLED is an opportunity to create flexible displays.



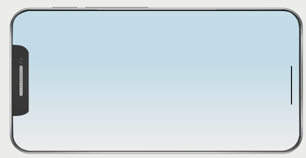
LCD technology uses background light and a regulated voltage to control the amount of light passing through each pixel. This requires several layers, which makes the displays thicker and more energy-intensive than AMOLED displays. Nor can LCD displays be made flexible, which is a major advantage with AMOLED. In the example above, a current passes through a blue pixel, which emits white light that is colored blue by the subsequent blue filter.

* The TFT backplane consists of electrical circuits that control the image.

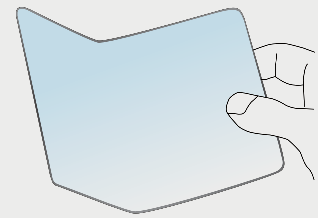
New technology: Folding and bendable displays



Until a few years ago, the front of a standard mobile phone was not only a display. Antennas along the edge, a physical mechanical home button occupied a space at the bottom of the screen and the edges of the normal LCD-based display formed a sharp and straight border.



Today, a growing number of mobile phone manufacturers are striving for a device with 100 percent display space, where functions and components are integrated in or behind the display. Many mobile phones also have a display that extends beyond the edge, which is possible using AMOLED technology. This technology also improves image quality and opens for new design factor such as rounded edges.



In the future, consumers can look forward to telephones with flexible displays built using AMOLED technology. Future generations of mobile phones may also be fitted with large folding displays.

New generation of systems for photomask manufacturing

Pattern Generators' latest generation of advanced mask writer systems comprises the Prexision-8/-80/-800 systems.

The systems manufacture photomasks for display production up to G8 size for displays in smartphones and tablets. With very high pixel density for the most advanced AMOLED and LCD displays, Prexision-80 and Prexision-800 provide unsurpassed image quality.

As the average size of today's TV displays gradually increases, demand is rising for production capacity for large displays. Prexision-10 is the only system that can write the largest photomasks (G10/11) required for the cost-efficient volume manufacturing of large, advanced displays.

Mycronic's Prexision-MMS is one of the tools used to measure the quality of the photomasks. The latest generation of measuring systems for position and quality measurements in the production of photomasks comprises Prexision-MMS G8 and G10, which have taken position measuring to a new level.

Prexision-800, a new standard for photomasks

The conditions for display development are defined by the technical capability of the mask writer and exposure equipment where the finished photomask is exposed. Over time, Mycronic's mask writers have been refined and created the Prexision-800 system, which was launched in the market in 2018 and has set a new standard for photomask production. Prexision-800 offers a new and better resolution for photomasks that opens for display models with greater pixel density and more compact circuits. The system offers display manufacturers an opportunity to improve resolution without compromising on productivity.

Prexision-800 satisfies the demands made by the new generation of exposure equipment in display manufacturing. This frees up the full capacity of the exposure equipment, which means a high and reliable level of display production.

Greater opportunities with multi-purpose

As global market leader, Mycronic has developed the FPS series with systems including FPS6100 and FPS8100, which have improved writing quality and increased productivity compared with earlier generations. The system can be customized for many different applications and production environments, such as electronic packaging, touch screen, color filter and 3D structures. The system's flexibility allows for improvements in the existing production and the development of new applications.

Service and monitoring of the semiconductor industry

Driving forces, including the Internet of Things and the automotive industry's development of new driver assistance systems and autonomous vehicles, are increasing the need and demand for semiconductors. Mycronic's installed base of systems for semi-conductor manufacturing has a high level of reliability and is an important, integrated part of Mycronic's aftermarket business. Pattern Generators continues to focus on service of these systems and is continuously monitoring market developments in the semiconductor industry.

Continuing responsibility for existing system base

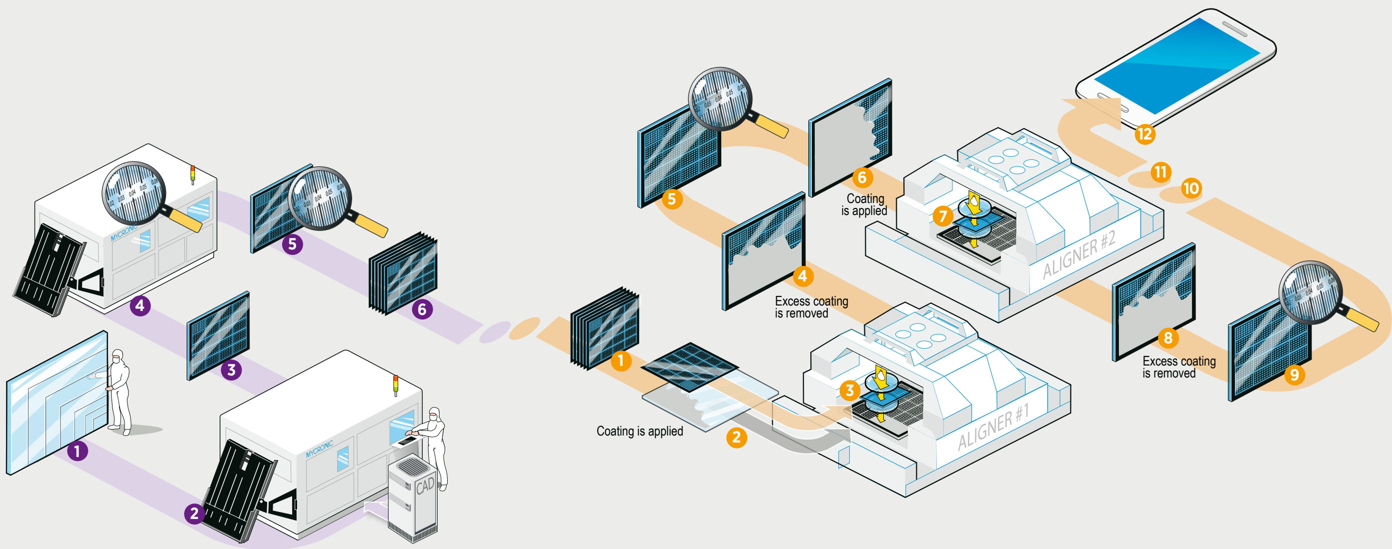
Pattern Generators provides support for all systems as a part of Mycronic's focus on reliability and high availability for the existing system base. Service and maintenance of mask writers is an important part of Pattern Generators' aftermarket offering. At the same time, the global installed base of mask writers is aging, and thereby more difficult and costly to maintain.

A cost-efficient route to a more modern mask writer is Mycronic's trade-in program, which was launched in 2014 and to-date has replaced ten systems. With approximately 30 systems older than ten years, the trade-in program is an important part of Mycronic's offering of mask writers.

The trade-in program is based on the offer of a scalable configuration of the Prexision platform when replacing the customer's older system, which means the program does not add significant production capacity.

Mycronic continuously strives to develop and improve aftermarket services. This is one important aspect of the Pattern Generators business area, which strengthens the ability to generate steady revenue. Today, more than 90 percent of Mycronic's systems are supported by a service contract. In the 2018 financial year, aftermarket accounted for about one third of the business area's net sales.

Main process steps in the photomask and display factory



Process steps in photomask production

1 Photomasks start out as high-quality quartz glass. The glass is coated with a chrome film and followed by a layer of photoresist. There are several different sizes of photomasks, of which the largest is almost 2x2 meters and used in G10/11 display factories.

2 Mycronic's mask writers expose the photomask. A laser beam writes a pattern onto the photoresist. The pattern 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. 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 Prexision-MMS is one of the machines used for quality assurance.

5 Final inspection of the photomask occurs with inspection equipment, where the pattern is checked and any defects identified for repair in repair equipment.

6 The photomask is carefully packaged and shipped to the display factory. About 10–15 different photomasks are required to produce a display.

Manufacturing process for displays

1 Photomasks from mask shops arrive at the display factory. Photomask #1 is loaded into the exposure equipment #1 (known as aligner). Photomask #2 is loaded into the exposure equipment #2, etcetera.

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 stands for 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.

Pattern Generators Market opportunities

New technologies and applications
The variation between display technologies is increasing, which is clear in established electronics segments such as mobile phones and TVs, and also in other product segments. The ongoing transition from LCD to AMOLED-based displays is clear and is driving the mask writer market.

Besides image quality, the new AMOLED technology enables physically flexible displays for new electronics products that can bend, fold together or roll up.

All advanced displays, regardless of the technology referred to, require the use of photomasks to manufacture larger volumes.

Variation in display size, design, shape and quality are often characteristics that distinguish products from a consumer perspective. Developments in the field of consumer electronics often entail a user interface based on new and more advanced displays, with smart watches as one of several examples. With an increasing number of assistance and monitoring systems in more autonomous vehicles, interfaces are also needed where the information can be presented to users. For these new areas display manufacturers are developing new display models, which increase demand for photomasks. In many cases, this also means that more complex photomasks must be produced to achieve this large variation in new display models.

Special focus on innovation
The latest and highly advanced Prexision-800 system creates new business and technical opportunities. During the development of a new mask writer, new knowledge is gained and existing skills are refined, which is a natural part of a company's research and development process.

The Pattern Generators business area strives to continuously develop technologies for new generations of mask writers to always remain in line with the requirements of the display industry. At the same time, the service offering and aftermarket services are further improved for the installed base of mask writers to provide additional customer value.

Tomorrow's solutions are being driven by a dedicated focus on innovation, where key initiatives are conducted in R&D activities. Innovation work by Pattern Generators is mainly conducted from the headquarters in Sweden, but also utilizes the expertise from Mycronic's global development centers and partners.

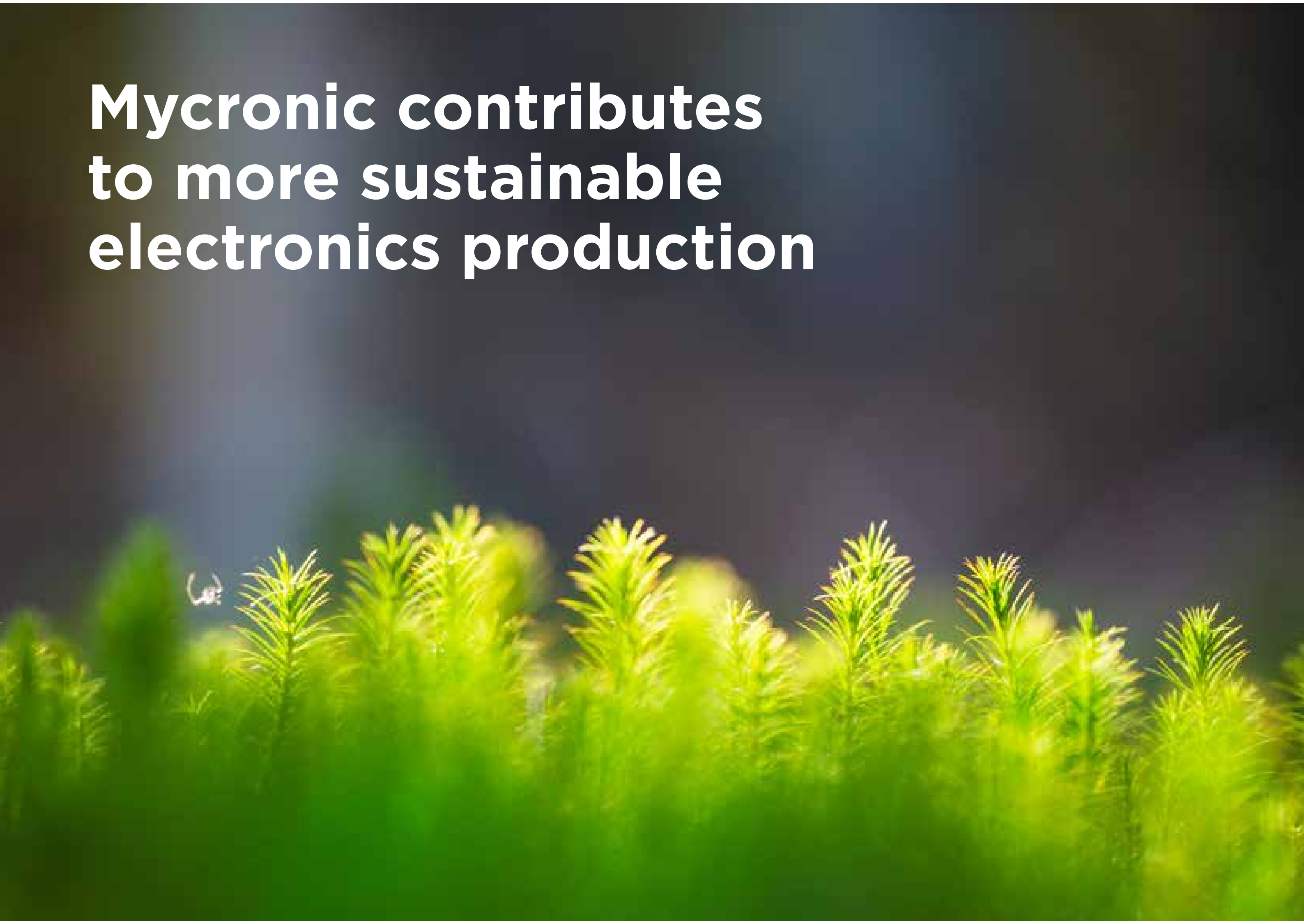
World-leading market position
Mycronic is alone in the market for advanced mask writers for displays and has a leading position in the multi-purpose segment. Our unique position in the mask writer market is largely based on knowledge, expertise and experience among our employees. Their commitment and longstanding knowledge have resulted in a powerful patent portfolio.

The combination of the challenging demands of the display industry and Mycronic's own market ambitions, make Pattern Generators to constantly assess how new expertise and technology can be added.

Greater commonality through shared platform
Through long-term and continuous progress, Mycronic is striving to reuse technology and framework between different products and services. Pattern Generators' entire offering of systems, services and solutions is as far as possible to be built using the same platform and related software, with certain distinct product differences.

A more uniform technology platform requires continued initiatives and strategic development steps. In the long term, this strategy will entail the development of new functions and performance improvements in a more cost-efficient manner.

Mycronic contributes to more sustainable electronics production



Resource use in manufacturing, choice of materials and the rising volume of electronic waste are examples of issues that are of growing importance for players in the electronics industry. We want to help our customers make the transition to more sustainable production.

Leading companies in the electronics industry are starting to integrate sustainability topics into their business operations. This places increasing demands on Mycronic and other suppliers of production equipment for electronics products and displays.

From legal compliance to role model

Mycronic's starting point is that operations are to be conducted in a responsible manner throughout the value chain. We are working purposefully to establish processes, guidelines and methods for follow-up in order to achieve this. Mycronic's internationalization through acquisitions places high demands on the implementation of Group-wide governance and follow-up within the most essential sustainability areas identified by the Group. Read more on page 27.

Our focus is first and foremost on establishing a framework to ensure legal compliance at all levels. In the next step, we aim to move sustainability topics from legal compliance and turn these into a competitive advantage. In the longer term, our goal is that customers will choose Mycronic, not only for our leading solutions, but also because we are a role model in the industry. At the same time, the growing importance of sustainability topics may have a positive impact on our opportunities to attract existing and potential employees, which is a decisive competitive factor for the future.

Reinforced sustainability organization

The Board of Directors is ultimately responsible for sustainability topics, and the CEO together with other members of Group management have overall responsibility for ensuring that Mycronic has effective governance of these issues.

To strengthen opportunities to effectively manage the company's sustainability agenda, we established an Ethics and Compliance Board (ECB) during the year. The ECB is responsible for drafting guidelines and ensuring the establishment of clear processes for effective review and follow up of compliance. Mycronic's Board of Directors receives an annual review of Mycronic's sustainability strategy and receives general information whenever necessary. Since the autumn of 2017, Mycronic has a global quality and sustainability director, who is responsible for pursuing global implementation together with representatives from the organization. The line organization has the operative responsibility for sustainability, with each entity responsible for ensuring that work is conducted in accordance with the Code of Conduct and applicable national laws and guidelines. Read more about our Code of Conduct on page 28.

Four focus areas

Mycronic focuses its sustainability work on four areas, which are deemed strategically important for our long-term competitiveness and where we can make the most difference. In 2018, responsibility for each of the four focus areas was delegated to individual members of Group Management to reinforce the basis for the crucial development and implementation efforts that are required. The division of responsibility will facilitate the integration of sustainability topics so they become a natural part of our daily work. We can also see an advantage in distributing responsibility within Group management, to reduce dependence on individuals or functions.

Sustainability goals defined

During the year, over 30 workshops were held worldwide as a means of obtaining proposals and ideas from employees on how Mycronic can improve its work in the four focus areas. This work resulted in about 500 proposals that were used in 2018 to prepare global, Group-wide goals.

The industry has a key role to play to contribute to the UN's 17 Sustainable Development Goals (SDGs). In our analysis of the contribution made by Mycronic's four focus areas, we identified that we mainly contribute to six of the SDGs.

Mycronic's focus areas and goals

Focus areas	Goals	UN SDGs
Responsible business	• Integrity in business through clear principles • Zero-tolerance for corruption • Responsible sourcing • High standards in information security	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE AND JUSTICE STRONG INSTITUTIONS
Reduce environmental impact	• Reduce energy and material consumption during product life cycle • Create competitive advantage for sustainable growth • Reduce carbon dioxide emissions • Efficient waste management	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
Social responsibility	• Attractive employer • Zero major incidents through efficient health and safety management • Increase diversity and equality • Contribute to sustainable local communities	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Enable innovation	• Innovation capacity for continued business success • Engage young people and universities to secure innovation capability • Design for reduced environmental and social impact • Offer solutions enabling a future of sustainable electronics production	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Dialogue with stakeholders creates focus in our work

A close dialogue with stakeholders is a prerequisite to efficiently understand and contribute to sustainability. In 2018, interviews and surveys were held with customers and a number of workshops were run with employees in order to obtain a picture of our key sustainability topics.

Stakeholder dialogue to set the right priorities

In order to understand how Mycronic fundamentally impacts individuals, society and the environment, and to identify risks and opportunities at an early stage, we hold regular dialogues with our stakeholders. Interaction takes place in direct dialogues and through surveys, forums and conferences.

During 2017, a comprehensive stakeholder dialogue was conducted on sustainability. The dialogues took place with customers, the capital market, employees and suppliers, and offered an opportunity to prioritize seven of 25 listed sustainability topics that Mycronic will focus on moving forward. These dialogues were supplemented in 2018 with information from stakeholders for the acquired companies AEi, Axxon and Vi TECHNOLOGY.

The stakeholder dialogues showed that some of the most important topics for customers are product quality together with product develop-

Value chain

	 Product development	 Sourcing	 Manufacturing
Sustainability topics	• Innovation capacity • Energy consumption • Material consumption • Information security • Attractive employer • Diversity and equality	• Responsible sourcing (includes human rights and labor law) • Business ethics and anti-corruption	• Reduced carbon dioxide emissions • Efficient waste management • Efficient health and safety management • Diversity and equality • Attractive employer
Value creation	• Develop production equipment that enables a decrease in adverse environmental impact and fulfill customer needs and demand	• Support global efforts to strengthen human rights and labor law and reduce environmental impact	• Attractive employer • Reduced environmental impact, contribute to local communities by providing jobs, health and safety at work, increased diversity and equality
Risks	• If product development does not meet customer expectations or legal requirements	• Of suppliers do not fulfill Mycronic's demands on ethics and responsibility, including human rights, labor law and efforts to reduce environmental impact	• If production processes do not satisfy our demands on health, safety, environmental impact and legal compliance
Risk management	• Reduce hazardous substances • Develop energy-efficient solutions • Close customer collaboration • Safeguard legal compliance and customer requirements • Assess environmental impact of all production units	• Risk assessment in supplier evaluation • Follow-up of supplier code • Supplier audits	• International implementation of management system • Systematic health and safety efforts • Assess environmental impact of all production units
Ability to influence	• High	• Medium/high	• High

ment and innovation. Economic value creation, energy efficiency and business ethics are other highly prioritized topics. The top priorities for employees are working conditions and work-life balance. Product quality is also a key topic for employees. The most important topics for suppliers are product quality, product development and innovation as well as economic value creation. The capital market prioritizes business ethics, economic value creation and human rights in the supply chain.

Materiality analysis focuses work

In order to validate the results of the stakeholder dialogues and determine the most important sustainability topics for Mycronic in future years, the company conducted a materiality analysis in 2017 together with Group management and other key functions. During the first half of 2018, the results of the materiality analysis were used as supporting documentation in drawing up an updated sustainability strategy.

After examining the results of the updated stakeholder dialogues, new discussions took place at the end of 2018 with management about the company's sustainability priorities, and these confirmed the current sustainability strategy, including focus areas.

The result includes 12 key sustainability topics grouped into four overarching focus areas. Compared with earlier materiality analyses, the new analysis entails minor adjustments to provide a more correct and transparent picture of the company's impact on sustainable development.

A detailed presentation of this year's stakeholder dialogues is available in the GRI Appendix.

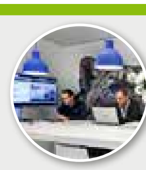
Mycronic's sustainability topics

Responsible business
- Business ethics and anti-corruption
- Responsible sourcing
- Information security

Reduce environmental impact
- Energy consumption
- Material consumption
- Reduced carbon dioxide emissions
- Efficient waste management

Social responsibility
- Attractive employer
- Efficient health and safety management
- Diversity and equality
- Positive contribution to local communities

Enable innovation
- Innovation capacity

Transportation	Sales	Product use	End-of-life treatment
• Reduced carbon dioxide emissions • Responsible sourcing	• Business ethics and anti-corruption • Information security • Attractive employer	• Reduced energy consumption and thereby reduced indirect carbon dioxide emissions	• Efficient waste management
• Meet customer requirements for fast delivery with minimal negative environmental impact	• Increase transparency in the sales process, strengthen checks when signing agreements as a means of reducing the risk of corruption, ensure compliance with the Code of Conduct	• Deliver production equipment with a high degree of efficiency and low adverse environmental impact	• Reduce environmental impact through responsible waste management and decreased volume of hazardous waste
• Carbon dioxide emissions • Risk of deviations from the Supplier Code of Conduct • Risk of infringement of laws and regulations	• Risk of infringement of Mycronic's guidelines for exports • Risk of corruption and unethical behavior • If deliveries do not meet customer expectations	• Product safety risks • Indirect carbon dioxide emissions related to energy consumption	• Risk of hazardous waste • There is a lack of processes for waste management (locally)
• Based on the customers' desired delivery time, select transport to minimize negative environmental impact • Implement and monitor the Supplier Code of Conduct	• Continuously improve our policies, processes and training initiatives	• In sales work, offer customers energy-efficient solutions	• Clear information about waste management for equipment • Provide customers with solutions for waste management
• Medium	• High	• Medium	• Low

Focus areas

Responsible business

Our operations are to be conducted in a responsible manner in the parts of the value chain we can control. During the year, we set up an Ethics and Compliance Board as a means of further strengthening governance.

With seven acquisitions and annual growth averaging more than 30 percent over the past five years, Mycronic's sales have increased from almost SEK 1 billion in 2013 to SEK 3.8 billion in 2018. This growth journey has entailed a challenge for the organization in implementing and following up guidelines at the same pace to ensure that all activities in the value chain are managed in accordance with Mycronic's requirements and expectations.

Group-wide guidelines for business ethics

During the year, Mycronic's Code of Conduct was updated as a means of ensuring the inclusion of relevant sections of the Responsible Business Alliance's Code of Conduct. As a result, sections concerning human rights and labor law were strengthened. The update also reflects the content of the UK Modern Slavery Act. Together with Mycronic's values, the Code of Conduct provides clear guidelines for employees and external consultants. In 2019, the updated Code of Conduct will be communicated and implemented throughout the organization. The Code of Conduct is part of Mycronic's induction process for new employees and consultants.

Anonymous whistleblower function

In order for employees and external partners to safely report suspected irregularities, an anonymous whistleblower function exists managed by an external law firm, where observations about conditions that violate the Code of Conduct can be reported. In 2018, one matter was reported, which was thoroughly investigated by external experts without detecting any irregularities.

Ethics and Compliance Board strengthens governance

During the year, Mycronic set up the Ethics and Compliance Board (ECB) as a means of strengthening the Group's work with business ethics. The ECB comprises six members of Group management together with a legal expert. The CFO leads the work of the team. The ECB is responsible for ensuring clear guidelines for business operations and processes for efficient auditing and follow-up of the organization's compliance with guidelines. The ECB also supports the line organization, which is responsible for ensuring that approved guidelines are followed in day-to-day operations.

During the year, the ECB conducted a review of the sales process to identify and manage risk. The ECB also used spot checks to assess compliance with policies and guidelines. Furthermore, the ECB prioritized the sustainability topics in the area of responsible business that will be the subject of increased focus in the near future.

Responsibility in the supply chain

Mycronic has some 900 suppliers and the value of the products it purchases each year is substantial. About half of the value pertains to direct materials in the form of metals, composites, stone, plastic and electronics.

An initial analysis of the company's suppliers, which was conducted in 2017–2018, shows that approximately 70 percent of purchased value is from suppliers who are based in countries where the potential risk of corruption is low. In other countries, the risk is greater of violations of human rights or challenges in the field of labor law.

In 2017, Mycronic introduced a separate and enhanced Supplier Code of Conduct that includes human rights and labor rights, occupational health and safety, environmental conditions, conflict minerals and anti-corruption. In 2019, Mycronic's supplier code will again be updated to correspond to the latest strengthening of the Group-wide Code of Conduct. It will be adapted for implementation at, for example, Mycronic's acquired company Axxon, whose suppliers are relatively small and local in China. The implementation began in 2019 aimed at ensuring that all of the Group's new suppliers will sign the updated Code. As of 2018, Mycronic also requires new suppliers of direct materials to be certified in accordance with ISO 9001.

Conflict minerals are an important social and ethical issue for the electronics industry. Mycronic is therefore working to map the supply chain. This analysis has begun to gain a picture of how large a share of the metal raw material that is derived from certified smelters. The analysis will be an ongoing initiative that will in the longer term provide a picture of how much of the metal raw material is recycled material and how much is from mines.

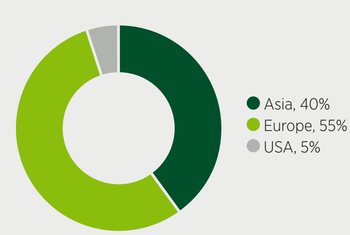
Anti-corruption and responsibility in sales

Through its subsidiaries, agents and distributors, Mycronic is active in some 50 countries. Transparency International considers the risk of corruption to be high in a number of these countries, for example in China and Russia.

Mycronic's distributors and agents confirmed compliance with the Code of Conduct in 2017–2018. Most of the new distributors and agents included in the acquisitions of recent years have confirmed that they comply with the Code of Conduct. The remainder will be part of a repeated confirmation process to be conducted in 2019 following the drafting and distribution of a separate Code of Conduct specifically targeting agents and distributors.

Today, Mycronic already has rules in place to ensure that we deliver products to countries and customers in accordance with prevailing law. In line with Mycronic's internationalization and increased legislative requirements and

Geographical distribution of suppliers



> In the next step, we aim to expand responsibility to leverage a more sustainable approach to conducting business – we want to transition the focus area from legal compliance to business opportunity

trade barriers, Mycronic is planning to further strengthen controls by clearly including a social and environmental perspective in the process of assessing customer risk.

Strategic importance of information security

Information and communication technology entail both opportunities and risks for Mycronic's ability to achieve its goals. The company has therefore conducted significant investments in IT systems in recent years. This included the implementation in 2017 of a system that enables reliable and efficient distribution of product data within Mycronic's global organization throughout the product's life cycle. In 2018, implementation also began of a global HR management system. Mycronic has a properly functioning IT structure to continue to meet the EU General Data Protection Regulation (GDPR) which came into force on May 25, 2018.

Prioritized IT systems are examined from a security perspective at regular intervals by external experts, at least every other year. Following acquisitions, external specialists review IT security and the results of the review combined with Mycronic's own guidelines form the basis for how the acquired company is to be integrated into the IT structure.

Goals

- Integrity in business through clear principles
- Zero-tolerance for corruption
- Responsible sourcing
- High standards in information security

2019 Objectives

- 90 percent of Mycronic's employees participated in a global training program in business ethics and information security
- Improved control of the sales process through distributors and agents
- Global implementation of the Supplier Code of Conduct, focusing on critical suppliers

Three questions to Torbjörn Wingårdh, CFO with responsibility for the Responsible business focus area

How can the Responsible business focus area strengthen Mycronic's business?

Responsibility in our business is a prerequisite for being competitive. In the longer term, I believe we can transition this into a strategic competitive advantage, where our customers choose us because we are a role model.

What are the main challenges?

Our financial growth rate has been very high in recent years, and we must ensure that we draw up, implement and follow up our guidelines consistently in all markets. We must first of all ensure legal compliance. In the next step, we aim to expand responsibility to leverage a more sustainable approach to conducting business – we want to transition the focus area from legal compliance to business opportunity

What is your main focus for work in 2019?

In 2019, we will focus on monitoring the implementation of the new Codes of Conduct and ensure that all guidelines are well established within the Group. We will also engage in dialogue with the line organization about its work and planning of forthcoming training initiatives.

Focus areas

Reduce environmental impact

As a global supplier to the electronics industry, we impact the environment in several ways and continuously strive to identify and manage environmental impact in the value chain. The focus is on carbon dioxide emissions, energy consumption, material consumption and waste management.

Mycronic applies a precautionary approach and works with preventive measures to reduce or eliminate negative environmental impact. Environmental risk is handled in accordance with applicable environmental legislation and international guidelines.

The greatest impact on the environment is indirectly from the use of our products. The single largest source of carbon dioxide emissions is from lasers in our mask writers, which consume large amounts of energy. Since 2017, the company is running a project to identify and assess more energy-efficient lasers for mask writers.

The transportation of products and materials and business travel also contribute to the carbon footprint at several stages of the value chain. As a means of reducing carbon dioxide emissions, we continuously evaluate greener forms of transportation, such as sea freight instead of air freight for the transportation of products and materials. We are continuously investing in equipment and services for digital meetings and our employees are encouraged to use these to reduce the number of business trips.

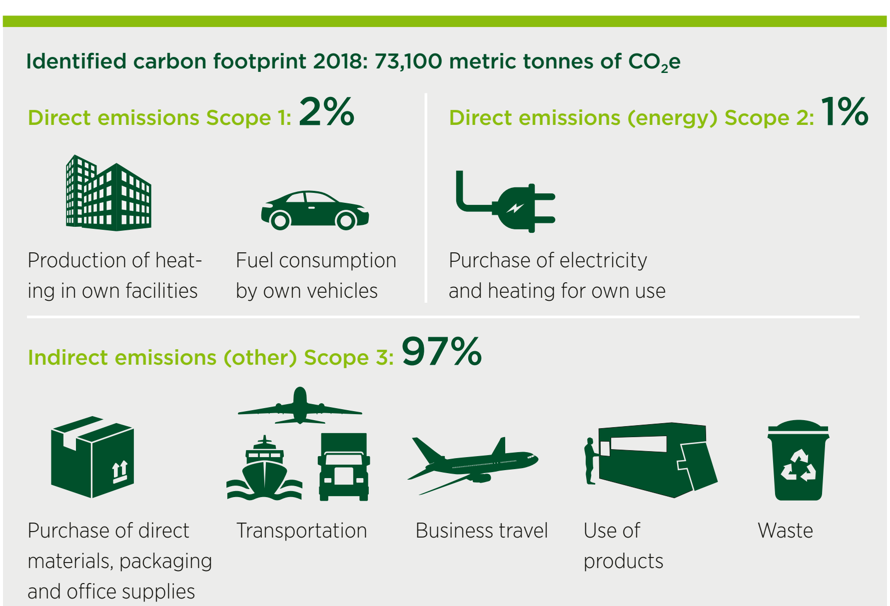
Part of the environmental impact is from the use of materials in Mycronic's products. The products contain metal, stone, plastic, glass, batteries and electronics. A small amount of chemicals is used in manufacturing. Efficient material use helps to reduce carbon dioxide emissions, produce less waste and decrease the risk of emissions from incorrect handling.

Environmental management to reduce environmental impact

The global management of environmental efforts is achieved through the implementation of our integrated management system for quality and environment and through certifications. The aim is to certify all manufacturing sites in the Group, a total of six units, in line with ISO 14001 and ISO 9001. At the end of December 2018, three of these were certified according to ISO 14001 and four to ISO 9001. The training of employees in the company's environmental considerations takes place through the Code of Conduct and our corporate quality and environmental policy. At the end of 2018, this policy was reworked to make it easier to communicate globally. The implementation will take place at the beginning of 2019, electronically and through management and the intranet. Environmental demands on suppliers are addressed in a special Code of Conduct for this group.

The overall responsibility for environmental issues rests with the company's quality and sustainability director. There are also environmental and chemicals coordinators at larger manufacturing sites. Environmental topics related to individual products are managed by product owners.

Corporate environmental goals were established at the end of the year. The goals focus on carbon dioxide emissions, energy consumption, material consumption and waste management, and aim to contribute to the UN 2030 Agenda – Goal 12: Responsible consumption and production and Goal 13: Climate action.



Focus on direct and indirect carbon dioxide emissions

Based on the impact in the value chain, we strive to reduce both direct and indirect emissions. Total carbon dioxide emissions in 2018 were 23 percent higher than in 2017, and amounted to 73,100 metric tonnes of carbon dioxide equivalents (CO_2e). The difference is due to an increase in scope, meaning the inclusion of Axxon, AEi and ViT units. For comparable units, carbon dioxide emissions have decreased.

Direct carbon dioxide emissions (GHG Scope 1) amounted to 1,500 metric tonnes of CO_2e during the year, compared with 500 metric tonnes of CO_2e in 2017. The increase is due to the addition of units. For comparable units, direct carbon dioxide emissions have decreased.

Indirect carbon dioxide emissions (GHG Scope 2) amounted to 900 metric tonnes of CO_2e, compared with 600 metric tonnes of CO_2e one year earlier. Energy consumption in own operations primarily derives from electricity consumption and heating of office and production spaces. The increase stems from the addition of units. For comparable units, indirect carbon dioxide emissions have decreased.

The greatest impact from carbon dioxide

> In order to ensure that future product generations have a smaller environmental footprint, relevant environmental demands are identified when designing new products.

emissions is from use of our products at customer sites, particularly mask writers where lasers are highly energy-intensive. Approximately 75 percent of the total identified carbon dioxide emissions in 2018 stemmed from energy consumption in the use of products. Other indirect carbon dioxide emissions (GHG Scope 3) amounted to a total of 70,800 metric tonnes of CO_2e, compared with 58,000 metric tonnes of CO_2e in the preceding year. In addition to energy consumption in the use of products, some emissions are from transportation and materials use. The increase stems from the addition of units. For comparable units, other indirect carbon dioxide emissions have decreased.

Smart material and energy use to improve product quality

Several types of material with differing degrees of environmental impact are included in Mycronic's products – metals, such as stainless steel, aluminum and titan; stone, such as diabase; plastic; glass; batteries and various types of electronic components. Production also requires chemicals that are classified as hazardous to health or the environment. These include process chemicals that are necessary in the manufacturing process and chemicals that are included in products, such as adhesives and fats.

In order to ensure that future product generations have a smaller environmental footprint, relevant environmental requirements are identified when designing new products. Each product owner is responsible for including environmental considerations in the design, development and production of products. A structure with procedures and check lists to guarantee product quality, including environmental impact, is being implemented.

In 2019, we will improve our supervision of the content of our products by implementing a tool for material declaration. One of the benefits is easier control of compliance with the EU RoHS directive. This legislation aims to restrict the use of dangerous substances in electrical and electronic equipment, and will apply to sales of our product category in Europe in July 2019. Several projects are ongoing in the Group to ensure that all of our product families are compliant with the RoHS directive.

The work toward increased energy efficiency includes reducing energy consumption of products and solutions. Based on an estimate of electricity consumption in the installed product base, energy consumption in 2018 amounted to 119 GWh. To reduce energy consumption in the use of products, we initiated a project that will replace existing lasers in mask writers with more energy-efficient laser technology. The project aims to reduce energy consumption in mask writers while retaining writing performance.

Efficient waste management

Waste is created during product development, testing, assembly and packaging of systems and spare parts, in office activities and when scrapping systems at customer sites.

Mycronic is working with waste recovery in large parts of its operations. A minor portion of waste goes to energy recovery and landfill, where the natural stone diabase comprises the main portion. Certain electronics as well as some systems are refurbished and upgraded for resale.

To encourage customers to recycle and scrap products in a responsible manner, we offer to take back some equipment. Manuals are available that describe how to dismantle and recycle products and how to scrap the product in a responsible manner, in line with the EU Waste Electric and Electronic Equipment directive (WEEE). The manuals are also available for products sold outside the European market.

Goals

- Reduce energy and material consumption during product life cycle
- Create competitive advantage for sustainable growth
- Reduce carbon dioxide emissions
- Efficient waste management

2019 Objectives

- Improve the process to ensure that products fulfill environmental requirements
- Establish and execute a plan to reduce carbon dioxide emissions related to facilities, transportation and business travel
- Improve waste sorting and recovery at the major sites

Three questions to Lena Båvegård, Sr VP Operational Excellence with responsibility for Mycronic's Reduce environmental impact focus area

How can the Reduce environmental impact focus area strengthen Mycronic's business?

Work focusing on our key environmental issues will increase confidence in Mycronic and we can become a trusted partner for our customers in their sustainability efforts. This will make us more competitive, strengthen our brand and increase customer satisfaction and profitability. Another positive effect of focused work is to increase our opportunity to sell in all markets, despite ever-increasing environmental demands.

What are the main challenges?

Challenges include reducing a product's energy consumption, enhancing the efficiency of transportation and making necessary transportation more environmentally friendly. Another challenge is to find reliable metrics for environmental impact in light of the strong growth we have experienced over several years.

What is your main focus for work in 2019?

To improve data collection within the Group, in scope and quality, to obtain more reliable metrics concerning our environmental impact. One important element is to continue the roll out of our global environmental management system. I will also pursue efforts to establish our sustainability strategy worldwide, which will include the launch of shared goals for the whole of Mycronic.

Focus areas

Social responsibility

We look upon social responsibility as a means to strengthen our operations and achieve competitive advantages. During the year, we continued to introduce clear career paths, to strengthen the attractiveness of critical professional roles.

Employees are the source of our innovation capacity. At the end of 2018, Mycronic's workforce included more than 1,200 employees in ten countries of which a significant share work in research and development. Local representation in our main markets offers us an advantage. An international company that has grown rapidly is naturally also facing challenges in terms of time zones, culture and differences in business practice.

Mycronic has a global human resource strategy, which aims to secure long-term skills supply and ensure that we offer a safe, inclusive and healthy place to work. Identified risks linked to the Social responsibility focus area include a shortage of unique expertise, risk of unethical behavior and health and safety risks. After several years of methodical work, we have successfully reduced a number of these risks.

Digitalization of HR system

During the year, we have further developed global digital procedures and processes for talent and succession planning, salaries and compensation. Next year, we will continue with digitalization and include areas such as recruitment and goals and goal achievement.

Diversity strengthens our capacity

Diversity is a prerequisite for creating a good foundation for continued profitability. We are working systematically to recruit employees with different personalities, background and knowledge. Mycronic has a diversity policy. In 2019, all countries will further develop their local action plans based on the diversity policy, work that will be followed up by the Group's HR unit. In 2019, we will roll out a training program for all employees about the advantages of diversity in the workplace. In addition, during the year we will gain a better insight into the flow of applicants in recruitment via our new HR system.

Since 2014, the company has worked relentlessly to become a workplace with a more even distribution of women and men, where the Swedish operations created a number of measurable goals in 2014 with respect to gender distribution at various levels. At the end of 2018, the figures indicate a slight increase in the percentage of women managers but a slight decrease in the percentage of women employees. Moving forward, Mycronic will monitor developments in gender distribution at a global level. By 2023, the goal is that 25 percent of all managers and 20 percent of all employees will be women. In 2018, the percentage of women managers and employees was 17 and 18 percent, respectively. In, for example, research and development, gender distribution between managers in Sweden is an exemplary 50/50.

Continuous development of employees

Most of our skills development takes place through internal knowledge transfer and activities such as job rotation programs. We have set up a global knowledge network as a means of disseminating and developing know-how within our product areas.

In California, Mycronic and two partners established in 2018 a Deep Learning Center focused on deep learning and artificial intelligence. The center provides an opportunity to quickly build expertise by collaborating with specialists in a network. Employees from around the world will be stationed at the center, for a shorter or longer period.

During the year, work continued on the introduction of career paths for engineers, to strengthen our attractiveness among an expertise that is critical to our business. The career paths will clarify the development stages available for this category of professionals. The initiative began in 2017 in research and development and the goal is that global career paths for all of the organization's engineers will be included over the next few years. In 2019, Pattern Generators will roll out its program globally and career paths will be introduced within Assembly Solutions and Operations.

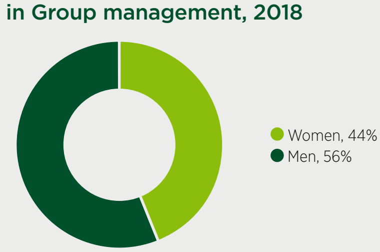
All managers within the Group conduct annual employee development plan talks. The talks are used as a basis to prepare individual development plans. In these discussions, each employee can reach an agreement with their manager about the qualifications needed in the short and longer term so skills development can be adapted to the company's strategy and employee's development plan.

During 2019, Mycronic will introduce digital support for the process of employee development plan talks.

25

By 2023, the goal is that 25 percent of all managers and 20 percent of all employees will be women.

Percentage women/men in Group management, 2018



The goal is that neither gender is to represent less than 40 percent of Group management.

> Mycronic is to be a safe and secure workplace, with exciting technology. We have excellent conditions to create a stable foundation for future innovation and development work

Safe and healthy workplace

Mycronic's aim is that no employee is to suffer from illness or injuries due to their work. In order to be an attractive employer, we believe it is a competitive advantage to provide help with physical, ergonomic and psychosocial initiatives. In Sweden, preventive health and safety efforts are focusing on psychosocial work environment factors. Training is provided in, for example, stress management, support for finding a balance between work and private life, certain treatments in conjunction with illness or stressful life situations. Some of this training is available globally and it will continue to be implemented further.

Mycronic is planning to become health and safety certified in accordance with ISO 45001 at major sites in the coming years. Thereby we ensure systematic health and safety procedures focused on reducing and preventing risks in the workplace.

Employee engagement survey

Every second year, a global employee engagement survey is held, the latest in November 2018. Several acquisitions have been completed since the last survey in 2016 and the number of employees has increased 120 percent. The topics covered by the survey are, however, exactly the same now as then. The response rate was 79 percent in 2018. Work to draw up an action plan based on the results at local and global level has begun. The focus is on both organizational strengths and areas with potential for improvement. The follow-up of plans and activities will take place at the end of 2019.

Employer branding and our contribution to local communities

We believe an active contribution to the local community where we operate strengthens employee commitment and our own brand. This helps to make us an attractive employer and creates meaningful local collaborations. In 2019, we will create a global strategy to contribute to local communities where we conduct operations, and include a company policy for sponsorship.

To secure our future skills supply, we are also making more young people aware of technology and IT. During the year, we offered eight secondary school students in Sweden four months of work experience through the Tekniksprånget internship program. In Sweden, we also cooperated with Hello World, a non-profit organization that holds camps for children and young people to raise interest in various technology professions. In December, 40 children and young people between the ages of 8 and 14 visited us and programmed, performed mathematical calculations, tested various programming languages and worked on an exciting robot project. During the year, we were also listed among the 2018 "Career Companies" by Universum in Sweden.

Three questions to Anette Mullis, Sr VP Human Resources with responsibility for the Social responsibility focus area

How can the Social responsibility focus area strengthen Mycronic's business?

We are continuing our journey in terms of social responsibility. Initially, HR will work together with our international colleagues, in projects and by creating common global processes, where this is possible, taking into account local requirements. We wish to increase diversity, by recuiting according to our diversity policy, and work together with local communities where we have business operations. By stating that Mycronic is to be a safe and secure workplace, with exciting technology, we mean that the right conditions are in place to create a stable foundation for future innovation and development work.

What are the main challenges?

To continue to attract and retain the right talent for Mycronic.

What is your main focus for work in 2019?

To work with skills development for employees and managers. The introduction of system support for goal and development plans offers us an opportunity to improve the follow up of performance and development commitments between managers and employees.

Goals

- Attractive employer
- Zero major incidents through efficient health and safety management
- Increase diversity and equality
- Contribute to sustainable local communities

2019 Objectives

- Perform global training for health and safety, diversity and preventive stress management
- Provide stimulating work opportunities within our global technology company
- Establish global strategy on how we can contribute to local communities

Focus areas

Enable innovation

During the year, Mycronic was granted almost 50 new patents worldwide. The key to this is an efficient innovation process and corporate culture that stimulates innovation, access to cutting-edge expertise in strategic areas and innovative collaborations with customers, partners and universities.

Investments in the next generation of solutions are driven by market demand for feature-rich and sustainable products. The challenge is to launch new and innovative solutions of higher quality and at lower prices at the right time. Sustainability is integrated at the design and development stage with the aim of developing value-creating solutions for people, society and the environment. One example is our strategic efforts to optimize energy and material use in products.

A high level of technological content in products and services places high demands for technical and business innovation. Preserving and developing this innovative culture that has been built up over forty years is essential. This includes encouraging new ideas and having the courage to think outside the box, to find synergies in experience and innovative approach, and to have the ability to make quick decisions.

The development and manufacture of products requires cutting-edge expertise in several fields, including high-precision movements at the nanometer level 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, alignment algorithms, precision mechanics, and process optimization.

Strategic collaborations with customers, partners and academia are an important part of daily innovation work. A deep understanding of the industry is needed to follow and understand future customer needs and possible solutions. In the same manner, collaboration with academia offers an insight into technological solutions that will serve as a basis for future products. These collaborations together provide a strong foundation for future product development.

Innovation process based on longstanding experience

At the end of December, some 400 employees and consultants were part of our research and development operations (R&D).

The annual R&D budget amounts to approximately 12–15 percent of net sales and

” Strategic collaborations with customers, partners and academia are an important part of daily innovation work

is governed by the development plan for each product area. Mycronic's innovation process has evolved over many years and helps us to objectively appraise innovations. With nine units, two of which are development collaborations, spread across seven countries on three continents, we are well prepared to develop new innovative solutions and add new functionality to existing solutions. We make it easier to rapidly move from idea to concept through our own laboratories and simulators and through a number of smaller innovation laboratories built by us for the rapid development and testing of new ideas.

Strategic and long-term collaboration with other players in the electronics industry takes place through trade organizations, such as iNemi. Our geographical proximity to top universities around Boston, Grenoble and Shenzhen, several Swedish technical universities, the closeness to the Fraunhofer Institute in Germany and the Research Institute of Sweden, also contributes to innovative collaboration and is a good source for recruitment.

In 2018, the company established new global goals to enable innovations. The goals and innovation work the company is pursuing also support the UN 2030 Agenda, in particular Goal 9 for Industry, Innovation, and Infrastructure.

Growing patent portfolio forms basis for future product development

In 2018, almost 50 new patents were granted worldwide. At the end of December, the Group had more than 500 patents.

Several new collaborations were launched during the year, including an initiative together with two partners in the electronics industry – a Center for Deep Learning in electronics (CDLe) in San Jose, USA. The center provides an opportunity to quickly build expertise in a network by collaborating with specialists. Employees from around the world will be stationed at the center, for a shorter or longer period. The initiative is just one example of an ongoing collaboration that helps to strengthen Mycronic's capacity for innovation.

We are regularly involved in various non-profit organizations as a means of strengthening the interest in technology among children and young people. For example, in March 2018 the company hosted IGE day (Introduce a Girl to Engineering) for the second time. The event is organized by the non-profit organization Womengineer. Some 20 girls, aged 14 to 15, visited Mycronic in Täby near Stockholm and tried out different technical tasks, for example in our laboratories for logistics and mechatronics. Another occasion was the seminar we organized in May 2018 on the theme of research and development, where students in the ninth grade at Vallatorp school in Täby presented their contribution to the innovation competition First Lego League – Lego® Mindstorms® of robots that they had built themselves. Employees have also lectured at local schools and supported students in various electronics labs.

Three questions to Johan Franzén, Sr VP Research & Development with responsibility for the Enable innovation focus area

How can the Enable innovation focus area strengthen Mycronic's business?

The high value of our deliveries to customers offers Mycronic competitive advantages. By focusing on improvements to the innovation process, new ideas can be created that offer new opportunities for our customers to become more innovative and productive. We show customers how they can evolve.

What are the main challenges?

To be innovative and to deliver high quality in projects with short lead times.

What is your main focus for work in 2019?

Focus is on building a global network for innovation. We are also working to prepare various concepts at an early stage in projects to quickly create prototypes and simulations, where the establishment of our innovation laboratories is an important part.

Goals

- Innovation capacity for continued business success
- Engage young people and universities to secure innovation capability
- Design for reduced environmental and social impact
- Offer solutions enabling a future of sustainable electronics production

2019 Objectives

- Perform Group-wide innovation activities with a sustainability theme
- Define clusters/incubators at selected universities where we can be involved
- Perform sustainability analyses by product area

Auditor’s report on the statutory sustainability statement

To the general meeting of the shareholders of Mycronic AB, corporate identity number 556351-2374

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2018 on pages 24–35 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR’s auditing standard RevR 12 The auditor’s opinion regarding the statutory sustainability 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.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 20 March 2019
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

The Mycronic share

Mycronic's share is listed on Nasdaq Stockholm, Mid Cap. Mycronic focuses on value creation through established financial objectives and by executing the strategy.

Stock trading

Mycronic's share is listed on Nasdaq Stockholm. In 2018, the total turnover of Mycronic shares on Nasdaq Stockholm amounted to 83.3 million (93.6) shares, corresponding to 85 percent (96) of the total number of shares.

Shareholders

At the end of the year, Mycronic had 15,483 (18,751) shareholders. 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. The largest shareholder, Bure Equity, owned 29.9 percent at year-end. The ten largest owners held 65 percent (65) of the total number of shares. Board members and Group management held a total of 0.5 percent (0.5). According to available information, Swedish ownership was 80 percent (90) of shares at the end of 2018.

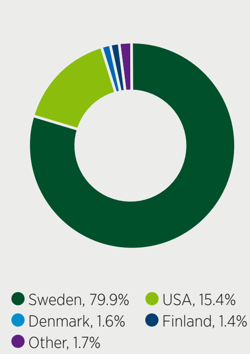
Price trend

Mycronic's market capitalization increased 39 percent in 2018 to SEK 11,564 million, from SEK 8,323 million at the end of 2017. The highest closing rate was recorded on November 6 at SEK 121.00 and the lowest closing rate on February 6 at SEK 83.75. OMX Stockholm PI decreased during the year by 8 percent and OMX Stockholm Technology PI rose by 20 percent.

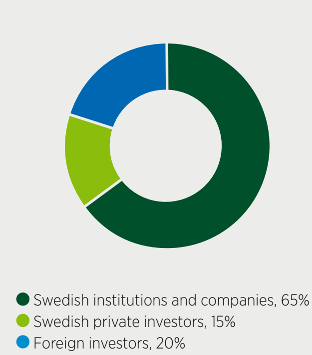
Dividend and proposal on share buy-back

Mycronic'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. As a basis for the dividend decision, the Board of Directors takes into account, in addition to the nature, scope and risks associated with the operations, historical development, budgeted development, investment plans and the general economic climate. For 2018, the Board of Directors is proposing, in accordance with the company's dividend policy, a dividend of SEK 3.00 (2.50) per share. The dividend corresponds to a total of approximately SEK 294 million (245) and 37 percent (39) of net profit for the year. The Board of Directors intends to propose to the 2019 Annual General Meeting a renewed authorization for the Board of Directors to buy-back shares in Mycronic AB. According to the proposal, the number of shares that may be bought-back will be limited to a maximum of 5 percent of shares outstanding in Mycronic AB.

Ownership structure by geography



Ownership structure by category



Ownership structure December 31, 2018

Holding by size	No of share-holders	No of shares	%
1–500	11,795	1,451,629	1.5
501–1,000	1,546	1,289,566	1.3
1,001–5,000	1,577	3,668,780	3.7
5,001–10,000	241	1,773,388	1.8
10,001–50,000	200	4,230,626	4.3
50,001–100,000	50	3,735,334	3.8
100,001–	74	81,767,186	83.5
Total	**15,483**	**97,916,509**	**100.0**

Analysts that monitor Mycronic

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

Data per share

	2018	2017
No of shares	97,917,509	97,917,509
Share price at year-end, SEK	118.10	85.00
Equity per share, SEK	24.30	18.18
Market value/equity ratio	4.86	4.68
Earnings per share, SEK	8.09	6.37
P/E ratio	14.60	13.34
Dividend	3.00[1]	2.50

1) Proposed dividend.

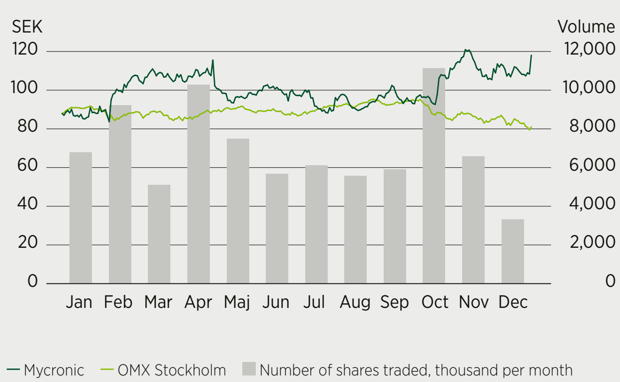
The largest shareholders December 31, 2018

Shareholder	No of shares	Holding, %
Bure Equity	29,317,163	29.9
Fjärde AP-fonden	9,420,510	9.6
Oppenheimer Funds	6,000,000	6.1
Swedbank Robur Fonder	5,028,578	5.1
SEB Fonder	4,131,321	4.2
Andra AP-fonden	2,171,919	2.2
Lannebo Fonder	2,091,807	2.1
Handelsbanken Fonder	1,957,003	2.0
Norron Fonder	1,948,281	2.0
Vanguard	1,836,058	1.9
The 10 largest shareholders	63,902,640	65.3
Others	34,013,869	34.7
Total	**97,916,509**	**100.0**

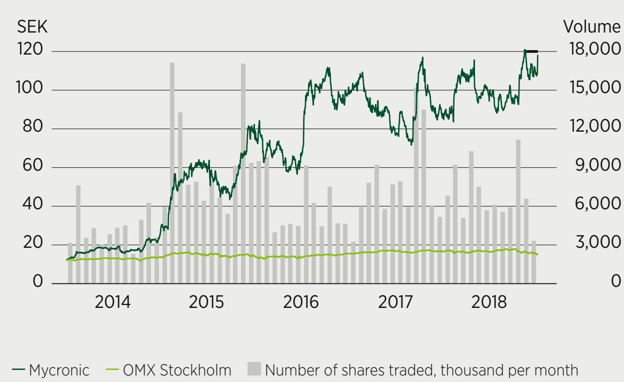
Share capital development

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

Share price trend 2018

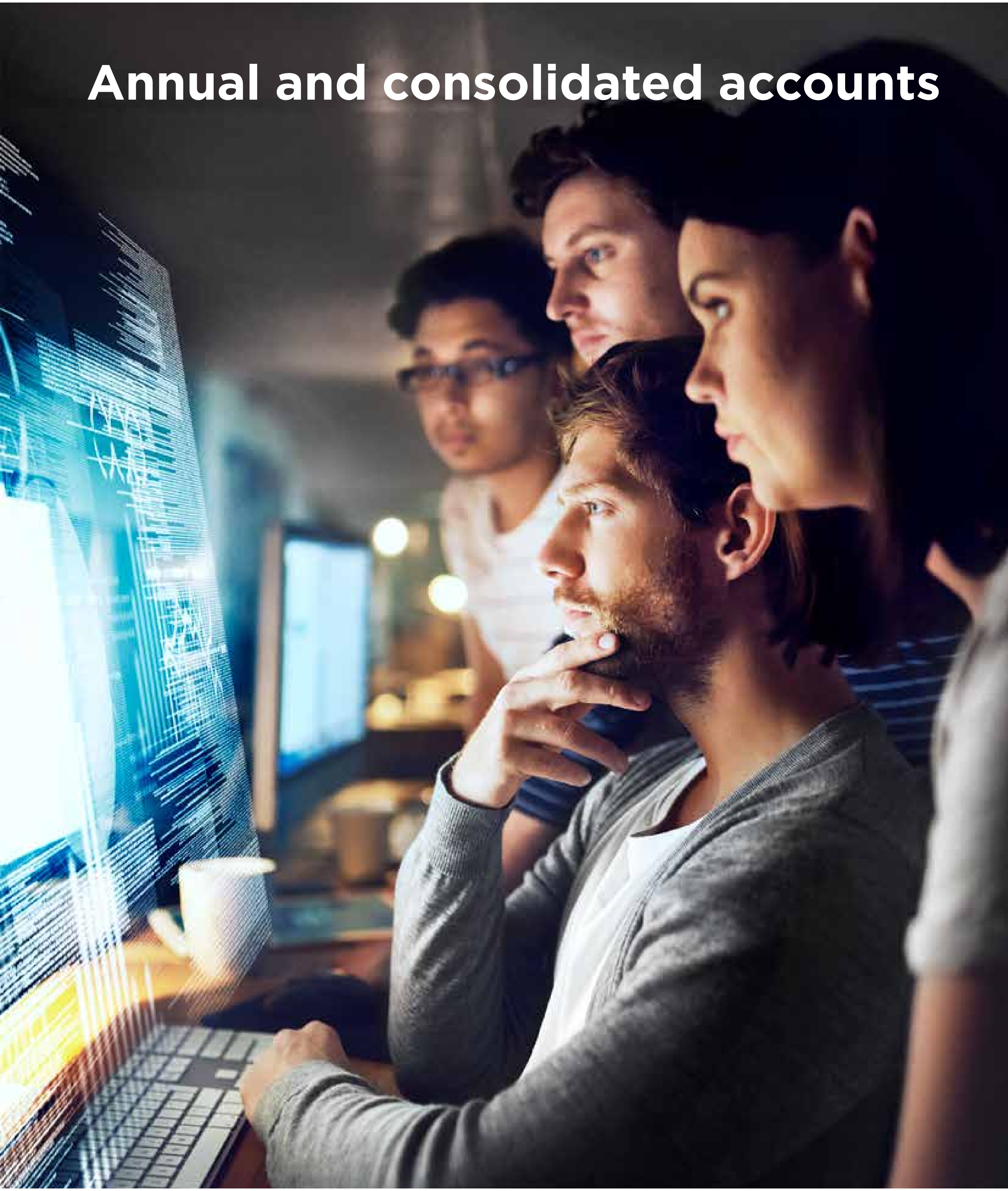


Share price trend 2014–2018



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

Annual and consolidated accounts



Report of the directors

The Board and CEO for Mycronic AB (publ.), corporate identification no. 556351-2374, hereby submit the annual report and consolidated financial statements for the financial year January 1 to December 31, 2018.

Mycronic's operations

Mycronic has since the 1970s developed innovative solutions for advanced electronics production. In the same spirit, the company continues today to help its customers to create world-leading production solutions for electronics and display manufacturing with rigorous demands on precision and flexibility. Operations are conducted through two business areas: Assembly Solutions and Pattern Generators.

Assembly Solutions holds a leading position within systems for electronics production with a complete offering for SMT, inspection, dispensing solder paste and mounting fluids. Within the field of automation, Mycronic is also leading in assembly equipment for manufacturing camera modules to the automotive industry, and in die-bonding systems for manufacturing opto-electronics and microelectronics.

Pattern Generators holds a unique position as the only supplier of mask writers to produce advanced photomasks, which in turn are used by global electronics producers when manufacturing advanced displays for products such as mobile phones, tablets, TVs and computer displays.

A large share of Mycronic's net sales is derived from aftermarket business where service is provided to in excess of 3,000 customers in more than 50 countries with over 12,000 installed systems.

Group structure

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

After an acquisition in 2018, Mycronic owns 100 percent of MRSI Systems in the USA, see Note 23. In 2017, Mycronic acquired 100 percent of Vi TECHNOLOGY in France. As a result of acquisitions in 2016, Mycronic owns 100 percent of Kognitec and RoyoTech (where of 25 percent was acquired in 2017) in Germany, 100 percent of AEi in the USA, 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 24–35 with an accompanying statement from the auditor on page 36.

Personnel

At year-end, the Group had 1,254 employees (1,045), of which 70 were added through the acquisition of MRSI Systems.

The average number of full-time employees in the Group in 2018 was 1,175 (962), of which 336 (322) were employed in Sweden. Women accounted for 16 percent (17) of the average number of Group employees. See Note 15.

Long-term financial goals

The Group's long-term financial goals were published in February 2017 in the year-end report for 2016 as follows:

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.

2018 financial year

In 2018, Mycronic noted order intake, net sales and EBIT at record levels. Order intake rose 2 percent to SEK 3,642 million, while net sales increased 26 percent to SEK 3,781 million.

EBIT rose 21 percent to SEK 1,020 million, corresponding to an EBIT margin of 27 percent. The result was affected primarily by healthy volumes. Mycronic is reinforcing and strengthening its position in several of the company's market segments, which is reflected in the Assembly Solutions business area's improvement of its EBIT margin by nearly 10 percentage points for the full year.

Acquisition-related expenses amounted to SEK 56 million, resulting in an underlying EBIT of SEK 1,076 million, corresponding to an underlying operating margin of 28 percent.

Significant events during the year

Product development and product launches

During 2018, Mycronic continued to invest significantly in product development for the purpose of securing future growth by continuing to provide customers with the best and most efficient solutions for their operations.

During the year, the FPS8100 was launched, a new mask writer for the multi-purpose market, and a new ultra-compact storage tower, the SMD Tower 8000 was also launched. In die-bonding, two new systems were launched, the MRSI-H3LD and the MRSI-H3TO. In parallel, the smart assembly solution MYPro Line and the compact SMT systems MY300HX and MY300EX were developed during the year.

Acquisitions

During the year, MRSI Systems was acquired in the USA, a company that develops, manufactures and sells die-bonding systems with very high precision for manufacturing opto-electronics and microelectronics. Mycronic also completed a smaller acquisition of 70 percent of shares in Japanese development partner, including an option to acquire the remaining shares not later than three years from the acquisition date.

Events after year-end

In January 2019, Mycronic launched two new pick-and-place machine models at the IPC APEX Expo in the USA. These two new compact models, the MY300HX and the MY300EX, offer extended configuration possibilities that significantly improve customers' production capacity while also maintaining a high level of process quality and availability for demanding applications.

Comments on financial performance

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

Order intake and order backlog

Order intake, including system and aftermarket sales for both business areas, amounted to SEK 3,642 million (3,567) in 2018. Order intake included seven (ten) mask writers.

The order backlog at year-end was SEK 1,904 million (1,963). The order backlog includes ten mask writers, of which eight with planned delivery in 2019. The order backlog also contains a major upgrade with delivery in 2019.

Net sales

Net sales in 2018 amounted to SEK 3,781 million (3,000), an increase of 26 percent. Of this, 16 percent was attributable to organic growth and 8 percent to acquisitions, with exchange rate effects of 2 percent.

Net sales comprised delivery of seven (ten) mask writers. Assembly Solutions showed strong growth, both organic and from acquisitions in recent years. Acquisitions made during the year (MRSI Systems) contributed SEK 146 million to net sales.

The Group's net sales were impacted by positive exchange rate effects of SEK 71 million (-22). Recalculated to the exchange rates which prevailed in 2017, net sales reached SEK 3,709 million. Aftermarket sales constituted 29 percent (30) of net sales.

Gross profit and gross margin

Consolidated gross profit amounted to SEK 2,098 million (1,716). The year's higher gross profit can be explained by greater sales volumes in both business areas. Gross margin amounted to 55 percent (57).

Research and development

Consolidated development expenses in 2018 amounted to SEK 476 million (348). The increase mainly arose in the Pattern Generators business area and the acquired companies Vi TECHNOLOGY and MRSI Systems in the Assembly Solutions business area.

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. At year-end, the Group held more than 500 patents.

Within Assembly Solutions, development expenditures amounted to SEK 312 million (267) in 2018. 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. In 2018, SEK 10 million (21) was capitalized in the balance sheet.

Development expenditures in Pattern Generators increased according to plan to SEK 154 million (68) due to development of the next generation of mask writers along with further development of existing products.

Sales and administration

Expenses for sales and administration amounted to SEK 649 million (491) in 2018.

The increase in expenses is primarily attributable to operating expenses in the acquired companies and investments in the sales organization. The Group expanded the global sales organization both geographically and productwise, conducted marketing activities and a major acquisition.

EBIT

Consolidated EBIT for 2018 amounted to SEK 1,020 million (844), corresponding to an EBIT margin of 27 percent (28). The result was affected primarily by healthy delivery volumes.

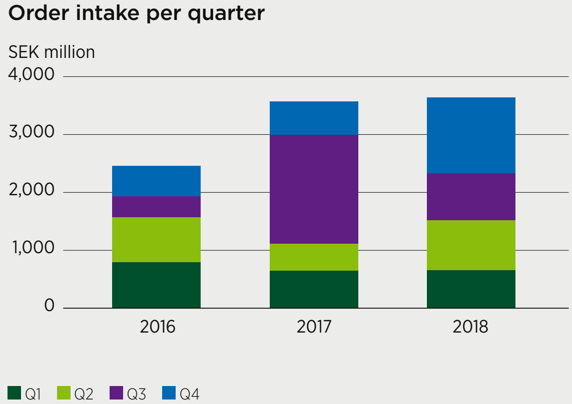
The underlying EBIT amounted to SEK 1,076 million (951), with an underlying EBIT margin of 28 percent (32). The difference between EBIT and the underlying EBIT consists of acquisition-related costs. These amounted to SEK 56 million in 2018, and related to expensing of acquired inventories at fair value, 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

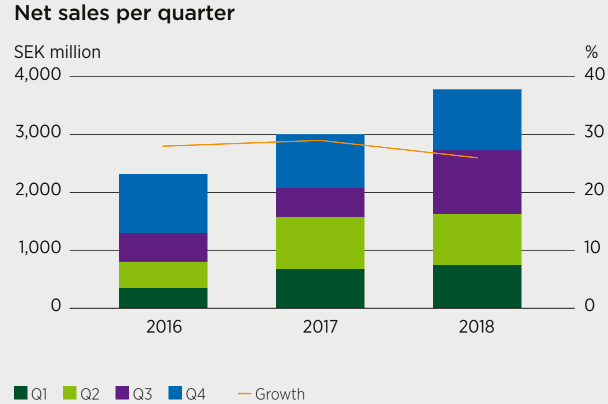
Consolidated profit before tax amounted to SEK 1,011 million (836) in 2018.

Consolidated tax expenses amounted to SEK 219 million (212).

Order intake per quarter



Net sales per quarter



Profit for the year and earnings per share

Consolidated profit after tax for full-year 2018 amounted to SEK 792 million (623).

The number of outstanding shares at year-end was 97,916,509 (97,916,509). Earnings per share amounted to SEK 8.09 (6.37) before and after dilution.

Comments on financial position

The Group's total assets at year-end 2018 amounted to SEK 4,199 million, compared with SEK 3,244 million at the end of 2017.

Non-current assets amounted to SEK 1,592 million (1,192). Intangible assets amounted to SEK 1,381 million (1,037), of which SEK 1,343 million (1,007) consisted of acquisition-related assets in the form of goodwill, customer relationships, technology and brands.

Capitalized development costs amounted to SEK 32 million (30). During 2018, development projects were capitalized in the amount of SEK 10 million (21). Amortization of previously capitalized development amounted to SEK 7 million (24). 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 intangible assets with indefinite useful life is impairment tested at least once per year to ensure accurate reporting.

During 2018, inventory increased from SEK 589 million to SEK 868 million, and trade receivables from SEK 512 million to SEK 664 million. The increase is related to the company's expansion. During 2018, cash and cash equivalents increased marginally from SEK 813 million to SEK 829 million.

Current liabilities amounted to SEK 1,559 million (1,063). Trade payables increased from SEK 155 million to SEK 236 million. Advance payments from customers amounted to SEK 306 million (497). 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 1 million (13) while net cash was SEK 827 million (800).

Equity

The Group's equity on December 31, 2018 was SEK 2,379 million (1,780). 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 57 percent (55). At year-end, Mycronic's market capitalization was SEK 11,564 million (8,323).

Comments on cash flow and investments

Consolidated cash and cash equivalents at year-end amounted to SEK 829 million (813). Cash flow for the period was SEK 4 million (609).

Cash flow from operations after changes in working capital generated SEK 702 million (984). Working capital claimed SEK 225 million, mainly through increased capital tied up in inventories and trade receivables related to the company's growth.

Investments totaled SEK 440 million (181), of which the acquisition of MRSI accounted for SEK 353 million and the earn-out for RoyoTech for SEK 15 million. Other investments comprised the capitalization of product development in an amount of SEK 10 million (21) and tangible assets.

Financing activities claimed SEK 258 million (194), of which dividends of SEK 245 million.

Proposal on guidelines for remuneration of senior executives

The Board proposes that the AGM decide on the following guidelines for remuneration of senior executives for the period from the 2019 AGM. The Board can deviate from these guidelines in individual cases if there are special reasons.

The proposal covers the incoming CEO and the other Group management positions, currently a total of nine persons.

When handling matters relating to remuneration of senior executives, 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 based on such factors as competence, experience and performance. Total remuneration is proposed to consist of the following elements:

Fixed basic salary

Fixed basic salary for the CEO and other senior executives is reviewed on an annual basis.

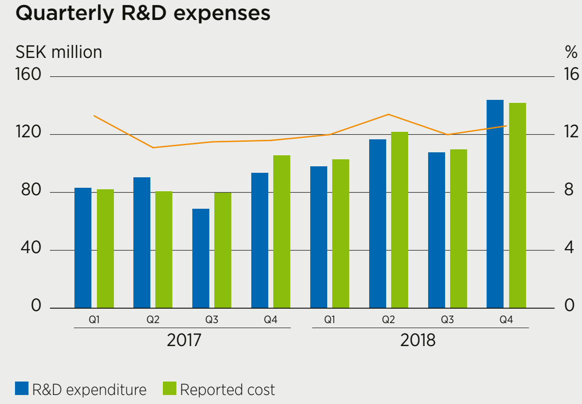
Short-term incentive (STI) program

Payment is made when targets are achieved for the company as a whole. Reimbursement can amount to a maximum of 100 percent of fixed basic salary.

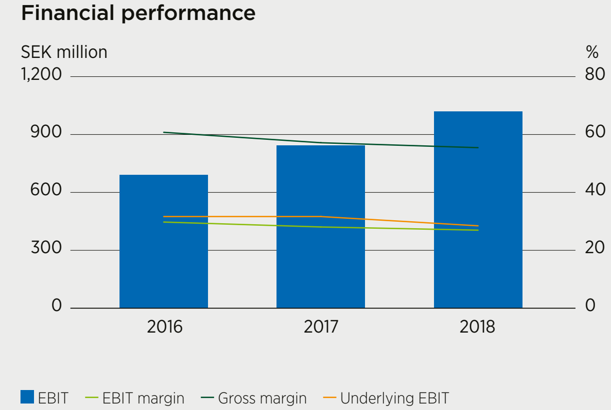
Long-term incentive (LTI) program

The company has for some time had an annual recurring share-based incentive program, with two remaining years outstanding. From the 2019 AGM, the Board of Directors is planning to propose that the program be replaced by a new program, LTIP. The previous LTI program is to encourage the acquisition of shares in Mycronic. It is based on the principle that 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 shares are to be held for a mini-

Quarterly R&D expenses



Financial performance



mum of four years. The amount is maximized to SEK 100 thousand after tax for the CEO and SEK 50 thousand after tax for other senior executives. 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 goals for financial performance 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.

Long-term incentive program (LTIP)

LTIP addresses certain key personnel as a means of increasing and strengthening opportunities to recruit, retain and motivate employees, and to encourage personal, long-term ownership in Mycronic. The Board of Directors proposes, therefore, that the AGM resolves to introduce a long-term incentive program for 2019 (LTIP 2019).

Each participant is entitled, after the end of the qualification period, subject to the employee still being employed, and depending on the fulfillment of specific performance requirements linked to Mycronic's earnings per share, to receive an allotment of common shares in Mycronic, referred to as performance shares. The allotment of performance shares to participants will be free of charge.

The allotment of performance shares within LTIP 2019 will take place during a limited period following the 2022 AGM. The period until this date will form the qualification period. One prerequisite for participants to be entitled to allotment of performance shares, is that participants continue to be employed by Mycronic throughout the qualification period until allotment. In addition, allotment of performance shares requires the fulfillment of performance requirements linked to Mycronic's EPS. The number of shares is limited to a maximum of 13,700 for the CEO, 5,200 for senior executives and 2,100 for other key personnel. In the event of a maximal allotment and participation, the program will encompass 183,400 shares.

Pension benefits

The contractual retirement age for the CEO is 65 years, and 65 years for other senior executives. All pension benefits for senior executives are defined contribution plans. This means the company pays an individually agreed defined contribution pension premium for senior executives and has no other additional pension commitments.

Other benefits

Senior executives are entitled to a company car or cash remuneration with a corresponding value. All senior executives are also covered by healthcare insurance.

Severance conditions

For the CEO, a period of notice of twelve months and twelve months' severance pay apply upon termination by the company. For other senior executives, 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 Mycronic share

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

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 at the end of 2018 was 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.

Parent Company

Mycronic AB is the Group's Parent Company. Sales in the Parent Company comprise production solutions for electronics and display manufacturing and aftermarket sales. At year-end 2018, there were 342 persons (326) employed by the Parent Company.

The Parent Company's net sales amounted to SEK 2,621 million (2,335) and included seven (ten) mask writers. EBIT was SEK 943 million (803). Cash and cash equivalents at year-end amounted to SEK 538 million (596).

Outlook for 2019

The Board's assessment is that consolidated net sales for 2019 will be at a level of SEK 4 billion, excluding any acquisitions made in 2019.

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 Group 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 more than 50 countries where the Group operates through subsidiaries 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 2018, Mycronic expanded its business in the USA through acquisition. The Group is exposed to country-specific risks such as political decisions or overall changes to the regulatory framework in its 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.

The Assembly Solutions business area 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.

The Pattern Generators business area 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, or slightly higher than, total GDP. Consumption of electronics products is increasing worldwide, 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 brand.

Business-related risks

Mycronic has production facilities around the world. 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. This work involves regular maintenance and fire safety training for personnel. The company has contingency plans 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.

Increasing digitalization leads to greater risks 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. Mycronic's principle is that this shall occur at least every other year. An external IT specialist conducts a security review in conjunction with acquisitions.

The Group's earnings in the long term are dependent on its abilities to protect strategically important technology. The Group works purposefully to identify and protect new technology in early stages through patents and held more than 500 patents at year-end 2018.

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. The single largest financial risk is exchange rate fluctuations. Interest rate risk is limited. Financial risks are described in more detail in Note 34.

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 Group 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. In 2018, Mycronic complied with the Code in all respects.

The vision, mission, values and Code of Conduct form the basis for internal governance systems. Internal regulations include the Articles of Association, the rules of procedure for the Board of Directors, the Board policy for CEO, the Code of Conduct and several other policy documents that are updated annually. Examples of steering documents include policies for communication and diversity, and the authorization policy.

Shareholders

Mycronic is a Swedish public limited liability company registered in Täby. The share is listed on Nasdaq Stockholm, Mid Cap. Share capital amounts to SEK 97,916,509 spread over 97,916,509 shares. Each share carries one vote.

At the end of 2018, Mycronic had 15,483 shareholders (18,751). Bure Equity AB was the largest shareholder with 29.9 percent of capital and votes at the end of the year. More information on Mycronic's share and shareholders can be found in The Mycronic share section of this report on pages 37–38.

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 to attend 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. Shareholders who wish to attend the Meeting must submit an application in accordance with information in the official notification.

AGM 2018

The AGM was held in Stockholm on May 8, 2018. The AGM was attended by shareholders representing 56.9 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 2.50 per share
- Discharge of Board members and the CEO from liability to the company
- The number of Board members shall be six without deputy Board members
- Selection of a registered public auditing firm
- Board fees totaling SEK 2,430,000, of which SEK 700,000 for the Chairman and SEK 275,000 to each of the other elected Board members. An additional SEK 100,000 was allocated to the Audit Committee Chairman, SEK 50,000 to other members of the Audit Committee, as well as SEK 75,000 to the Remuneration Committee Chairman and SEK 40,000 to other members of the Remuneration Committee
- Katarina Bonde, Ulla-Britt Fräjdin-Hellqvist, Per Holmberg and Patrik Tigerschiöld were re-elected to the Board. Anna Belfrage and Robert Larsson were elected to the Board. Patrik Tigerschiöld was elected Board Chairman. Magnus Lindquist declined re-election. In addition to the elected members, two union representatives were appointed from the unions Unionen and Akademikerna 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
- Resolution to authorize the Board of Directors to decide on a new issue and buy-back of own shares limited to a maximum of 5 percent of shares outstanding in Mycronic AB.

Information on the AGM including all proposals and protocols can be found at www.mycronic.com.

AGM 2019

The AGM will be held on May 9, 2019 at 5:00 p.m. in Industrisalen, Näringslivets Hus, Storgatan 19, SE-114 85 Stockholm, Sweden.

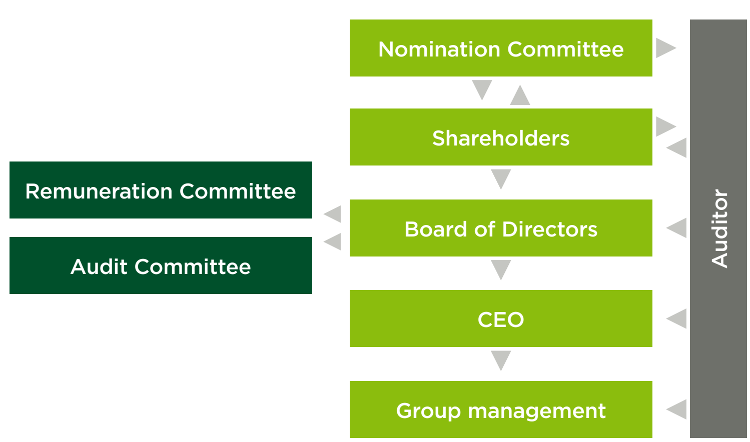
Nomination Committee

The Nomination Committee represents the

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.



shareholders. Its 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 August 31 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 its work in proposing Board members. The Nomination 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 50–51.

The Nomination Committee for the 2019 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 six members appointed by the AGM, and two representatives appointed by the unions, 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, 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 2018, the Board held 13 meetings. In addition, the Board met during a strategy seminar.

Board committees

The committees' tasks and work plan 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 2018 AGM, the Remuneration Committee consists of Patrik Tigerschiöld (Chairman), Ulla-Britt Fräjdin-Hellqvist and Per Holmberg. The Remuneration Committee held four meetings in 2018.

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

The Board's work 2018

During 2018, the Board held 13 meetings, of which one was the statutory meeting, three were by circulation and four were telephone meetings.

Fourth quarter
- Budget for 2019 established
- Interim report January–September

Third quarter
- Interim report January–June.
- Board trip with detailed study of the acquired Vi TECHNOLOGY

First quarter
- Interim report for fourth quarter and full-year 2017, proposal on dividend
- Annual report for 2017 adopted

Second quarter
- Review of business operations in acquired companies
- Review of forecast and update on development projects
- Statutory meeting with decisions on financial signing authority, policies, etcetera. directly after the AGM
- Strategy seminar, with adjacent board meeting
- Interim report January–March
- Decision on acquisition of MRSI Systems LLC

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 2018 AGM, the Audit Committee consists of Anna Belfrage (Chairman), Katarina Bonde and Ulla-Britt Fräjdin-Hellqvist. In 2018, the Audit Committee held five 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 2018, the Board of Directors worked with an external assessment, which resulted in a renewed action list. Work with these measures continued during the year.

CEO and Group management

Group management consists of nine persons, including the CEO, see pages 52–53. In 2018, Charlott Samuelsson took over as Sr VP, Pattern Generators, Lena Båvegård as Sr VP, Operational Excellence and Anette Mullis as Sr VP, Human Resources.

The CEO leads the work of Group management, which meets every other week. 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 Group 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 2018, the auditor performed, in addition to the audit, 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, institutional investors, and the media. Company management and the Director IR & Corporate Communications meet analysts and institutional investors at other external and internal arrangements. Representatives from Mycronic also participate at events arranged by, for example, investment banks and 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 the financial market by means other than public press releases.

Insiders

On July 3, 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.

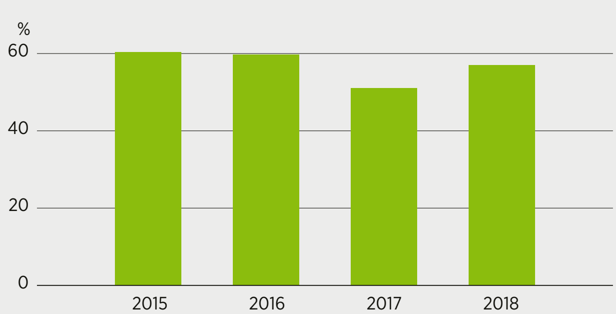
Internal control of financial reporting

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,

Attendance at last AGMs



Nomination Committee

Name	Representing	Holdings, % August 31, 2018
Henrik Blomquist	Bure Equity	29.9
Thomas Ehlin	Fjärde AP-fonden	9.6
Joachim Spetz	Swedbank Robur Fonder	7.9
Patrik Tigerschiöld	Chairman of Mycronic AB	

authorization and responsibilities, as expressed in policies and guidelines. Common values provide consensus with the intention of strengthening internal control. Mycronic's Code of Conduct describes the approach that employees are expected to maintain in matters relating to business ethics and social issues. Examples of steering documents include the formal work plan 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 the respective department manager. Process descriptions and steering documents are gathered in a digital, Group-wide management system. 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 accounting and reporting and the risk of irregularities and fraud. 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 are evaluated with respect to their efficiency and risk. Critical processes include product development, sourcing, manufacturing, sales, salary and support processes such as financial closing and IT.

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 analysis 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. In 2018, Mycronic further developed the 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 Group 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 2018 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 2018, Mycronic continued 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 Audit Committee and then 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.

Attendance at meetings in 2018 and remuneration of Board members elected by the AGM

				Attendance			Remuneration		
Name	Elected	Independent[1]	Holdings	Board of Directors	Audit Committee	Remuneration Committee	Board	Audit Committee	Remuneration Committee
Patrik Tigerschiöld, chairman	2009	No	235,170	13/13		4/4	700,000		75,000
Magnus Lindquist, until 2018 AGM	2007	Yes		7/7	2/2				
Katarina Bonde	2010	Yes	2,000	13/13	5/5		275,000	50,000	
Ulla-Britt Fräjdin-Hellqvist	2012	Yes	10,000	12/13	5/5	4/4	275,000	50,000	40,000
Per Holmberg	2016	Yes	5,000	13/13		4/4	275,000		40,000
Anna Belfrage, from 2018 AGM	2018	Yes	-	5/6	3/3		275,000	100,000	
Robert Larsson, from 2018 AGM	2018	Yes	-	6/6			275,000		

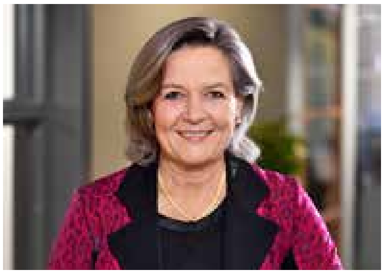
1) According to the Swedish Code of Corporate Governance.

Board of Directors and auditor

Patrik Tigerschiöld

Board Chairman since 2012 and Board member since 2009
Born: 1964
Dependent Board member
Education: MSc Business and Economics
Other Board assignments: Chairman of Bure Equity AB, Cavotec SA, the Association for Generally Accepted Principles in the Securities Market and The Swedish Association for Listed Companies. Board member of Ovzon AB, Fondbolaget Fondita AB and member of Ingenjörsvetenskapsakademien
Previous positions: CEO of Bure Equity AB 2010–2013, CEO of Skanditek Industriförvaltning 1999–2010 and 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 Microsystemation AB, Jarl Securities and Stillfront Group AB.
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, and 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, Insplorion AB, Fräjdin & Hellqvist AB and UBFH Management AB
Previous positions: Chairman of among others SinterCast AB (OMX) and Kongsberg Automotive ASA (Oslo stock exchange). Chairman and board member of a number of private, listed and state-owned companies since 1992. Leading positions in Svenskt Näringsliv 2001–2006, and Volvo Personvagnar 1979–2001
Committee in Mycronic: Member of the Audit Committee and the Remuneration Committee
Shareholding in Mycronic: 10,000

Shareholding as of December 31, 2018

Anna Belfrage

Board member since 2018
Born: 1962
Independent Board member
CFO Södra Skogsägarna ekonomisk förening until May 2019
Education: MSc Business and Economics
Other Board assignments: Board member of NOTE AB
Previous positions: Acting CEO Beijer Electronics Group 2014–2015, CFO Beijer Electronics Group 2011–2014, CFO ABS Group (a division of the Cardo Group) 2004–2010, various roles and positions at Dresser Wayne AB, Obducat AB, Åkerlund & Rausing AB, and auditor at Price Waterhouse 1986–1994
Committee in Mycronic: Chairman of the Audit Committee
Shareholding in Mycronic: –

Erik Sandström

Auditor-in-Charge, Ernst & Young AB.
Born: 1975
Authorized Public Accountant and member of FAR
Other assignments: Autoliv, Munters, Gränges, Tradedoubler, Praktikertjänst and Transcom

Robert Larsson

Board member since 2018
Born: 1967
Independent Board member
EVP and Head of Industrial & Digital Solutions at ÅF Pöyry
Education: MSc, Mechanical Engineering.
Previous positions: A number of senior positions in ABB in Sweden, China and Switzerland
Committee in Mycronic: –
Shareholding in Mycronic: –

Peter Sundström[1)]

Employee representative since 2012
Appointed by Unionen
Born: 1976
System architect SMT systems
Education: MSc, Engineering Physics
Shareholding in Mycronic: –

1) Replaced from May 9, 2019 by Johan Densjö.

Per Holmberg

Board member since 2016
Born: 1959
Independent Board member
Education: MBA, Stockholm School of Economics
Other Board assignments: Executive Chairman Adrian Michel Group, Switzerland
Previous positions: President Hexagon MI EMEA 2004–2017. Senior positions in Electrolux 1984–2003.
Committee in Mycronic: Member of the Remuneration Committee
Shareholding in Mycronic: –

Tobias Böök[2)]

Employee representative since 2014
Appointed by Akademikerna
Born: 1966
Controller
Education: Economist
Shareholding in Mycronic: –

2) Replaced from May 9, 2019 by Jörgen Lundberg.

Group management

Lena Olving

President and CEO
Employed since 2013
Born: 1956
Education: MSc, Mechanical Engineering
Previous positions: Vice President and COO of Saab AB, leading positions including in Group Management at Volvo Car Corporation AB, and CEO of Samhall Högland AB
Board assignments: Board member of Assa Abloy AB, Investment AB Latour, Munters Group AB, IVA:s Näringslivsråd, Teknikföretagen and the Swedish Corporate Governance Board. Chairman of the Royal Swedish Opera
Shareholding in Mycronic: 122,100

Niklas Edling

Sr VP, Strategy & Portfolio Management
Employed since 2011
Born: 1963
Education: MSc, Mechanical Engineering and MSc in Economics and Business Administration
Previous positions: VP Supply Chain & Manufacturing Laerdal Medical and VP Operations Hudson RCI.
Board assignments: Board member of Aritco AB
Shareholding in Mycronic: 83,586

Martin Pettersson

Sr VP, Operations.
Employed since 2016
Born: 1980
Education: MSc, Industrial Management
Previous positions: Project Manager ACE Volvo CE, Director Transmissions & Axles/CPM Transmission (China) Volvo CE, Manager Production Engineering Volvo CE and Manager Industrialization and production development Volvo CE.
Shareholding in Mycronic: 3,500

Torbjörn Wingårdh

CFO
Employed since 2016
Born: 1964
Education: MSc in Economics and Business Administration
Previous positions: CFO Business area Saab SDS and senior positions at Investor AB in Sweden and the USA
Shareholding in Mycronic: 23,100

Anette Mullis

Sr VP, Human Resources
Employed since 2018
Born: 1965
Education: BSc in Social Work, from Lund University
Previous positions: Various senior global and regional positions as HR Director in the USA and Europe in Ericsson, CSL Behring, Wyeth Pharmaceuticals (now Pfizer) and IKEA
Shareholding in Mycronic: 525

Johan Franzén

Sr VP, Research & 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 and Manager Global Technical Support Volvo CE
Shareholding in Mycronic: 10,100

Lena Båvegård

Sr VP, Operational Excellence
Employed since 2018
Born: 1967
Education: MSc, Electrical Engineering
Previous positions: Various senior positions in Transmode and Infinera, most recently as Sr Dir, Corporate Quality & Sustainability and various senior positions in Q-Med and Ericsson
Shareholding in Mycronic: 2,000

Thomas Stetter

Sr VP, Business Area Assembly Solutions
Employed since 2017
Born: 1965
Education: PhD Strategic Management and MSc in Economics and Business Administration
Previous positions: Various senior positions within Siemens, most recently as Head of the Digital Factory Nordics division
Shareholding in Mycronic: 3,100

Charlott Samuelsson

Sr VP 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: 21,260

Shareholding as of December 31, 2018

Financial overview

SEK million	2018	2017[1]	2016	2015	2014	2013	2012	2011	2010
Order intake	3,642	3,567	2,455	2,179	2,028	1,053	1,280	1,214	1,388
Order backlog	1,904	1,963	1,342	1,066	702	149	90	176	153
Profit and loss accounts									
Net sales	3,780.6	3,000.1	2,319.3	1,815.0	1,475.0	997.0	1,353.9	1,197.6	1,287.8
Gross profit	2,097.5	1,715.9	1,410.2	1,075.6	711.7	446.3	611.9	488.0	633.1
EBITDA	1,093.9	919.0	723.7	565.5	300.9	60.0	94.8	2.4	169.2
EBIT	1,020.0	844.2	691.0	540.3	276.5	32.3	-21.4	-65.7	72.5
Underlying EBIT	1,075.6	951.0	735.1	–	–	–	–	–	–
Profit/loss before tax	1,011.1	835.7	689.4	540.5	278.1	35.9	-14.6	-57.0	73.7
Tax	-218.6	-212.3	-163.1	-98.0	-11.8	-22.1	-29.4	-31.8	-36.9
Profit/loss for the year	**792.5**	**623.4**	**526.3**	**442.5**	**266.2**	**13.7**	**-44.0**	**-88.8**	**36.8**
Balance sheet									
Non-current assets	1,592.5	1,192.4	1,224.6	242.0	286.0	281.8	283.9	409.3	402.9
Inventories	868.2	588.6	574.8	275.9	232.7	323.9	329.2	357.5	321.2
Other receivables	910.1	650.8	747.3	326.5	420.0	308.6	277.9	283.5	407.0
Cash and cash equivalents	828.6	812.7	208.6	897.7	661.0	487.3	581.1	536.4	582.6
Total assets	**4,199.3**	**3,244.4**	**2,755.3**	**1,742.2**	**1,599.8**	**1,401.5**	**1,472.1**	**1,586.7**	**1,713.8**
Equity	2379.0	1,780.2	1,411.6	1,268.2	1,207.1	1,165.4	1,168.3	1,231.7	1,314.7
Interest-bearing liabilities	1.2	12.6	10.7	–	–	–	2.3	6.9	12.3
Other liabilities	1,819.1	1,451.6	1,332.9	474.0	392.7	236.0	301.5	348.1	386.8
Total equity and liabilities	**4,199.3**	**3,244.4**	**2,755.3**	**1,742.2**	**1,599.8**	**1,401.5**	**1,472.1**	**1,586.7**	**1,713.8**
Capital employed	2,380.2	1,792.8	1,422.3	1,268.2	1,207.1	1,165.4	1,170.6	1,238.6	1,327.0
Net debt	-827.3	-800.0	-197.9	-897.7	-661.0	-487.3	-578.8	-529.4	-570.4
Cash flow									
Cash flow from operating activities	702.4	983.8	461.9	661.4	417.6	-47.2	69.9	-15.4	120.9
Cash flow from investing activities	-440.5	-181.1	-768.0	-37.2	-18.4	-35.8	-5.3	-30.8	-36.2
Cash flow from financing activities	-258.2	-193.6	-392.4	-391.7	-244.8	-2.0	-4.0	-5.7	223.7
Cash flow for the year	**3.7**	**609.1**	**-698.6**	**232.6**	**154.4**	**-85.1**	**60.6**	**-51.9**	**308.4**
Key ratios									
Book-to-bill	1.0	1.2	1.1	1.2	1.4	1.1	0.9	1.0	1.1
Gross margin, %	55.5	57.2	60.8	59.3	48.3	44.8	45.2	40.8	49.2
EBIT margin, %	27.0	28.1	29.8	29.8	18.7	3.2	-1.6	-5.5	5.6
Underlying EBIT margin, %	28.5	31.7	31.7	–	–	–	–	–	–
Equity/assets ratio, %	56.7	54.9	51.2	72.8	75.5	83.2	79.4	77.6	76.7
Return on equity, %	38.1	39.1	39.3	35.8	22.4	1.2	-3.7	-7.0	3.1
Return on capital employed, %	49.0	52.6	51.4	43.7	23.5	3.1	-1.1	-4.4	6.3
Capital turnover rate, times	1.8	1.9	1.7	1.5	1.2	0.9	1.1	0.9	1.1
Research and development, R&D									
R&D costs	476.1	348.0	348.4	266.7	197.7	183.4	290.0	289.0	318.1
R&D costs/net sales, %	12.6	11.6	15.0	14.7	13.4	18.4	21.4	24.1	24.7
Data per share									
Number of shares at year end, million	97.9	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	97.9	82.5
Share price at December 31, SEK	118.10	85.00	98.00	82.25	24.80	12.40	10.25	11.95	17.70
Proposed dividend per share	3.00	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)	8.09	6.37	5.38	4.52	2.72	0.14	-0.45	-0.91	0.45
Equity per share (number of shares at year-end)	24.30	18.18	14.42	12.95	12.33	11.90	11.93	12.58	15.93
P/E-ratio (number of shares at year end)	15	13	18	18	9	88	neg	neg	47

1) Restated, for comparability, see Note 1

Proposal on disposition of accumulated results

At the AGM's disposal are the following amounts in SEK:	
Share premium reserve	201,915,502
Retained earnings	763,751,570
Profit for the year	572,689,294
Total	**1,538,356,366**

The Board of Directors proposes that the retained earnings and non-restricted equity be managed as follows:	
Dividend	293,749,527
Carried forward to new account	1,244,606,839
Total	**1,538,356,366**

Proposal on dividend

The Board of Directors proposes to the AGM a dividend of SEK 3.00 per share, amounting to SEK 293.7 million. The dividend corresponds to 37 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 March 13, 2019. 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 May 9, 2019.

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 July 19, 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, March 13, 2019

Patrik Tigerschiöld
Chairman of the Board

Katarina Bonde
Board member

Tobias Böök
Representing Akademikerna

Ulla-Britt Fräjdin-Hellqvist
Board member

Per Holmberg
Board member

Anna Belfrage
Board member

Robert Larsson
Board member

Peter Sundström
Representing Unionen

Lena Olving
President and CEO

Our audit report was submitted March 20, 2019.

Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Group

PROFIT AND LOSS ACCOUNTS

SEK thousand	Notes	2018	2017[1]
Net sales	11, 12	3,780,586	3,000,056
Cost of goods sold	7	-1,683,057	-1,284,109
Gross profit		**2,097,528**	**1,715,947**
Research and development expenses	7, 10	-476,139	-347,995
Selling expenses	7	-420,834	-309,774
Administrative expenses	7, 8	-228,108	-181,414
Other operating income	9	47,557	17,874
Other operating expenses	7, 9	0	-50,401
EBIT		**1,020,003**	**844,237**
Financial income		2,613	846
Financial expenses		-11,525	-9,433
Net financial items	16	**-8,912**	**-8,587**
Profit before tax		**1,011,092**	**835,650**
Tax	18	-218,615	-212,298
Profit for the year		**792,477**	**623,352**
Earnings per share, before and after dilution, SEK		8.09	6.37
Average number of shares, before and after dilution, thousands		97,917	97,917
Results attributable to owners of the Parent Company		789,539	623,761
Results attributable to non-controlling interests		2,938	-409
		792,477	**623,352**

STATEMENTS OF COMPREHENSIVE INCOME

SEK thousand	2018	2017[1]
Profit for the year	792,477	623,352
Other comprehensive income		
Items not to be reclassified to profit and loss		
Actuarial loss from defined benefits to employees	-2,640	-4,177
Tax relating to actuarial results	591	987
Items to be reclassified to profit and loss		
Translation differences upon translating foreign entities	82,234	-53,228
Tax relating to translation differences	-6,886	4,936
Hedging of net investments in foreign subsidiaries	-6,081	–
The year's changes in fair value on cash flow hedges	-56,158	8,405
Cash flow hedges transferred to profit and loss	35,676	3,660
Tax relating to cash flow hedges	4,380	-2,654
The year's change in fair value of cash flow hedges	**51,115**	**-42,071**
Total comprehensive income for the year	**843,592**	**581,281**
Total comprehensive income attributable to owners of the Parent Company	840,670	581,690
Total comprehensive income attributable to non-controlling interests	2,922	-409
	843,592	**581,281**

1) Restated for comparability, see Note 1

STATEMENTS OF FINANCIAL POSITION

SEK thousand	Notes	Dec 31, 2018	Dec 31, 2017[1]
ASSETS			
Intangible assets	20	1,380,603	1,036,953
Tangible assets	21	105,985	69,525
Non-current receivables	25	22,498	17,085
Deferred tax assets	18	83,407	68,818
Total non-current assets		**1,592,492**	**1,192,380**
Inventories	26	868,180	588,560
Tax receivables		41,418	20,589
Trade receivables	11, 27, 35	663,919	512,405
Prepaid expenses and accrued income	11, 28	139,952	70,165
Other receivables		64,777	47,609
Cash and cash equivalents	34, 35	828,571	812,667
Total current assets		**2,606,818**	**2,051,995**
TOTAL ASSETS		**4,199,310**	**3,244,375**
EQUITY AND LIABILITIES			
Equity			
Share capital		97,917	97,917
Other contributed capital		1,337,386	1,337,386
Reserves		22,214	-30,967
Retained earnings including profit/loss for the year		918,553	375,855
Equity attributable to owners of the Parent Company		**2,376,070**	**1,780,191**
Holdings of non-controlling interests		2,892	-30
Total equity		**2,378,962**	**1,780,161**
Liabilities			
Non-current provisions	29	47,746	35,796
Deferred tax liabilities	18	162,683	118,840
Other non-current liabilities	35	50,181	233,465
Total non-current liabilities		**260,609**	**388,102**
Current interest-bearing liabilities	35	1,239	12,642
Advance payments from customers	11	305,508	497,422
Trade payables	35	236,425	154,656
Tax liabilities		70,838	48,909
Other liabilities		307,825	124,950
Accrued expenses and deferred income	11, 30	592,187	211,700
Current provisions	31	45,717	25,834
Total current liabilities		**1,559,739**	**1,076,113**
Total liabilities		**1,820,348**	**1,464,214**
TOTAL EQUITY AND LIABILITIES		**4,199,310**	**3,244,375**

1) Restated for comparability, see Note 1

STATEMENTS OF CASH FLOW

SEK thousand	Notes	2018	2017[1]
Operating activities			
Profit before tax		1,011,092	835,650
Adjustments for non-cash items and other			
Depreciation/amortization and impairment of assets		73,888	74,737
Capital gain/loss on the sale of non-current assets		-271	111
Unrealized foreign exchange differences		-27,484	6,674
Provisions for employee benefits		128	610
Other provisions		19,872	7,324
Write down of inventories and similar items		25,487	5,614
Revaluation of contingent considerations		-10,703	31,671
Effect of application of IFRS 15		–	3,727
Paid income tax		-164,422	-153,316
Cash flow from operating activities before changes in working capital		**927,587**	**812,803**
Cash flow from changes in working capital			
Inventories		-196,637	-10,866
Trade receivables		-92,566	70,901
Other receivables		-83,987	34,107
Trade payables		73,525	-36,619
Other current liabilities		74,448	113,429
Cash flow from operating activities		**702,370**	**983,755**
Investing activities			
Investments in subsidiaries	23	-367,430	-132,981
Investments in intangible assets	20	-14,758	-21,593
Investments in tangible assets	21	-54,006	-28,282
Sale of tangible assets		0	218
Increase in non-current receivables	25	-5,151	-579
Decrease in non-current receivables	25	862	2,103
Cash flow from investing activities		**-440,483**	**-181,115**
Financing activities			
Dividends paid to Parent Company shareholders		-244,791	-195,833
Increase in loans		–	2,274
Redemption of loans		-13,430	–
Cash flow from financing activities		**-258,221**	**-193,559**
Cash flow for the year		**3,665**	**609,081**
Cash and cash equivalents at beginning of year		812,667	208,589
Exchange differences in cash and cash equivalents		12,239	-5,003
Cash and cash equivalents at end of year		**828,571**	**812,667**
Interest received and paid			
Interest received		2,613	846
Interest paid		-11,304	-9,114
		-8,691	**-8,268**

1) Restated for comparability, see Note 1

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.

			Reserves					
SEK thousand	Share capital	Other contributed capital	Hedge reserve[1]	Translation reserve	Retained earnings	Total	Holdings of non-controlling interests	Total equity
Equity, January 1, 2017	**97,917**	**1,337,386**	**-9,869**	**17,783**	**-31,606**	**1,411,611**	**–**	**1,411,611**
Effect of retroactive application of IFRS 15, Note 1					-17,278	-17,278		-17,278
Adjusted equity, January 1, 2017	**97,917**	**1,337,386**	**-9,869**	**17,783**	**-48,884**	**1,394,333**		**1,394,333**
Net profit/loss for the year (recalculated, Note 1)					623,761	623,761	-409	623,352
Other comprehensive income								
Items not to be reclassified to profit and loss								
Actuarial loss from defined benefits to employees					-4,177	-4,177		-4,177
Tax relating to actuarial results					987	987		987
Items to be reclassified to profit and loss								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
The year's change in fair value of cash flow hedges			**9,411**	**-48,292**	**-3,190**	**-42,071**	**–**	**-42,071**
Total comprehensive income for the year			**9,411**	**-48,292**	**620,572**	**581,691**	**-409**	**581,282**
Transactions with owners								
Dividends (SEK 2.00 per share)					-195,833	-195,833		-195,833
Transactions with non-controlling interests							379	379
Total transactions with owners	**–**	**–**	**–**	**–**	**-195,833**	**-195,833**	**379**	**-195,454**
Closing equity December 31, 2017/ Opening equity January 1, 2018	**97,917**	**1,337,386**	**-458**	**-30,509**	**375,855**	**1,780,191**	**-30**	**1,780,161**
Profit for the year					789,539	789,539	2,938	792,477
Other comprehensive income								
Items not to be reclassified to profit and loss								
Actuarial loss from defined benefits to employees					-2,640	-2,640		-2,640
Tax relating to actuarial results					591	591		591
Items to be reclassified to profit and loss								
Translation differences upon translating foreign entities				82,250		82,250	-16	82,234
Tax relating to translation differences				-6,886		-6,886		-6,886
Hedging of net investments in foreign subsidiaries				-6,081		-6,081		-6,081
The year's changes in fair value on cash flow hedges			-56,158			-56,158		-56,158
Cash flow hedges transferred to profit and loss			35,676			35,676		35,676
Tax relating to cash flow hedges			4,380			4,380		4,380
The year's change in fair value of cash flow hedges			**-16,102**	**69,283**	**-2,050**	**51,131**	**-16**	**51,115**
Total comprehensive income for the year			**-16,102**	**69,283**	**787,489**	**840,670**	**2,922**	**843,592**
Transactions with owners								
Dividends (SEK 2.50 per share)					-244,791	-244,791		-244,791
Total transactions with owners	**–**	**–**	**–**	**–**	**-244,791**	**-244,791**	**–**	**-244,791**
Closing equity, December 31, 2018	**97,917**	**1,337,386**	**-16,560**	**38,774**	**918,553**	**2,376,070**	**2,892**	**2,378,962**

1) The hedge reserve pertains to cash flow hedges of currency risk in contracted flows. Transfers to profit and loss were recognized in net sales and were entirely due to the impact the hedge item had on profit and loss. Of the closing hedge reserve, SEK 6,652 thousand related to continuing hedges and SEK 9,908 thousand to settled hedges.

Parent Company

PROFIT AND LOSS ACCOUNTS

SEK thousand	Notes	2018	2017[1]
Net sales	11, 12	2,621,119	2,334,933
Cost of goods sold		-1,076,001	-936,942
Gross profit		**1,545,118**	**1,397,990**
Research and development expenses	10	-353,319	-278,931
Selling expenses		-155,528	-148,243
Administrative expenses	8	-125,866	-111,069
Other operating income	9	32,364	1,687
Other operating expenses	9	0	-57,983
EBIT		**942,769**	**803,451**
Result from financial investments			
Interest income and similar items	16	34,112	11,179
Interest expenses and similar items	16	-8,474	-6,352
Profit after financial items		**968,407**	**808,278**
Appropriations	17	-234,900	-204,000
Profit before tax		**733,507**	**604,278**
Tax	18	-160,818	-134,925
Profit for the year		**572,689**	**469,353**

STATEMENTS OF COMPREHENSIVE INCOME

SEK thousand	2018	2017[1]
Profit for the year	**572,689**	**469,353**
Other comprehensive income	–	–
Total comprehensive income for the year	**572,689**	**469,353**

1) Restated for comparability, see Note 1

BALANCE SHEETS

SEK thousand	Notes	Dec 31, 2018	Dec 31, 2017[1]
ASSETS			
Non-current assets			
Intangible assets	20	3,712	0
Tangible assets	21	51,836	37,431
Financial assets			
Participation in Group companies	22	1,048,696	994,705
Receivables from Group companies	24	712,008	275,511
Other non-current receivables	25	1,045	2,958
Deferred tax assets	18	4,145	8,001
Total financial assets		**1,765,895**	**1,281,175**
Total non-current assets		**1,821,442**	**1,318,606**
Current assets			
Inventories	26	446,244	346,603
Current receivables			
Trade receivables	11	117,336	137,178
Receivables from Group companies		363,870	212,979
Other receivables		41,739	24,279
Prepaid expenses and accrued income	11, 28	116,183	52,159
Total current receivables		**639,127**	**426,595**
Cash and cash equivalents		538,082	595,788
Total current assets		**1,623,453**	**1,368,987**
TOTAL ASSETS		**3,444,895**	**2,687,593**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		97,917	97,917
Statutory reserve		0	0
		97,917	**97,917**
Non-restricted equity			
Share premium reserve		201,916	201,916
Retained earnings		763,751	539,190
Profit for the year		572,689	469,353
		1,538,356	**1,210,458**
Total equity		**1,636,273**	**1,308,375**
Untaxed reserves	17	**645,700**	**410,800**
Non-current liabilities			
Non-current provisions		704	481
Other non-current liabilities		6,680	184,136
Total non-current liabilities		**7,384**	**184,617**
Current liabilities			
Advance payments from customers	11	193,538	439,015
Trade payables		162,868	104,346
Liabilities to Group companies		32,203	24,141
Current tax liabilities		53,586	38,746
Other liabilities		252,450	48,351
Accrued expenses and deferred income	11, 30	449,538	120,779
Current provisions	31	11,354	8,424
Total current liabilities		**1,155,537**	**783,802**
Total liabilities		**1,162,922**	**968,418**
TOTAL EQUITY AND LIABILITIES		**3,444,895**	**2,687,593**

1) Restated for comparability, see Note 1

STATEMENTS OF CASH FLOW

SEK thousand	Notes	2018	2017[1]
Operating activities			
Profit after financial items		968,407	808,278
Adjustments for non-cash items			
Depreciation/amortization and impairment of assets		12,931	10,988
Capital gain/loss on the sale of non-current assets		–	–
Unrealized foreign exchange differences		-41,659	39,035
Provisions		5,953	816
Write down of inventories and similar items		20,224	4,196
Interests not received		-2,149	-2,077
Effect of application of IFRS 15		–	3,727
Paid income tax		-133,185	-119,167
Cash flow from operating activities before changes in working capital		**830,523**	**745,796**
Changes in working capital			
Inventories		-115,649	-67,807
Trade receivables		23,525	136,214
Other receivables		-234,228	-46,924
Trade payables		58,617	1,530
Other liabilities		80,333	120,190
Cash flow from operating activities		**643,121**	**888,999**
Investing activities			
Investments in subsidiaries		-18,438	-169,528
Investments in intangible assets	20	-4,076	–
Investments in tangible assets	21	-31,187	-12,813
Increase in non-current receivables	24, 25	-402,335	-432
Decrease in non-current receivables	24, 25	–	25,407
Cash flow from investing activities		**-456,036**	**-157,366**
Financing activities			
Dividends paid to Parent Company shareholders		-244,791	-195,833
Cash flow from financing activities		**-244,791**	**-195,833**
Cash flow for the year		**-57,706**	**535,800**
Cash and cash equivalents at beginning of year		595,788	59,988
Cash and cash equivalents at end of year		**538,082**	**595,788**
Additional information			
Interest received and paid			
Interest received		16,476	9,102
Interest paid		-5,405	-5,099
		11,071	**4,003**

1) Restated for comparability, see Note 1

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.

	Restricted equity		Non-restricted equity		
SEK thousand	Share capital	Statutory reserve	Share premium reserve	Retained earnings including profit/loss for the year	Total equity
Equity, January 1, 2017	**97,917**	**0**	**201,916**	**752,301**	**1,052,133**
Effect of retroactive application of IFRS 15, Note 1				-17,278	-17,278
Adjusted equity, January 1, 2017	**97,917**	**0**	**201,916**	**735,023**	**1,034,855**
Net profit for the year (recalculated, Note 1)				469,353	469,353
Total comprehensive income for the year				**469,353**	**469,353**
Transactions with owners					
Dividends				-195,833	-195,833
Closing equity, December 31, 2017	**97,917**	**0**	**201,916**	**1,008,543**	**1,308,375**
Profit for the year				572,689	572,689
Total comprehensive income for the year				**572,689**	**572,689**
Transactions with owners					
Dividends				-244,791	-244,791
Closing equity, December 31, 2018	**97,917**	**0**	**201,916**	**1,336,441**	**1,636,273**

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 USA. 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 new standards, revised standards and interpretations of existing standards that shall be applied as of the financial year beginning on January 1, 2018 have any material impact on the Group or Parent Company financial statements in addition to what is specified below.

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 measured 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.

The standard is applied by the Group as of January 1, 2018. IFRS 9 contains amended classification categories compared with IAS 39. The amended classification did not result in any change in carrying amounts upon the transition to IFRS 9. According to IFRS 9, allowances are made for expected credit losses if a credit exposure exists, usually on initial recognition. However, this amendment did not have any material transition effect, which is why no such effect was recognized in equity. As of January 1, 2018, the Group applies hedge accounting in accordance with IFRS 9. All hedging relationships existing at the time of transition to IFRS 9 qualified for continued hedge accounting and did not result in any transition effect. The Group did not restate the comparative year 2017, which is recognized according to IAS 39.

IFRS 15 Revenue from Contracts 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. The standard is applied by the Mycronic Group and the Parent Company as of January 1, 2018, with full retrospective. When applying the new standard, system sales are divided within the Pattern Generators business area 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. The effects of the new standard are shown in the tables below. Comparative figures in accounts and notes are restated to account for the effects of the new standard.

Effect of the Group's and Parent Company's income statement, SEK thousand	Jan–Dec 2017
Net sales	-1,103
Cost of goods sold	-3,569
Other income and expenses	945
EBIT	**-3,727**
Tax	820
Loss for the year	**-2,907**
Effect on earnings per share	-0.03

Effect of the Group's statements of financial position and Parent Company's balance sheet, SEK thousand	Dec 31, 2017
ASSETS	
Deferred tax assets	5,693
Total assets	**5,693**
EQUITY AND LIABILITIES	
Accrued expenses and deferred income	-2,800
Deferred income	35,786
Current provisions	-7,108
Total liabilities	25,878
Retained earnings	-17,278
Profit for the year	-2,907
Equity	**-20,185**
Total equity and liabilities	**5,693**

Total effect is attributable to owners of the Parent Company.

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 will 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.

As of January 1, 2019, IFRS 16 Leases replaces the current standard, IAS 17 Leases and the associated interpretations IFRIC 4, SIC 15 and SIC 27. IFRS 16 entails that a majority of all leases are to be recognized in the statement of financial position. In 2018, Mycronic identified and evaluated the Group's lease contracts and analyzed the effects of the transition to IFRS 16. No leases were reclassified and only contracts classified as leases under IAS 17 will be subject to IFRS 16.

When the standard comes into force on January 1, 2019, Mycronic will apply the modified retrospective approach, entailing that comparative information from prior periods will not be presented. The lease liability comprises the discounted remaining lease payments at January 1, 2019. For all leases, the right-of-use asset is an amount corresponding to the lease liability adjusted for prepaid or accrued lease payments recognized in the statement of financial position on the first day of application. Accordingly, the transition to IFRS 16 has no effect on equity.

Mycronic has chosen to apply the practical exemptions regarding leases where the underlying asset has a low value and for leases with a lease term of less than 12 months. These leases will not be included in amounts recognized in the statement of financial position. Nor will leases be included that were originally of a term longer than 12 months but which end in 2019. Mycronic's material leases currently primarily comprise rented premises, but also vehicles and office equipment. Rented premises will be presented as one class of underlying assets, and vehicles and office equipment will be presented under Other, as they are not considered material individually. In the transition to IFRS 16, these leases will be recognized in the statement of financial position, which will involve an increase in the Group's total assets as a result of the addition of right-of-use assets and lease liabilities. The lease payments recognized earlier as other external expenses will be replaced by depreciation costs for the right-of-use assets, which are recognized in EBIT and interest on the lease liability, which is recognized as a financial expense. The lease fee is divided between repayment of the lease liability and payment of interest.

In the transition to IFRS 16, all remaining lease payments were measured at present value applying Mycronic's incremental borrowing rate. At the date of initial application, the following adjustments will be recognized in Mycronic's statement of financial position:

Right-of-use assets	SEK 179 million
Deferred income	SEK -5 million
Lease liabilities	SEK 174 million

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

Accounting estimates and classifications
The preparation of financial reports in accordance with IFRS requires the company's management to make certain accounting judgments, estimates and assumptions that affect how accounting policies are applied and the 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 exchange rate in effect on the transaction date.

Sales transactions in foreign currency within the Pattern Generators 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. Exchange rate 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 the exchange rate 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 exchange rate, 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/expenses.

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 exchange rate.

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.

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 and 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 includes 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 high-tech products on the cutting edge of technology. Several different types of development projects need to be conducted in order to achieve a few commercial products.

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 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. Development costs may be capitalized if the company can demonstrate the technical and commercial feasibility of completing the product or process, the intention and ability to complete the development and use or sell the asset. It must also be probable that future economic benefits related to the asset will flow to the company and the asset cost can be reliably measured. The reported value includes all directly attributable costs, such as those for materials and services as well as compensation to employees.

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

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

Amortization of capitalized development costs is started when the respective development project is completed, normally when it begins generating revenue and is carried out on a straight-line basis over a period of three years for pattern generators and five years for SMT equipment. Amortization was recognized as research and development costs in the profit and loss accounts until the second quarter of 2018. From the third quarter of 2018, the amortization of capitalized development costs is included in the acquisition cost of inventories, which by extension impacts the cost of goods sold in the Group. Given that the amortization involves relatively insignificant amounts, the comparative figures were not restated.

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. Gains and losses are recognized as 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 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 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 of financial assets
Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the character of the asset's contractual cash flow.
The instruments are classified as:
• Amortized cost
• Fair value through other comprehensive income
• Fair value through profit and loss

The Group's assets in the form of debt instruments are classified at amortized cost. Financial assets classified at amortized cost are measured initially at fair value with the addition of transaction costs. Trade receivables are recognized initially at the invoiced value. Following initial recognition, the assets are measured in accordance with the effective interest method. Assets classified at amortized cost are held in accordance with the business model to collect contractual cash flows that are solely the payment of the principal and interest on the principal outstanding. Assets are subject to a loss allowance for expected loan losses.

Derivative instruments are classified at fair value in profit and loss, except where hedge accounting is applied, see also below. Fair value is determined according to the description in Note 35.

Classification and valuation of financial liabilities
Financial liabilities are classified at amortized cost with the exception of derivatives and contingent considerations. Financial liabilities classified at amortized cost are measured initially at fair value including transaction costs. After initial recognition, these are measured at amortized cost according to the effective interest method.

Derivative instruments are classified at fair value in profit and loss, except where hedge accounting is applied, see also below. Contingent considerations related to business combinations are recognized at fair value in profit and loss. Upon valuation of contingent considerations, level 3 in the valuation hierarchy is applied.

Reporting of derivative instruments and hedges
Derivative instruments consist of forward exchange contracts that are used to reduce transaction exposure in foreign currencies. Derivative instruments are not used for speculative purposes. All derivative instruments 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. The Group applies hedge accounting in accordance with IFRS 9. 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 and loss attributable to the ineffective portion is recognized immediately in the income statement under other operating income/expenses. 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/expenses. 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.

As of 2018, the Group also applies hedge accounting of net investments in foreign operations. The exchange rate effects on hedging instrument debt in foreign currency is recognized in other comprehensive income, insofar as the hedge is effective. With this, exchange rate changes on the debt meet exchange rate differences from net investments in foreign operations as presented in other comprehensive income, and the amount accumulates in the translation reserve. The exchange rate effects remain in the translation reserve until such time as the net investment is divested, when the accumulated amount in the reserve is reclassified to profit and loss.

When hedge transactions are 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 hedge instrument used in the hedge transaction in offsetting changes in cash flows or value. Changes in the hedge reserve and translation reserve are reported in other comprehensive income.

Comparative year according to IAS 39
Financial instruments are recognized in accordance with IAS 39 in the comparative year 2017. IAS 39 had other classification categories compared with IFRS 9. The classification categories according to IAS 39 still involved corresponding recognition at amortized cost and fair value respectively in profit and loss or in other comprehensive income.

Furthermore, IAS 39 used another method for provisions for credit losses, which meant the provision was made when a credit event was identified, unlike the method in IFRS 9 where provision is effected for expected credit losses.

As of January 1, 2018, the Group applies hedge accounting in accordance with IFRS 9, instead of hedge accounting according to IAS 39 for the comparative year. The transition has not entailed any change in carrying amounts.

Otherwise for the Group, no differences exist between the standards. The transition from IAS 39 to IFRS 9 has had no material impact on the Group, see Note 35.

Inventories

Inventories are valued at the lowest of acquisition cost or net realizable value.

Inventories are carried out at cost calculated on a first-in, first-out 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

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 of financial instruments

The Group's financial assets and contract assets, except for those classified at fair value in profit and loss, are subject to impairment for expected credit losses. Impairment for credit losses according to IFRS 9 is forward-looking and a loss allowance is made when there exists an exposure for credit risk, normally in initial recognition. Expected credit losses are reflected in the present value of all deficits in cash flow relating to default either for the next 12 months or for the anticipated remaining term of the financial instrument, depending on the type of asset and on the credit deterioration since initial recognition. The expected credit losses reflect an objective, probability-weighted outcome that takes into account a number of scenarios based on reasonable and verifiable forecasts. The valuation of expected credit losses reflects any collateral and other credit enhancements in the form of guarantees.

The simplified approach applies for trade receivables and contract assets. A loss allowance is recognized, in the simplified approach, for the receivable or asset's anticipated remaining time to maturity.

For other items covered by expected credit losses, an impairment model is applied with three steps. Initially, and on every balance-sheet date, a loss allowance is recognized for the next 12 months, or alternatively for shorter periods depending on the remaining time to maturity (step 1). If a material increase in credit risk has occurred since the initial recognition, a loss allowance is recognized for the asset's remaining term (step 2). For assets where credit is deemed to have deteriorated, a provision remains for expected credit losses for the remaining term (step 3). For assets and receivables where credit is deemed to have deteriorated, the calculation is based on interest income on the asset's carrying amount, net of loss allowance, unlike the gross amount used in the earlier steps.

The financial assets are recognized in the balance sheet at amortized cost, meaning net of gross value and loss allowance. Changes to the loss allowance are recognized in profit and loss.

Taxation

Income tax consists of current tax and deferred tax. Income tax is reported in the profit and 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 carryforwards 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, JPY and CNY.

Revenue is 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. 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. Costs for the provision of service are expensed as incurred.

See Note 11 Revenue from Contracts with Customers.

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. From the third quarter 2018, the amortization of capitalized development costs is included in the acquisition cost of inventories, which by extension impact the cost of goods sold in the Group.

Earnings per share
Earnings per share are calculated on consolidated profit for the year 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 2018). 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 2018 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.

Taxation
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 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 and contingent considerations 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. Contingent considerations are measured in the Parent Company assuming the probability that a purchase consideration will be paid and changes impact historical cost. The consolidated financial statements recognize contingent considerations at fair value with changes in value in profit and loss. The Parent Company recognizes the full amount of dividends received from subsidiaries as revenue in profit and loss for the year.

Exchange-rate differences on long-term loans that form part of the Parent Company's net investments in foreign operations are recognized in profit and loss.

Financial instruments and hedge accounting
In view of the connection between accounting and taxation, the rules on financial instruments and hedge accounting in IFRS 9 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. In connection with impairment and recognition according to the lower of cost or net realizable value, impairment of the debt instrument is applied for expected credit losses in accordance with IFRS 9.

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 preparation 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
Assets with an indefinite useful life, meaning goodwill and brands, are not amortized but are tested annually, or as required, for impairment. Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable value is the highest of an asset's fair value less selling costs and the value in use. During impairment testing, assets are grouped at the lowest level with separate identifiable cash flow (cash-generating units). 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, for the cash-generating unit to which the values belong. These assessments can have a large impact on the Group's reported values of intangible assets.

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.

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 23 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 early 2017, the Board and Group management decided on new financial goals:

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

Profitability
EBIT 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.

Mycronic defines capital as equity according to the statement of financial position, SEK 2,378,962 thousand (1,780,161), adjusted for unrealized gains/losses reported in other comprehensive income included in the hedge reserve. Capital amounts to SEK 2,395,522 thousand (1,780,619).

Mycronic's dividend policy
The objective of the company is to provide both good returns and value growth. Between 30 and 50 percent of net profit will be distributed to the shareholders, provided the company has a net debt lower than 3 times EBITDA after stipulated dividend. In each case, account shall be taken of the company's financial position, profitability trends, growth potential and future investment needs.

At the AGM's disposal are the following amounts in SEK:

Share premium reserve	201,915,502
Retained earnings (recalculated, Note 1)	763,751,570
Profit for the year	572,689,294
Total	**1,538,356,366**

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

Dividend	293,749,527
Carried forward to new account	1,244,606,839

Proposal on dividend
The Board of Directors proposes to the AGM a dividend of SEK 3.00 per share, amounting to SEK 293.7 million. The dividend corresponds to 37 percent of the Group's net profit after tax.

Note 6 Events after year-end

In January 2019, Mycronic launched two new pick-and-place machine models at the IPC APEX Expo in the USA. These two new compact models, the MY300HX and the MY300EX, offer extended configuration possibilities that significantly improve customers' production capacity while also maintaining a high level of process quality and availability for demanding applications.

Note 7 Operating expenses

	Group	
	2018	2017[1]
Costs allocated by type of cost (excluding capitalized work for own use)		
Raw materials and consumables	1,147,049	699,598
Changes in finished goods and products in progress	-101,991	35,986
Personnel costs	924,413	709,892
Depreciation/amortization and impairment of assets	73,888	74,737
Other external costs	865,586	714,329
	2,908,944	**2,234,543**

1) Restated for comparability, see Note 1

Note 8 Fees for auditing and non-auditing services

	Group		Parent Company	
	2018	2017	2018	2017
Fees and compensation, auditing, etc.				
Auditing assignments, EY	7,393	4,818	2,424	1,602
Auditing assignments, other	284	86	–	–
Non-auditing assignments, EY	496	491	496	316
Tax consulting, EY	1,219	1,167	–	80
Other assignments, EY	3,938	588	–	504
	13,330	**7,150**	**2,920**	**2,502**

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 2018 AGM re-elected Ernst & Young as auditor.

Note 9 Other operating income/expenses

	Group		Parent Company	
	2018	2017[1]	2018	2017[1]
Other operating income				
Exchange rate gains	13,884	–	31,502	–
Other	33,673	17,874	862	1,687
	47,557	**17,874**	**32,364**	**1,687**
Other operating expenses				
Exchange rate losses	–	-17,747	–	-57,624
Other	–	-32,654	–	-360
	–	**-50,401**	**–**	**-57,983**
of which, exchange rate differences on derivatives recognized in profit and loss at fair value	-18,006	9,017	-36,382	-1,639

1) Restated for comparability, see Note 1

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

Note 10 Research and development expenses

	Group		Parent Company	
	2018	2017	2018	2017
R&D expenditure				
Assembly Solutions	311,541	266,984		
Pattern Generators	154,464	68,318		
	466,044	**335,302**	**353,319**	**278,931**
Capitalized development				
Assembly Solutions	-10,006	-21,018		
	-10,006	**-21,018**	**–**	**–**
Amortization on capitalized development				
Assembly Solutions	3,669	24,130		
	3,669	**24,130**	**–**	**–**
Amortization of acquired technology	16,471	9,581		
Reported cost	**476,139**	**347,995**	**353,319**	**278,931**

Note 11 Revenue from Contracts with Customers

The distribution of Revenue from Contracts with Customers by business area, geographical markets and type of good or service is summarized in the table below.

	2018			2017		
	Assembly Solutions	Pattern Generators	Group	Assembly Solutions	Pattern Generators[1]	Group[1]
Geographical market						
EMEA	756,499	–	756,499	566,947	–	566,947
Americas	511,788	177,795	689,583	339,690	25,779	365,469
Asia	743,574	1,590,930	2,334,504	512,426	1,555,215	2.067 640
Total	**2,011,861**	**1,768,725**	**3,780,586**	**1,419,063**	**1,580,993**	**3,000,056**
Type of good/service						
System	1,504,609	1,172,776	2,677,385	1,060,654	1,028,425	2,089,079
Aftermarket	507,252	595,949	1,103,201	358,409	552,568	910,977
Total	**2,011,861**	**1,768,725**	**3,780,586**	**1,419,063**	**1,580,993**	**3,000,056**

1) Restated for comparability, see Note 1

Revenue from aftermarket sales consists primarily of service revenue from both business areas, upgrades from the Pattern Generators business area and spare parts and accessories from the Assembly Solutions business area.

The distribution of Revenue from Contracts with Customers by timing of revenue recognition is summarized in the table below.

	Group	
Timing of revenue recognition	2018	2017[1]
Products transferred at a point in time	3,125,928	2,482,246
Service transferred over time	654,658	517,810
Total	**3,780,586**	**3,000,056**

1) Restated for comparability, see Note 1

Information about trade receivables, contract assets and contract liabilities from contracts with customers are summarized in the table below.

	Group		Parent Company	
Contract balances	2018	2017[1]	2018	2017[1]
Trade receivables, see Note 27	663,919	512,405	117,336	137,178
Contract assets	103,120	41,140	87,442	35,864
Contract liabilities	690,877	553,265	548,376	480,946
Total	**1,457,916**	**1,106,810**	**753,154**	**653,988**

1) Restated for comparability, see Note 1

Contract assets mainly pertain to the Group's right to reimbursement for work performed but not invoiced linked to system sales in the Pattern Generators business area. Contract assets are transferred to trade receivables when the Group issues an invoice to the customer, which normally takes place when the terms for the installation are met.

Contract liabilities mainly consist of advance payments on systems orders received in the Pattern Generators business area, unmet performance obligations related to system sales in the Pattern Generators business area and prepaid service revenue in both business areas. Of the SEK 553 million recognized as contract liabilities on the opening date, SEK 431 million was recognized as revenue as of December 31, 2018.

In the Pattern Generators business area, payment is normally made for system orders when the order is confirmed and in conjunction with shipping and a smaller portion is paid after installation is approved. Payments for upgrades are normally received after installation is approved. Service contracts are paid monthly or every quarter in arrears.

In the Assembly Solutions business area, payment is normally made for system orders when the order is confirmed and after shipping, and a smaller portion is paid after installation is approved. Payments for spare parts and accessories normally take place after delivery. See Note 35 for average credit periods. Service contracts are normally paid in advance, annually or every quarter.

Performance obligations

Assembly Solutions

System sales in the Assembly Solutions business area is normally divided into two separate performance obligations; system and installation. The system portion is recognized as income at a point in time while the installation is recognized over time. Aftermarket sales in Assembly Solutions includes goods, such as spare parts and accessories, which are recognized as income at a point in time and service revenue that is recognized over time.

Pattern Generators

System sales in the Pattern Generators business area is divided into three separate performance obligations; system, installation and service-type warranty. The system portion is recognized as income at a point in time while the installation and warranty are recognized over time. Aftermarket sales mainly comprise revenue from service contracts that is recognized as income over time and upgrades that are normally recognized at a point in time.

In the Pattern Generators business area, combined agreements exist where two or more agreements are signed at the same time, or almost at the same time, with the same customer and when other criteria for recognizing the agreements as combined are satisfied. These combined agreements can include performance obligations such as system, installation, service-type warranty and upgrades.

Remaining performance obligations

Remaining performance obligations as per December 31, 2018 amounted to SEK 1,904 million, including advances and deferred income recognized as contract liabilities. The remaining performance obligations include ten mask writers, of which eight with planned delivery in 2019, and major upgrade with delivery in 2019.

Note 12 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 of camera modules and die-bonding systems for manufacturing optoelectronics.

The other segment comprises operations in the Pattern Generators business area. Operations comprise development, manufacture and marketing of highly accurate laser pattern generators for the production of photomasks. The systems are used by electronics companies in the manufacture of displays among other items. 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.

Net sales per geographical market	Group 2018	Group 2017[1]	Parent Company 2018	Parent Company 2017[1]
Sweden	32,461	41,513	32,263	41,731
Europe outside Sweden	709,828	516,005	373,359	303,518
Americas	689,583	365,469	447,751	224,959
Asia	2,334,504	2,067,640	1,755,529	1,758,599
Other countries	14,210	9,429	12,217	6,126
Total	**3,780,586**	**3,000,056**	**2,621,119**	**2,334,933**
of which, system sales	2,677,385	2,089,079	1,783,716	1,519,642
of which, aftermarket sales	1,103,201	910,977	837,403	815,291
	3,780,586	**3,000,056**	**2,621,119**	**2,334,933**

1) Restated for comparability, see Note 1

Non-current assets per geographical market	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Sweden	162,228	145,445	55,548	37,431
Europe outside Sweden	112,698	114,262		
USA	620,053	272,857		
China	571,489	561,836		
Rest of Asia	20,119	12,078		
Total	**1,486,588**	**1,106,478**	**55,548**	**37,431**

Net sales and profit/loss before taxes	2018 Assembly Solutions	2018 Pattern Generators	2018 Group-wide	2018 Group	2017 Assembly Solutions	2017 Pattern Generators[1]	2017 Group-wide	2017 Group[1]
Income from external customers	2,011,861	1,768,725		3,780,586	1,419,063	1,580,993		3,000,056
Total income	**2,011,861**	**1,768,725**	**–**	**3,780,586**	**1,419,063**	**1,580,993**	**–**	**3,000,056**
of which no (two) customers represent more than 10 percent of total sales				–				*701,110*
Gross profit	838,800	1,258,728		2,097,528	557,497	1,158,451		1,715,947
Gross margin, %	42	71		55	39	73		57
Operating expenses and profit/loss before tax								
R&D expenditure	-311,541	-154,464		-466,005	-266,984	-68,318		-335,302
Capitalized development costs	10,006	–		10,006	21,018	–		21,018
Amortization of capitalized development costs	-3,669	–		-3,669	-24,130	–		-24,130
Amortization of acquired technology	-16,471	–		-16,471	-9,581	–		-9,581
Selling expenses	-339,865	-76,968	-4,000	-420,834	-225,304	-80,469	-4,000	-309,774
Administrative expenses	-148,698	-79,411		-228,108	-115,957	-65,457		-181,414
Other income and expenses	40,890	6,667		47,557	-24,192	-8,335		-32,527
Financial income and expenses			-8,912	-8,912			-8,587	-8,587
Profit/loss before tax	**69,451**	**954,552**	**-12,912**	**1,011,092**	**-87,633**	**935,870**	**-12,587**	**835,650**
Assets								
Capitalized development costs	32,337			32,337	29,670			29,670
Inventories	570,783	297,397		868,180	311,267	277,293		588,560
Trade receivables	506,139	157,780		663,919	361,606	150,799		512,405
Investments								
Capitalized development costs	10,006	–		10,006	21,018	–		21,018

1) Restated for comparability, see Note 1

Note 13 Transactions with related parties

Intra-group transactions
Of the Parent Company's purchases during the year, SEK 317 million (276) was attributable to Group companies. Of the year's sales, SEK 1,028 million (881) was attributable to Group companies. All transactions are conducted on market terms.

Transactions with persons in senior positions
Except what is described in Note 15, no transactions have taken place with persons in senior positions.

Note 14 Depreciation/amortization by function

Group	2018 Customer relation-ships	2018 Brands	2018 Business systems	2018 Develop-ment[1]/ technology expenses	2018 Tangible assets	2018 Total	2017 Customer relation-ships	2017 Brands	2017 Business systems	2017 Devel-opment expenses	2017 Tangible assets	2017 Total
Cost of goods sold	–	–		3,669	9,882	13,551	–	–	–	–	8,257	8,257
Research and development expenses	–	–	500	20,165	9,047	29,712	–	–	116	33,616	6,327	40,060
Selling expenses	20,252	4,000	–	–	1,762	26,014	17,592	4,000	–	–	1,248	22,841
Administrative expenses	–	–	459	–	4,152	4,611	–	–	–	–	2,221	2,221
	20,252	**4,000**	**959**	**23,834**	**24,843**	**73,888**	**17,592**	**4,000**	**116**	**33,616**	**18,053**	**73,378**
Parent Company												
Cost of goods sold	–	–	82	–	4,573	4,655	–	–	–	–	4,504	4,504
Research and development expenses	–	–	81	–	6,873	6,953	–	–	–	–	5,785	5,785
Selling expenses	–	–	11	–	530	541	–	–	–	–	511	511
Administrative expenses	–	–	190	–	591	781	–	–	–	–	189	189
	–	**–**	**364**	**–**	**12,567**	**12,931**	**–**	**–**	**–**	**–**	**10,988**	**10,988**

1) From the third quarter 2018, the amortization of capitalized development costs is included in the acquisition cost for inventories, which by extension impacts the cost of goods sold in the Group. Given that the amortization is for relatively insignificant amounts, the comparative figures were not restated.

Note 15 Employees, personnel costs and remuneration to senior executives

Remuneration to the Board and senior executives
Principles applied in 2018
The Chairman and the members of the Board are remunerated according to AGM decision. Members of the Board that are appointed by unions do not receive remuneration. No fees are paid to the boards of the subsidiaries.

Other senior executives refer to the eight individuals who together with the CEO make up the Group management team. The Group management team is further presented on pages 52–53.

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 2018, STI could reach a maximum of SEK 8.1 million, excluding social security expenses.

LTI is to encourage the 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 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 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, that 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 of 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

	Group		Parent Company	
Salaries and remuneration	2018	2017	2018	2017
The Board, CEO and senior executives	29,391	25,724	29,391	23,498
Other employees	659,916	498,733	202,629	187,199
Total salaries and remuneration	**689,307**	**524,457**	**232,020**	**210,697**
Social security expenses	145,097	107,001	79,971	71,768
Pension expenses	58,777	42,338	37,837	30,791
Total costs	**893,181**	**673,796**	**349,828**	**313,257**

The reported remuneration of employees includes variable salary at an amount of SEK 88 million (41) excluding social security expenses, of which SEK 26 million (15) refer to the Parent Company. The STI program covers all employees in the Parent Company.

Remuneration of the Board	2018 Board fees	2018 Audit Committee	2018 Total	2017 Board fees	2017 Audit Committee	2017 Total
Patrik Tigerschiöld, Chairman of the Board and Chairman of the Remuneration Committee	700	75	775	550	30	580
Anna Belfrage, chairman of the Audit Committee	275	100	375	–	–	–
Katarina Bonde	275	50	325	220	30	250
Per Holmberg	275	40	315	220	30	250
Ulla-Britt Fräjdin-Hellqvist	275	90	365	220	60	280
Robert Larsson	275	–	275	–	–	–
Magnus Lindquist	–	–	–	220	70	290
Total remuneration of the Board	**2,075**	**355**	**2,430**	**1,430**	**220**	**1,650**

Remuneration of the CEO and other senior executives 2018	Basic salary	Other remuneration	STI	LTI	Other benefits	Pension expenses	Total
Lena Olving, CEO	4,329	496	2,940	595	423	2,201	10,984
Other senior executives (8 persons)	12,649	543	3,843	1,566	339	5,713	24,653
Total remuneration	**16,978**	**1,039**	**6,783**	**2,161**	**762**	**7,914**	**35,637**

The LTI remuneration refers to the year's payments. The cost for the year amounted to SEK 2,565 thousand. Pension expenses for other senior executives for the year include premiums attributable to pensionable remuneration for previous periods.

Remuneration of the CEO and other senior executives 2017	Basic salary	Other remuneration	STI	LTI	Other benefits	Pension expenses	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
Total remuneration	**15,827**	**1,221**	**4,830**	**2,196**	**2,839**	**5,883**	**32,796**

In 2018, the following principles for remuneration of the CEO and other senior executives were applied. The Group management team consists of 9 (9) persons.

Fixed basic salary
Fixed basic salary for the CEO and other senior executives is reviewed on an annual basis. The basic monthly salary to the CEO amounted to SEK 360,775 in 2018.

Short-term incentive (STI) program
STI is paid according to the fulfillment of Group targets with a maximum of 80 percent of an annual basic salary. For 2018, STI to the CEO amounts to SEK 2,940 thousand and to other senior executives SEK 3,843 thousand. The outcome of STI for 2018 reached 84 percent of the maximum amount. In a departure from ordinary guidelines, the CEO, who is leaving her position, is entitled to receive STI for her basic salary in 2019, in line with the supplementary agreement signed in 2018.

Long-term incentive (LTI) program
LTI is to encourage the 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. The amount is maximized to SEK 100 thousand after tax for the CEO and SEK 50 thousand after tax for other senior executives. 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 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. In a departure from ordinary guidelines, the CEO, who is leaving her position, is entitled to receive amounts for the LTI programs signed, in line with the supplementary agreement signed in 2018.

Other benefits
Other benefits consist of company car and free healthcare insurance. For the CEO, other benefits also include housing and a free rail pass.

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. In 2018, the Board decided to make a similar 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 fixed basic salary and other benefits during the notice period. No benefits are payable after this period. After the notice period the CEO is entitled to termination benefits corresponding to 12 months' salary.

For other senior executives, 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.

	Group		Parent Company	
% of women	2018	2017	2018	2017
Board of Directors	50	40	50	40
Other senior executives	44	38	44	38

Board and senior executives in the Parent Company consist of 17 (16) persons. The proportion of women in the Parent Company's Board is based on the members who are appointed by the AGM.

	2018		2017	
Average number of employees	Total	of which women	Total	of which women
Parent Company				
Sweden	336	71	322	67
Total in Parent Company	**336**	**71**	**322**	**67**
France	81	19	27	4
Japan	72	9	50	8
China	395	48	341	44
Netherlands	11	2	9	2
Singapore	10	1	8	2
United Kingdom	13	3	13	4
South Korea	35	6	33	6
Germany	44	6	38	5
USA	177	25	121	19
Total in subsidiaries	**838**	**119**	**640**	**94**
Total in Group	**1,175**	**190**	**962**	**161**

Note 16 Net financial items

	Group		Parent Company	
	2018	2017	2018	2017
Interest income from Group companies	–	–	17,092	10,829
Other interest income (loans and trade receivables)	2,613	846	1,573	350
Interest income in accordance with effective interest method[1]	**2,613**	**846**	**18,665**	**11,179**
Dividend from Group companies	–	–	15,447	–
Financial income/Interest income and similar items	**2,613**	**846**	**34,112**	**11,179**
Interest expenses in accordance with effective interest method[1]	-11,525	-9,433	-8,474	-6,352
Financial expenses/ Interest expenses and similar items	**-11,525**	**-9,433**	**-8,474**	**-6,352**
Financial net/Result from financial investments	**-8,912**	**-8,587**	**25,638**	**4,827**

1) Financial Instruments classified at amortized cost.

Note 17 Appropriations and untaxed reserves

	Parent Company	
Appropriations	2018	2017
Changes in tax allocation reserve	-235,000	-204,000
Changes in depreciation exceeding plan	100	–
	-234,900	**-204,000**
Untaxed reserves		
Allocation reserve	636,000	401,000
Accumulated additional depreciation	9,700	9,800
	645,700	**410,800**

Note 18 Income tax

	Group		Parent Company	
	2018	2017[1]	2018	2017[1]
Current tax				
The year's tax expense	-173,449	-165,513	-156,962	-135,628
	-173,449	**-165,513**	**-156,962**	**-135,628**
Deferred tax				
Deferred tax on temporary differences	-45,166	-49,364	-3,856	703
Deferred tax on capitalized loss carryforwards previously not accounted for	–	2,579	–	–
	-45,166	**-46,785**	**-3,856**	**703**
Total reported tax	**-218,615**	**-212,298**	**-160,818**	**-134,925**

Reconciliation of effective tax rate	Group		Parent Company	
	2018	2017[1]	2018	2017[1]
Profit before tax	1,011,092	835,650	733,507	604,278
Tax according to tax rate in the Parent Company 22 (22)%	-222,440	-183,843	-161,372	-132,941
Effect of different tax rates in foreign subsidiaries	2,752	1,677	–	–
Non-deductible/ non-taxable items	-298	-10,866	1,036	-1,670
Increase in loss carryforwards without corresponding capitalization of deferred tax	-7,066	-1,186	–	–
Temporary differences for which deferred tax assets have not been accounted	-958	-7,383	–	–
Effect of changed tax rate	-313	-7,231	-164	–
Other	9,708	-3,466	-318	-314
Reported effective tax	**-218,615**	**-212,298**	**-160,818**	**-134,925**

1) Restated for comparability, see Note 1

Tax items recognized in other comprehensive income	Group		Parent Company	
	2018	2017	2018	2017
Actuarial result from defined benefits to employees	591	987	–	–
Cash flow hedges	4,380	-2,654	–	–
Exchange differences on foreign currency loans treated as net investments in subsidiaries	-6,886	4,936	–	–
	-1,915	**3,269**	**–**	**–**

Recognized deferred tax assets and liabilities, Group	2018 Deferred tax assets	2018 Deferred tax liabilities	2017 Deferred tax assets[1]	2017 Deferred tax liabilities
Tangible assets	–	-3,792	1,079	–
Intangible assets	–	-27,254	–	-35,354
Derivatives used as hedge instruments	2,287	–	214	–
Trade receivables	8,497	–	1,075	–
Inventories	29,991	–	30,999	–
Untaxed reserves	–	-142,054	–	-90,376
Provisions	14,375	–	9,617	–
Accrued expenses and deferred income	8,284	–	12,005	–
Other	15,185	-47	4,317	–
Loss carryforwards	15,252	–	16,402	–
Tax assets/liabilities	**93,871**	**-173,147**	**75,708**	**-125,730**
Setoff	-10,464	10,464	-6,890	6,890
Net tax assets/liabilities	**83,407**	**-162,683**	**68,818**	**-118,840**

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 79,276 thousand (50,023). Of the year's changes, in total SEK 29,253 thousand, SEK 45,166 thousand (46,785) was recognized in the profit and loss and SEK -14,195 thousand (3,302) was recognized in other comprehensive income and SEK -1,718 thousand (-14,769) was added through business combinations.

Tax assets regarding loss carryforwards are only recognized to the extent that they are expected to be used. At the end of the year, the Group's accumulated loss carry forwards amounted to SEK 276 million. Tax assets were recognized at an amount of SEK 15 million, corresponding to loss carryforwards of SEK 51 million. Loss carryforwards mainly refer to subsidiaries in France and can be utilized without a time limit.

Recognized deferred tax assets and liabilities, Parent Company	2018 Deferred tax assets	2018 Deferred tax liabilities	2017 Deferred tax assets[1]	2017 Deferred tax liabilities
Tangible assets	–	–	50	–
Trade receivables	916	–	140	–
Provisions	2,138	–	1,251	–
Accrued expenses and deferred income	1,091	–	6,560	–
Tax assets/liabilities	**4,145**	**–**	**8,001**	**–**

1) Restated for comparability, see Note 1

Note 19 Leases

	Group		Parent Company	
Operating leases	2018	2017	2018	2017
The year's expensed lease charges (operating leases)	56,431	36,644	15,445	14,798
of which, variable fees	237	96	–	–
Future payments under operating leases and other lease agreements (nominal)				
Within one year	56,064	35,960	14,872	12,713
Between one and five years	92,953	98,506	60,970	49,212
Later than five years	44,031	55,842	40,783	44,599
Total	**193,048**	**190,307**	**116,625**	**106,524**

The major part of the Group's leasing contracts refers to premises.

Note 20 Intangible assets

	Business systems		Development expenses		Technology		License	
Group	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost								
Opening balance at January 1	30,285	29,754	811,293	790,275	120,663	104,831	17,084	17,084
Investments during the year	4,752	575	10,006	21,018		–	–	–
Investments through business combinations	737	–	–	–	44,965	20,352	–	–
The year's exchange rate differences	20	-44	–	–	5,731	-4,520	–	–
Closing balance, accumulated cost at December 31	**35,794**	**30,285**	**821,299**	**811,293**	**171,359**	**120,663**	**17,084**	**17,084**
Accumulated amortization								
Opening balance at January 1	-29,870	-29,754	-781,623	-757,493	-34,352	-24,750	-17,084	-17,084
The year's amortization	-959	-116	-7,339	-24,130	-16,495	-9,602	–	–
Closing balance, accumulated amortization at December 31	**-30,829**	**-29,870**	**-788,962**	**-781,623**	**-50,847**	**-34,352**	**-17,084**	**-17,084**
Closing balance, residual value according to plan at December 31	**4,965**	**415**	**32,337**	**29,670**	**120,512**	**86,311**	**–**	**–**

	Customer relationships		Brands		Goodwill		Total	
Group	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost								
Opening balance at January 1	155,008	177,334	62,556	64,065	742,029	748,476	1,938,918	1,931,819
Investments during the year	–	–	–	–	–	–	14,758	21,593
Investments through business combinations	28,846	-12,830	10,123	–	240,082	24,122	324,753	31,644
The year's exchange rate differences	8,259	-9,496	1,644	-1,509	37,531	-30,569	53,185	-46,138
Closing balance, accumulated cost at December 31	**192,113**	**155,008**	**74,323**	**62,556**	**1,019,642**	**742,029**	**2,331,613**	**1,938,918**
Accumulated amortization								
Opening balance at January 1	-33,033	-15,557	-6,000	-2,000	–	–	-901,964	-846,639
The year's amortization	-20,252	-17,477	-4,000	-4,000	–	–	-49,045	-55,325
Closing balance, accumulated amortization at December 31	**-53,285**	**-33,033**	**-10,000**	**-6,000**	**–**	**–**	**-951,009**	**-901,964**
Closing balance, residual value according to plan at December 31	**138,828**	**121,975**	**64,323**	**56,556**	**1,019,642**	**742,029**	**1,380,603**	**1,036,953**

	Business systems		License		Total	
Parent Company	2018	2017	2018	2017	2018	2017
Accumulated cost						
Opening balance at January 1	29,754	29,754	17,084	17,084	46,839	46,839
Investments during the year	4,076	–	–	–	4,076	–
Closing balance, accumulated cost at December 31	**33,830**	**29,754**	**17,084**	**17,084**	**50,915**	**46,839**
Accumulated amortization						
Opening balance at January 1	-29,754	-29,754	-17,084	-17,084	-46,839	-46,839
The year's amortization	-364	–	–	–	-364	–
Closing balance, accumulated amortization at December 31	**-30,118**	**-29,754**	**-17,084**	**-17,084**	**-47,203**	**-46,839**
Closing balance, residual value according to plan at December 31	**3,712**	**–**	**–**	**–**	**3,712**	**–**

Each development project is assessed individually to determine whether the criteria for capitalization in the statement of financial position have been met. Capitalized costs consist of internally produced assets. The residual value is fully attributable to the Assembly Solutions business area. Estimated useful life is five years.

Other intangible assets mainly refer to business combinations. See Note 23.

In June 2018, intangible assets in the form of technology, customer relationships, brand and goodwill were added through the acquisition of MRSI. Technology and customer relationships have estimated useful lives of seven years.

The acquisition of Vi TECHNOLOGY was carried out at the end of October 2017. In connection with the acquisition, intangible assets were identified in the form of technology and goodwill. The estimated useful life of technology is seven years.

In conjunction with the acquisition of AEi in November 2016, intangible assets in the form of customer relationships, technology and goodwill were added. The estimated useful life of technology and customer relationships is 10 years.

The acquisition of Axxon was carried out at the end of October 2016. In the acquisition analysis, assets in technology, customer relationships, brand and goodwill were identified. Technology and customer relationships have estimated useful lives of seven 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 14. The carrying amount of intangible assets with indefinite useful lives, excluding goodwill, amount to SEK 54 million (43) 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

The recognized value of goodwill and brands with indefinite lives are annually assessed through impairment testing of the cash-generating unit based on the unit's value in use. The cash-generating units referred to are the recently acquired company MRSI and the Assembly Solutions business area excluding MRSI. The carrying amount of goodwill and brands in MRSI amount to SEK 244 million and SEK 10 million respectively. 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 percent (2). The discount factor used to determine recoverable value is 14.8 percent (14.5) before tax and 12.0 percent (11.5) 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 21 Tangible assets

Group	Improvements to leased property 2018	Improvements to leased property 2017	Machinery and equipment 2018	Machinery and equipment 2017	Construction in progress 2018	Construction in progress 2017	Total 2018	Total 2017
Accumulated cost								
Opening balance at January 1	–	–	391,849	366,053	4,092	11,105	395,941	377,158
Investments during the year	5,314	–	34,385	21,046	14,307	7,237	54,006	28,282
Reclassifications to machinery and equipment	–	–	2,486	13,775	-2,486	-13,775	–	–
Reclassifications to inventory	–	–	-10,332	-1,848	–	–	-10,332	-1,848
Reclassifications other	708	–	-29	–	-223	-475	456	-475
Investments through business combinations	269	–	11,220	2,831	–	–	11,489	2,831
Historical cost sold/scrapped equipment	–	–	-8,466	-8,676	–	–	-8,466	-8,676
The year's exchange rate differences	4	–	2,783	-1,332	–	–	2,788	-1,332
Closing balance, accumulated cost at December 31	**6,295**	**–**	**423,896**	**391,849**	**15,690**	**4,092**	**445,881**	**395,941**
Accumulated depreciation, amortization and impairment								
Opening balance at January 1	–	–	-326,416	-317,087	–	–	-326,417	-317,087
Depreciation reclassifications to inventory	–	–	1,998	–	–	–	1,998	–
Depreciation sold/scrapped equipment	–	–	8,170	8,356	–	–	8,170	8,356
Reclassifications other	-114	–	1,309	368	–	–	1,195	368
The year's amortization	-1,224	–	-23,619	-18,053	–	–	-24,843	-18,053
Closing balance, accumulated depreciation, amortization and impairment at December 31	**-1,338**	**–**	**-338,558**	**-326,416**	**–**	**–**	**-339,897**	**-326,416**
Closing balance, residual value according to plan at December 31	**4,957**	**–**	**85,338**	**65,433**	**15,690**	**4,092**	**105,985**	**69,525**

Parent Company	Machinery and equipment 2018	Machinery and equipment 2017	Construction in progress 2018	Construction in progress 2017	Total 2018	Total 2017
Accumulated cost						
Opening balance at January 1	248,574	233,279	4,092	11,105	252,666	244,384
Investments during the year	16,120	5,577	15,067	7,237	31,187	12,813
Reclassifications to machinery and equipment	2,486	13,775	-2,486	-13,775	–	–
Reclassifications to inventory	-5,990	-1,848	–	–	-5,990	-1,848
Reclassifications other	–	–	-223	-475	-223	-475
Historical cost sold/scrapped equipment	–	-2,208	–	–	–	-2,208
Closing balance, accumulated cost at December 31	**261,190**	**248,574**	**16,450**	**4,092**	**77,640**	**252,666**
Accumulated depreciation, amortization and impairment						
Opening balance at January 1	-215,235	-206,810	–	–	-215,235	-206,810
Depreciation reclassifications to inventory	1,998	354	–	–	1,998	354
Depreciation sold/scrapped equipment		2,208	–	–	–	2,208
The year's amortization	-12,567	-10,988	–	–	-12,567	-10,988
Closing balance, accumulated depreciation, amortization and impairment at December 31	**-225,804**	**-215,235**	**–**	**–**	**-225,804**	**-215,235**
Closing balance, residual value according to plan at December 31	**35,386**	**33,339**	**16,450**	**4,092**	**51,836**	**37,431**

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 22 Participation in Group companies

	Parent Company	
	2018	2017
Opening balance, historical cost	997,112	876,004
Acquisitions	9,818	75,347
Value changes contingent considerations	44,174	45,761
Closing balance, accumulated cost	**1,051,104**	**997,112**
Opening balance, impairment	-2,407	-2,407
Closing balance, accumulated impairment	**-2,407**	**-2,407**
Closing balance, carrying amount	**1,048,696**	**994,705**

Holdings of shares and participations in Group companies Directly owned subsidiaries	Corp. ID no.	Domicile/country	No of shares	% of capital	Carrying amount
Mycronic Technologies Corporation	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	United Kingdom	24,000	100	5,812
Mycronic Inc.	04-3219080	USA	10,000	100	39,561
Mycronic Pte Ltd.	199601416W	Singapore	1,000	100	477
Mycronic BV	17131339	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	76,749
Kognitec Vertrieb and Service GmbH	HRB 203153	Germany	4	100	5,110
Shenzhen Axxon Automation Co, Ltd	91440300682020147E	China	–	80	762,541
VIT S.A.S.	451 028 567	France	1,309,638	100	75,347
Mycronic Fukuoka Co, Ltd	2 290 001 052 547	Japan	700	70	10,202
					1,048,696
Indirectly owned Group companies					
Automation Engineering, Inc.		USA		100	
MRSI Systems, LLC		USA		100	
Vision Inspection Technology Asia Pte Ltd.		Singapore		100	
Shenzhen Axxon Piezo Co., Ltd.		China		70	

Note 23 Business combinations

Acquisition analyses	MRSI 2018	Other 2018
Acquisition price		
Cash paid for acquisitions	390,084	2,929
Deferred considerations for acquisitions (estimated fair value)	39,358	6,230
Total	**429,442**	**9,159**
Acquired assets and liabilities at fair value		
Technology	44,965	–
Customer relationships	28,788	–
Brands	10,123	–
Other intangible assets	–	734
Tangible assets	10,300	1,737
Non-current receivables	1,911	4,673
Inventories	84,359	–
Current receivables	29,834	13,457
Cash and cash equivalents	36,983	3,516
Non-current liabilities	-2,036	-5,259
Current liabilities	-54,602	-10,963
Total	**190,625**	**7,894**
Goodwill	**238,817**	**1,264**

Changes in cash and cash equivalents from acquisitions	2018	2017
Cash paid for acquisitions during the year	-393,013	-77,721
Cash and cash equivalents in acquired subsidiaries	40,499	6,587
Paid deferred considerations for acquisitions in previous years	-14,916	-61,847
Total	**-367,430**	**-132,981**

Acquisition of MRSI
In the second quarter, 100 percent of shares were acquired in MRSI Systems, LLC in the USA. MRSI develops, manufactures and sells die-bonding systems with very high precision for manufacturing optoelectronics and microelectronics. The largest customer segment is the industry for optical communication, which is reporting favorable growth driven by increasing speeds in telecom and datacom. Other customer segments include the defense and aerospace industry, life science and the advanced manufacturing industry, where growth is driven by miniaturization of components. The purchase consideration was USD 41 million, corresponding to SEK 357 million, on a cash-free and debt-free basis. Under certain circumstances, based on parameters such as sales and earnings, there is a possible maximum contingent consideration of USD 20 million to be paid in 2020. The total acquisition price was SEK 429 million. The acquisition analysis was finalized in the fourth quarter. In the acquisition analysis, intangible assets in the form of technology, customer relationships, brand and goodwill were identified. Technology and customer relationships have estimated useful lives of seven years. According to the acquisition analysis, goodwill amounted to SEK 239 million. Goodwill was mainly attributable to the company's strong position as external supplier in a growth market and the expertise present in the company's employees as well as synergies, such as a global presence in the market segment in question. The acquisition price was adjusted for contingent considerations, which were deemed to correspond to fair value. Transaction costs related to the acquisition amounted to SEK 7 million. The company was consolidated into the Mycronic Group as of June 1, 2018. The operations of MRSI impacted consolidated net sales in the amount of SEK 146 million and contributed to consolidated EBIT in the amount of SEK 24 million from the acquisition date. If the acquisition had taken place at the beginning of the year, the Group's net sales would have been impacted by SEK 196 million and EBIT by SEK 20 million.

Acquisition of Japanese development partner
In the second quarter, 70 percent of shares were acquired in a Japanese development partner, including an option to acquire the remaining 30 percent of shares not later than three years from the acquisition date. The total acquisition price was SEK 9 million. According to the adopted acquisition analysis, goodwill amounted to SEK 1 million. The company was consolidated into the Mycronic Group as of June 1, 2018.

Acquisitions completed in 2017
The acquisition of 100 percent of shares in Vi TECHNOLOGY in France was carried out at the end of October 2017. The total acquisition price was SEK 78 million. In connection with the acquisition, intangible assets were identified in the form of technology and goodwill. According to the acquisition analysis, goodwill was SEK 19 million. Estimated useful life of technology is seven years.

Note 24 Non-current receivables from Group companies

	Parent Company 2018	Parent Company 2017
Opening balance, carrying amount	275,511	318,399
Additions	436,497	12,080
Deductions	–	-54,968
Closing balance, carrying amount	**712,008**	**275,511**

The Parent Company applies similar impairment as the Group for anticipated credit losses for current and non-current receivables from Group companies. No material increase in credit risk is deemed to exist on the balance-sheet date for any receivable from Group companies. The assessment is that expected credit losses are not material and no provision has therefore been recognized.

Note 25 Other non-current receivables

	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
Opening balance, carrying amount	17,085	22,854	2,958	7,596
Additions	7,973	2,093	47	432
Deductions	-2,560	-7,863	-1,960	-5,070
Closing balance, carrying amount	**22,498**	**17,085**	**1,045**	**2,958**

Receivables mainly refer to deposits regarding lease of premises, long-term advance payments and pension insurance premiums for employees in Japan. Additional items primarily relate to acquisitions and the increase in deposits for the lease of premises. Deductions primarily refer to lower long-term advance payments.

Note 26 Inventories

	Group		Parent Company	
	2018	2017	2018	2017
Components	322,810	199,123	222,203	164,349
Finished goods	309,521	202,892	71,296	40,664
Products in progress	235,850	186,546	152,745	141,591
	868,180	**588,560**	**446,244**	**346,603**

Note 27 Trade receivables, impairment, age analysis and other

	2018			2017		
Group	Gross	Impairment	Loss given default	Gross	Impairment	Loss given default
Trade receivables not due	539,943	1,400	0.3%	374,148	275	0.1%
Trade receivables, overdue 0–30 days	38,245	520	1.4%	72,976	652	0.9%
Trade receivables, overdue 30–90 days	54,428	2,275	4.2%	37,306	958	2.6%
Trade receivables, overdue 90–180 days	28,581	3,651	12.8%	10,801	1,556	14.4%
Trade receivables, overdue 180–360 days	11,539	4,027	34.9%	14,522	1,734	11.9%
Trade receivables, overdue >360 days	9,256	6,201	67.0%	11,737	3,910	33.3%
	681,993	**18,074**	**2.7%**	**521,490**	**9,085**	**1.7%**

Trade receivables overdue amount to 21 percent (28) of total gross trade receivables.

In the Assembly Solutions business area, 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. The maximum credit risk exposure refers to the reported value of trade receivables.

The Group's impairment of trade receivables and contract assets is conducted in accordance with the simplified approach for recognizing expected credit losses. This means a provision is made for the remaining time to maturity for the expected credit losses, which are expected to be less than one year for all of the receivables above. The Group makes a provision for expected credit losses based on individual assessments concerning receivables in the Pattern Generators business area, where known information about the counterparty and forward-looking information is taken into account. The Assembly Solutions business area applies an impairment model based on historical percentage loss combined with forward-looking information and individual assessments. Changes to the provision for expected credit losses are recognized as selling expenses in EBIT.

Any credit enhancements in the form of credit insurance and letters of credit are taken into account in impairment. Mycronic writes down a receivable when there is no longer an expectation of payment and when active measures to receive payment are completed.

Five customers represent 24 percent (18) of trade receivables outstanding. For further information on the concentration and customer risk in trade receivables outstanding, see Note 34.

	Group	
Provision for expected credit losses	2018	2017[1]
Opening balance, carrying amount	9,085	8,785
Additions	11,251	3,405
Utilized during the year	-768	-263
Unutilized during the year	-1,493	-2,842
Closing balance, carrying amount	**18,074**	**9,085**

1) Provisions for doubtful trade receivables in accordance with IAS 39.

Note 28 Prepaid expenses and accrued income

	Group		Parent Company	
	2018	2017	2018	2017
Accrued sales revenue	103,120	41,140	87,442	35,864
Other prepaid expenses	36,833	29,025	28,741	16,295
	139,952	**70,165**	**116,183**	**52,159**

Note 29 Non-current provisions

	Group	
	2018	2017
Post employment benefits	39,785	31,307
Other non-current provisions	7,961	4,489
Closing balance, carrying amount	**47,746**	**35,796**

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	
Pension expenses	2018	2017
Amounts recognized in income statement		
Current service cost	4,241	6,583
Net interest	546	335
Expenses, defined benefit plans	**4,786**	**6,918**
Amounts recognized in other comprehensive income		
Remeasurement of pension obligations	2,578	3,545
Remeasurement of plan assets	63	4
Expenses/(income) defined benefit plans	**2,640**	**3,549**
Total pension expenses, defined benefit plans	**7,427**	**10,467**

Amounts recognized in statement of financial position	2018	2017
Present value of defined benefit obligation, funded plans	35,541	28,690
Fair value of plan assets	-18,178	-15,100
Net liability, funded plan	**17,363**	**13,590**
Present value of defined benefit obligation, unfunded plans	22,422	17,717
Net liability recognized in statement of financial position	**39,785**	**31,307**

Change in present value of defined benefit obligation	2018	2017
Opening balance, defined benefit obligation	46,408	38,634
Current service cost	4,241	6,583
Interest expenses	902	640
Remeasurement of pension obligations		
– Demographic assumptions	1,169	628
– Financial assumptions	365	-935
– Experience adjustments	1,044	4,479
Pension payments	-2,419	-3,230
Effect from acquired companies	3,353	–
Exchange rate difference	2,901	-392
Closing balance, defined benefit obligation	**57,963**	**46,408**

Change in fair value of plan assets	2018	2017
Opening balance, plan assets	15,100	14,546
Interest income	357	305
Return excluding interest income	-63	-4
Employer's contribution	2,804	–
Pension payments from plan assets	-726	–
Exchange rate difference	706	254
Closing balance, plan assets	**18,178**	**15,100**

	Japan		South Korea	
Significant actuarial assumptions	2018	2017	2018	2017
Discount rate, %	0.5	0.4	2.4	2.8
Future salary increases, %	2.5	2.6	6.0	6.0

Sensitivity analysis discount rate	Change in assumption	Change in value, SEK thousand
Assumption		
Discount rate, %	-0.50/+0.50	+2,022/-1,792
Future salary increases	-0.50/+0.50	-2,171/+2,383

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 ten years.

The discount rate is determined for each currency with reference to the market interest rate at the end of the report period, which is aligned with the average weighted duration of the pension liability. When determining the market interest rate, first-class corporate bonds are used.

Forecast pension payments to the plans for next year amount to SEK 1 million. Additional amounts can be paid to plan assets after decision of the employer.

Information on Alecta pension commitments

For some 40 employees in Sweden, the ITP 2 plan's defined-benefit pension commitments for retirement and family pension are secured through an insurance in Alecta.

According to a statement from the Swedish Financial Reporting Board, UFR 10 Reporting of the ITP 2 pension plan financed through insurance in Alecta, this is a defined-benefit plan that comprises several employers.

For the 2018 financial 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 2019 for ITP 2 insurance taken out with Alecta amount to SEK 2 million. In 2018, the costs for premium based pension amounted to SEK 45 million (36).

	Group	
Other non-current provisions	2018	2017
Opening balance, carrying amount	4,489	2,172
Additions through acquisitions	3,142	1,273
The year's provision	330	1,044
Closing balance, carrying amount	**7,961**	**4,489**

Note 30 Accrued expenses and deferred income

	Group		Parent Company	
	2018	2017[1]	2018	2017[1]
Salaries and social expenses	138,492	104,318	51,826	42,070
Commissions	11,561	4,396	179	86
Deferred income	385,369	55,843	354,838	41,931
Other accrued expenses	56,764	47,142	42,695	36,691
	592,187	**211,700**	**449,538**	**120,779**

1) Restated for comparability, see Note 1

Accrued salaries and social expenses include, among other things, variable salaries, STI.

Note 31 Current provisions

	Group		Parent Company	
	2018	2017[1]	2018	2017[1]
Opening balance, carrying amount	25,834	12,690	8,424	6,884
The year's provision	46,808	29,359	12,444	11,949
Utilized during the year	-14,464	-15,100	-9,514	-10,409
Unutilized during the year	-12,460	-1,114	–	–
Closing balance, carrying amount	**45,717**	**25,834**	**11,354**	**8,424**

1) Restated for comparability, see Note 1

Current provisions mainly consist of warranty provisions. A provision for warranties is recognized when the underlying products 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.

Note 32 Pledged assets

	Group		Parent Company	
	2018	2017	2018	2017
Collateral provided for liability items in the balance sheet				
Credit institutions				
Chattel mortgages	89,000	89,000	89,000	89,000
	89,000	**89,000**	**89,000**	**89,000**

Note 33 Contingent liabilities

	Group		Parent Company	
	2018	2017	2018	2017
Commitment for billing by credit insurance through EKN	1,220	1,182	1,220	1,182
Parent Company guarantee	–	–	53,826	–
Other	365	–	–	–
	1,585	**1,182**	**55,046**	**1,182**
Of which, falling due:				
Within one year	1,070	139	705	139
Between one and five years	515	1,042	54,341	1,042
	1,585	**1,182**	**55,046**	**1,182**

Note 34 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 financial 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 the Assembly Solutions business area occur primarily in USD, EUR and CNY. All sales within the Pattern Generators business area are in foreign currency, primarily USD, JPY and KRW. 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 lowest hedged portion of the respective contracted inflows increases, in accordance with the finance policy. Forecast inflows not covered by underlying orders are not hedged. Hedge accounting is used within the Pattern Generators business area.

For sales of surface mount equipment, forward exchange contracts, corresponding to at least 50 percent of the order backlog in EUR and USD, are used. Hedge accounting is not used within the Assembly Solutions business area.

Effects from transaction exposure

If sales for 2018 within the Pattern Generators business area were translated at the average exchange rates for 2017, without consideration of forward exchange contracts, revenues would have been SEK 2 million higher. Turnover was negatively affected by forward exchange contracts in the amount of SEK 36 million. The EBIT for Pattern Generators was adversely affected by SEK 45 million as a result of forward exchange contracts. If sales for 2018 within the Assembly Solutions business area were translated at the average exchange rates for 2017, revenues would have been SEK 73 million higher. EBIT for the business area was affected negatively by forward exchange contracts at an amount of SEK 8 million. Based on 2018 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 SEK would be about SEK 199 million (165). 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 SEK.

Effects from translation exposure

As of 2018, the Group also applies hedge accounting of net investments in foreign operations. The exchange rate effects on hedging instrument debt in foreign currency is recognized in other comprehensive income, insofar as the hedge is effective. With this, exchange rate changes on the debt meet exchange rate differences from net investments in foreign operations as presented in other comprehensive income, and the amount accumulates in the translation reserve. The exchange rate effects remain in the translation reserve until such time as the net investment is divested, when the accumulated amount in the reserve is reclassified to profit and loss.

Translation of the balance sheets of foreign subsidiaries to SEK generated a positive translation difference of SEK 69 million (neg: 48) after tax. At the end of 2018, net investment in foreign subsidiaries was SEK 614 million. A change of 10 percent against those currencies where Mycronic has foreign net investments would affect the Group's equity by SEK 61 million after tax, without consideration of hedge accounting.

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 2018, no investments were made in interest-bearing financial instruments.

Credit risk

Credit risk is partly tied to sales and partly to liquidity management. For sales, there is a risk that customers do not fulfill their payment obligations. For liquidity management, there is a risk that the counterparty will not be able to fulfill its obligations.

Exposure to credit risks

Mycronic sells only a few mask writers to a limited number of customers, which concentrates the credit risk. Customers are, however, major manufacturers of photomasks where the mask writers comprise a small portion of the equipment in a production facility. Customers are well-known and have good credit worthiness historically. In order to reduce customer credit risk, Mycronic strives to obtain advances from customers to the highest degree possible. Especially in business transactions with new customers or within new geographic areas, the credit risk is managed through Mycronic requiring letters of credit or other collateral. Sales of SMT equipment are spread over a large number of customers and the credit risk is therefore limited. Credit risk is managed through credit control. Credit limits are established and monitored.

Credit exposure in trade receivables at year-end was SEK 664 million (512). The average credit period was 79 days (82) for the Assembly Solutions business area and 32 days (54) for the Pattern Generators business area. For information on the aging structure of trade receivables and provisions for doubtful trade receivables, see Note 27.

Mycronic's maximum financial credit exposure consists of the fair values of financial assets, see Note 35. At year-end 2018, the total financial credit exposure, excluding trade receivables, was SEK 832 million (818), of which SEK 829 million (813) was cash and cash equivalents. Cash and cash equivalents consisted only of bank balances, as was the case one year earlier. Cash and cash equivalents are to be invested in banks or other interest-bearing financial instruments with credit ratings of at least A1/P1/K1. For cash and cash equivalents and other financial instruments, Mycronic applies a rating-based method combined with other known information and forward-looking factors. No material increase in credit risk is deemed to exist on the balance-sheet date for any receivable or asset. In cases where the amount is not considered immaterial, a provision is recognized for expected credit losses even for these financial instruments.

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 2018 was SEK 827 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	2018	2017
Credit line	2,052	737
Cash and cash equivalents	829	813
Total	**2,880**	**1,550**

Exposure per currency

Currency	% of revenue	% of expenses	Average rate 2018	Average rate 2017	Closing rate 2018	Closing rate 2017
USD	49	23	8.6921	8.5380	8.9710	8.2322
EUR	15	17	10.2567	9.6326	10.2753	9.8497
JPY (100)	16	8	7.8654	7.6091	8.1197	7.3084
GBP	2	1	11.5928	10.9896	11.3482	11.1045
SEK	1	36	1.0000	1.0000	1.0000	1.0000
KRW (100)	6	2	0.7894	0.7554	0.8038	0.7726
CNY	11	14	1.3135	1.2631	1.3068	1.2642

Note 35 Financial assets and liabilities

The following table present the Group's financial assets and liabilities, stated at book and fair value and classified in accordance with IFRS 9 categories. The Group's financial assets and liabilities for the comparative year 2017 are presented in accordance with IAS 39's classification categories.

Risk management
A description of the Group's financial risks and risk management is provided according to IFRS 7 in Note 34.

Fair value and carrying amount
IFRS 13 Fair Value Measurement includes 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 observable in 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 business combinations, level 3 in the valuation hierarchy is applied.

Financial assets and liabilities per valuation category

Group 2018	Financial assets/liabilities measured at fair value in comprehensive income, hedge accounting	Financial assets/liabilities measured at fair value in profit and loss	Financial assets/liabilities measured at amortized cost	Total carrying amount	Total fair value
Financial assets					
Trade receivables			663,919	663,919	663,919
Forward exchange contracts	1,378	1,644		3,022	3,022
Cash and cash equivalents			828,571	828,571	828,571
Total assets	**1,378**	**1,644**	**1,492,490**	**1,495,512**	**1,495,512**
Financial liabilities					
Contingent considerations		277,477		277,477	277,477
Current interest-bearing liabilities			1,239	1,239	1,239
Trade payables			236,425	236,425	236,425
Forward exchange contracts	9,842	719		10,561	10,561
Total liabilities	**9,842**	**278,196**	**237,664**	**525,702**	**525,702**
Recognized loss (change in value)		**-18,006**			

The first application of IFRS 9 had no impact on the Group's equity as of January 1, 2018. Nor has the transition to IFRS 9 motivated any change in the measurement of financial instruments other than the designation of classification categories: Loan receivables and accounts receivable under IAS 39 are classified and measured under IFRS 9 at amortized cost. Financial assets and liabilities measured at fair value in the income statement last year continue under IFRS 9 to be classified and measured at fair value in profit and loss. The impact of the first application of expected credit losses was of an immaterial nature for the Group. For this reason, no further provisions were made with regards to the transition, which is why the carrying amount for assets recognized at amortized cost and contract assets was not affected.

The Group's maximum credit risk in financial assets consists of the net amount in the table above.

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

Group 2017	Derivatives, hedge accounting	Derivatives, recognized at fair value through profit and loss	Loans and trade receivables	Liabilities, recognized at fair value through profit and loss	Other liabilities	Total carrying amount	Total fair value
Financial assets							
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
Total assets	**3,977**	**881**	**1,325,072**			**1,329,930**	**1,329,930**
Financial liabilities							
Contingent considerations				247,751		247,751	247,751
Current interest-bearing 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
Total liabilities	**4,564**	**1,522**	**–**	**247,751**	**167,298**	**421,135**	**421,135**
Recognized profit (change in value)		**9,017**					

Contingent considerations

	Group	
	2018	2017
Opening balance, carrying amount	247,751	268,387
Estimated liabilities related to acquisitions	45,588	–
Settled liabilities	-14,916	-46,601
Changes in value reported in profit and loss	-10,703	31,744
Exchange rate differences recognized in other comprehensive income.	9,756	-5,779
Closing balance, carrying amount	**277,477**	**247,751**

The balance sheet item is related to contingent considerations for the acquisitions of Axxon and MRSI as well as a smaller amount related to the acquisition of a Japanese development partner. See Note 23.

In the fourth quarter of 2016, 80 percent of the shares in Axxon were acquired with the option of acquiring the remaining 20 percent after three years for CNY 80–180 million. At the end of 2018, it was confirmed that the conditions for the maximum contingent consideration had been met in accordance with the earlier assessment. This confirmation entailed that the future discount rate was adjusted downward from 12.2 percent to 4.2 percent. This discount had a negative impact on earnings of SEK 14 million. The transaction is expected to be completed in the fourth quarter of 2019.

Changes in value reported in profit and loss include a positive effect of SEK 55 million from a revalued contingent consideration related to the acquisition of AEi in the fourth quarter of 2016. Since the acquisition, AEi has developed well, but the criteria for the earn-out were not met. The contingent considerations for MRSI were calculated at their present value with a discount rate of 14.6 percent.

As per December 31, 2018, the maximum amount of contingent considerations amounted to SEK 425 million.

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

Group December 31, 2018	Nom. amount in SEK	Within 3 months	3 months–1 year	1–3 years
Contingent considerations	295,333	-	235,224	60,109
Liabilities to credit institutions	1,239	45	94	1,100
Trade payables	236,425	203,543	29,806	3,076
Forward exchange contracts	23,088	1,546	10,884	10,659
	556,085	**205,134**	**276,008**	**74,944**

At year-end, the balance sheet item Cash and cash equivalents consisted solely of bank balances, as it did in the preceding year. Granted unutilized bank overdraft facilities amount to SEK 2,052 million (737).

Group December 31, 2017	Nom. amount in SEK	Within 3 months	3 months–1 year	1–3 years
Contingent considerations	299,468	14,287	–	285,181
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
	477,914	**110,247**	**81,500**	**286,168**

Hedge instruments December 31, 2018

The Group's holdings of forward exchange contracts and debt in foreign currency at December 31, 2018, 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 nominal amounts of the forward exchange contracts, in SEK thousands.

	Maturity			
Group 2018	within 3 months	3 months–1 year	1–3 years	Total
Hedge instruments – hedge accounting applied				
Forward exchange contracts – cash flow hedge of currency risk, transaction exposure (contract sale)				
Sold JPY, bought SEK, nominal amounts	16,742	207,916	–	224,658
Average hedged forward contract rate, JPY/SEK	0.0828	0.0796	–	0.0798
Sold USD, bought SEK, nominal amounts	28,460	173,373	261,387	463,220
Average hedged forward contract rate, USD/SEK	8.5209	8.6406	8.6195	8.6213
Debt in foreign currency – currency hedging of net investment in foreign operations				
CNY debt, nominal amount (value on balance-sheet date)	–	235,224	–	235,224
Hedge instruments – non-hedge accounting				
Forward exchange contracts – hedge of currency risk, transaction exposure (contract sale)				
Sold EUR, bought SEK, nominal amounts	27,751	–	–	27,751
Average hedged forward contract rate, EUR/SEK	10.2781	–	–	10.2781
Sold JPY, bought SEK, nominal amounts	9,503	–	–	9,503
Average hedged forward contract rate, JPY/SEK	0.0805	–	–	0.0805
Sold USD, bought SEK, nominal amounts	133,837	2,685	–	136,522
Average hedged forward contract rate, USD/SEK	8.9523	8.9505	–	8.9523

Hedge instruments December 31, 2017

The Group's holdings of forward exchange contracts and debt in foreign currency at December 31, 2017, 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 nominal amounts of the forward exchange contracts, in SEK thousands.

	Maturity			
Group 2017	within 3 months	3 months–1 year	1–3 years	Total
Hedge instruments				
Forward exchange contracts				
Sold EUR, bought SEK, nominal amounts	44,820	1,980	–	46,800
Average hedged forward contract rate, EUR/SEK	9.8506	9.8998	–	9.8526
Sold JPY, bought SEK, nominal amounts	290	108,459	9,886	118,635
Average hedged forward contract rate, JPY/SEK	0.0738	0.0753	0.0741	0.0752
Sold USD, bought SEK, nominal amounts	168,879	177,177	15,350	361,406
Average hedged forward contract rate, USD/SEK	8.0726	7.9380	7.7098	7.9902

	Hedge instruments identified in hedging relationship as of December 31, 2018			Period – change in fair value for measurement of ineffectiveness	
Effects of hedge accounting on financial position and earnings	Nominal amount	Recognized value asset (+) liability (-)	Balance sheet item	Hedge instruments	Hedged item
Cash flow hedge of currency risk, transaction exposure (contract sale)					
Forward exchange contracts, Sold JPY, bought SEK	33,492	651	Other receivables		
Forward exchange contracts, Sold JPY, bought SEK	191,166	-4,752	Other liabilities		
Total	**224,658**	**-4,101**		**-19,901**	**19,901**
Forward exchange contracts, Sold USD, bought SEK	222,072	728	Other receivables		
Forward exchange contracts, Sold USD, bought SEK	241,148	-5,090	Other liabilities		
Total	**463,220**	**-4,362**		**-36,257**	**36,257**
Currency hedging of net investment in foreign operations					
Debt in foreign currency, CNY thousands	180,000	-227,296	Other liabilities	-6,081	6,081

Hedge accounting

The Group applies hedge accounting in accordance with IFRS 9 regarding debt in foreign currency used to hedge currency risk in net investments in foreign operations and for forward exchange contracts used to currency hedge future cash flows in the Pattern Generators business area. When entering into the hedge transaction, the relationship between the hedging instrument and the hedged item is documented, as is the objective of risk management and the strategy. The Group determines the hedge ratio between hedge instruments and the hedge item based on the hedge ratios in place in the actual hedges. The hedge ratio is 1:1 for all hedges.

Hedges are designed so they are expected to be effective, meaning there is expected to be a financial link as the hedge instrument counteracts changes to fair value or cash flow regarding currency risk in the hedged item. The financial link is preferably determined through a qualitative analysis of critical terms in the hedging relationship. If changes in circumstances influence the hedging relationship so that critical terms no longer match, the Group uses qualitative methods (hypothetical derivative approach) to assess its effectiveness. Sources of hedge ineffectiveness pertaining to the hedge of net investments in foreign operations include the risk that the volume of the hedge instrument exceeds the net investment. Sources of hedge ineffectiveness pertaining to cash flow hedge of currency risk in future sales includes the impact of the parties' credit risk in measuring forward exchange contracts and imperfectly matching cash flows between hedge instruments and hedged cash flows.

Note 36 Reconciliation alternative performance measures

The European Securities and Markets Authority (ESMA) 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 cannot 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 91. Amounts below are stated in SEK million.

Return on equity	2018	2017
Profit for the year	792.5	623.4
Average equity	2,079.6	1,595.9
	38.1%	**39.1%**
Return on capital employed		
Profit before tax	1,011.1	835.6
Financial expenses	11.5	9.4
Profit before financial expenses	1,022.6	845.0
Average balance sheet total	3,721.8	2,999.9
Average non-interest-bearing liabilities	1,635.3	1,392.3
Average capital employed	2,086.5	1,607.6
	49.0%	**52.6%**
Capital turnover rate		
Net sales	3,780.6	3,000.1
Average balance sheet total	3,721.8	2,999.9
Average non-interest-bearing liabilities	1,635.3	1,392.3
Average capital employed	2,086.5	1,607.6
	1.8	**1.9**
Book-to-bill		
Order intake	3,641.9	3,567.2
Net sales	3,780.6	3,000.1
	1.0	**1.2**
EBITDA		
EBIT	1,020.0	844.2
Depreciation/amortization	73.9	74.7
	1,093.9	**919.0**
Underlying EBIT		
EBIT	1,020.0	844.2
Acquisition-related costs		
Cost of goods sold	18.6	42.3
Operating expenses	37.0	64.5
	1,075.6	**951.0**
Equity per share		
Equity at balance day	2,379.0	1,780.2
Number of shares at year-end, thousand	97,917	97,917
	24.30	**18.18**
Earnings per share		
Profit for the year	792.5	623.4
Number of shares at year-end, thousand	97,917	97,917
	8.09	**6.37**
Net cash		
Cash and cash equivalents	828.6	812.7
Interest-bearing liabilities	-1.3	-12.6
	827.3	**800.0**

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 46–53 for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 40–87 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 2018 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 2018 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 46–53. 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 December 31, 2018, Inventory of finished goods and products in progress amount to 545 MSEK. A detailed specification of the composition of the inventory is presented in note 26 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. The allocation of costs is affected by management's estimates and assumptions and an incorrect allocation of costs affects 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 in progress and evaluated whether applied accounting principles are in accordance with current regulations.

Further, we have also examined calculations, tested a sample for pricing of materials, components and processing costs as well as assessed the reasonableness of used prices and assumptions when distributing direct and indirect production costs. We have evaluated used calculations by comparing outputs to historical data as well as estimated forecasts of future production costs. We have tested a sample of direct and indirect costs allocated to inventory of finished goods and products in progress.

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

VALUATION OF GOODWILL

Description

Goodwill amounts to 1 020 MSEK in the statement of financial position as of December 31, 2018. 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 20 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 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.

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

ACQUISITION IN USA

Description

In 2018, Mycronic acquired 100% of the shares of MRSI Systems LLC. In addition to the purchase price of 390 MSEK, a contingent consideration will be paid during the year 2020 with a maximum value of 20 MUSD dependent on the sales and net results of the acquired business. The contingent liability has been recorded at the fair value of MSEK 39. Thus, the total purchase price amounts to 429 MSEK.

In connection with the acquisition the company allocated values based on the purchase price to acquired assets and liabilities to the consolidated financial statements. The valuation of acquired assets and liabilities requires assumptions about the future financial performance as well as other related assumptions. The estimates and assumptions associated with acquisitions is presented in note 4 of the annual report. Any changes in assumptions can affect the estimated purchase price as well as the fair value of acquired assets and liabilities. Thus, we consider the acquisition a key audit matter. A detailed description of the acquisition as well as specification of the purchase price allocation is presented in note 23 of the annual report.

How our audit addressed this key audit matter

In our audit for the financial year, we have examined the acquisition agreement and the parameters on which the contingent consideration is based. We have in relation to this assessed the company's assumptions regarding future earnings development and, hence, the size of the contingent consideration.

We have examined the balance sheet related to the acquired business that furthermore is used as the underlying information for the purchase price allocation related to the acquired business. Further, we have assessed the applied procedure to allocate the purchase price to the acquired assets and liabilities. We have engaged valuation specialists to assess the reasonableness of the applied valuation model and the assumptions made. We have also assessed the reasonableness of the assumptions made to determining the fair value of the contingent consideration.

Finally, we have examined the disclosures in the annual report concerning the acquisition.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-39. 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 AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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 46–53 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 8, 2018 and has been the company's auditor since the May 6, 2013.

Stockholm 20 March 2018
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

Definitions

Acquisition-related costs
Acquisition-related costs include expensing of acquired inventories at fair value, amortization of acquired intangible assets, revaluation of earn-outs and transaction costs.

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 business combinations, building, machinery and equipment, capitalized development and financial non-current assets.

Cash flow from operating activities
Profit after financial items adjusted for non-cash items, income tax paid and changes in working capital.

Earnings per share
Earnings for the year divided by the number of shares at the end of the period. Used to set the value of the company earnings per share.

EBIT
Profit from operations, before financial items and tax.

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

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

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

Equity/assets ratio
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.

Organic growth
Change in net sales or order intake excluding increases attributable to acquisitions, recalculated to the preceding year's exchange rates, as a percentage of the preceding year's net sales or order intake. Net sales and order intake from acquired companies are included in calculating organic growth from the first turn of the month occurring 12 months after acquisition.

P/E ratio per share
Share price at December 31 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.

Return on capital employed
Profit before financial expenses as a percentage of average capital employed. Used to show return on capital needed by operations.

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
Underlying EBIT consists of operating profit excluding acquisition-related costs. The underlying EBIT margin is underlying EBIT as a percentage of net sales. Used to describe how operations are developing and performance excluding acquisition-related costs.

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

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 the production of thinner, more energy-efficient displays.

AR/VR
Augmented Reality/Virtual Reality. Augmented Reality (AR) is a live view of a physical, realistic environment where elements have been enhanced using computer-generated sensory impressions, such as sound, video, graphics or GPS data. The technology can be used to increase understanding of the current reality in contrast to Virtual Reality (VR) that replaces the real world with a simulated world.

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

Circuit board
A curcuit board is a board of insulated material containing a pattern of electrical conductors. See also Printed circuit board (PCB).

Die Bonding
Die Bonding is a process where Die, which is a small block of semiconducting material on which a specified functional circuit is manufactured, is bonded either to its packaging or to a substrate, which enables communication with the external environment.

Dispensing
Dispensing 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.

Fine metal mask
The photomask used for the deposition process of organic material used when manufacturing OLED displays

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).

LiDaR
Light Detection and Ranging. LiDaR is an optical measuring instrument that measures characteristics of reflected light to identify distance and/or other characteristics of a distant object. Everyday applications for optical telemeters include use in the construction industry and in speed monitoring.

Lithography
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.

OLED
Organic Light Emitting Diode. OLED works in the same manner as conventional light emitting diodes, but instead of semiconductors, thin organic films are used to produce strong and vivid colors with a very high level of contrast. OLED displays use this technology as their light source, which offers several advantages in image quality compared with LCD. OLED technology also enables flexible displays.

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.

Printed circuit board (PCB)
Circuit boards are PCBs with mounted electrical components. A circuit board can have surface or through-hole mounting or a combination. The components can be mounted on one side or both.

Semiconductors
An electronic component containing more than one circuit element. Examples include memories, processors and amplifiers.

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

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

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.

Shareholder information

FINANCIAL REPORTING FINANCIAL YEAR 2019
Interim report January–March, April 25, 2019
Interim report January–June, July 17, 2019
Interim report January–September, October 24, 2019
Year-end report 2019, February 6, 2020

FINANCIAL INFORMATION
The 2018 annual report will be published on the website and through a press release on April 8, 2019 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 2018
A printed annual report is distributed to those who request it. The annual report is also available on Mycronic's website, www.mycronic.com.

ANNUAL GENERAL MEETING 2019
The AGM will be held on Thursday, May 9, 2019 at 5:00 p.m. at Industrisalen in Näringlivets Hus, Storgatan 19 in Stockholm.

Light refreshments will be offered from 4:00 p.m. prior to the AGM.

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 3, and advise the company of their intention to participate at the AGM no later than May 3, 2019, at 12:00 noon.

Registration
Registration can take place on the website, 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 or by mail to the following address: Computershare AB, "Mycronics årsstämma", Box 630, SE-182 16 Danderyd, Sweden.

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 May 3, 2019 so the registration can be finalized in time.

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