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**“Innovative  
production  
solutions  
enable future  
electronics”**

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Annual report 2014



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For information and explanations, please see glossaries in this annual report or visit the web site [www.mycronic.com](http://www.mycronic.com)

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

# Production equipment with innovative solutions

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**Mycronic offers production solutions with innovative solutions for manufacturing electronics. World leading players within the electronics industry use equipment from two business areas, SMT and PG.**



## SMT

**BUSINESS AREA SMT** offers flexible product solutions for electronics manufacturing. One industry requirement is fast changeovers between different products, and this is where Mycronic's equipment is a market leader.

The offering comprises equipment for the application of solder paste as well as equipment for mounting electronic components onto circuit boards. Mycronic's technology within the application area for applying solder paste is unique.

In addition, customers are offered a comprehensive aftermarket product line to ensure uptime and process security.

Electronics products manufactured using Mycronic's equipment can be found on industry and consumer markets.



## PG

**BUSINESS AREA PG** offers equipment - mask writers - which makes possible all production globally of advanced flat panel displays amongst other things. The photo-masks which are a prerequisite for manufacturing of all modern electronics equipped with a display are manufactured using mask writers.

Efficient and reliable round-the-clock production is ensured through a comprehensive aftermarket offering.

The degree of innovation is high, and Mycronic has a unique position as the only supplier in the world of mask writers required for manufacturing of displays for TVs, tablets and PCs.

# This is Mycronic in the world

## 40 years

of experience from development of high-tech applications.

## 450 patents

Mycronic has a strong patent portfolio to protect unique solutions. Every year around 30 patents are granted.



## 2,200 customers

use solutions from Mycronic's two business areas, SMT and PG, on a daily basis.

## 510 employees

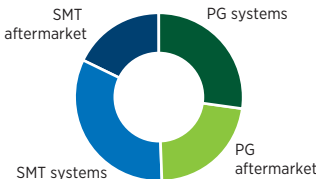
in 10 countries, one third within product development.

## 50 countries

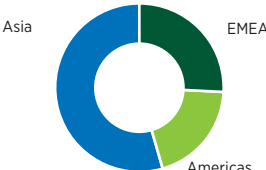
Mycronic is present in more than 50 countries through subsidiaries and distributors.

- Mycronic companies
- Market coverage through agents or distributors
- Rest of the world

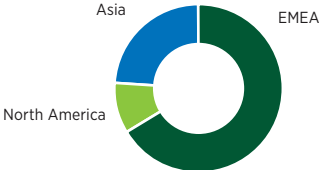
NET SALES 2014 BY APPLICATION



NET SALES 2014 BY REGION



EMPLOYEES IN THE WORLD





# 2014

## in brief

### ORDER INTAKE

2,028 MSEK

### NET SALES

1,475 MSEK

### EBIT

277 MSEK

### EARNINGS PER SHARE

2.72 SEK

## Increased sales

Mycronic has created an entirely new product portfolio for cost-effective electronics manufacturing which has increased demand for the company's production solutions.

Additionally, the global market in 2014 developed favorably for both of the company's business areas - SMT and PG.

## Global brand

The new name Mycronic was introduced in 2014 for the Parent Company and all Group companies.

This was the starting point for creating a unified and clear brand, further strengthening Mycronic's position within the electronics industry.

## Goals

New financial goals were established early in 2014. The goals are supported by a strategy for growth and profitability.

The trend in 2014 was favorable for Mycronic, both as regards growth and profitability, which resulted in an improvement in the outcome for respective goals.

Financial overview, MSEK	2014	2013	2012
Net sales	1,475	997	1,354
Gross margin, %	48.3	44.8	45.2
EBIT	277	32	-21
EBIT margin, %	18.7	3.2	-1.6
Adjusted EBIT	277	32	107
Adjusted EBIT margin, %	18.7	3.2	7.9
R&D costs	198	183	290
R&D expenditure	196	203	269
Capitalized development costs	11	31	-
Order intake	2,028	1,053	1,280
Order backlog, 31 December	702	149	90
Earnings per share, SEK	2.72	0.14	-0.45
Average number of full-time employees	508	514	560



“We achieve  
our goals by  
new thinking  
in everything  
we do.”

In 2014, Mycronic implemented a number of measures in order to achieve the ambitious goals of growth and profitability. The journey we embarked on included renewal of the product portfolio, resulting in strong growth with good profitability.

ORDER INTAKE

+93%

NET SALES

+48%

EBIT

19%

**I AM PROUD** of 2014, a very good year for Mycronic. The order intake increased by 93 percent and sales by 48 percent. For six consecutive quarters we have showed positive EBIT and strengthened margins. The EBIT of SEK 277 million corresponds to an EBIT margin of 19 percent. The measures implemented in 2013 enabled us to enter the year with significantly lower costs. It is also gratifying to note that we have taken the step up from the Small Cap listing to the Mid Cap list on the stock market, proving that we have been focusing on the right things.

When I wrote these comments a year ago, the Group had just set out on a journey of extensive change. One year later, we've come a long way. This didn't happen without effort, 2014 was an intensive year for everyone involved. We renewed our product portfolio, entered new markets, and at the same time delivered a full-year financial result to be proud of.

We established new financial goals and strengthened our steering and follow-up mechanisms. A new function within Group management, Operational Excellence, is providing important support during our ongoing journey. It contributes to creating the structure, order and efficiency needed to further focus on our business.

We reviewed our mission and clarified our values. We now have a strong and common perspective on the challenges that lay before us. As an important part of our growth strategy, we have initiated the work to build our corporate identity with a global brand. This is a long process, and this summer we took the first step when we changed our name. Wherever we operate we now offer our products and services under the global brand name Mycronic. It is our performance that distinguishes us from our competitors. The performance and the brand reinforce one another and together they demonstrate an important competitive advantage.

We became a member of Teknikföretagen, a Swedish employers' organization for engineering companies, and have a collective agreement covering all of our employees in Sweden.

#### **INNOVATION EXCELLENCE**

Within Mycronic we continuously develop innovation excellence, the capability to find new approaches and new solutions to complex challenges. We have demonstrated this capability many times over. That's why a small but global company with headquarters in Täby, incredibly enough, can be such an important player within the global and gigantic electronics industry. But innovation capability is more than just technological leaps; it can just as easily be demonstrated by business professionalism, by finding new, efficient ways of working, or through the ability to identify new market segments. Striving for innovation and new thinking is important, but shouldn't be the only force steering the company's operations.

#### **NEW PRODUCT PORTFOLIO**

During the fall of 2013, we adopted a new product development plan, a product road map, as an important tool in our growth strategy. Since then, we have renewed practically our entire product portfolio through launching the MY200, MY600, our storage towers, and the Prexision-80. Our approach using incremental development steps has proven to be both successful and sustainable.

During the year, we also established sourcing of components from low-cost countries as an important part of our strategy to lower costs. We never compromise on quality and we excel at procurement. The requirement for successfully handling this is that we know exactly what we want and that our logistics work smoothly.

#### **STRONGER MARKET**

We experienced an increased demand for our products in 2014. Available market data is always released with a one quarter delay, making it difficult to get an early glimpse of how 2014 was going relative to the rest of the global market. However, growth continued at a strong pace during the year and the picture became increasingly clear. It remains to be seen how long-term this will be, but the efforts we have put into better understanding our customers' needs is an important prerequisite for our ability to seize opportunities as they appear.

#### **NEW MARKET SEGMENTS**

Sales for both SMT and PG exceeded all expectations during the second half of the year. Thus, at the end of December, we adjusted our sales outlook upwards. The demand for SMT machines increased 27 percent during 2014. Shortly before year-end we also announced an additional order for a P-80, which means that we received orders for eight mask writers over the span of just one year. The most compelling aspect, apart from the number of machines sold, is the fact that they were sold to five different market segments. That goes to show that our equipment meet the demands from many different application areas. Our technology is also becoming more sought after by customers outside of our traditional market segments, and that is exactly what we want.

However, it is important not to draw far-reaching conclusions about future sales levels based on developments in 2014. Since five different segments were involved, it is most likely a coincidence that the orders came in at the same time.

#### **GROWTH STRATEGY**

Based on the financial goals we presented in February, 2014, it was clear that we view acquisition as a prerequisite for continued growth. During the year, we have actively pursued concrete actions within both of our business areas, but have not yet concluded any deals. Our goal is to make complementary acquisitions that give us combinations of competence, technology, products or access to new markets.

#### **2015**

During 2015, we are continuing to develop the Group. We have always been passionate about our products. Now we are just as passionate about the entire business.

We are building up business skills that enable us to deliver results in all dimensions - from revenues, costs and margins to innovation, product development and work environment.

In marketing, we are more focused on all of Asia, not just China. An increasingly large share of our growth as well as growth within the industry is coming from that region and we are now strengthening our presence with a more developed organization, especially on the SMT side.

#### **A GOOD YEAR**

2014 was a good year for Mycronic and we can be proud of what we achieved. We have presented good results and exceeded several of the goals we set. We have a new and attractive product portfolio and a significantly stronger market in which to engage. 2015 is going to be an exciting and challenging year.

I would like to express my gratitude to all our employees, owners, customers and partners for their contributions in moving Mycronic forward.



Lena Olving  
President and CEO

# Market trends

**Mycronic operates in the global electronics industry that evolves and changes as new technology areas and new customer requirements develop. It wasn't long ago that tablets and smart phones were something that product developers could only dream about. Today, they are spread over the entire world and used by people of all ages. They have fundamentally changed our daily lives.**



*Internet of things*



*Wearable electronics*



*Automotive electronics*



*LED lighting*

**THE NEXT SUCCESS** in the electronics branch will be determined by those who can see new end user needs and create products that meet those needs.

## HUGE INDUSTRY IN GROWTH

In tandem with technological development, the electronics industry has matured. In 2013, turnover was USD 1,671 billion (Prismark, December, 2014). The double-digit growth that was in force until the turn of the century has been replaced by stable growth. Up to 2018, annual growth of approximately 4 percent is expected, in line with global GDP growth.

Asia is expected to grow fastest, by a little over 5 percent per year, even though outsourcing of production to China has basically come to a standstill. North America and Europe are expected to grow by 3 and 1 percent respectively. In Japan, growth is expected to be only 0.1 percent per year. There are, however, some areas within the electronics industry where growth is expected to be significantly higher.

While growth in value is somewhat limited, estimates for growth measured in the number of components manufactured is expected to be quite another matter. For the next five-year period, the number of components produced

annually is expected to grow from 7,000 billion to approximately 10,000 billion (Prismark, December 2014).

## DRIVING FORCES BEHIND GROWTH

There are two main forces driving growth in the electronics industry:

- development of new products to meet new needs
- increasing efficiency through cost reductions.

Product development is continuously underway to create and satisfy new consumer needs. One example is the growth in human wearable electronics with links to health.

Utilization of electronics products is increasing all over the world and in all sectors. This creates demand for cheaper end products for several markets in developing countries. The cost per unit manufactured must therefore decrease. New components are expected to be smaller, faster, multi-functional, and above all cheaper than their predecessors. At the same time, as an example, displays used in all electronics products offer increasingly higher resolution while being produced at a low cost.

Mobile telephony is still a driving force behind the industry's technological development, especially

when it comes to miniaturization. Accommodating all the functionality required in a modern phone requires components no larger than a grain of sand. Furthermore, in mobile telephones you can find the most advanced components enabling all of the functionality needed in a smart phone.

The market has changed as low-cost players have appeared. These companies manufacture simpler phones and tablets which sell at a lower price. This puts pressure on the established players to lower their manufacturing costs. Producers can reduce their costs through miniaturization, modularization, and by streamlining manufacturing processes.

One way to improve the efficiency of production is through modularization. This means that modules are manufactured separately and then assembled into a single unit. For major manufacturers this simplifies production, improving cost-efficiencies.

Opportunities are created for sub-contractors for the delivery of more complex products that are higher up in the value chain. Manufacturers must also streamline their own processes. Innovative and flexible production solutions increase manufacturers' ability to respond to the challenges their customers' face.

## TRENDS

Mycronic sees four trends that are expected to exhibit stronger growth than the overall electronics industry.

The most apparent trend is the **Internet of Things**, a term for where, for example, machines, vehicles, goods, household appliances and clothing, are equipped with small, built-in sensors for communication via the Internet. Access to inexpensive, standardized technologies allows not just people, but also machines – everything from electric toothbrushes to advanced medical equipment – to communicate. Growth in this area is strong and by the year 2020, it is estimated that there will be around 50 billion such devices connected. Because this development includes applications for industrial applications, there will be entirely different demands for quality and robustness compared with more consumer-oriented products.

Another trend is **Wearable electronics**, which are worn on the body or integrated into clothing, something requiring a high degree of flexibility and low energy consumption. According to analyses from Prismark, by 2018 it is expected that there will be 500 million such units in various products. Health applications is a vast area which enables monitoring the health status of individuals using sensors. Although there are issues regarding integrity to be solved, the market is growing as the population increases and the health trend grows.

In much the same way, **Automotive electronics** is growing. Nowadays, there are up to 100 electronic control systems in a modern car. They no longer control just functions such as motor, climate, safety systems and brakes, new functions are constantly being developed. Several players are actively working on the development of completely autonomous, driver-less, vehicles. In this area, safety will be an overriding factor.

A fourth trending area is **LED lighting**, which is replacing conventional lighting at an ever faster pace. LED illumination is already widespread, but the trend towards opening up additional application areas will continue.

## NEW NEEDS CREATE NEW OPPORTUNITIES

Experience shows that opportunities are greatest when a market or product area is undergoing change. When a market is changing, players are more likely to seek new technical solutions which enable the development of new products.

Both of Mycronic's business areas operate within the electronics industry and are affected by the trends and changes we see. Through its capability for innovation, Mycronic continuously develops the product portfolio to meet these changing needs.

Miniaturization is critical when it comes to the manufacturing of components, both for integrating all the required functionality in advanced end products and for lowering manufacturing costs. With flexible equipment such as Mycronic's,

manufacturers can make quick changeovers in production and deliver just-in-time, i.e. the right number of the right component at the right time.

As new applications areas appear, an increasing number of end products with advanced displays are being developed. Thus the number of small, advanced displays is rising rapidly. And as TV evolves according to new standards, requirements will increase for higher resolution, even for very large displays, in order to provide end users with as excellent an experience as possible.

What we see today is just the beginning of a fantastic opportunity for further development of flexible and bendable displays. In the future, we may be travelling in weight and energy efficient aircrafts where the windows have been replaced by full LED screens.

## STRATEGY AND CHALLENGES

Today, Mycronic already occupies a strong position and supplies the electronics industry with innovative production solutions and service offerings that create flexibility and cost-efficiency.

Mycronic's customer base comprises global, leading electronics producers and also smaller manufacturers who occupy specific technical or market niches.

The challenge lies in being able to interpret trends and adapt the product offering accordingly as customers' business conditions evolve. Mycronic cooperates very closely and comprehensively with customers in order to anticipate changes in needs and requirements in a timely fashion, not just for the customers, but sometimes also for the customers' customers. For Mycronic it is also important to stay sharp when it comes to identifying new markets and application areas. When such opportunities appear, they must be rapidly translated into products, technologies and expertise, all in one offering.

Product development within the Group is currently taking place in small, quick steps towards continuous improvement, rather than through dramatic technological leaps. To the greatest extent possible, existing solutions are being exploited and developed in order to meet new requirements. At the same time, the capability to handle technology shifts has to be in place.

Did you know...

“During the next five years, production of components will increase from 7,000 billion to 10,000 billion per year. This puts high demands on efficient production equipment.”



# Overall goals and strategies

## OPERATIONS

Mycronic develops, manufactures and sells production equipment with innovative solutions to the electronics industry.

The Group's offering includes advanced SMT equipment for flexible circuit board manufacturing, and mask writers for the production of photomasks. Photomasks are used for manufacturing displays for TVs, tablets, smart phones, etc.

The electronics industry is capital intensive. As end products become cheaper, demand rises for efficient production equipment with high quality.

## OVERALL GOALS

The overall goal is to achieve long-term, sustainable profitability.

Net sales will reach SEK 2 billion at the end of the business plan period. At the same time, EBIT shall exceed 10 percent.

## STRATEGY

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

Consistently offer an attractive product program that offers customers effective solutions. This will be done through rapid, incremental product development.

Secure the power of innovation to deal with major technology shifts.

Grow within adjacent market segments, via product or geographic expansion, e.g China.

Complement organic growth with acquisitions, with a goal of gaining access to technology, products, or sales channels.

Lower manufacturing costs through increased sourcing from low-cost countries.

Further improve the go-to-market model through improvement work within the sales process.



*The snow leopard is a symbol of the passion, energy, purposefulness and speed that distinguishes Mycronic as a company. Mycronic supports Nordens Ark and the Snow Leopard Trust, in their work to protect the endangered animal.*

# Financial goals

## GROWTH

## EBIT

## CAPITAL STRUCTURE

Established goals

**2 billion**

Net sales will reach SEK 2 billion at the end of the the business plan period.

**10%**

Over time EBIT (operating profit before interest and tax) will exceed 10 percent of net sales over a business cycle.

**3 times**

Net debt will be less than 3 times the average EBITDA.

Outcome 2014

**1,475 MSEK**

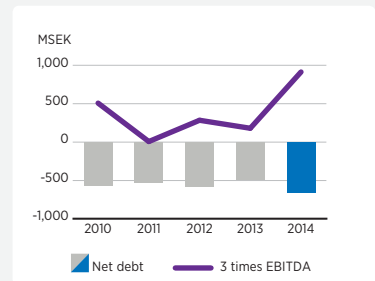
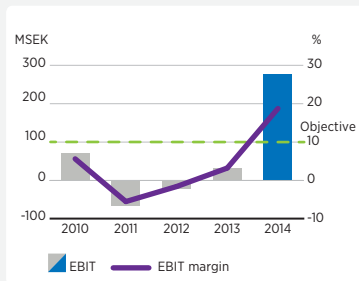
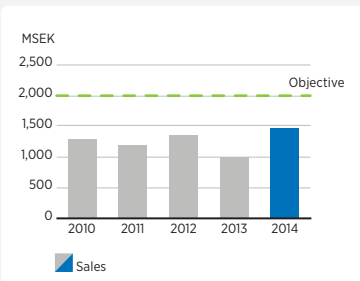
Sales increased 48 percent compared to 2013.

**19%**

EBIT margin was 19%.

**661 MSEK**

Cash was SEK 661 million at year-end and the Group had no interest-bearing loans.



Comments

A completely new product portfolio, together with favorable market development, has resulted in significantly higher demand for equipment from both business areas, SMT and PG.

For long-term and sustainable growth complementary acquisition is required, especially within SMT.

The goal is for EBIT to exceed 10 percent over a business cycle.

The year's margin of 19 percent can be explained in large part by deliveries of display mask writers.

In order to achieve sustainable profitability levels, it is important to further reduce dependence on large, single deals and to improve the gross margin by lowering manufacturing costs.

The goal with regard to the debt-equity ratio gives the Group space for future expansion, a necessity for achieving more sustainable growth and profitability.

During 2014, Mycronic looked for acquisition candidates and will continue to do so in order to find complements to current business.

### VISION

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

### MISSION

We aim to be the market leader within our key segments across the globe. We continuously improve and develop innovative solutions, products and services to meet the changing needs of our customers. We do not compromise with our goal to deliver sustainable growth, profitability and shareholder value. We meet our challenging goals by engaging the passion and talent of people dedicated to deliver.

### VALUES

Passion for business  
Passion for people  
Passion for technology

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# In modern electronics manufacturing, there is a high demand for quick changeovers.

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Modern electronics production demands short changeover times. This allows for the supply of many different products without any buffer inventory thus keeping production costs down.

In this high-mix environment, there may be thousands of changeovers per year and per production line.

Short leadtimes require not only flexible assembly equipment, but also require flexible material supply.

Mycronic's product offering with flexible production equipment for assembly of components on circuit boards and application of solder paste, intelligent component feeders, automated storage towers and advanced software consolidate the company's position as a leader within just-in-time electronics production.



# Business area SMT

## for current and future electronics

**Business area Surface Mount Technology (SMT) offers production solutions for the assembly of components on circuit boards and has a leading market position within flexible electronics production.**

**MYCRONIC OFFERS FLEXIBLE** production solutions for electronics manufacturing.

Electronic products are used in a wide range of diverse applications, from the purely pleasurable to life-sustaining medical equipment such as modern pacemakers. Mycronic has been developing flexible production solutions for the electronics industry for more than 30 years, solutions making it possible to manufacture products that simplify and enrich our daily lives today and tomorrow.

Mycronic's product offering includes production equipment for the application of solder paste, assembly equipment for mounting electronics components on circuit boards (pick-and-place), automated storage solutions and software. The product portfolio offers electronics manufacturers modern and flexible production solutions for just-in-time production. Mycronic's products address the challenges that just-in-time production entail, and enable a high degree of utilization especially in cases where series are short and many different products are manufactured during a short period of time.

Equipment for SMT is a central part of the production process for electronics. This means that customers demand products and services that ensure availability and process security. Thus Mycronic's aftermarket business comprise products such as service and maintenance, training, upgrades and accessories.

The operations within business area SMT are conducted via the Swedish head office and local subsidiaries. Additionally, there are around 70 distributors and agents in the global sales and service organization covering more than 50 countries.

### FINANCIAL PERFORMANCE

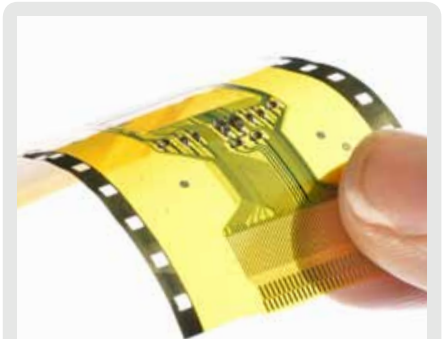
In 2014, the global market for SMT equipment had a recovery after a two-year downward trend, growing by 22 percent.

Mycronic's order intake and sales, including aftermarket, within the business area increased 27 and 20 percent respectively. The product launches conducted over the last 15 months had a decisive impact on growth as regards machines.

Assembly equipment for mounting components on circuit boards, the MY200 series, accounted for 85 (83) percent of machines sales while the MY600 Jet Printer for application of solder paste accounted for 15 (17) percent.

Gross profit in 2014 reached SEK 331 (256) million, corresponding to a gross margin of 45 (41) percent. The improved gross margin is due to higher sales volumes, a favorable product mix, and positive currency exchange effects.

EBIT was SEK 54 (18) million, which corresponds to an operating margin of 7 (3) percent. Development costs were SEK 20 million higher in 2014 compared to the previous year. Expendi-



# +27%

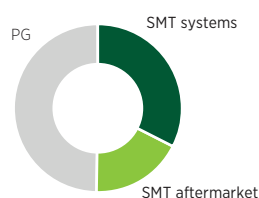
*The order intake increased 27 percent in 2014 while sales increased 20 percent.*

*During the year, launches of new – and for the customer more effective – products were successful. These products contribute to increased productivity for customers.*

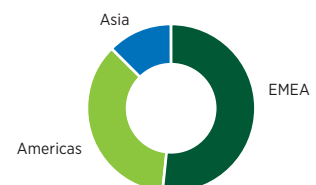
### BUSINESS AREA SMT

MSEK	2014	2013
Net sales	756	594
Order intake	742	618
Gross margin, %	45	41
Operating profits/loss	54	18
Operating margin, %	7	3
R&D costs	127	107

### NET SALES 2014 BY APPLICATION



### NET SALES 2014 BY REGION



tures for development were somewhat lower than for the previous year while capitalization of development in the amount of SEK 11 (31) million occurred and amortization of previously capitalized development was somewhat higher in 2014 than it was last year.

Variable selling expenses increased in tandem with the increase in sales. Investment was also made in the global sales organization.

#### PRODUCT DEVELOPMENT 2014

In order to succeed in developing competitive production solutions, it is critical for Mycronic to maintain a close dialog with customers and partners.

During the second quarter of 2014, Mycronic launched the new MY600 Jet Printer, for non-contact application of solder paste on circuit boards. This new model offers electronics manufacturers a machine that is up to 50 percent faster than its predecessor and which is capable of applying over 300 droplets of solder paste per second with micrometer precision. The MY600 Jet Printer was introduced to the European market in May and the launch continued throughout the summer and fall in the Asian and North American markets.

During the year, new system functionality was introduced for the company's pick-and-place machines, such as the new MY200 series, and also for older machine platforms. This functionality simplifies the introduction of new products into the production process for Mycronic's customers while simultaneously streamlining material handling. This functionality is also offered as an upgrade for machines already installed in the field.

#### THE MARKET

##### Customers

Mycronic's customers are found within the electronics industry, and are either contract manufacturers or manufacturers of their own end products. Customers range from small manufacturers to

Did you know...

“100,000 of the smallest type of electronics components fit in a 1 milliliter measuring spoon.”

larger, global electronics producers. Their spheres of activity include aerospace, aviation, energy, medicine, IT, and the telecom industry. What all these customers have in common is small to medium-sized production volumes, where the circuit boards provide high value added.

Customers are dependent on flexible equipment that can quickly switch between different products and handle advanced components with a high level of production yield. Customers manufacture a variety of circuit boards for various purposes, are cost-conscious, and are constantly meeting challenges in the form of new types of components and circuit boards. They must provide high quality and a high level of service to their end users. The majority of Mycronic's customers are located in the US and Europe where the demand for equipment that offers flexible and cost-efficient production is great. In Asia, where the majority of all consumer end products are manufactured, customer demand is growing for equipment that provides a higher degree of automation in the factory. Production volumes are normally higher in Asia than in the US and Europe.

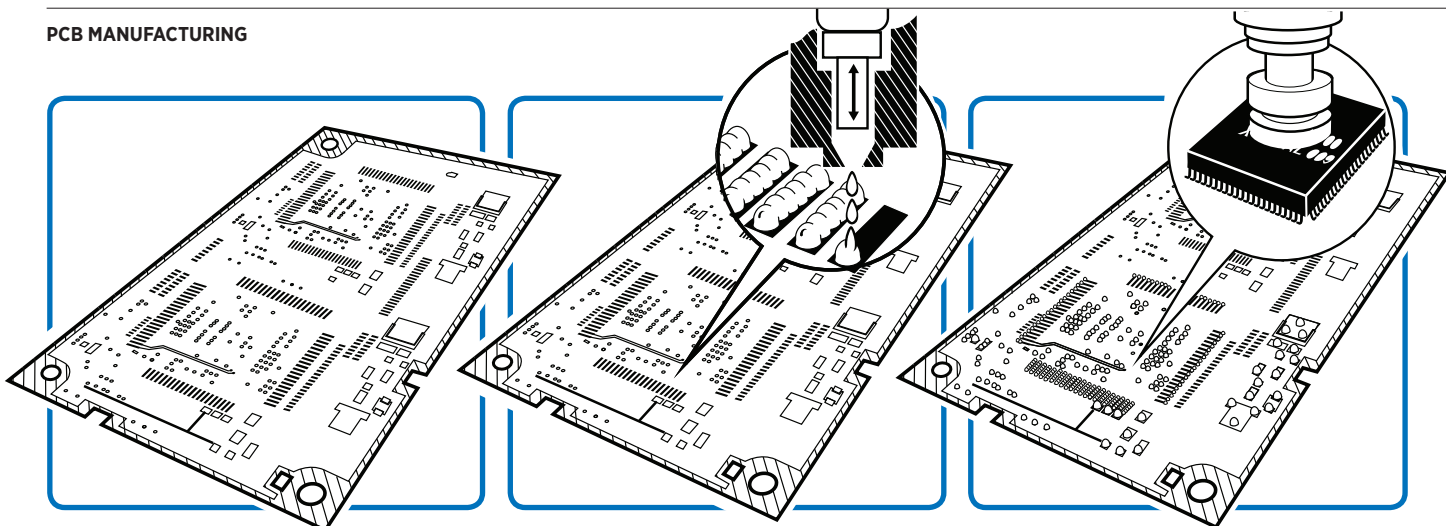
#### Market position

Mycronic is a market leader within the segment for flexible electronics production. The company offers assembly robots capable of handling all types of components and circuit boards.

Today, there are more than 4,500 SMT machines installed at more than 2,200 customer sites and over 90 percent of the business area's sales are exports.

Through a unique design and a high degree of automation, Mycronic's assembly equipment, for mounting components on circuit boards, enables effective and flexible electronics production with highest quality and the market's shortest change-over times. In this way, Mycronic's products minimize the need for operator intervention at customer sites. For the customer, this means shorter

#### PCB MANUFACTURING



A digital description with information about the PCB (printed circuit board) is converted to a machine program.

Solder paste is applied onto the PCB's contact surfaces using the MY600. Droplets of solder paste as small as 5 nanoliters are applied at a rate of 300 times per second.

The MY200 pick-and-place machine then mounts the components onto the PCB with micrometer precision.

lead times in production and lower manufacturing costs.

The company also has a unique offering for application of solder paste onto circuit boards through the MY600's non-contact jet printing technology. This technology solves many of the challenges that electronics manufacturers are facing today. One example is the possibility of optimizing solder joints by individually adapting the amount of solder paste for specific electronics components on the circuit board, there achieving an end product of the highest quality. Jet printing technology is non-contact, fast, and allows the application of solder paste on the fly. With more than 1 million applications per hour, the technology is seen as an compelling alternative to the traditional dispensing technology.

#### Market players

There are a total of 10 players of varying sizes and with differing geographic coverage in the SMT market.

Within the segment for flexible production where Mycronic is primarily active, there are a few smaller players such as Europlacer.

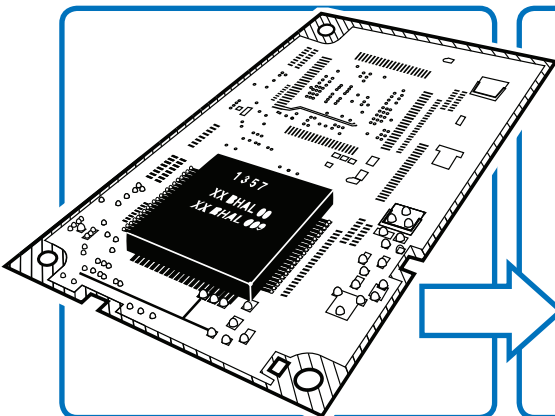
There are a number of larger manufacturers who are primarily present in the market that uses equipment for the high-volume production of, for example, consumer electronics. These include ASM Siplace, Fuji, Panasonic, Samsung and Yamaha. The majority of these manufacturers also offer in varying degrees production equipment for lower production volumes and are found to some extent within the market segments where Mycronic operates.

Within the stencil printing segment, there are a number of players who offer the traditional processing method of applying solder paste using stencils. One of these is ASM Assembly Systems who market the stencil printer DEK. Some consolidation is occurring in the SMT market for mounting robots. During the fall of 2014, Yamaha Motor

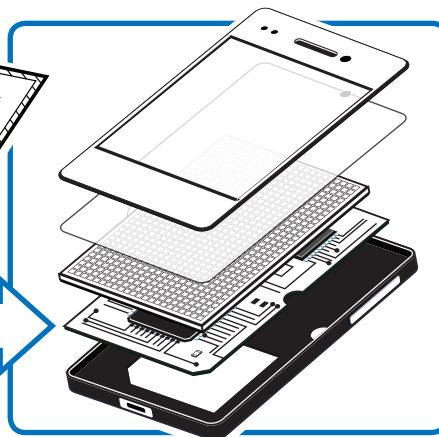
## Miniaturization



Today, electronics are becoming smaller, thinner and lighter. At the same time, more and more functionality is being built into products. The ongoing miniaturization of electronics is driving development towards increasingly smaller components and circuit boards with a higher packing density. In this picture, between the pen and the coin, we see an example of small, modern, passive components. Size varies. In the lower picture, the components have been enlarged. The smallest are no larger than grains of sand. Mycronic's equipment place components that are 0.4x0.2 millimeters in size. A milliliter measuring spoon can hold 100,000 of the smallest components.



PCBs vary in size and complexity and may contain between a few components to several thousand, depending on the application area.



The completed PCB is then transferred to the next production step, final assembly. The end product is completed.



The PCB is a critical component in the finished product, for example in a smart phone.

Company announced that they would be taking over parts of the SMT-related assets from Hitachi High-Tech Group in 2015. The Hanwa Group announced in the fall of 2014 that they intend to acquire four Samsung divisions, including Samsung Techwin, in the first half of 2015. And in January, 2015, Kulicke&Soffa announced the acquisition of Assembléon.

#### Market drivers

Today Mycronic sees three clear trends and driving forces within electronics production. The trends which have the greatest impact on the market for SMT equipment are:

- **lower cost per mounted component**
- **just-in-time production**
- **miniaturization**

Today's end users place high demands on new products and expect higher performance at a lower price. In order to meet these demands and deliver products of high quality, the electronics industry needs flexible equipment offering high production capacity with the desired process quality.

A trend is visible within the electronics industry where demand for automated production solutions facilitates production driven by customer orders, i.e. the right number of circuit boards at the right time. This minimizes excess stock in production and simultaneously allows

manufacturers to offer many different products with short lead times.

The electronics we see today are becoming increasingly smaller, thinner and lighter, even as more and more functionality is built into the products. The ongoing miniaturization of electronics is driving development towards ever smaller components and circuit boards with higher packing density.

#### MARKET DEVELOPMENT 2014

The global market for SMT equipment displayed positive growth of 22 percent in 2014 reaching USD 2.3 billion (PROTEC MDC, January 2015). The global equipment market for the application of solder paste also displayed positive growth of 4 percent. This positive trend is the result of increased demand for electronic products.

The semiconductor market is a key part of the electronics industry and affects demand for SMT equipment. When volumes of semiconductors increase, more equipment is required to place these semiconductors on circuit boards. In 2014, the semiconductor market is expected to have grown by 9 percent compared to 2013 (Prismark, December 2014).

Demand for SMT equipment normally follows the semiconductor market with a delay of about two quarters. The new generation of MY200 machines, with higher production capacity and better mounting precision than their predecessors, together with the company's new MY600

Jet Printer, has led to an increase of Mycronic's addressable market. This is due to the fact that the technology has become more interesting even for longer production series within, for example, the automotive industry.

#### MARKET OUTLOOK

The positive trend in the semiconductor market during 2014 is partly attributable to an increased demand for semiconductor circuits. The long-term trend is expected to continue in a positive direction with annual growth of 4 percent during the period 2015 to 2018 inclusive.

An increase in demand for tablets, smart phones and automotive electronics is expected to drive growth. Positive forecasts for growth within the electronics and semiconductor markets, together with signals from the increased demand for SMT equipment, suggest a recovery from the negative trend in the global market during the past two years.

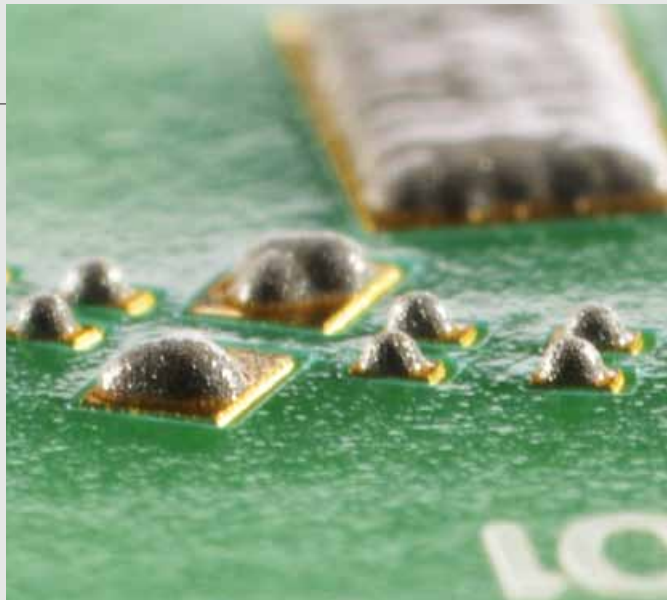
The increase in Mycronic's order intake can be attributed to the increase in demand for competitive new products, such as the MY200 series for mounting components on circuit boards, and Mycronic's unique jet printing technology offered through the MY600. With its new product portfolio, the company can offer flexible product solutions to customers with higher requirements for production speed.

## Nano droplets

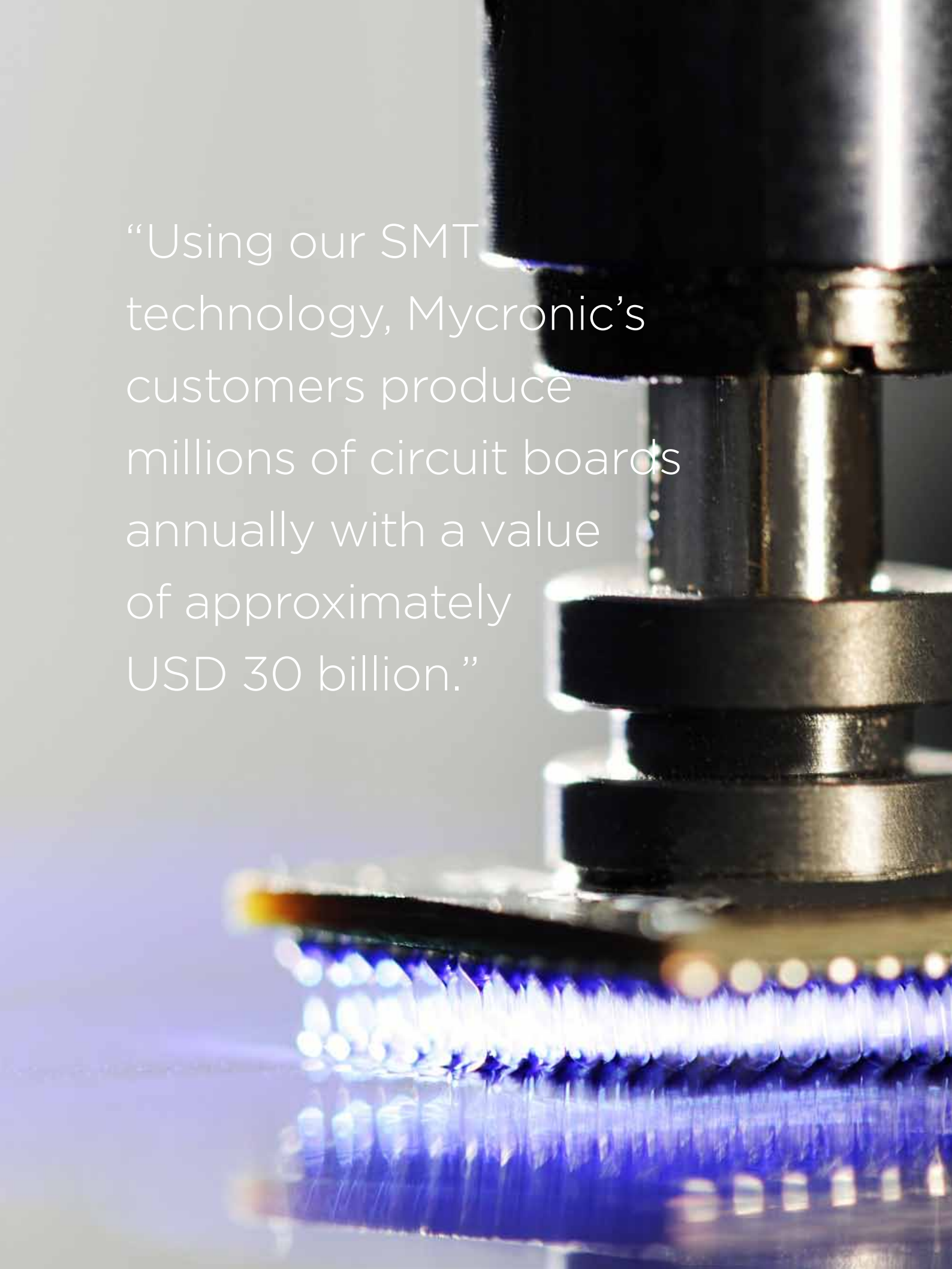
Mycronic's machines for the non-contact application of solder paste use innovative, proprietary jet printing technology.

Solder paste in the form of small droplets is ejected on-the-fly through a nozzle. The droplets are no larger than 5 nanoliters, i.e. five billionths of a liter. They are ejected up to 300 times per second and placed with micrometer precision onto a circuit board.

Approximately half of the solder paste is metal in the form of extremely tiny metal spheres the size of a blood cell. The metal spheres are mixed with a flux material that is relatively viscous. At a temperature of 250° C, the solder paste melts and forms a connection between the pads on the circuit board and the components' contact leads.







“Using our SMT technology, Mycronic’s customers produce millions of circuit boards annually with a value of approximately USD 30 billion.”

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# Pattern generators are crucial in the manufacture of flat panel displays

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Mycronic's mask writers are used in the manufacturing process for all displays in end products such as smart phones, tablets, laptops and TVs.

The largest photomasks that are used today are 1.6 x 1.8 meters.

Production of photomasks requires special facilities, clean rooms, where the environment is rigorously controlled. The temperature inside a writer chamber cannot vary more than a few thousandths of a degree.

A single particle can not be larger than a bacteria if contamination is to be avoided. Deviations in temperature or contamination can render a photomask useless.

The trend towards more complex displays with higher resolution places increasingly higher demands on photomask image quality. Mycronic's unique capabilities enable customers to write a pattern design onto a photomask with extreme precision and high levels of quality and productivity.

# Business area PG

## for current and future electronics

**Business area Pattern Generator (PG) offers production equipment that are absolutely essential for the manufacturing of flat panel displays, for both today's and tomorrow's electronics products.**

**MYCRONIC OFFERS PATTERN GENERATORS**, also called mask writers, for the manufacturing of photomasks. Photomasks are used primarily within the market segments display and multi-purpose, the latter including less critical applications, such as electronic packaging.

Mycronic's main market comprises mask writers for display manufacturing where the company today is the only supplier of mask writers for advanced photomasks in the world. Its offerings include complete systems, service and peripheral products.

The competition between photomask manufacturers is intense. Mycronic's customers need to utilize their mask writers 24/7, and so high levels of availability are always in focus. The mainstay of the aftermarket business is service for mask writers. The company's subsidiaries are responsible for service, customer support and sales. Delivery precision, short lead times, and high levels of product quality are critical. Approximately 90 percent of Mycronic's customers operate their equipment under service contracts.

The progression of development towards more and more advanced displays, and a high degree of utilization of mask writers at customer sites, also drives investment in the systems already installed at customer sites.

Mycronic also offers replacement systems for the installed base of display mask writers. A little more than half of the mask writers delivered are 10 or more years old. Maintaining these systems is increasingly a challenge. Some of the customers

also need to modernize their production equipment. Mycronic offers a scalable system, built on the Prexision platform, to replace these old systems. This offering allows customers to increase productivity, while at the same time securing a long-term service solution.

### FINANCIAL PERFORMANCE

Demand for photomasks in 2014 was strong and utilization of Mycronic's installed machines at customer sites remained stable at high levels.

Positive technological developments, coupled with the improved market situation for photomasks for displays, resulted in an order intake of SEK 1,273 (459) million. The order intake comprises eight mask writers that meet the needs within several market segments. Three of the mask writers are for advanced display applications. The largest part of the order backlog of SEK 636 million refers to deliveries in 2015.

Sales reached SEK 733 (379) million and comprised 6 (1) mask writers and aftermarket sales.

The gross margin was 52 (50) percent. The gross margin was charged with impairment costs for the remaining LDI assets in the amount of SEK 48 million and customer validation of Mycronic's LDI technology has ended. Although the system meets future technical requirements, uncertainty surrounding the development pace of the market's performance requirements remains. Hence the impairment. Some of the technology developed for LDI can be used in other new products. The gross margin was

# Unique



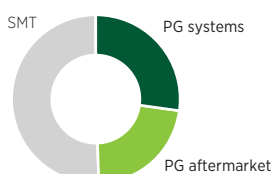
*Mycronic holds a unique position as the only supplier in the world of production equipment for manufacturing of advanced photomasks for displays.*

also impacted negatively by costs for effectivization of parts of the service business in some regions. At the same time, the margin was affected positively by the sales of two advanced mask writers for displays, and by positive currency exchange effects.

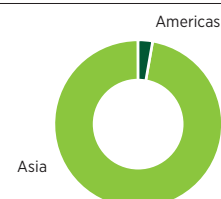
### BUSINESS AREA PG

MSEK	2014	2013
Net sales	1,273	459
Order intake	733	379
Gross margin, %	52	50
Operating profits/loss	226	21
Operating margin, %	31	6
R&D costs	69	72

### NET SALES 2014 BY APPLICATION



### NET SALES 2014 BY REGION



# Resolution standards

The most advanced photomasks are required for manufacturing of small displays with high resolution. Every pixel is tiny and thus requires small structures with a high degree of precision. These high-resolution displays contain many pixels per inch, PPI. Displays with high PPI can be found in smart phones and tablets among other things.

## FULL-HD

High definition displays have 1,920 x 1,080 pixels. This standard is the most common today.

## 4K-UHD

Ultra high definition displays that have 3,840 x 2,160 pixels. This standard was launched across a broad front in 2014.

## 8K-UHD

Ultra high definition displays that have 7,680 x 4,320 pixels. This standard is still under development but is estimated to be launched across a broad front around 2020.

EBIT was SEK 226 (21) million. Development expenses were somewhat lower in 2014 compared with the previous year, due primarily to the conclusion of LDI development.

## PRODUCT DEVELOPMENT 2014

Product development aims to provide customers with innovative and cost-effective products. In order to conduct efficient technology and product development, Mycronic's business area PG cooperates closely with its customers, the photomask manufacturers. The company also engages in dialog with several leading display manufacturers in order to ensure that the product offering meets market demands.

During 2014, Mycronic developed the most advanced mask writer so far, the Precision-80. The P-80 is a new generation of mask writer capable of writing the most critical photomasks for displays in a cost-effective manner. These photomasks meet both today's and future requirements for even more advanced displays.

A relatively large proportion of development efforts support the installed base of machines at customer sites. Providing new solutions to ensure effective maintenance of the systems, thereby creating high added value for customers.

## THE MARKET FOR PHOTOMASKS

### Photomasks for display applications

Mycronic's principle market is for mask writers for manufacturing of photomasks for the display market. Around ten photomasks are required to manufacture a flat panel display today, regardless of the manufacturing technology. With a set of ten photomasks, a manufacturer can produce an enormous number of displays, for example, up to 15 million displays per month for mobile phones.

Photomasks are not consumed in the manufacturing process. If there is a change in the display's construction however, for example in size or functionality, a new set of photomasks is required.

## Driving forces behind demand for photomasks

Mycronic sees three strong driving forces behind the demand for photomasks for displays:

- the number of display types
- display manufacturers' research and development pace
- the number of production lines for the manufacturing of displays

## DISPLAY TRENDS

Consumer products such as tablets and smart phones with high resolution have quickly become standard. Ultra-High Definition (UHD) TVs are about to enter the mainstream. UHD is a new display standard and ard with significantly higher resolution than HD.

The development and manufacturing of new display types constantly places new and higher demands on the photomasks used in the manufacturing process, and thus on the mask writers manufactured by Mycronic. Mask writers are crucial for the manufacture of all displays.

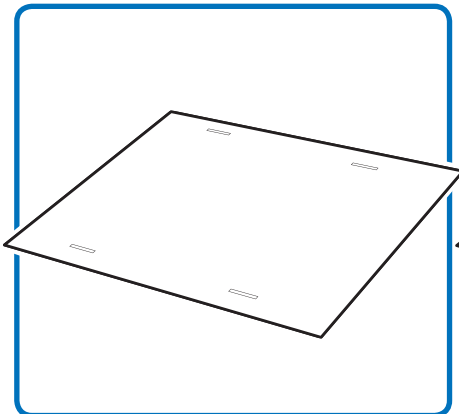
A number of display trends affect photomask requirements and therefore the need for more advanced photomasks: displays with ever higher resolution, increasingly large displays and an increased share of display manufacturing in China.

## Displays with higher resolution

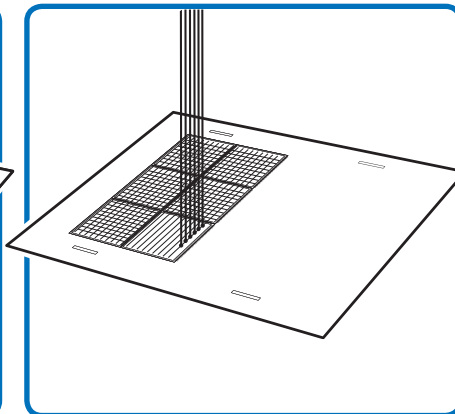
Photomasks are becoming increasingly complex, which leads to increasing write times. The ever more complex manufacturing processes also place high demands on the photomasks to keep production yield at an acceptably high level.

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

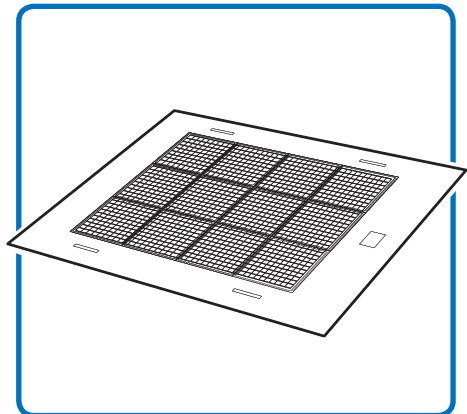
## DISPLAY MANUFACTURING



The photomask is a glass plate coated with a photosensitive material.



The pattern determining the display's properties is written by Mycronic's mask writer onto a photomask using several parallel laser beams.



A display manufacturer designs the pattern that is written on the photomask. It takes 2-3 days to write a large photomask.



# Displays with different technologies



High quality displays are manufactured using two different technologies – LCD and AMOLED. Both technologies require photomasks written on Mycronic's machines.

## LCD

90 percent of all displays are based on LCD technology. LCD technology uses background lighting which often consists of LED diodes and then the LCD crystal control how much light passes through each pixel.

The manufacturing process has improved continuously and manufacturing costs have decreased.

## AMOLED

AMOLED is used primarily in smart phones, but is becoming increasingly common in tablets and TVs.

Unlike LCD technology, in an AMOLED display every pixel is its own source of light. This enables production of displays which are more energy-efficient, thinner, and which provide better picture quality than an LCD display. AMOLED technology offers even better possibilities than LCD for the manufacturing of bendable displays.

## Increasingly larger displays

From 2007 to 2014, the average size of a TV increased from 31 to 39 inches (DisplaySearch, January 2015). This development accelerated especially during the most recent years and between 2011 and 2014, the increase in size was 1.5 inches per year. In order to produce these displays efficiently, larger photomasks are required. Larger photomasks take longer to write, resulting in the need for higher production capacity. Larger displays also require a greater display total surface area to be produced, creating an increased need for factory capacity for manufacturing displays. These factors positively affect the demand for photomasks.

## Increased share of manufacturing in China

Virtually all displays are manufactured in Asia today. In recent years, new LCD factories for the manufacture of large displays have been built primarily in China.

Expansion in China depends in part on state stimulus which benefits investment in production

facilities for displays. As the Chinese domestic market for displays grows quickly, these facilities benefit from China's implementation of tariffs on imported displays. Both Chinese and foreign manufacturers have invested in new facilities.

## Mask writers for other applications

Less critical photomasks used in a variety of applications are also produced for the multi purpose market. This is a broad segment, dominated by electronic packaging, and by photomasks used to create touch sensitivity on displays (touch screens). The trend within multi purpose was positive during the year, and Mycronic received orders for three machines for different application areas.

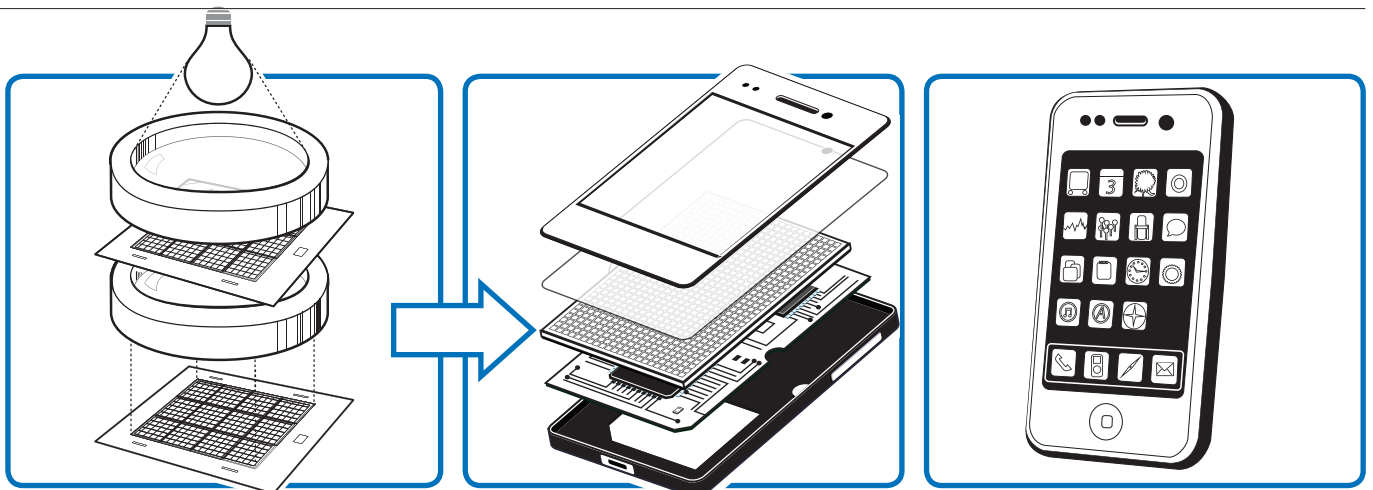
Mycronic also has mask writers for semiconductor applications installed at customer sites. However, Mycronic will not continue to offer mask writers within the Sigma and Omega series for semiconductor photomask manufacturing. In many cases, Mycronic subcontractors can no longer provide the components used in the machines. The development cost that would be required to

replace these components is unreasonably high relative to Mycronic's limited addressable market. Mycronic will continue to maintain the installed base through a comprehensive aftermarket offering.

## MARKET POSITION

Mycronic has a unique position as the sole supplier of mask writers for the production of advanced photomasks for the display industry. The requirements placed on mask writers for these applications are exceptional with regard to performance, reliability, and tailor-made functionality. Over a span of many years, Mycronic has built up a technological platform meeting customer requirements for this application area. Today, all manufacturers of flat panel displays use photomasks produced on Mycronic's mask writers. In most cases, display and electronics manufacturers purchase their photomasks from specialized suppliers, referred to as mask shops.

Mycronic offers mask writers for manufacturing the most advanced photomasks as well as photo-



The completed photomask is exposed in what is called an aligner. The process is repeated around 10 times to produce a display.

The display is delivered to a manufacturer of end products. There, the display is placed as one of several layers into a smart phone.

End products can be smart phones, as described here, or a TV, a tablet or a computer.

masks for more mature, or less critical, applications.

Customers are dependent on stable production and most have service contracts on their machines. The peripheral products developed contribute to high levels of customer satisfaction, which in turn results in increased aftermarket sales for Mycronic.

The market for multi-purpose mask writers is characterized by intense and is dominated by Mycronic and Heidelberg Instruments.

Since 1993, Mycronic has delivered more than 150 machines, of which over 120 are still in operation. The number of systems is greatest within the display market. Since 2000, Mycronic has delivered 65 mask writers for display applications, of which about 30 are advanced machines.

**CUSTOMERS**

Within business area PG, Mycronic has around 30 customers. The largest customer group is manufacturers of photomasks for different types of display applications for smart phones, tablets, laptops and TVs.

Customers include companies such as DNP, Hoya, LGIT, PKL, SKE and Supermask, all of which are located in Asia. Other customers are themselves leading display and electronics manufacturers such as Samsung and Intel.

**THE DISPLAY MARKET**

The underlying display market is of course much larger than the market for photomasks. Even if the market for photomasks is not directly related to the market for displays, there is at least an indirect correlation with profitability and technological development.

During 2014, the display market is estimated to have grown by 3 percent to reach USD 133 billion (DisplaySearch, January 2015). The year started weak, the main reason being a reduction in the volume of displays manufactured for PCs and laptops, coupled with the continuing decline in pricing for mobile displays. The improved situation during the rest of the year was driven by demand for high resolution mobile displays, as well as the broad launch of UHD TVs, i.e. TV displays with UHD or 4K, a new resolution standard with significantly higher resolution than anything previously available.

**MARKET DEVELOPMENT**

Mycronic's customers experience the increasing demand for photomasks through the high degree of utilization of the installed base of mask writers.

Demand for photomasks contributes to the stabilization of prices and thus to a continued improvement of manufacturers' financial situation.

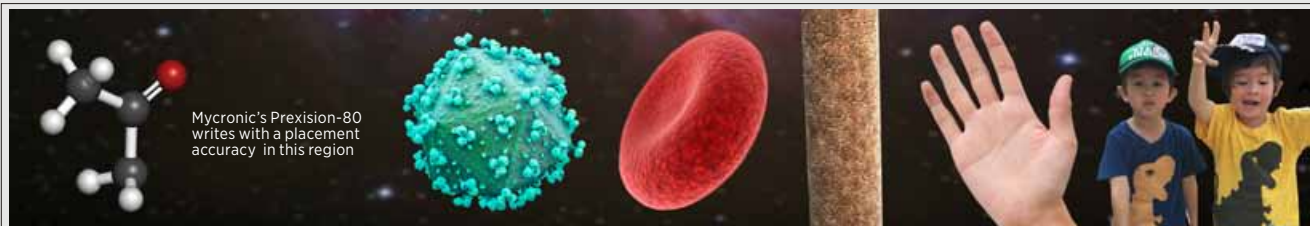
Approximately 16,000 photomasks for displays are produced annually. During the period 2014-2017, volumes of photomasks for display manufacturing are expected to grow 3 percent annually. Turnover for photomask makers during the same period is expected to stabilize at around USD 500 million (DisplaySearch, January 2014).

The trend for the photomask market is in line with the development expected on the underlying display market, where turnover for 2014 is expected to grow 3 percent, while the number of displays produced is estimated to increase 5 percent (DisplaySearch, January 2015).

Did you know...

“Mycronic’s mask writers write patterns with such precision that it is comparable to placing a strand of hair at a precise point on a surface the size of a football field.”

# Nanometer precision



- 1 ångström  
Atom
- 1 nanometer
- 10 nanometer  
Hemoglobin
- 100 nanometer  
Virus
- 1 mikrometer  
Bacteria
- 10 micrometer  
Blood cell
- 100 micrometer  
Strand of hair
- 1 mm  
Flee
- 1 cm  
Ant
- 10 cm  
Hand
- 1 meter  
Child



Mycronic's most advanced mask writer, the Precision-80, writes with nanometer precision. Depending on the model and configuration, mask writers can write features as small as 500 nanometers wide. Additionally, these can be placed with a precision of 1-10 nanometers.

To gain some perspective for this placement precision, it can be compared to placing a strand of hair on a football field. It would be possible to place a strand of hair at an exact point and then return later to the exact same point and relocate the same strand of hair within a very small fraction of its width.



“Mycronic’s technology is a prerequisite for display manufacturing worth USD 133 billion annually, which corresponds to approximately 25 percent of Sweden’s GDP”



# To strengthen competitiveness

**Mycronic has set high targets for growth and profitability. This places high demands on innovation capabilities, professionalism as well as effective, global workflows.**

**MYCRONIC HAS SET** high targets for growth and profitability for the current business period. Achieving the targets demands professionalism, innovation capabilities and effective, global workflows for the entire chain from product development, production and purchasing to sale, delivery and aftermarket.

## COMPETITIVENESS

Retaining its leading market position requires access to the right competencies, the company's own as well as those of others, and not least the ability and capacity to monitor and understand the market and predict customer needs and trends. Adapting to new conditions and understanding each other's and the market's cultures are crucial. It is a matter of creating as optimal and effective an operation as possible to achieve what is usually called "Operational Excellence".

An important area involves having the right tools to break down, measure and follow up the business to ensure that the established strategy is executed systematically. Another important area is the further development of the sales process so that Mycronic can effectively reach new customers and market segments.

## INNOVATION CAPABILITIES

The electronics industry is characterized by an extremely fast technical development. Mycronic's strive to enhance the efficiency of new development is of major significance to long-term profitability. Mycronic needs to take advantage of its unique expertise and its existing products in new combinations and applications, with customer satisfaction as top priority.

The development of new products is done quickly and gradually to a greater extent. The total cost throughout the product's entire lifetime, from production to installation, operations and support, is substantial. In connection with this, outsourcing of part of production may be considered.

## WORKFLOWS

Mycronic strives to consolidate the number of subcontractors and to find suppliers in low-cost countries to a greater extent. This increases the requirements on the purchasing and quality functions. When the Group chooses to purchase components and modules from external manufacturers, a number of selected suppliers are evaluated. In these evaluations, product, process and system quality are reviewed, but also safety issues



*The electronics industry is characterized by an extremely fast technology development. New fields of application and new end products are developed at an increasingly faster pace. The picture illustrates consumer products that was launched during 2014 and that have contributed to changes in user behaviour.*

*Mycronic occupies a strong position in the electronics industry, providing innovative production solutions and service offerings. With business professionalism and innovation capacity Mycronic will further strengthen this position.*



Three times a year managers from all of the Group's central units and subsidiaries meet to ensure uniformity and skills development. At one of these meetings in 2014, around 50 people participated when the theme was to broaden and to deepen business professionalism.

In the picture, Magnus Råberg, head of Pattern Generators, Cyrille Bidet, head of French operations and Britta-Karin Spåls, head of ITC play a corporate game. The game illustrates the connection between individual activities and decisions and shows the impact on results and financial position.

and the fulfillment of corporate social responsibility that Mycronic requires according to its Code of Conduct.

The review of Mycronic's business systems and organization continued in 2014 to become increasingly process oriented and global. The units for quality, information and communication technology constitute important functions for developing and applying a cross-functional approach. Every month executive management follows up on operational development, key performance indicators in the on-going change process.

Equipment from Mycronic is crucial for the customers as it constitutes an important part of the production chain for electronic end products. The equipment must therefore have very high operational reliability. In 2014, Mycronic's organization was recertified according to the international quality standard ISO 9001. The certification is proof that the Group's processes and systems meet the company's stringent quality standards.

During the year, a project was conducted to create a more systematic and documented return process for replaced components. The process facilitates analysis and cost follow-up. In parallel, a method was introduced to identify and map quality deficiencies in every stage, from development

and production to delivery and operations. The objective is to obtain a collective and clear view of the costs caused by quality deficiencies in components or design.

#### **PATENTS**

Patents and licensing are of crucial importance to Mycronic and the company has a strong patent portfolio. By year-end, the Group had been granted a total of 452 patents, of which 33 were granted in 2014.

Patents are used to protect and secure the rights to new technological solutions.

#### **ENVIRONMENTAL IMPACT**

Mycronic's operations are assessed to have little environmental impact. The majority of the Group's environmental impact comes from transports of products, spare parts and personnel. Environmental aspects are always included when new products are developed, both for the production process and from a lifecycle perspective.

# Employees

**Mycronic operates in a global, dynamic and competitive industry. This environment puts considerable demands on both technical expertise and business skills, innovation capability and structure.**



*In Mycronic Japan, Takeshi Suzuki and Junko Sonobe are working within SMT sales and support.*

**MYCRONIC IS IN** every aspect a knowledge-based Group, where the ability to motivate, develop and retain skilled employees, as well as the ability to recruit new employees as the Group grows, is crucial to success. In 2014, the HR work focused on three areas that are considered the most important to the Group in the next few years:

- leadership
- capability and competence
- culture and values.

## LEADERSHIP

An organization with technically complex and globally distributed operations like Mycronic is dependent on clear leadership that has professionalism as its guiding principle. At the same time leadership shall encourage initiative and new thinking.

Three times a year, managers from all of the Group's units and subsidiaries meet in a global network, the Business Managers Meeting (BMM), to ensure uniformity and competence development.

During fall 2014, a new leadership model was established based on three criteria: execution, engagement and learning. The model, which is global, makes it possible to better choose, evaluate and develop managers for every phase the organization finds itself in. An evaluation of 30 managers was also conducted to map strengths and weaknesses relative to the leadership criteria. The evaluations will continue in 2015 and constitute a part of the on-going work to create a more effective organization. A reorganization with this as a target has already been conducted in the PG business area.

## EXPERTISE AND COMPETENCE

During the year, a number of workshops were held throughout the organization. The common goal was to identify existing competencies and potential competency gaps, and to map the more long-term needs. Based on this work, action plans for the supply of expertise have been defined.

The screening done indicated a broader educational need for the entire Group with regard to business acumen, change processes and communication as tools to drive processes.

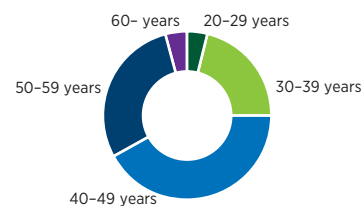
## EMPLOYEES 31 DECEMBER, 2014

520  
employees

19%  
women

20%  
female  
managers

## EMPLOYEES, AGE STRUCTURE





Global experiences add customer value. Takeshi Suzuki discussing with Peter Friis and Nobuhiro Yoshida.

During the year, the Employee day introduced in 2013 for all employees was conducted outside Sweden. The goal has been to create an awareness among each employee in terms of how they can make a difference in their daily work.

The focus area supply of expertise also includes a broadened focus on succession planning, i.e. identifying and developing the next generation of managers and experts. Essential words in this work are long-term thinking and systematic work.

New markets and new technology also require that new expertise, not only technical but also cultural, social and market expertise, are added. The people and the competencies that the Group seeks are often both rare and sought after. For Mycronic, it is of crucial importance to position itself as an exciting and attractive employer, not just in Sweden, but everywhere the Group operates. Clear messages and values, together with Group-wide design in all internal and external communication, is an important part of the work to build Mycronic's brand as a global employer. In Sweden, the company works with various activities to attract students to the engineering profession. Mycronic accepts interns via The Royal Swedish Academy of Engineering Sciences IVA's program Tekniksprånget (Technical Leap), participates in inspiration seminars, lectures at high schools, tuition of thesis and other project work at university level, and participates in career days.

Mycronic also turns to young adolescents, by visiting classes in secondary school before high school selection, to encourage interest in the engineering profession early on.

**VALUES**

Mycronic strives to be a global Group that interacts with customers, employees and the surrounding world in the same way and with the same values, regardless of where in the world the interaction occurs. This in turn means that Mycronic must work on strengthening the brand internally as well as externally.

In connection with the development of the new brand, the definitions were updated of the values Passion for Technology, Passion for Business and Passion for People, to more clearly support the strategy and present good examples.

**DIVERSITY**

Diversity is of strategic importance to Mycronic. Mycronic sees diversity, the employees different personal and professional background, as an asset. During the year, a global diversity policy was adopted where the overall goals on diversity is expressed. A diversity policy for the Swedish operations was also adopted and local policies, adapted to local legislation in countries where the Group operates, are to be developed. As part of the diversity program Mycronic strive to be certified according to the international equality certification program, EDGE.

**ORGANIZATION**

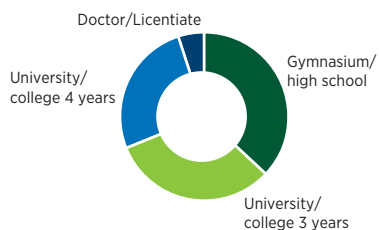
A harmonization of the terms of employment was conducted in Sweden. All employees in Sweden are affiliated with the same collective agreement as of 2014. The Group is also a member of the employers' organization Teknikföretagen as of March 2014.

During fall 2014, an employee survey was conducted. The survey provides the company an opportunity to get a clearer view of how Mycronic is perceived as a company and workplace. The results of the survey provide information on how the employees perceive the conditions in a number of areas. Several improvement areas have been identified. Based on these, the Group's managers will create plans for short- and long-term improvements in the respective group.

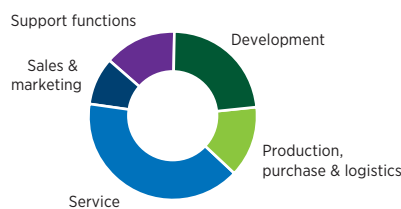
**WORK ENVIRONMENT**

During the year, the Swedish Work Environment Authority conducted an inspection of the Swedish operations. Also, safety rounds and safety committee meetings were held as usual. The results from these inspections proves that Mycronic has a structured and methodical approach on work environment issues. Based on this, plans were conceived and responsibility was clarified. The work to minimize physical and psychosocial work environment risks continues and is becoming increasingly proactive.

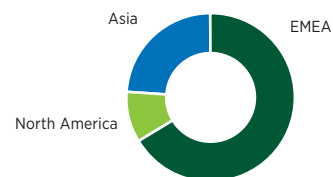
**EMPLOYEES, LEVEL OF EDUCATION**



**EMPLOYEES BY FUNCTION**



**EMPLOYEES BY REGION**





# One global company – the journey

**Mycronic has its origin in two companies, both of which started in the 1970s. Both companies are characterized by a strong innovative excellence.**

## 1970s

A group of researchers, led by Gerhard Westerberg, began research into microlithography at KTH Royal Institute of Technology. The goal was to develop equipment capable of writing photomasks for the semiconductor industry.

Around the same time, two young inventors, Lennart Stridsberg and Gunnar Rodin, formed the company Mydata AB to build desktop computers for measurement and control. They also developed a system for manual circuit board assembly with a fast-moving beam of light which showed the operator where components should be mounted.



## 1980s

A company was founded to commercialize the results within photomask production, Micronic Laser Systems. The first laser based mask writer was launched. After the decease of Gerhard Westerberg, the staff, led by Nils Björk, took over the company with support from Småföretagsfonden (Small Companies Fund).

The engineers at Mydata noticed that most SMT machines for PCBs were very inflexible. They started the development of a more flexible machine. The first prototype, the TP9, with capabilities to manage all kinds of components and all PCB sizes, was revealed and becomes a success. In 1985 new owners, BBT (Björkman, Brandberg och Tigerschiöld) took over.



## 1990s

A weak semiconductor market prompted the company to seek other markets for the laser based technology. A mask writer for shadow photomasks for the old thick TV displays was introduced and quickly became industry standard.

The first order came in 1992 but the big breakthrough came in 1994-1995. The company grew from being 30 employees in 1995 to 150 employees in 1999. Subsidiaries were set up on important markets. Laptops entered the market and the LRS11000 was introduced for manufacturing of flat panel displays. The company also launched mask writers for other application areas.

During 1990 the first TP9 machines for placing components on PCBs were sold in the US. New development projects started which resulted in the introduction of a new generation of the TP9 with more user friendliness in focus.

During 1993-1994 a record number of SMT machines were sold. In 1996 the unique mounthead HYDRA was introduced and two years later the MY series for placing components on PCBs was launched. In 1997 Mydata were just over 200 employees.

Development of the unique jet printing technology started.

## 2000-2008

In March 2000, Micronic Laser Systems was listed on the Stockholm Stock Exchange.

The LRS15000, a new generation mask writer for manufacturing of photomasks for display applications, was introduced and a record number of machines were sold in 2003-2004. The FPS for manufacturing of photomasks for electronic packaging applications was introduced in 2006.

In 2007 the Precision series for the manufacture of advanced display photomasks was launched. During the same year Apple introduced its Iphone, which was the starting point for the explosive growth in smartphones. Advanced displays become more and more common in mobile electronics, such as digital cameras, telephones and tablets. Every display manufacturer in the world is now using the company's machines for manufacturing displays.

Sales of MY series reached record levels in 2000. The intelligent component feeder Agilis was introduced 2002 and the MY500 Jet Printer, based on the unique jet printing technology was launched 2005.

The MY100 pick-and-place machines with considerably higher productivity was launched in 2008. The SMD Tower, an intelligent component storage system was also launched.

## 2009-2014

Micronic Laser Systems acquired MYDATA automation AB in 2009 and the Group changed name to Micronic Mydata AB. A direct writing system, LDI, is developed based on several innovative solutions and concepts 2010-2012. A new generation mask writers for display manufacturing, Precision-80 is launched during spring 2014 to meet increasing display industry requirements.

New faster mounting machines, MY100e series, are introduced 2011. During autumn 2013 the new machine platform MY200 becomes available. The platform delivers a higher productivity with improved placement accuracy. In spring 2014 the new Jet Printer MY600 is introduced, which is a machine that is 50 percent faster than its predecessor MY500.

## 2014

The Parent Company and all subsidiaries changed name to Mycronic, which was the starting point for a global brand.



# Global brand

**In June 2014, the Mycronic brand was introduced. The global brand is an important and integrated part of the Group's growth strategy.**

**IN JUNE 2014**, Micronic Mydata changed name to Mycronic. All subsidiaries also adopted the new name.

The name change was the starting point for a global strong brand as an important and integrated part of the growth strategy set for the next few years. A new brand platform and visual profile that would be used globally was launched to ensure the Mycronic brand is clearly understood internally and externally.

The new brand clearly reflects the passion for business, people and technology that makes Mycronic the prime driver in the electronics

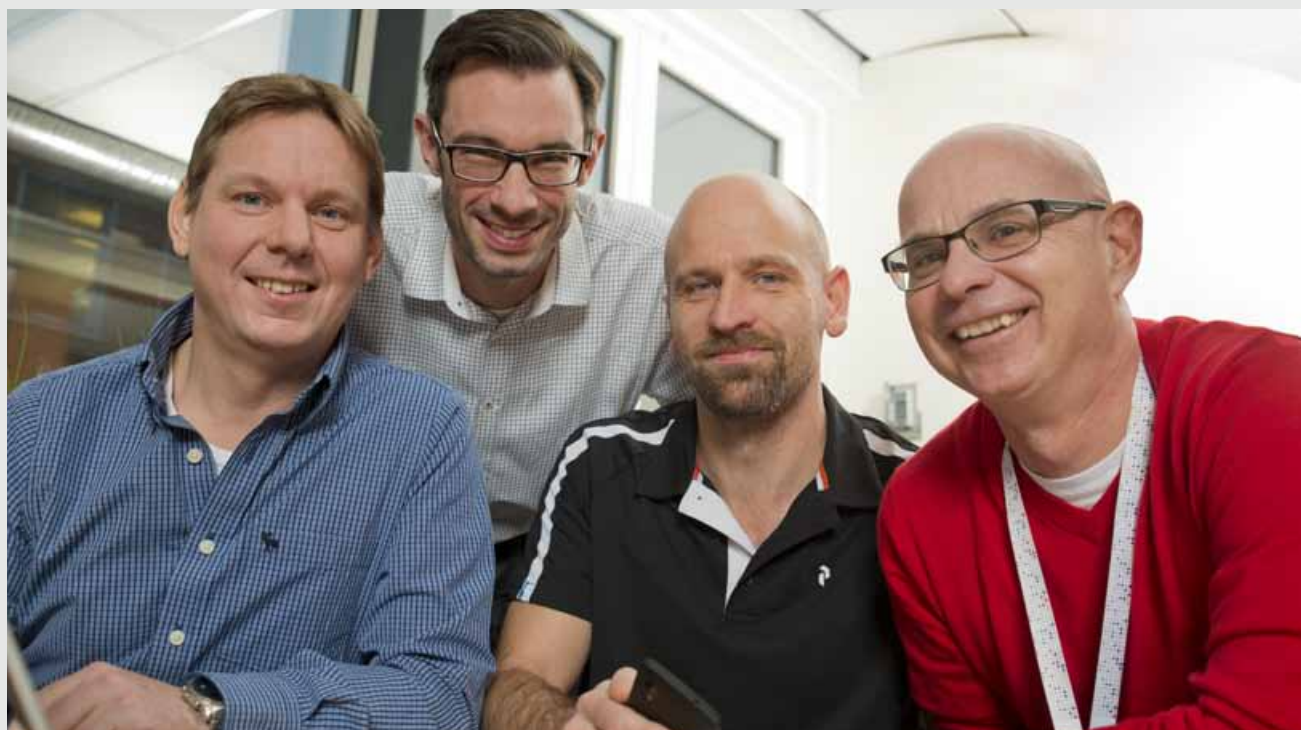
equipment industry. The brand platform will also reinforce Mycronic's position of leadership by clarifying how Mycronic provides the industry with solutions that meet changing and future needs of both customers and the market.

Mycronic's brand platform is expressed through a global and common brand promise "When passion meets innovation". This sentence describes how Mycronic's employees always strive to find new solutions that will increase customers' competitiveness. This passion is a part of every moment with customers, partners and between colleagues. When this passion meets with Mycronic's capacity for innovative excellence, it enables the company

to deliver business success for our customers, which is key to Mycronic's success.

This brand focus gives Mycronic room for more effective communication with the industry markets and makes it easier to profile the organization as a leading global player with strong competitive, value-adding advantages for the customers.

A strong brand is also a prerequisite for Mycronic's ability to be a well-known and attractive employer in Sweden as well as in the global arena.



*The drive and passion of the team that developed the mask writer Precision-80 is unmistakable. Together, Jonas Walther, Martin Salén, Anders Svensson and John-Oscar Larsson worked towards an incredibly high set goal: to develop a mask writer for future generation displays.*

*They are a committed group who like to discuss advanced problems with each other - from concept to test on machines and analysis. "The driving force is making the impossible possible," says Anders Svensson. "It is really fun to see if a smart idea works," adds John-Oscar Larsson.*

When passion meets innovation ●

# The share and shareholders

**The Mycronic share is listed on Nasdaq Stockholm Mid Cap. With a clear strategy for growth, new financial goals and a new dividend policy focus is set on building value. During 2014 the number of shareholders increased to 6,991.**

**THE SHARE CAPITAL** in Mycronic amounted to SEK 97.9 million distributed over 97,916,509 shares on 31 December, 2014. All shares are of the same class with the equal voting rights and the same share of capital and earnings. The quote value is SEK 1 per share.

**SHARE PRICE TREND AND TRADING VOLUME**  
The Mycronic share was listed on the Small Cap

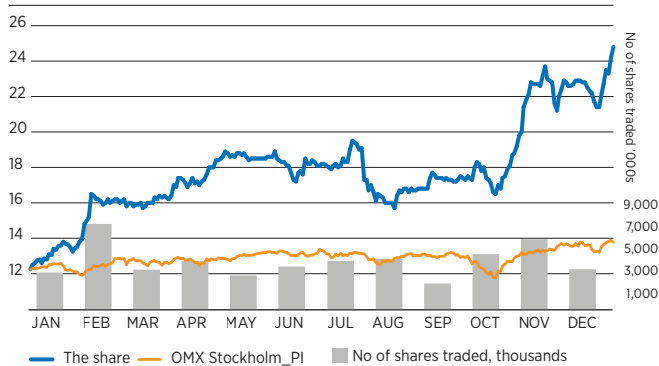
list from 2000-2014. From 2 January, 2015, the share is listed on the Mid Cap list.

The 2014 closing price was SEK 24.80 (12.40), corresponding to a market capital of SEK 2,428 million, compared with SEK 1,214 million at the end of 2013, an increase of 100 percent. Considering the extraordinary dividend in 2014, the increase was 120 percent. During the same period the Stockholm Exchange (OMX Stockholm PI) rose by 12 percent.

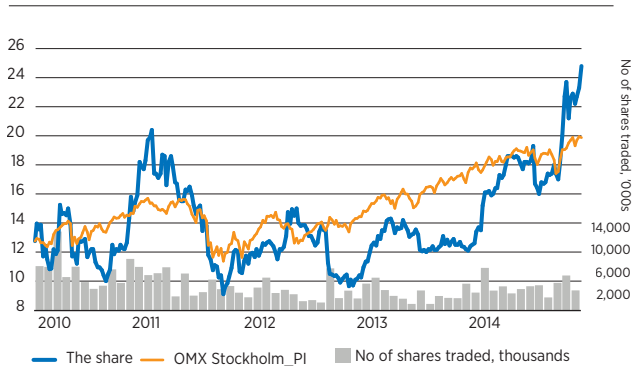
The highest price paid in 2014 was recorded on 30 December, at SEK 24.80, and the lowest price was SEK 12.20 on 2 January.

A total of 51.5 (34.4) million shares were traded in 2014 at a total value of SEK 927 (435) million. The share was traded all trading days with an average volume of 206,632 (134,521) shares, corresponding to SEK 3.7 (1.7) million.

## SHARE PRICE TRENDS 2014



## SHARE PRICE TRENDS 2010 – 2014



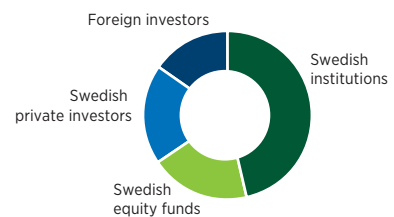
## SHAREHOLDERS 31 DECEMBER 2014

Shareholder	No of shares	Holding %
Bure Equity	37,161,609	38.0
SHB fonder	7,115,177	7.3
Nordea Fonder	4,216,867	4.3
Catella Fonder	3,296,332	3.4
DFA Fonder	2,381,162	2.4
Avanza Pension Försäkring AB fonder	2,212,106	2.3
Fjärde AP-fonden	2,087,175	2.1
DNB Fonder	1,633,692	1.7
Andra AP-fonden	1,454,428	1.5
Dag Tigerschiöld dödsbo	1,300,000	1.3
The 10 largest shareholders	62,858,548	64.2
Others	35,057,961	35.8
<b>Total</b>	<b>97,916,509</b>	<b>100.0</b>

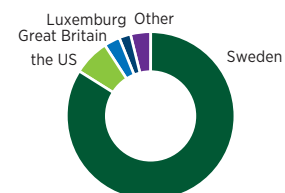
## OWNERSHIP STRUCTURE 31 DECEMBER 2014

Holding by size	No of shareholders	No of shares	%
1-500	3,170	681,630	0.7
501-1,000	1,323	1,143,786	1.2
1,001-5,000	1,791	4,410,432	4.5
5,001-10,000	331	2,576,797	2.6
10,001-50,000	275	6,054,501	6.2
50,001-100,000	47	3,289,660	3.4
100,001-	54	79,759,703	81.5
	<b>6,991</b>	<b>97,916,509</b>	<b>100.0</b>

## OWNERSHIP STRUCTURE BY CATEGORY



## OWNERSHIP STRUCTURE BY GEOGRAPHY





On 20 November, 2014 Mycronic held a capital market day at the Täby office. During the day the visitors had a demonstration of the machines for mounting components among other things.



Johan Liu, Professor at Chalmers, talked about the nano-materials technology for future electronics manufacturing.

#### OWNERSHIP

At the end of 2014, Mycronic had 6,991 (6,056) shareholders. The largest shareholder is Bure Equity with 38 percent. The ten largest shareholders accounted for 64 (66) percent of the total number of shares, and the 100 largest shareholders accounted for 76 (80) percent. The Board of Directors and executive management owned a combined 0.3 (0.2) percent. At the end of 2014, Swedish ownership accounted for 84 (83) percent.

#### CAPITAL MARKET COMMUNICATION

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

In accordance with the communication and IR

policy, orders for individually large machines are published as well as other events that can affect the company valuation and matters that must be made public by law or stock market rules. All information that is assessed to be price sensitive is communicated to the market at the same time and with the same content.

Financial information is provided through interim reports and the annual report. Significant events are published in press releases. Reports and press releases can be ordered in Swedish or English through a subscription service on the website. The printed annual report is distributed to those who so desire, but can also be downloaded via the website as a PDF document or read in an on-line format.

Mycronic regularly meet analysts, shareholders and other stakeholders, in connection with the

publication of interim reports and at other capital market meetings. In 2014, a capital market day was arranged at the company for professional investors and the media. In connection with the Annual General Meeting, which was held at the company's premises, shareholders were offered a tour to see parts of the operations.

#### DIVIDEND POLICY

The company's goal is to provide both good returns and value growth.

On condition that the company's net debt is less than three times EBITDA after the stipulated dividend, 30 to 50 percent of the company's profit after tax shall be paid to the shareholders as a dividend.

In August 2014, an extra dividend of SEK 2.50 per share, or SEK 245 million in total, was paid.

#### THE SHARE CAPITAL

Year	Increase	Total number of shares	Share capital MSEK
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 DATA

	2014	2013
Earnings	2.72	0.14
Cash flow	1.58	-0.87
Equity	12.33	11.90
Share price at year-end	24.80	12.40
Price/equity ratio	2.01	1.04
Dividend	0.80	-
Extraordinary dividend	3.20	2.50
P/E ratio	9	88
Number of shares, thousands	97,917	97,917

#### ANALYSTS THAT MONITOR MYCRONIC

Company	Analysts
Carnegie	Mikael Laséen
Danske Bank	Fredrik Lithell
Redeye	Victor Westman
Remium	Christian Lee

# Report of the directors

## Mycronic develops, manufactures and sells production solutions for manufacturing electronics products. World leading companies use products and services from two business areas, Surface mount technology, SMT and Pattern generators, PG.

The Board and CEO for Mycronic AB (publ), corporate identification no. 556351-2374 with registered office in Täby, Sweden hereby submit the consolidated financial statements and annual report for financial year 1 January to 31 December, 2014.

### OPERATIONS AND OFFERINGS

Mycronic is a high-tech company that designs, manufactures and sells production equipment for manufacturing electronics products. The range of offerings include mask writers that are used in the manufacture of photomasks and surface mount equipment for flexible electronics production.

Mask writers are used in the manufacture of photomasks. These are used for manufacturing displays among other things. Displays can be used for tablets, smartphones, TVs and computers.

The surface mount (SMT) equipment is used for stencil-free application of solder paste on printed circuit boards (PCBs) and for placing components on PCBs.

### ORGANIZATION OCH PERSONNEL

The Group consists of the Parent Company, Mycronic AB, with wholly-owned subsidiaries in Japan, China, South Korea and Taiwan (dormant), as well as the wholly-owned subsidiary Mycronic Technologies AB with its subsidiaries in France, the Netherlands, Singapore, the UK, Germany and the US.

The Group's product development, manufacturing and marketing are primarily conducted in Sweden. The subsidiaries in the PG business area are responsible for aftermarket sales, service and customer support. In terms of the SMT business area, the subsidiaries are responsible for system and aftermarket sales, service and customer support. SMT equipment is also sold through agents and distributors. The Group is represented in approximately 50 countries.

The research and development functions, product management, production, purchasing and administration act jointly, while marketing,

sales and aftermarket are managed individually within the respective business area.

The average number of full-time employees in the Group in 2014 was 508 (514), of whom 286 (299) work in Sweden. Women make up 19 (18) percent of the average number of employees in the Group.

Employee turnover in 2014 was 5 (7) percent.

### BOARD OF DIRECTORS

At the 2014 Annual General Meeting (AGM), it was decided that the Board should consist of six members without deputies. The AGM re-elected the Board members Katarina Bonde, Ulla-Britt Fräjdin-Hellqvist, Anders Jonsson, Magnus Lindquist, Eva Lindqvist and Patrik Tigerschiöld.

Patrik Tigerschiöld was elected Chairman of the Board.

In addition, two personnel representatives with two deputies from the Akademikerna and Unionen trade unions are appointed.

### EXECUTIVE MANAGEMENT

Executive management consist of eight people since June 1, 2014, when a new position in charge of Operational Excellence was established.

At the end of 2014, the Senior VP for Research and Development resigned. Charlott Samuelsson is the acting SrVP for R&D until 23 March, 2015 when Johan Franzén will take office.

### EVENTS DURING THE YEAR

#### First quarter

The first quarter showed a higher level of activity among the customers, which resulted in more orders received and sales than the year-before period.

The introduction of MY200 continued on new markets and the advanced mask writer Prexision-80 was launched.

#### Second quarter

After a resolution by the AGM, the Parent Company changed name to Mycronic AB. The name change

then continued in all subsidiaries as a part of the Group's strategy to strengthen the brand.

The launch of new products continued in the second quarter with the introduction of MY600, a new generation of Jet printer for non-contact application of solder paste for advanced circuit boards.

Orders received continued to increase in both business areas.

#### Third quarter

The development towards increasingly advanced electronics drives the demand for complex photomasks for the manufacture of displays. At the same time, the customers are utilizing their existing production equipment for the manufacture of photomasks to the furthest possible extent. During the third quarter, this led to two orders for the most advanced mask writers as well as orders for less advanced mask writers.

The SMT equipment market was also favorable and resulted in high order intake and sales.

Consolidated operating profit was positive for the fifth consecutive quarter.

In August, an extra dividend of SEK 245 million was paid in accordance with the AGM resolution. Cash flow was strong.

#### Fourth quarter

The market continued to develop positively in the fourth quarter.

Completion of the first mask writer Prexision-80 went faster than planned, which led to an early delivery to the customer and an upwards adjustment of the full-year sales forecast.

The technical requirements in the market for advanced electronic packaging continued to develop slowly, which increased uncertainty regarding the commercialization of Mycronic's LDI technology. Due to the greater uncertainty about the market trend, a write-down of remaining LDI related inventory was made in an amount of SEK 48 million.



## FINANCIAL TARGETS AND DIVIDEND POLICY

Mycronic's Board of Directors has set the following financial targets:

### Growth

Consolidated net sales will reach SEK 2 billion at the end of the period for the company's business plan.

### Earnings

Over time EBIT will exceed 10 percent of net sales over a business cycle.

### Capital structure

Net debt will be less than 3 times the average EBITDA.

### Dividend policy

The company's objective is to provide both good returns and value growth.

Between 30 to 50 percent of net profit will be paid to the shareholders, provided the company has a net debt lower than 3 times EBITDA after stipulated dividend. At each occasion, the financial position, profitability trend, growth potential and future investment requirements of the company shall be taken into account.

## PARENT COMPANY

Mycronic AB is the Parent Company. Sales consist mostly of sales of pattern generators and after-market sales to a certain extent. At the end of 2014, the Parent Company had 209 (215) employees.

Net sales amounted to SEK 729 (286) million and comprised 6 (1) mask writers. Operating profit amounted to SEK 236 (11) million. At year-end, cash and cash equivalents amounted to SEK 517 (281) million.

## RESEARCH AND DEVELOPMENT

The Group's development costs for 2014 amounted to SEK 198 (183) million. The expenditures decreased from SEK 203 million to SEK 196 million. In 2014, SEK 11 million was capitalized, compared with SEK 31 million the year before. Previously capitalized development was amortized in the amount of SEK 10 (7) million.

The development efforts resulted in several product launches during 2014. Mycronic's patent strategy protects investments in unique technology. In 2014, 33 new patents were granted, and by the end of the year, the Group had 450 patents.

## ENVIRONMENTAL AND PERMIT ISSUES

As a manufacturing company, the Group has a low impact on the environment. Mycronic's production unit is not subject to permit requirements from the environmental authorities, but only a reporting requirement for the use of coolants (HFC) in the company's cooling system.

## THE MYCRONIC SHARE

The share has been listed on NASDAQ Stockholm since March 2000. During 2014 the share was listed on the Small Cap list. As of January 2, 2015, the share was moved to the Mid Cap list.

The share capital amounts to SEK 98 million. Mycronic has a total of 97,916,509 shares issued in one class. Each share grants the right to one vote. The company has one shareholder, Bure Equity, which holds more than 10 percent of shares. By the end of 2014, Bure owned 38 percent of the company.

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 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 that are reported below.

## GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

Guidelines for remuneration of senior executives are established by the AGM. These guidelines will be put forward at the 2015 AGM. The Board's proposal on guidelines is prepared by the Remuneration Committee and then presented to the Board for approval. The guidelines shall apply to employment contracts signed after the AGM.

The proposal includes the CEO and other persons in the Executive management group.

In handling matters regarding remuneration of senior executives, external advice is sought when necessary.

The main principle is to offer market-based remuneration and terms of employment. Actual levels of remuneration are decided on the basis of factors such as competence, experience and performance.

The Board proposes that the Board be able to deviate from these guidelines in individual cases when there is special reason to do so. Total remuneration consists of the following components:

- Fixed basic salary
- Short-term incentive, STI
- Long-term incentive, LTI
- Pension benefits
- Other benefits
- Severance pay

The STI is based on earnings targets and can amount to a maximum of 80 percent of the fixed basic salary.

The LTI shall encourage the acquisition of shares in Mycronic. The principle is that if an employee buys shares, the company will match this through cash payment of the same amount. The matching amount shall be used for the acquisition of shares in the company. The shares shall be held for a minimum of four years. The amount is maximized to SEK 100,000 after tax for the CEO and SEK 50,000 after tax for other senior executives.

The contractual retirement age for the CEO is 62 years and 65 years for other senior executives. In addition to individually agreed pension premiums, there are no other pension obligations.

Senior executives are entitled to a company car and health insurance. In addition, the CEO has a housing benefit in Stockholm and travelling between Stockholm and the town of residence.

For the CEO, a period of notice of 12 months and 12 months' severance pay apply upon termination by the company. For the 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 severance pay is received, no other benefits are payable.

In note 14 the principles adopted by the 2014 AGM is disclosed.

## OUTLOOK FOR 2015

The Board's assessment is that sales in 2015 will be in the span SEK 1,650-1,750 million.

## SIGNIFICANT RISKS AND RISK MANAGEMENT

Mycronic is a global Group with operations that span the globe and therefore expose the company to different types of risks. The company can influence these risks to a varying degree. They may have a large or small effect on the Group, Parent Company or the subsidiaries within the Group.

Material risks that can affect Mycronic are described below. By developing processes and systematic risk management, together with the Group's insurance solutions, the overall risks and the costs of those risks are minimized.

Risk management is handled on a general level by the Board of Directors and on an operational level by the Executive management.

Financial risk management and insurance issues are centralized in the Parent Company's finance department. Financial risks are handled in accordance with the finance policy that is established by the Board of Directors.

## MARKET RELATED RISKS

Sales are related to investments in the electronics industry. Sales and profitability are affected by overall economic trends in terms of sales volumes, price trends and the customers' financing options. By continuously investing in product development, Mycronic addresses multiple areas of application

and customer segments, which helps to spread risk. Mycronic is developing the aftermarket offerings, which further contributes to reducing dependence on system sales.

Mycronic is affected by the political decisions and regulations in the 50 countries where the Group operates through its subsidiaries or via distributors and agents. Through local establishment, knowledge of each market increases. Today, there are no known material changes regarding legal regulations or restrictions on the markets in which Mycronic is active.

If Mycronic cannot deliver products and services according to the customers' demands or if the customers cannot fulfill their payment obligations, this may affect the Group's financial position and performance. The credit risks are described in Note 31.

The SMT business area operates in a market with several players and therefore has significant competition. The company has just over 2,200 customers around the world, making dependency on individual customers low. Sales are distributed across a large volume of machines, and the products can be applied in several different segments and industries.

The PG business area has a customer base of roughly 30 companies. Dependency on a few individual customers is considerable, which involves a concentration of customer risk. Sales are distributed across a number of high value machines, and the sales processes are long. Low sales to any one of these customers can have a significant impact on the Group's earnings and financial position in the short term. Earnings for a specific reporting period, e.g. a quarter, can also be affected by major delays in the shipment of individual

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

Technological developments within the electronics industry occur quickly, which exposes the Group to a risk that the research and development being conducted does not result in new profitable business opportunities, that launching or delivering new products does not occur on time or the risk that the costs of developing new products is difficult to estimate.

The electronics industry is estimated to have a stable average annual growth rate of 4 percent in the coming years. Consumption of electronics products is increasing across the world, which is one of the basic driving forces for the Group.

Mycronic's development projects are based on thorough prestudies, which combine market studies, technology studies and project preparations. These are important tools in reducing business risk in product development projects. Development activities occur in close collaboration with customers and the sales organization.

Price changes and lead times for components that are used in production can affect the Group's earnings. Certain components are manufactured by a limited number of suppliers. Mycronic evaluates alternative suppliers of critical components and ensures competitive pricing and lead times.

Mycronic assumes product liability for which Mycronic has signed a third-party liability insurance policy.

The long term earnings depend on the ability to protect strategically important technology. The Group works on identifying and protecting new technology early on by the use of patents. Mycronic holds some 450 patents.

## **BUSINESS RELATED RISKS**

Mycronic rents a location in Täby for manufacturing. Damage due to fire, power loss and water damage can result in production disruptions and delivery problems and can affect the Group's financial position and performance.

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

The production facilities are fully insured by the property owner.

The employees as well as the customers are Mycronic's greatest asset. Having talented and motivated employees and managers is a key condition for achieving goals. Personnel costs are also one of the largest cost items. Mycronic works to make the company an attractive employer. Cooperation with schools and universities is a priority area in order to ensure recruitment.

## **FINANCIAL RISKS**

Through its global operations, the Group is exposed to the risk of negative changes in earnings and cash flow through currency, credit and financing risks. Currency risk is the single largest financial risk. Interest risk is limited. Financial risks are handled in accordance with the finance policy that is established by the Board. See Note 31.

## Earnings trend and financial position

### EARNINGS TREND

#### Order intake and order backlog

The order intake, including machine and aftermarket sales for both business areas, amounted to SEK 2,028 (1,053) million for 2014.

The markets on which the Group operates developed favorably during the year. Mycronic has also renewed a large part of the product portfolio, which contributed to a higher order intake in both business areas.

At year-end, the order backlog amounted to SEK 702 (149) million. The majority of the order backlog relates to deliveries in 2015.

#### Sales

Sales for 2014 amounted to SEK 1,475 (997) million, an increase of 48 percent, which is attributable to most product areas. Aftermarket sales account for 40 (54) percent of the Group's total sales.

Group sales was positively affected by currency effects in an amount of SEK 72 million. Converted to the same exchange rates in effect for 2013, sales would have amounted to SEK 1,403 million. The majority of the positive currency effects originate in a stronger USD.

#### Gross profit and gross margin

The Group's gross profit amounted to SEK 712 (446) million.

Gross profit was impacted negatively by the write-down of LDI-related inventory in an amount of SEK 48 million. The inventory write-down was

applied in light of a remaining uncertainty as to when the customers may demand the fully developed LDI technology.

Despite this write-down, the gross margin amounted to 48 (45) percent. The gross margin was affected positively by the higher sales volume in all product areas and by currency effects.

#### Research and development

The efforts made in product development at the end of 2013 and during 2014, resulted in several product launches, all in accordance with the set product development plan. Some examples are the launches of the MY200 series for faster assembly of components on circuit boards, MY600 for more efficient application of solder paste, new efficient storage towers and the most advanced mask writer this far for display applications, Prexision-80.

The development costs amounted to SEK 198 (183) million. Expenditures was SEK 196 (203) million, of which SMT accounted for SEK 127 (131) million.

In 2014, capitalization of development took place in the amount of SEK 11 (31) million within the SMT business area. Previously capitalized development was amortized in the amount of SEK 10 (7) million in terms of SMT.

The Group's operating profit in 2014 was also affected by amortization of acquired technology in the amount of SEK 2 (5) million.

#### Selling and administration

Selling expenses for 2014 amounted to SEK 164 (149) million. This increase is mainly attributable to higher variable selling expenses in SMT and investments within the global sales organization.

Administration costs in 2014 were SEK 90 (79) million. This increase is mainly due to the efforts conducted to identify and evaluate possible acquisition candidates.

#### Operating profit

The Group's operating profit amounted to SEK 277 (32) million, equal to an operating margin of 19 (3) percent. Costs related to LDI were charged to operating profit in an amount of SEK 68 (74) million, of which SEK 48 million pertains to the write-down of the remaining inventory and SEK 20 million mainly pertains to development costs.

#### Tax

The consolidated profit before tax in 2014 was SEK 278 (36) million.

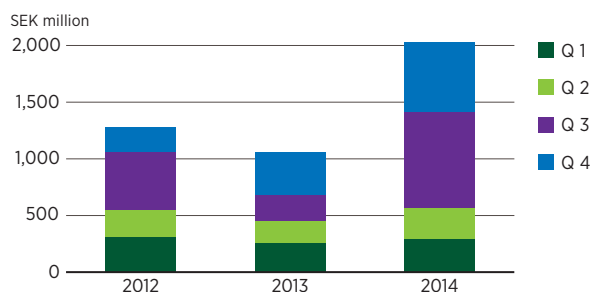
The Group's tax expense was SEK 12 (22) million. The majority of this stems from current tax in the foreign subsidiaries.

At year-end, the Group had closing accumulated loss carryforwards of approximately SEK 450 (704) million. The statement of financial position showed a deferred tax assets of SEK 73 (73) million, corresponding to an accumulated loss carryforward of SEK 331 (331) million.

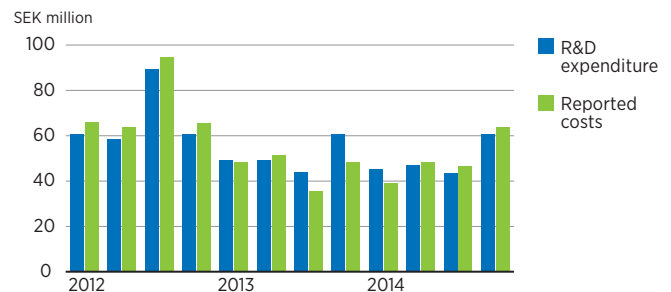
#### Profit for the year and earnings per share

The consolidated profit after tax in 2014 amounted to SEK 266 (14) million. The number of outstanding shares at year-end was 97,916,509 (97,916,509). Earnings per share amounted to SEK 2.72 (0.14).

### QUARTERLY ORDER INTAKE



### QUARTERLY R&D EXPENSES



## FINANCIAL POSITION

### Assets

The Group's total assets at the end of 2014 amounted to SEK 1,600 million, compared with SEK 1,401 million at the end of 2013.

The Group's non-current assets totaled SEK 286 (282) million. Intangible assets decreased by SEK 4 million and amounted to SEK 129 (133) million. The balance sheet item comprises capitalized development and acquired assets in the form of technology, brand, customer relations and goodwill. In 2014, amortization of technology was concluded according to plan.

In 2014, new development projects in SMT were capitalized in the amount of SEK 11 (31) million. Previously capitalized development has been amortized in the amount of SEK 10 (7) million and concerns SMT.

Amortization of acquired intangible assets amounted to SEK 4 (6) million.

Each development project is assessed individually to determine whether the criteria for capitalization in the statement of financial position have been met. The value of the balance sheet item capitalized development and intangible assets with indefinite useful lives is evaluated at least once a year by impairment to ensure accurate reporting.

Investment in tangible assets for the year amounted to SEK 8 (6) million, while depreciation of tangible assets amounted to SEK 10 (11) million.

In 2014, inventory decreased from SEK 324 million to SEK 233 million, which is largely attributable to higher sales.

Trade receivables amounted to SEK 341 (260) million. The increase is largely attributable to high sales occurred at the end of 2014.

Cash and cash equivalents increased in 2014 and amounted to SEK 661 (487) million at year-end.

### Equity

The Group's equity at the end of the year amounted to SEK 1,207 million, compared with SEK 1,165 million at the end of 2013.

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 75 (83) percent.

At year-end, Mycronic's market cap was SEK 2,428 (1,214) million.

### Financing

At the end of the year, the Group had no interest-bearing liabilities.

Short-term liabilities increased by SEK 158 million to SEK 377 million. Trade payables increased from SEK 64 million to SEK 76 million.

Advance payments from customers amounted to SEK 96 (14) million, which is attributable to the larger order backlog. The Group strives as much as possible to receive advance payment from customers in connection with orders, primarily in terms of PG sales.

### Cash flow

At year-end, cash and cash equivalents amounted to SEK 661 (487) million. The cash flow in 2014 was SEK 154 (-85) million.

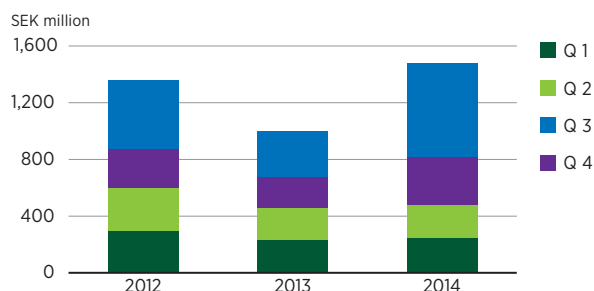
Operating activities generated SEK 418 (-47) million. The decrease in build-up of operating capital contributed SEK 82 (-90) million.

Trade receivables increased due to high sales in the fourth quarter. At the same time, inventory decreased as a result of large deliveries of machines. Another result from higher order intake is increased advance payments from customers.

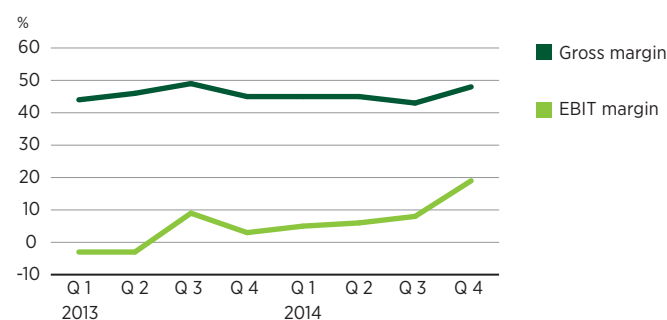
Investing activities accounted for SEK 18 (36) million, of which investment in development accounted for SEK 11 (31) million.

Financing activities accounted for SEK 245 (2) million. In the third quarter, an extra dividend was paid. The extra dividend, which was approved by the 2014 AGM, amounted to SEK 2.50 per share, or SEK 245 million.

## QUARTERLY SALES



## MARGIN DEVELOPMENT, GROUP, 12 MONTHS ROLLING





# Proposal on disposition of accumulated results

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

Share premium reserve	201,915,502
Fair value reserve	-534,269
Retained earnings	538,364,218
Profit for the year	238,385,467
<b>Total</b>	<b>978,130,918</b>

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

Dividend	78,333,207
Extraordinary dividend	313,332,829
Carried forward to new account	586,464,882

## PROPOSAL ON DIVIDEND

The Board of Directors proposes to the AGM a dividend of SEK 0.80 per share, amounting to SEK 78.3 million. The dividend corresponds to approximately 30 percent of the year's net profit after tax.

## PROPOSAL ON EXTRAORDINARY DIVIDEND

The Board of Directors also proposes to the AGM an extraordinary dividend of SEK 3.20 per share, amounting to SEK 313.3 million.

## APPROVAL AND ADOPTION

As stated below, the annual report and consolidated annual report was approved on 10 March, 2015. 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 5 May, 2015.

## STATEMENT OF ASSURANCE

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

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

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

Täby, 10 March, 2015

**Patrik Tigerschiöld**

Chairman of the Board

**Katarina Bonde**

Board member elected by AGM

**Tobias Böök**

Representing Akademikerna

**Ulla-Britt Fräjdin-Hellqvist**

Board member elected by AGM

**Anders Jonsson**

Board member elected by AGM

**Magnus Lindquist**

Board member elected by AGM

**Eva Lindqvist**

Board member elected by AGM

**Peter Sundström**

Representing Unionen

**Lena Olving**

President and CEO

Our audit report was submitted on 13 March, 2015.

Ernst & Young AB  
**Heléne Siberg Wendin**  
 Authorized Public Accountant

# Group

## Profit and loss accounts

SEK thousand	Notes	2014	2013
Net sales	12	1,475,004	996,988
Cost of goods sold	7,8	-763,305	-550,682
<b>Gross profit</b>		<b>711,699</b>	<b>446,306</b>
Other operating income	10	16,654	2,623
Research and development expenses	8, 11	-197,684	-183,373
Selling expenses	8	-163,953	-149,014
Administrative expenses	8,9	-89,956	-78,885
Other operating expenses	10	-256	-5,386
<b>Operating profit/loss</b>	<b>7</b>	<b>276,505</b>	<b>32,271</b>
Financial income		1,975	4,116
Financial expenses		-420	-533
<b>Net financial items</b>	<b>15</b>	<b>1,555</b>	<b>3,583</b>
<b>Profit/loss before tax</b>		<b>278,060</b>	<b>35,854</b>
Tax	21	-11,815	-22,109
<b>Profit/loss for the year</b>		<b>266,245</b>	<b>13,745</b>
Earnings per share, before and after dilution, SEK		2.72	0.14
Average number of shares, thousands		97,917	97,917

## Statements of comprehensive income

SEK thousand	2014	2013
Profit/loss for the year	266,245	13,745
<b>Other comprehensive income</b>		
<b>Items to be reclassified to profit and loss</b>		
Translation differences for the year	20,775	-16,638
Tax relating to translation differences	-206	-68
The year's changes in fair value on cash flow hedges	-10,198	137
Transferred to profit/loss	9,738	-
Tax relating to items recognized in hedge reserve	101	-30
<b>Other comprehensive income for the year</b>	<b>20,210</b>	<b>-16,599</b>
<b>Total comprehensive income for the year</b>	<b>286,455</b>	<b>-2,854</b>

The entire results are attributable to owners of Parent Company.

## Statements of cash flow

SEK thousand	Notes	2014	2013
<b>Operating activities</b>			
Profit/loss before tax		278,060	35,854
<i>Adjustments for non-cash items and other</i>			
Depreciation/amortization and impairment of assets		24,383	27,730
Capital loss on the sale of non-current assets		3,912	50
Unrealized foreign exchange differences		-11,644	9,281
Provisions for employee benefits		531	536
Other provisions		-2,772	-5,158
Other non-cash items and other		58,468	-14,964
Paid income tax		-15,203	-10,276
		<b>355,735</b>	<b>43,053</b>
<i>Cash flow from changes in working capital</i>			
Inventories		29,201	-13,439
Trade receivables		-51,188	-50,110
Other receivables		-48,748	1,859
Trade payables		10,278	-13,205
Other current liabilities		142,319	-15,380
<b>Cash flow from operating activities</b>		<b>417,597</b>	<b>-47,222</b>
<b>Investing activities</b>			
Investments in intangible assets	22	-10,829	-31,356
Investments in tangible assets	23	-7,732	-5,647
Sale of tangible assets	23	34	11
Increase in non-current receivables	18	-2,518	-1,297
Decrease in non-current receivables	18	2,664	2,467
<b>Cash flow from investing activities</b>		<b>-18,381</b>	<b>-35,822</b>
<b>Financing activities</b>			
Dividends paid to parent company shareholders		-244,791	-
Repayment of debt		-	-2,045
<b>Cash flow from financing activities</b>		<b>-244,791</b>	<b>-2,045</b>
<b>The year's cash flow</b>		<b>154,424</b>	<b>-85,089</b>
Cash and cash equivalents at beginning of year		487,289	581,083
Exchange differences in cash and cash equivalents		19,239	-8,705
<b>Cash and cash equivalents at end of year</b>		<b>660,952</b>	<b>487,289</b>
<b>Interest received and paid</b>			
Interest received		2,212	4,482
Interest paid		-401	-567
		<b>1,811</b>	<b>3,915</b>
<b>Other non-cash items and other</b>			
Write down of inventory and similar items		64,537	12,288
Changes in provisions for restructuring		-6,069	-27,252
		<b>58,468</b>	<b>-14,964</b>

## Statements of financial position

SEK thousand	Notes	31 dec 2014	31 dec 2013
<b>ASSETS</b>			
Intangible assets	22	129,030	132,770
Tangible assets	23	28,117	33,511
Non-current receivables	18	28,081	27,115
Deferred tax assets	21	100,821	88,356
<b>Total non-current assets</b>		<b>286,049</b>	<b>281,752</b>
Inventories	19	232,725	323,887
Tax receivables		4,497	13,734
Trade receivables	28,32	341,020	259,633
Prepaid expenses and accrued income	20	43,977	11,822
Other receivables		30,536	23,364
Cash and cash equivalents		660,952	487,289
<b>Total current assets</b>		<b>1,313,707</b>	<b>1,119,729</b>
<b>TOTAL ASSETS</b>		<b>1,599,756</b>	<b>1,401,481</b>

SEK thousand	Notes	31 dec 2014	31 dec 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		97,917	97,917
Other contributed capital		1,337,386	1,337,386
Reserves		-18,076	-38,286
Retained earnings including profit/loss for the year		-210,130	-231,585
<b>Total equity</b>		<b>1,207,097</b>	<b>1,165,432</b>
<b>Liabilities</b>			
Non-current provisions	25	11,032	11,274
Deferred tax liabilities	21	5,012	5,930
<b>Total non-current liabilities</b>		<b>16,044</b>	<b>17,204</b>
Advance payments from customers		95,936	14,120
Trade payables	32	75,662	63,582
Tax liabilities		6,873	3,826
Other liabilities		47,060	20,166
Accrued expenses and deferred income	26	129,125	94,637
Current provisions	27	21,958	22,514
<b>Total current liabilities</b>		<b>376,615</b>	<b>218,845</b>
<b>Total liabilities</b>		<b>392,659</b>	<b>236,049</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,599,756</b>	<b>1,401,481</b>

## Consolidated statements of changes in equity

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

SEK thousand	Share capital	Other contributed capital	Hedge reserve	Translation reserve	Retained earnings	Total equity
<b>Equity, 1 January 2013</b>	97,917	1,337,386	-	-21,687	-245,330	1,168,286
Profit/loss for the year					13,745	13,745
<b>Other comprehensive income</b>						
<b>Items to be reclassified to profit and loss</b>						
Translation differences for the year				-16,638		-16,638
Tax relating to translation differences				-68		-68
The year's change in fair value of cash flow hedges			137			137
Tax attributable to cash flow hedges			-30			-30
<b>Total other comprehensive income</b>			<b>107</b>	<b>-16,706</b>		<b>-16,599</b>
<b>Årets totalresultat</b>			<b>107</b>	<b>-16,706</b>	<b>13,745</b>	<b>-2,854</b>
<b>Eget kapital den 31 december 2013</b>	<b>97,917</b>	<b>1,337,386</b>	<b>107</b>	<b>-38,393</b>	<b>-231,585</b>	<b>1,165,432</b>
Profit/loss for the year					266,245	266,245
<b>Other comprehensive income</b>						
<b>Items to be reclassified to profit and loss</b>						
Translation differences for the year				20,775		20,775
Tax relating to translation differences				-206		-206
Changes in fair value of cash flow hedges transferred to profit and loss			9,738			9,738
The year's change in fair value of cash flow hedges			-10,198			-10,198
Tax attributable to cash flow hedges			101			101
<b>Total other comprehensive income</b>			<b>-359</b>	<b>20,569</b>		<b>20,210</b>
<b>Total comprehensive income</b>			<b>-359</b>	<b>20,569</b>	<b>266,245</b>	<b>286,455</b>
<b>Transactions with owners</b>						
Dividends					-244,791	-244,791
<b>Total transactions with owners</b>					<b>-244,791</b>	<b>-244,791</b>
<b>Equity, 31 December 2014</b>	<b>97,917</b>	<b>1,337,386</b>	<b>-252</b>	<b>-17,824</b>	<b>-210,130</b>	<b>1,207,097</b>

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

# Parent Company

## Profit and loss accounts

SEK thousand	Notes	2014	2013
Net sales	12	729,164	286,288
Cost of goods sold	7, 8	-379,573	-134,497
<b>Gross profit</b>		<b>349,591</b>	<b>151,791</b>
Research and development expenses	8, 11	-67,955	-70,441
Selling expenses	8	-30,466	-34,345
Administrative expenses	8,9	-34,776	-30,436
Other operating income	10	20,910	2,882
Other operating expenses	10	-975	-8,404
<b>Operating profit/loss</b>		<b>236,329</b>	<b>11,047</b>
<i>Result from financial investments</i>			
Interest income and similar items	15	1,886	3,859
Interest expenses and similar items	15	-166	-364
<b>Profit/loss before tax</b>		<b>238,049</b>	<b>14,542</b>
Tax	21	336	68
<b>Profit/loss for the year</b>		<b>238,385</b>	<b>14,610</b>

## Statements of other comprehensive income

SEK thousand	2014	2013
<b>Profit/loss for the year</b>	<b>238,385</b>	<b>14,610</b>
<b>Other comprehensive income</b>		
<b>Items to be reclassified to profit and loss</b>		
Translation differences	937	-8
Tax relating to translation differences	-206	-68
<b>Other comprehensive income for the year</b>	<b>731</b>	<b>-76</b>
<b>Total comprehensive income for the year</b>	<b>239,116</b>	<b>14,534</b>

## Cash flow statements

SEK thousand	Notes	2014	2013
<b>Operating activities</b>			
Profit/loss before tax		238,049	14,542
<i>Adjustments for non-cash items and other</i>			
Depreciation/amortization and impairment of assets		6,533	10,034
Unrealized foreign exchange differences		-6,349	-7,635
Capital loss on the sale of non-current assets		94	-
Provisions		-2,282	-3,175
Other non-cash items and other		44,884	-9,175
Paid income tax		-	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>280,929</b>	<b>4,591</b>
<i>Changes in working capital</i>			
Inventories		50,549	-53,816
Trade receivables		-22,473	-60,165
Other receivables		64,657	112,551
Trade payables		-2,819	-1,606
Other current liabilities		110,361	-3,394
<b>Cash flow from operating activities</b>		<b>481,204</b>	<b>-1,839</b>
<b>Investing activities</b>			
Acquisitions of subsidiaries		-100	-
Investments in tangible assets	23	-5,800	-2,108
Increase in non-current receivables	18	-22	-34
Decrease in non-current receivables	18	6,002	2,200
<b>Cash flow from investing activities</b>		<b>80</b>	<b>58</b>
<b>Financing activities</b>			
Dividends paid to parent company shareholders		-244,791	-
<b>Cash flow from financing activities</b>		<b>-244,791</b>	<b>-</b>
<b>The year's cash flow</b>		<b>236,493</b>	<b>-1,781</b>
Cash and cash equivalents at beginning of year		280,571	282,352
<b>Cash and cash equivalents at end of year</b>		<b>517,064</b>	<b>280,571</b>
<b>Additional information</b>			
<i>Interest received and paid</i>			
Interest received		2,073	4,168
Interest paid		-118	-364
		<b>1,955</b>	<b>3,804</b>
<i>Other non-cash items and other</i>			
Write down of inventories and similar items		47,694	12,915
Changes in provisions for restructuring		-2,810	-22,090
		<b>44,884</b>	<b>-9,175</b>

**Balance sheets**

SEK thousand	Notes	31 Dec, 2014	31 Dec, 2013	SEK thousand	Notes	31 Dec, 2014	31 Dec, 2013
<b>ASSETS</b>				<b>EQUITY AND LIABILITIES</b>			
<b>Non-current assets</b>				<i>Restricted equity</i>			
Intangible assets	22	-	107	Share capital		97,917	97,917
Tangible assets	23	21,905	22,626	Statutory reserve		-	1,141,707
						<b>97,917</b>	<b>1,239,624</b>
<i>Financial assets</i>				<i>Non-restricted equity</i>			
Participation in group companies	24	365,456	365,356	Fair value reserve		-534	-1,265
Receivables from group companies	17	4,296	7,159	Share premium reserve		201,916	201,916
Other non-current receivables	18	16,733	18,914	Accumulated deficit		538,364	-373,162
Deferred tax assets	21	63,531	63,401	Profit/loss for the year		238,385	14,610
<b>Total financial assets</b>		<b>450,017</b>	<b>454,830</b>			<b>978,131</b>	<b>-157,901</b>
<b>Total non-current assets</b>		<b>471,922</b>	<b>477,563</b>	<b>Total equity</b>		<b>1,076,047</b>	<b>1,081,723</b>
<b>Current assets</b>				<i>Non-current liabilities</i>			
Inventories	19	6,702	104,944	<i>Non-current provisions</i>		115	-
				<b>Total non-current liabilities</b>		<b>115</b>	<b>-</b>
<i>Current receivables</i>				<i>Current liabilities</i>			
Trade receivables		95,835	71,819	Advance payments from customers		90,130	8,119
Receivables from group companies		131,674	222,716	Trade payables		11,253	13,799
Other receivables		4,694	5,206	Liabilities to group companies		7,379	3,764
Tax receivables		3,383	3,383	Other liabilities		1,544	3,850
Prepaid expenses and accrued income	20	36,003	4,641	Accrued expenses and deferred income	26	71,070	47,453
<b>Total current receivables</b>		<b>271,589</b>	<b>307,765</b>	Current provisions	27	9,737	12,135
Cash and cash equivalents		517,064	280,571	<b>Total current liabilities</b>		<b>191,114</b>	<b>89,120</b>
<b>Total current assets</b>		<b>795,354</b>	<b>693,280</b>	<b>Total liabilities</b>		<b>191,229</b>	<b>89,120</b>
<b>TOTAL ASSETS</b>		<b>1,267,276</b>	<b>1,170,843</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,267,276</b>	<b>1,170,843</b>
				<i>Pledged assets and contingent liabilities</i>			
				<b>At 31 December</b>			
				Pledged assets	29	89,000	89,000
				Contingent liabilities	30	-	-

**Parent Company statements of changes in equity**

The share capital consists of 97,916,509 (97,916,509) shares. The shares are of the same class and each share carries one vote. The nominal value is 1 SEK.

SEK thousand	Share capital	Statutory reserve	Share premium reserve	Fair value reserve <sup>1)</sup>	Accumulated deficit incl result for the year	Total equity
<b>Equity, 1 January 2013</b>	<b>97,917</b>	<b>1,141,707</b>	<b>201,916</b>	<b>- 1,189</b>	<b>- 373,162</b>	<b>1,067,189</b>
Profit/loss for the year					14,610	14,610
<b>Other comprehensive income</b>						
Translation differences recognized in other comprehensive income				- 8		- 8
Tax relating to items recognized in other comprehensive income				- 68		- 68
<b>Other comprehensive income for the year</b>				<b>- 76</b>		<b>- 76</b>
<b>Total comprehensive income for the year</b>				<b>- 76</b>	<b>14,610</b>	<b>14,534</b>
<b>Equity, 31 December, 2013</b>	<b>97,917</b>	<b>1,141,707</b>	<b>201,916</b>	<b>- 1,265</b>	<b>- 358,552</b>	<b>1,081,723</b>
Profit/loss for the year					238,385	238,385
<b>Other comprehensive income</b>						
Translation differences recognized in other comprehensive income				937		937
Tax relating to items recognized in other comprehensive income				- 206		- 206
<b>Other comprehensive income for the year</b>				<b>731</b>		<b>731</b>
<b>Total comprehensive income for the year</b>				<b>731</b>	<b>238,385</b>	<b>239,116</b>
<b>Transactions with owners</b>						
Reduction of statutory reserve		- 1,141,707				- 1,141,707
Transition to non-restricted reserves					1,141,707	1,141,707
Dividends					- 244,791	- 244,791
<b>Equity, 31 December, 2014</b>	<b>97,917</b>	<b>-</b>	<b>201,916</b>	<b>- 534</b>	<b>776,749</b>	<b>1,076,047</b>

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



# Additional informations and notes

## Note 1 Accounting policies, general information

### Compliance with norms and laws

Mycronic AB (publ) and its subsidiaries, together comprising the Group, are engaged in the development, manufacture and sales of advanced pattern generators for the production of photomasks and advanced equipment for surface mounting of electronic components. All development and manufacturing takes place in Sweden, while sales are generated almost exclusively outside Sweden. The subsidiaries are based in China, France, Germany, the UK, Japan, the Netherlands, Singapore, South Korea, Taiwan and the US. In addition, there are a large number of distributors and agents around the world.

In 2014, the Parent Company was listed on the NASDAQ, Stockholm in the category Small Cap, Information Technology. On 2 January, 2015, the company was moved to NASDAQ's Mid Cap list.

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 RFR1, Supplementary Accounting Rules for Groups, has been applied.

The IFRSs that took effect for the fiscal year that began on 1 January, 2014 and that affect the Group are IFRS 10 Consolidated Financial Statements instruments, IFRS 12 Disclosure of Interests in Other Entities and amendments to IAS 32 Financial Instruments: Presentation and IAS 36 Impairment of Assets.

IFRS 10 Consolidated Financial Statements replaces most of IAS 27, the section concerning the preparation of consolidated financial statements. The rules regarding how consolidated financial statements shall be prepared have not changed. The change pertains to how a company should go about determining if a controlling influence exists and accordingly whether or not a company should be consolidated. The application of IFRS 10 had no effect on the Group's reporting in 2014.

IFRS 12 Disclosure of Interests in Other Entities means that companies that have interests in subsidiaries, associated companies and joint ventures and structured companies shall provide disclosures on these. The objective of these disclosures is to give the users of the financial statements the possibility of understanding the effect of the holdings in the financial statements and the risks that exist with the current holdings. Disclosures of interests in Other Entities are provided in Note 24.

Through the amendment to IAS 32, clarification is incorporated into the section "Application guidance" with regard to offset of financial assets and financial liabilities. It has been clarified what is meant by "legal right to offset" and what is meant by "items are settled on a net basis" in different situations. The application of IAS 32 had no effect on the Group's reporting in 2014.

The Group decided to apply the change to IAS 36 Impairment of Assets as of 2013, which removes the requirement to disclose the recoverable value of all cash-generating units to which goodwill has been allocated, which was introduced in conjunction with the introduction of IFRS 13.

A number of new or revised IFRSs will take effect in the coming fiscal years and have not been applied early in the preparation of these financial reports. The IFRSs that are expected to have an effect or may have an effect on the Group's financial statements are listed below. Besides the IFRSs that are described below, other new requirements that IASB approved as of 31 October, 2014, are not expected to have any effect on the Group's financial statements.

IFRS 9 Financial Instruments is a new standard that enters into effect for fiscal years that begin on or after 1 January, 2018 and then replaces IAS 39 Financial Instruments: Recognition and measurement. The standard is divided into three parts: Classification and measurement, hedge accounting and impairment. This has not yet been approved by EU. The Group is currently investigating how the new standard will affect the financial statements.

IFRS 15 Revenue from Contracts with Customers enters into effect for fiscal years that begin on or after 1 January, 2017. The standard contains a collective model for revenue recognition with regard to customer contracts and replaces all previously issued standards and interpretations that address revenues. It is expected to be approved by the EU in the second quarter of 2015. An investigation is currently underway to determine how the Group will be affected by the new standard.

### Basis of valuation

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

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

### Accounting estimates and classifications

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

The estimates and assumptions are reviewed regularly. Adjustments to estimates are reported for the period in which they occur if the change only affected this period

or in the period that the change is made and future periods if the change affects both the current and future periods.

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

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

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

## Note 2 Accounting policies for the Group

### Consolidated reporting

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

The consolidated financial statements are prepared in accordance with the purchase method of accounting, whereby the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group's cost of acquisition is determined through a purchase price analysis in connection with the purchase. The analysis determines the acquisition value of the shares or operations, as well as the fair value on the date of acquisition for acquired identifiable assets as well as assumed liabilities or contingent liabilities. The cost of acquisition for the subsidiary shares and operations is measured as the aggregate of the fair values on the date of acquisition of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquired net assets, plus any transaction costs directly attributable to the acquisition through 2009. Transaction costs after 2009 are charged directly to the year's profit and loss. In business combinations where the cost of acquisition exceeds the fair value of acquired assets, assumed liabilities and contingent liabilities that are reported separately, the difference is recognized as goodwill. If the difference is negative, it is recognized in the year's profit or loss.

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

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

### Foreign currency translation

#### Functional currency

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

#### Transactions

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

Sales transactions in foreign currency within the pattern generator segment are translated at the spot rate with the exception of sales of spare parts and service contracts for which an approximate exchange rate for the month is used. Sales transactions in foreign currency in the surface mount technology segment 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 in the profit and loss account when the hedged sales transaction affects profit or loss.

Monetary assets and liabilities in foreign currency are translated to the functional currency at the closing day rate. Foreign exchange gains/losses arising on translation are recognized in the profit and loss account for the year. Non-monetary assets and liabilities carried at cost are translated at a rate of exchange that applied on the transaction date. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the rate of exchange prevailing on the date when the fair value was determined. Forward exchange contracts are used to protect assets and liabilities from foreign exchange risk. Hedge accounting is not applied for offsetting of foreign exchange risk since a financial hedge is reflected in the accounts, in that both the underlying asset/liability and the hedging instrument are translated at the closing day rate of exchange, while changes in the exchange rates are recognized through profit and loss. Foreign exchange differences arising on operating receivables and liabilities are recognized in the operating profit, while exchange differences arising on financial assets and liabilities are recognized among financial items.

#### Financial statements of foreign operations

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

#### Net investments in foreign operations

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

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

#### Reporting of operating segments

A business 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 business 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 business segments correspond to the Group's business areas.

#### Intangible assets

##### Capitalized costs for business systems

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

##### Capitalized development costs

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

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

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

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

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

##### Goodwill

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is annually tested for impairment. Goodwill is attributable to the acquisition of Mycronic Technologies AB (former MYDATA automation AB) and pertains to the surface mount segment.

##### Other intangible assets

Other intangible assets consist of brands and customer relationships, and are measured at cost less accumulated amortization and possible impairment losses. These assets are attributable to the acquisition of Mycronic Technologies AB.

##### 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. Borrowing costs that are directly attributable to the purchase or production of assets that require a significant time to prepare for their intended use or for their sale are included in the acquisition costs.

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

The reported value of a tangible asset is removed from the statement of financial position upon disposal or sale of the asset or when there are no future economic benefits anticipated from using or disposing/selling the asset. Gains/losses on the sale or disposal of tangible assets are calculated as the difference between the net realizable value and carrying amount of the item and are recognized in the profit and loss account among other operating income/expenses.

Subsequent expenses are added to the acquisition cost if it is likely that the future economic benefits of the assets will be realized by the company and the acquisition cost can be estimated reliably. All other additional expenditures are accounted as costs when they arise.

A future expense is added to the acquisition cost if the expense involves the replacement of identified components or parts thereof. In the cases where a new component has been produced, the expense is added to the acquisition cost. Any non-depreciated costs for replacement components or parts of such components are discarded and expensed as the replacement is made. Repairs are expensed on an ongoing basis.

Tangible assets are depreciated on a straight-line basis over their expected useful life starting from the month of preparation or acquisition 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

Costs related to PC computers are expensed as incurred.

#### Leases

Leases are classified either as financial or operating leases. A financial lease is a lease where the economic risks and benefits linked to the ownership are substantially transferred to the lessee. Other leases are classified as operating leases. All existing lease agreements, including property leases, are classified as operational leasing.

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

#### Financial instruments

The financial assets recognized in the statement of financial position include cash and cash equivalents, loans receivable, trade receivables and derivatives. Financial liabilities include trade payables, loans payable 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 discharged or otherwise extinguished. The same applies for a part of a financial liability.

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

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

##### Classification and valuation

Non-derivative financial instruments are initially measured at cost, corresponding to fair value including transaction costs for all financial assets and liabilities not carried at fair value through profit or loss, which are measured at fair value less transaction costs. On initial recognition, a financial instrument is classified based on the intent for acquisition of the financial instrument. Subsequent measurement depends on how

the instruments have been classified upon initial recognition as described below.

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

Cash and cash equivalents comprise cash in hand at a bank or equivalent institutions and other highly liquid short-term investments that have original maturities of less than three months and are not subject to any material risk for value fluctuations. The Group has not held any short-term investments during the financial year.

#### *Financial assets at fair value through profit or loss*

This category consists of two subgroups - financial assets held for trading and other financial assets which the company has designated to this category. Assets in this category are subsequently measured at fair value with fair value changes recognized in profit or loss. A financial asset is classified as held for trading if it is acquired for the purpose of selling in the short term. Derivatives are classified as held for trading except when being used for hedging. Derivatives are classified as held for trading when hedge accounting is discontinued.

#### *Loans and trade receivables*

Loans and trade receivables are financial assets that are not derivatives, that have set or settable payments, and that are not listed on an active market. These assets are measured as amortized cost. The amortized cost is determined based on the effective interest rate calculated at the date of acquisition. Trade receivables are reported at the amount in which they are expected to be received after deduction of probable credit losses.

#### *Financial liabilities at fair value through profit or loss*

This category consists of financial liabilities held for trading, such as derivatives not designated as hedging instruments. Liabilities in this category are subsequently measured at fair value and changes in fair value are recognized in profit or loss. Derivatives with negative fair value are classified as held for trading except for derivatives that are identified as efficient hedging instruments. Derivatives are classified as held for trading when hedge accounting is discontinued.

#### *Other financial liabilities*

Financial liabilities not held for trading are measured at amortized cost less transaction costs. This category includes the Group's loans payable and trade payables.

#### *Derivatives used for hedging purposes*

All derivatives are measured at fair value in the statement of financial position. Changes in the fair value of derivatives designated as fair value hedges are recognized in profit or loss.

Changes in the fair value of derivatives designated as cash flow hedges and hedges of net investments in foreign currency are recognized in other comprehensive income and cumulative changes are deferred to a special reserve in equity, the hedge reserve or translation reserve, until the hedged item is recognized in profit or loss. Net investments in foreign currency are currently not hedged.

#### *Reporting of derivatives and hedges*

Derivatives consist of forward exchange contracts that are used to reduce transaction exposure in foreign currencies and are not used for speculative purposes. Derivatives are recognized in the statement of financial position and are measured at fair value. The method for reporting gains/losses arising from changes in the fair value of a derivative depends on whether the derivative has been identified as a hedge instrument and, in such case, the nature of the hedged risk. In hedge accounting, the Group identifies derivatives as:

- a hedge of a fair value of a recognized asset or liability or
- a firm commitment (fair value hedge)
- a hedge of a highly probable forecast transaction or the hedge of a foreign exchange risk in a firm commitment (cash flow hedge)
- a hedge of a net investment in foreign operations.

At present, only cash flow hedges are used.

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

In the Group, derivatives that are used to hedge probable future commercial inflows in foreign currency, in other words, inflows from sales, which meet the requirements for hedge accounting, are reported according to the rules for hedge accounting for cash flow hedges. This means that the effective portion of fair value changes on derivative instruments is recognized in the hedge reserve in other comprehensive income. The profit or loss attributable to the ineffective portion is recog-

nized immediately in the profit and loss account. The fair value of derivatives is measured as the quoted market prices of currency and interest rates on the closing date.

Amounts accumulated in equity are reversed to profit or loss in the periods when the hedged item is reflected in profit or 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 deferred in equity, these gains/losses are retained in equity and are accounted for in profit or loss when the forecast transaction is finally recognized in the profit and loss account. The effective portion is recognized in net sales when the hedged item affects profit or loss, while the ineffective portion is recognized in other operating income/expense. When a forecasted transaction is not longer expected to occur, the cumulative gains/losses deferred in equity are immediately released to the profit and loss account among other operating income/expense.

#### **Inventories**

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

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

Net realizable value is the estimated selling price less the estimated costs for completion and selling costs in operating activities. The necessary obsolescence provision has been made.

#### **Impairment**

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

#### *Impairment testing of tangible and intangible assets and participation in subsidiaries*

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

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

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

#### *Impairment testing of financial assets*

A review is carried out at the end of each reporting period to look for any indication that a financial asset may be impaired. Indications of impairment may arise from adverse changes in circumstances that affect the ability to recover an asset's carrying amount or parts thereof, such as assessment of trade receivables. The recoverable amount of financial assets carried at amortized costs is measured as the present value of future cash flows discounted at the effective interest rate on initial recognition. Assets with a short time to maturity are not discounted in calculating the recoverable value. Impairment losses are recognized in the profit and loss account.

#### **Taxation**

Income tax consists of current tax and deferred tax. Income tax is reported in the profit and loss account, 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 observed in the consolidated goodwill and neither for differences that arise on initial recognition of assets and liabilities that are not business combinations which at the date of the transaction do not affect either the recognized or taxable profit. Also not observed are temporary differences for shares in subsidiaries that are not expected to be reclassified in the foreseeable future. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be recognized or paid. Deferred tax is calculated using the tax rates and tax regulations enacted or substantively enacted by the closing date.

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

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

## Employee benefits

### Pension commitments

Pension commitments are 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 changes 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.

### Other long-term employee benefits

In the Japanese subsidiary, there is a long-term employee benefit obligation. When employment ceases, through termination or retirement, the accumulated amount of benefit is paid out immediately.

### 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.

## 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. If the time at which the payment is made is significant, provisions are calculated by discounting the anticipated future cash flow at a pre-tax interest rate that reflects the current market assessments of the time value of money, and if appropriate, the risks that are associated with the liability.

### 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 company'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 and JPY.

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

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

## Expense recognition

Expense recognition of the delivered goods occurs in connection with the delivery of goods and recognition of income from a sale. Expense recognition implies that all expenses for the delivered goods are recognized in the profit and loss account. The expenses include all remaining expenses at the delivery date, including provisions for setup and warranty. These are reported under "Accrued expenses" and "Short-term provisions" in the statement of financial position. The costs for setting up a system at a customer site is limited in relation to the value of the system as a whole. When setup is completed at the customer site, a warranty period begins and normally lasts for 12 months.

Costs for the provision of service are expensed as incurred.

## Financial income and expenses

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

Financial expenses consist mainly of interest expenses on loans. Borrowing costs are recognized using the effective interest method, except when directly attributable to purchasing, construction or production of assets that take considerable time to complete for the intended use or sales, in which case they are included in the acquisition value of the assets.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received by contract parties that are part of the effective interest, transaction costs and all other premiums and discounts.

## Operating expenses

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

## Earnings per share

Earnings per share are calculated on consolidated profit for the year attributable to shareholders in the Parent Company divided by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated on profit for the period and the average number of shares outstanding adjusted for the effects of all dilutive potential shares.

## Note 3 Accounting policies of the Parent Company

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

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

### Changes in accounting policies

Unless otherwise specified below, the Parent Company's accounting policies in 2014 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.

### Leases

The Parent Company classifies all leases as operating leases, which means that the lease expense is recorded as an operating expense in the profit and loss account.

### Group contribution

Group contributions received are reported as dividends and group contributions submitted are reported as investments in subsidiaries.

### Subsidiaries

In the Parent Company, participation in group companies are accounted for according to the cost method. This means that transaction expenses are included in the reported value of holding in subsidiaries. Transaction expenses are recognized in the consolidated financial statements directly in the earnings when these arise. The Parent Company recognizes the full amount of dividends received from subsidiaries as revenue in profit or loss for the year.



Note 3, continued.

#### Intra-Group receivables that comprise net investments in foreign operations

The Parent Company's long-term loans to a foreign subsidiary that form part of the Parent Company's net investment in the foreign subsidiary are translated at the closing day rate of exchange. Foreign exchange differences arising on translation of such monetary items are recorded separately within a translation reserve in other comprehensive income.

#### Financial instruments and hedge accounting

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

In the Parent Company, financial assets are valued at cost, less any impairment and financial current assets at the lower value of cost or net realizable value. The acquisition cost for interest-bearing instruments is adjusted for accrual difference between initial cost, less transaction costs, and the sum paid on the closing date (premiums and discounts).

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

### Note 4 Critical accounting estimates and assumptions

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

#### Critical estimates when applying the Group's accounting policies

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

#### Capitalized development costs

Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products, processes or systems, 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 acquisition 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. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met.

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

#### Evaluating useful life periods and impairment requirements for intangible assets

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

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

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

Amortization of capitalized development costs is started when the respective development project is completed, and when it begins generating revenue. At that time, a straight-line amortization is started over a three to five year period.

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

#### Deferred tax assets

Deferred tax assets concern temporary differences and tax loss carry-forwards and are only recognized to the extent that they are expected to be used. The Group's deferred tax assets consist largely of capitalized tax assets on loss carry-forwards in Sweden. The reported value of the tax assets is tested at least once a year. In such a test, the tax assets are put against future taxable profits, based on the management's estimates using forecasting and strategic plans. See note 21 for more information about deferred tax.

### Note 5 Capital management

The Board of Mycronic AB supervises the Group's capital structure and financial management, approves matters related to acquisitions, investments and financing and continuously monitors the Group's exposure to financial risks.

The financial objectives established by the board in the beginning of 2014 include growth, earnings and capital structure.

Mycronic AB defines capital as equity according to the balance sheet, SEK 1,207,097 (1,165,432) thousand, less unrealized gains/losses reported in other comprehensive income included in the hedge reserve. Capital amounts to SEK 1,207,349 (1,165,325) thousand.

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

### Note 6 Events after the end of the financial year

In February, 2015 the company received orders for a total of three mask writers, that have been published in press releases. On 18 February, an order for two FPS mask writers for electronic packaging applications was received from an existing customer in Asia. The systems are planned to be shipped during the second half of 2016 at the latest. On 25 February, the first order for a mask writer for display applications based on the replacement strategy was received. This system is planned to be shipped during the first half of 2016.

### Note 7 Items affecting comparability

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Write-down of LDI assets	47,739	-	47,739	-
<b>Operating profit/loss</b>	<b>47,739</b>	<b>-</b>	<b>47,739</b>	<b>-</b>

Operating profit has been affected by non-recurring items regarding write-down of remaining LDI inventory.

#### EBIT comparison

	GROUP	
	2014	2013
Operating profit/loss according to profit and loss account	276,505	32,271
Net capitalization/amortization of R&D	1,775	-23,900
LDI development, excl write-down	15,091	38,202
Write down LDI assets	47,739	-
Amortization on acquired intangible assets	4,158	6,458
<b>EBIT comparable</b>	<b>345,268</b>	<b>53,031</b>

The table shows the effect of a number of items on operating profit in 2014 compared to 2013.

### Note 8 Operating expenses

	GROUP	
	2014	2013
<i>Costs allocated by type of cost (excl work performed by the company for its own use and capitalized)</i>		
Raw materials and consumables	345,329	309,697
Changes in finished goods and products in progress	111,715	-16,184
Personnel costs	450,496	425,576
Depreciation and write-down	24,383	27,730
Other external costs	315,156	268,980
	<b>1,247,079</b>	<b>1,015,799</b>

#### Intra-group transactions:

Of the parent company's purchases this year SEK 219 (128) million was attributable to group companies. Of the parent company's sales this year SEK 247 (172) million was attributable to group companies.



## Note 9 Fees for auditing and non-auditing services

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<i>Fees and compensation, auditing, etc</i>				
Auditing assignments, EY	1,869	1,960	483	600
Non-auditing assignments, EY	125	100	125	100
Tax counselling, EY	233	221	-	-
Other assignments, EY	515	-	343	-
	<b>2,742</b>	<b>2,281</b>	<b>951</b>	<b>700</b>

Auditing assignments refer to the auditing of the consolidated financial statements, the accounts and the administration of the board of directors 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 or counselling. The 2014 AGM re-elected EY as auditor.

## Note 10 Other operating income/expenses

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Other operating income</b>				
Foreign exchange gains	13,789	-	19,605	-
Other	2,865	2,623	1,305	2,882
	<b>16,654</b>	<b>2,623</b>	<b>20,910</b>	<b>2,882</b>
<b>Other operating expenses</b>				
Foreign exchange losses	-	4,375	-	8,404
Other	256	1,011	975	-
	<b>256</b>	<b>5,386</b>	<b>975</b>	<b>8,404</b>
of which, positive exchange rate differences on non-hedge accounting derivatives	-10,174	5,139	6,689	4,938

## Note 11 Research and development expenses

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<i>R&amp;D expenditure</i>				
SMT equipment	127,303	130,979		
Pattern generators	68,605	71,694		
	<b>195,908</b>	<b>202,673</b>	<b>67,955</b>	<b>70,441</b>
<i>Capitalized development</i>				
SMT equipment	-10,829	-31,356		
	<b>-10,829</b>	<b>-31,356</b>	<b>-</b>	<b>-</b>
<i>Amortization on capitalized development</i>				
SMT equipment	10,304	7,456		
	<b>10,304</b>	<b>7,456</b>	<b>-</b>	<b>-</b>
<b>R&amp;D costs</b>	<b>195,383</b>	<b>178,773</b>	<b>67,955</b>	<b>70,441</b>
Amortization on acquired technology	2,300	4,600	-	-
Reported cost	<b>197,684</b>	<b>183,373</b>	<b>67,955</b>	<b>70,441</b>

## Note 12 Segment reporting

The company has two segments. One segment comprises operations in the pattern generator business area, consisting of development, manufacture and marketing of a series of extremely accurate laser pattern generators for the production of photomasks. The systems are used by electronics companies in the manufacture of displays and semiconductors.

The systems for photomask production are produced in a similar way despite different application areas, are distributed in a similar manner and are largely sold to the same customers regardless of application area.

The other segment comprises operations in the SMT equipment business area, consisting of development, manufacture and marketing of advanced surface mount equipment for flexible electronics production. The equipment is used for stencil-free jetting of solder paste on PCBs and surface mounting of electronic components on PCBs.

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.

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Net sales per geographical market</b>				
Sweden	21,385	19,702	3,307	8,094
Europe outside Sweden	357,885	287,583	8	-
Americas	287,162	232,448	18,215	4,162
Asia	802,919	445,010	707,633	274,032
Other markets	5,653	12,245	-	-
<b>Total</b>	<b>1,475,004</b>	<b>996,988</b>	<b>729,164</b>	<b>286,288</b>
of which, system sales	885,429	457,095	403,878	61,937
of which, aftermarket sales	589,575	539,893	325,286	224,351
	<b>1,475,004</b>	<b>996,988</b>	<b>729,164</b>	<b>286,288</b>

Consolidated net sales comprise revenue from sales of goods and services, mainly in the form of service contracts. These service contracts normally include goods in the form of spareparts.

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Non-current assets per geographical market</b>				
Sweden	150,937	155,498	21,905	22,733
Europe outside Sweden	2,386	2,730	-	-
Americas	507	498	-	-
Asia	3,316	7,555	-	-
<b>Total</b>	<b>157,147</b>	<b>166,281</b>	<b>21,905</b>	<b>22,733</b>

Note 12, cont'd.

Segment reporting 2014	Pattern generators	SMT equipment	Group-wide	Group
Income				
Income from external customers	733,147	741,857		1,475,004
<b>Total income</b>	<b>733,147</b>	<b>741,857</b>		<b>1,475,004</b>
one customer in Asia represents more than 10 percent of total sales				254,956
Gross profit	381,096	330,603		711,699
Gross margin, %	52	45		48
<i>Operating expenses and profit/loss before tax</i>				
R&D expenditure	-68,605	-127,303		-195,908
Capitalized development costs		10,829		10,829
Amortization of capitalized development costs		-10,304		-10,304
Amortization of acquired technology			-2,300	-2,300
Selling expenses	-50,400	-111,695	-1,858	-163,953
Administrative expenses	-42,611	-47,345		-89,956
Other operating income and expenses	6,722	9,676		16,398
Financial income and expenses			1,555	1,555
<b>Profit/loss before tax</b>	<b>226,201</b>	<b>54,461</b>	<b>-2,603</b>	<b>278,060</b>
<i>Assets</i>				
Capitalized development	-	41,903		41,903
Inventories	119,724	113,001		232,725
Trade receivables	162,373	178,648		341,020
<i>Investments</i>				
Capitalized development	-	10,829		10,829
Segment reporting 2013	Pattern generators	SMT equipment	Group-wide	Group
Income				
Income from external customers	379,363	617,625	-	996,988
<b>Total income</b>	<b>379,363</b>	<b>617,625</b>	<b>-</b>	<b>996,988</b>
No customer represents more than 10 percent of total sales				-
Gross profit	190,769	255,537		446,306
Gross margin, %	50	41		45
<i>Operating expenses and profit/loss before tax</i>				
R&D expenditure	-71,694	-130,979	-	-202,673
Capitalized development costs	-	31,356	-	31,356
Amortization of capitalized development costs		-7,456	-	-7,456
Amortization of acquired technology			-4,600	-4,600
Selling expenses	-53,773	-93,383	-1,858	-149,014
Administrative expenses	-38,343	-40,542	-	-78,885
Other operating income and expenses	-5,711	2,948	-	-2,763
Financial income and expenses	-	-	3,583	3,583
<b>Profit/loss before tax</b>	<b>21,248</b>	<b>17,481</b>	<b>-2,875</b>	<b>35,854</b>
<i>Assets</i>				
Capitalized development	-	41,378	-	41,378
Inventories	222,078	101,809	-	323,887
Trade receivables	126,120	133,513	-	259,633
<i>Investments</i>				
Capitalized development	-	31,356	-	31,356

## Note 13 Depreciation/amortization by function

Group 2014	Customer relationships	Business system	Development expenses	Tangible fixed assets	Total
Cost of goods sold				4,563	4,563
Research and development expenses			2,300	2,853	5,153
Research and development, capitalized development costs			10,304		10,304
Selling expenses	1,858			1,023	2,881
Administrative expenses		107		1,375	1,482
	<b>1,858</b>	<b>107</b>	<b>12,604</b>	<b>9,814</b>	<b>24,383</b>
<b>Group 2013</b>					
Cost of goods sold		632		5,016	5,648
Research and development expenses		592	4,600	3,383	8,575
Research and development, capitalized development costs			7,456		7,456
Selling expenses	1,858	88		851	2,797
Administrative expenses		1,863		1,391	3,254
	<b>1,858</b>	<b>3,175</b>	<b>12,056</b>	<b>10,641</b>	<b>27,730</b>
<b>Parent Company 2014</b>					
Cost of goods sold				2,702	2,702
Research and development expenses				2,853	2,853
Selling expenses				574	574
Administrative expenses		107		297	404
		<b>107</b>		<b>6,426</b>	<b>6,533</b>
<b>Parent Company 2013</b>					
Cost of goods sold		632		2,667	3,299
Research and development expenses		592		3,621	4,213
Selling expenses		88		302	390
Administrative expenses		1,863		269	2,132
		<b>3,175</b>		<b>6,859</b>	<b>10,034</b>

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

### Remuneration to the Board and other senior executives

#### Principles

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

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 set with a maximum of 70 percent of an annual basic salary. Other benefits consist of company car, housing, travels and free healthcare insurance.

Other senior executives refer to the seven individuals who, together with the CEO make up the executive management team. The executive management team is further presented on page 61.

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

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

#### Remuneration and benefits of the CEO

Lena Olving is the President and CEO.

The basic monthly salary during 2014 amounted to SEK 324,800. Other benefits consist of housing, company car, free travels by train and free healthcare insurance. The cost for pension and health insurance benefits equals 35 percent of basic salary.

STI is paid according to the fulfillment of Group financial targets. STI for 2014 has not been paid out yet but has been accrued for at an amount of SEK 2,654 thousand. LTI in 2014 was paid in an amount equivalent to SEK 100 thousand net after taxes, to be used to purchase shares in Mycronic.

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

The employment contract with Lena Olving specifies a retirement age of 62 years.

#### Remuneration and benefits of other senior executives

The senior executive team consist of 8 (7) persons including the CEO, of which 3 (2) women.

Pension and health insurance is in the form of defined contribution pension premiums. The cost for pension benefits equals 30 percent of basic salary.

Other benefits consist of company car benefits and free healthcare insurance.

STI is paid according to the fulfillment of Group financial targets. STI for 2014 has not been paid out yet but has been accrued for at an amount of SEK 2,991 thousand. In 2014, STI for 2013 was paid in an amount of SEK 41 thousand.

LTI in 2014 was paid in an amount equivalent to SEK 50 thousand net after taxes per individual, to be used to purchase shares in Mycronic.

The retirement age for other senior executives is 65 years. Except for the defined contribution pension premiums, there are no other pension obligations.

For other senior executives there is a notice period of six months in the event of dismissal by the company, and after that period, termination benefits equal to six months' salary. The employment contract, with related benefits, is valid during the notice period. In cases where termination benefits are received, no other benefits are payable.

Note 14, cont'd.

	2014			2013		
	Board fees	Comittee fees	Total	Board fees	Comittee fees	Total
<b>Remuneration to the Board</b>						
Patrik Tigerschiöld, Board Chairman	500	-	500	500	-	500
Magnus Lindquist, chairman of the audit committee	200	50	250	200	50	250
Katarina Bonde	200	-	200	200	-	200
Anders Jonsson	200	-	200	200	-	200
Ulla-Britt Fräjdin-Hellqvist	200	-	200	200	-	200
Eva Lindqvist	200	-	200	200	-	200
<b>Total remuneration to the Board</b>	<b>1,500</b>	<b>50</b>	<b>1,550</b>	<b>1,500</b>	<b>50</b>	<b>1,550</b>

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Salaries and remuneration</b>				
The Board, CEO and other senior executives	36,630	26,397	23,224	13,155
Other employees	283,177	269,114	121,462	118,360
<b>Total salaries and remuneration</b>	<b>319,807</b>	<b>295,511</b>	<b>144,686</b>	<b>131,515</b>
Social security expenses	76,032	77,601	46,991	47,453
Pension costs	34,637	36,347	21,262	23,053
<b>Total</b>	<b>430,476</b>	<b>409,459</b>	<b>212,939</b>	<b>202,021</b>

Board and executives in the Parent Company consist of 16 (15) persons. In the Group, CEOs in subsidiaries are included, why this group consist of 26 (25) persons.

The reported remuneration to employees includes variable salary payable on the attainment of financial goals for the Group at an amount of SEK 31 (14) million excluding social security expenses, of which SEK 15 (4) million refer to the Parent Company.

<b>Remuneration to CEO and other senior executives 2014</b>	Basic salary	Other remuneration <sup>1)</sup>	STI	LTI	Other benefits	Pension costs	Total
Lena Olving, CEO	3,898	314	2,654	232	289	1,581	8,968
Other senior executives (7 persons)	9,523	1,506	2,991	557	276	2,505	17,357
<b>Total remuneration to CEO and other senior executives</b>	<b>13,421</b>	<b>1,819</b>	<b>5,645</b>	<b>789</b>	<b>565</b>	<b>4,086</b>	<b>26,325</b>

<b>Remuneration to CEO and other senior executives 2013</b>	Basic salary	Other remuneration	Variable salary	Other benefits	Pension costs	Total	Consultant fees
Lena Olving, CEO from 15 July, 2013	2,231	766	24	142	784	3,947	-
Lars Josefsson, CEO until 15 July, 2013	-	-	-	-	-	-	3,500
Other senior executives (6 persons)	7,977	565	41	223	2,153	10,959	-
<b>Total remuneration to CEO and other senior executives</b>	<b>10,208</b>	<b>1,331</b>	<b>65</b>	<b>365</b>	<b>2,937</b>	<b>14,906</b>	<b>3,500</b>

<sup>1)</sup> Other remuneration 2014 includes termination benefits to other senior executives in an amount of SEK 985 thousand, excluding social security expenses.

	GROUP		PARENT COMPANY		2014		2013	
	2014	2013	2014	2013	Total	of which women	Total	of which women
<b>% of women</b>								
Board	8	8	38	38				
Other senior executives	17	12	38	29				
<b>Average number of employees</b>								
Parent Company								
Sweden					205	43	211	42
<b>Total in Parent Company</b>					<b>205</b>	<b>43</b>	<b>211</b>	<b>42</b>
Sweden					81	11	88	12
France					10	1	11	1
Japan					51	9	53	8
China					32	6	27	5
The Netherlands					9	1	9	1
Singapore					7	2	7	2
The UK					11	3	10	2
South Korea					27	3	24	2
Taiwan					3	1	3	1
Germany					21	3	21	3
The US					51	13	50	11
<b>Total in subsidiaries</b>					<b>303</b>	<b>53</b>	<b>303</b>	<b>48</b>
<b>Total in Group</b>					<b>508</b>	<b>96</b>	<b>514</b>	<b>90</b>

**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 2014 fiscal year, the company has not had access to information to be able to report its proportional share of the plan's obligations, plan assets and costs, making it impossible to report the plan as a defined-benefit plan. The ITP 2 pension plan secured through insurance in Alecta is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated and depends on salary, previously vested pension and expected remaining period of service.

Anticipated fees in 2015 for ITP 2 insurance taken out with Alecta amount to SEK 1.8 million.

**Note 15 Net financial items**

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Interest income from group companies	-	-	53	73
Other interest income (loans and receivables)	1,975	4,116	1,833	3,786
<b>Financial income/Interest income and similar items</b>	<b>1,975</b>	<b>4,116</b>	<b>1,886</b>	<b>3,859</b>
Interest expenses group companies	-	-	45	244
Other interest expenses	420	533	121	120
<b>Financial expenses/Interest expenses and similar items</b>	<b>420</b>	<b>533</b>	<b>166</b>	<b>364</b>
Financial net/Result from financial investments	<b>1,555</b>	<b>3,583</b>	<b>1,720</b>	<b>3,495</b>

**Note 16 Leases**

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Operating leases</b>				
The year's expensed lease charges (operating leases)	28,650	27,791	5,135	4,902
of which, variable fees	5,009	5,934	1,853	2,196
<i>Future payments under operating leases and other lease agreements (nominal):</i>				
Within one year	23,591	25,825	12,030	12,047
Between one and five years	75,549	77,795	51,784	49,593
Later than five years	69,407	86,428	65,412	78,699
<i>Future payments under operating leases and other lease agreements (present value):</i>				
Within one year	23,212	25,385	10,473	11,084
Between one and five years	70,513	71,636	45,782	43,737
Later than five years	57,004	64,700	53,009	58,881

The major part of leasing contracts refers to premises.

**Note 17 Receivables from Group companies**

	PARENT COMPANY	
	2014	2013
Opening balance, book value	7,159	7,167
Deductions	-2,863	-8
<b>Closing balance, book value</b>	<b>4,296</b>	<b>7,159</b>

**Note 18 Other non-current receivables**

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Opening balance, book value	27,115	29,202	18,914	21,080
Additions	3,417	956	22	34
Deductions	-2,452	-3,043	-2,203	-2,200
<b>Closing balance, book value</b>	<b>28,081</b>	<b>27,115</b>	<b>16,733</b>	<b>18,914</b>

Receivables mainly refer to deposits regarding lease of premises and pension insurance premiums for employees in Japan. Deductions primarily refer to the released portion of the deposit for future lease charges.



## Note 19 Inventories

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Components	98,600	78,047	-	-
Finished goods	107,314	229,714	6,702	102,984
Products in progress	26,811	16,127	-	1,960
	<b>232,725</b>	<b>323,887</b>	<b>6,702</b>	<b>104,944</b>

Inventory write-down and similar costs at a value of SEK 65 (12) million have been charged to consolidated operating profit. Write-downs 2014 refer to impairment of LDI-related components. The decrease in inventory is also explained by large deliveries.

## Note 20 Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Sales revenues	31,924	3,266	31,554	781
Other	12,054	8,556	4,449	3,860
	<b>43,977</b>	<b>11,822</b>	<b>36,003</b>	<b>4,641</b>

## Note 21 Taxes

Group	2014	2013		
Recognized in profit and loss				
<i>Current tax</i>				
The year's tax expense	-19,959	-15,800		
	<b>-19,959</b>	<b>-15,800</b>		
<i>Deferred tax</i>				
Deferred tax on temporary differences	8,144	-6,309		
Deferred tax on this years's used loss carryforwards	-56,095	-		
Deferred tax on capitalized loss carryforwards previously not accounted for	56,095	-		
	<b>8,144</b>	<b>-6,309</b>		
<b>Total reported tax in the Group</b>	<b>-11,815</b>	<b>-22,109</b>		
<b>Reconciliation of effective tax rate</b>	<b>2014</b>	<b>2013</b>		
Profit/loss before tax	%	278,060	%	35,854
Tax according to applicable tax rate in the Parent Company	- 22.0	-61,173	- 22.0	-7,888
Effect of different tax rates in foreign subsidiaries	- 1.8	-5,138	- 15.4	-5,509
Non-deductible/non-taxable items	- 0.4	-1,143	- 2.6	-930
Effect of loss carryforwards previously not capitalized	20.2	56,095	0.0	12
Increase in loss carryforwards without corresponding capitalization of deferred tax	- 0.2	- 676	- 20.3	-7,269
Other	0.1	220	- 1.5	-525
<b>Reported effective tax</b>	<b>- 4.2</b>	<b>-11,815</b>	<b>- 61.7</b>	<b>-22,109</b>
<b>Tax items recognized in other comprehensive income</b>			<b>2014</b>	<b>2013</b>
Value changes on derivatives used for hedging of foreign exchange risk in cash flow hedges			101	-30
Exchange differences on foreign currency loans treated as net investments in foreign subsidiaries			-206	-68
			<b>-105</b>	<b>-98</b>
	<b>2014</b>	<b>2013</b>		
<b>Recognized deferred tax assets and liabilities</b>	<b>Deferred tax assets</b>	<b>Deferred tax liabilities</b>	<b>Deferred tax assets</b>	<b>Deferred tax liabilities</b>
Tangible assets	2,411		767	-3
Intangible assets		-14,231		-15,030
Derivatives used as hedge instruments	3,999			-129
Trade receivables	-1,006		2,018	
Inventories	20,113		14,075	
Provisions	4,798		4,159	
Accrued expenses	4,420		2,277	
Other	2,504		1,518	
Loss carryforwards	72,800		72,774	
<b>Deferred tax assets/liabilities</b>	<b>110,040</b>	<b>-14,231</b>	<b>97,588</b>	<b>-15,162</b>
Setoff	-9,219	9,219	-9,232	9,232
<b>Net deferred tax assets/liabilities</b>	<b>100,821</b>	<b>-5,012</b>	<b>88,356</b>	<b>-5,930</b>

Setoff of tax assets and tax liabilities is carried out within the same tax item. The Group's deferred tax assets net amounted to SEK 95,809 (82,426) thousand. Of the year's changes in deferred tax assets, in total SEK 13,383 (-6,622) thousand, SEK 8,144 (-6,309) thousand was recognized in the profit and loss and SEK 5,238 (-313) thousand was recognized in other comprehensive income.

At the end of 2014, the Group's accumulated loss carryforwards amounted to SEK 450 (704) million. In 2014, accumulated loss carryforwards of SEK 255 million has

been used. At the same time deferred tax assets in an amount of SEK 56 million has been capitalized, equivalent to SEK 255 million of previously not capitalized loss carryforwards. At year-end, deferred tax assets were recognized at an amount of SEK 73 (73) million, corresponding to loss carryforwards of SEK 331 (331) million.

The tax assets regarding loss carryforwards refer to the Swedish companies and can be used without any time limit. The tax assets regarding loss carryforwards is only recognized to the extent that they are expected to be used.

Parent Company	2014	2013		
<b>Recognized in profit and loss</b>				
<i>Current tax</i>				
The year's tax expense	206	68		
	<b>206</b>	<b>68</b>		
<i>Deferred tax</i>				
Deferred tax on temporary differences	130	-		
Deferred tax on this year's used loss carryforwards	-51,889	-		
Deferred tax on capitalized loss carryforwards not previously accounted for	51,889	-		
	<b>130</b>	<b>-</b>		
<b>Total reported tax in the Parent Company</b>	<b>336</b>	<b>68</b>		
<b>Reconciliation of effective tax rate</b>	<b>2014</b>		<b>2013</b>	
Profit/loss before tax	%	238,049	%	14,542
Tax according to applicable tax rate in Parent Company	-22.0	-52,371	-22.0	-3,199
Non-deductible/non-taxable items	0.3	818	0.5	66
Capitalized loss carryforwards not previously accounted for	21.8	51,889	-	-
Tax on group contribution	-	-	21.6	3,147
Other	-	-	0.4	54
<b>Reported effective tax</b>	<b>0.1</b>	<b>336</b>	<b>0.5</b>	<b>68</b>
<b>Tax items recognized directly in equity</b>			<b>2014</b>	<b>2013</b>
Exchange differences on foreign currency loans treated as net investments in foreign subsidiaries			-206	-68
			<b>-206</b>	<b>-68</b>
	<b>2014</b>		<b>2013</b>	
<b>Reported deferred tax assets and liabilities</b>	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Provisions	130	-	-	-
Accumulated tax loss carryforwards	63,401	-	63,401	-
<b>Deferred tax assets/liabilities</b>	<b>63,531</b>	<b>-</b>	<b>63,401</b>	<b>-</b>

At year end the parent company had accumulated loss carryforwards in an amount of SEK 393 (628) million. In 2014 carryforwards amounting to SEK 236 million have been used. At the same time tax assets amounting to SEK 52 million has been capitalized, equivalent to SEK 236 million of loss carryforwards not previously accounted for.

At year-end tax assets in an amount of SEK 63 (63) million was capitalized in the Parent Company balance sheet, corresponding to loss carryforwards of SEK 288 (288) million.

The tax assets regarding loss carryforwards is only recognized to the extent that they are expected to be used.

## Note 22 Intangible assets

Group	BUSINESS SYSTEM		DEVELOPMENT COSTS		TECHNOLOGY		LICENSE	
	2014	2013	2014	2013	2014	2013	2014	2013
<i>Accumulated cost</i>								
Opening balance at 1 January	29,754	29,754	763,770	732,414	23,000	23,000	17,084	17,084
Investments during the year	-	-	10,829	31,356	-	-	-	-
<b>Closing balance, accumulated cost at 31 December</b>	<b>29,754</b>	<b>29,754</b>	<b>774,599</b>	<b>763,770</b>	<b>23,000</b>	<b>23,000</b>	<b>17,084</b>	<b>17,084</b>
<i>Accumulated amortization</i>								
Opening balance at 1 January	-29,648	-26,474	-722,392	-714,936	-20,700	-16,100	-17,084	-17,084
The year's amortization	-107	-3,174	-10,304	-7,456	-2,300	-4,600	-	-
<b>Closing balance, accumulated amortization at 31 December</b>	<b>-29,754</b>	<b>-29,648</b>	<b>-732,696</b>	<b>-722,392</b>	<b>-23,000</b>	<b>-20,700</b>	<b>-17,084</b>	<b>-17,084</b>
<b>Closing balance, residual value at 31 December</b>	<b>-</b>	<b>107</b>	<b>41,903</b>	<b>41,378</b>	<b>-</b>	<b>2,300</b>	<b>-</b>	<b>-</b>
Group	CUSTOMER RELATIONSHIPS		BRAND		GOODWILL		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
<i>Accumulated cost</i>								
Opening balance at 1 January	13,000	13,000	20,000	20,000	64,344	64,344	930,952	899,596
Reclassifications	-	-	-	-	-	-	-	-
Investments during the year	-	-	-	-	-	-	10,829	31,356
<b>Utgående ackumulerade anskaffningsvärden 31 december</b>	<b>13,000</b>	<b>13,000</b>	<b>20,000</b>	<b>20,000</b>	<b>64,344</b>	<b>64,344</b>	<b>941,781</b>	<b>930,952</b>
<i>Accumulated amortization</i>								
Opening balance at 1 January	-8,360	-6,502	-	-	-	-	-798,183	-781,095
The year's amortization	-1,858	-1,858	-	-	-	-	-14,569	-17,088
<b>Closing balance, accumulated amortization at 31 December</b>	<b>-10,218</b>	<b>-8,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-812,752</b>	<b>-798,183</b>
<b>Closing balance, residual value at 31 December</b>	<b>2,782</b>	<b>4,640</b>	<b>20,000</b>	<b>20,000</b>	<b>64,344</b>	<b>64,344</b>	<b>129,030</b>	<b>132,770</b>

Note 22 cont'd.

Parent Company	BUSINESS SYSTEM		LICENSE		TOTAL	
	2014	2013	2014	2013	2014	2013
<i>Accumulated cost</i>						
Opening balance at 1 January	29,754	29,754	17,084	17,084	46,839	46,839
Investments during the year	-	-	-	-	-	-
<b>Closing balance, accumulated cost at 31 December</b>	<b>29,754</b>	<b>29,754</b>	<b>17,084</b>	<b>17,084</b>	<b>46,839</b>	<b>46,839</b>
<i>Accumulated amortization</i>						
Opening balance at 1 January	-29,646	-26,472	-17,084	-17,084	-46,731	-43,557
The year's amortization	-107	-3,174	-	-	-107	-3,174
<b>Closing balance, accumulated amortization at 31 December</b>	<b>-29,753</b>	<b>-29,646</b>	<b>-17,084</b>	<b>-17,084</b>	<b>-46,839</b>	<b>-46,732</b>
<b>Closing balance, residual value at 31 December</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>

The investment in a business system refers to costs incurred for adaptation and implementation of a fully integrated business information system. Capitalized costs include both internally produced and externally acquired assets.

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

The externally acquired license refers to the right to exploit knowhow in direct writing, and relates to patent rights under the agreement with the Fraunhofer Institute for Microelectronic Circuits and System (IMS).

In 2009 the acquisition of Mydata Technologies AB led to the recognition of assets attributable to excess values.

Information about depreciation/amortization by function is provided in Note 13.

#### Impairment testing of intangible assets

In connection with the acquisition excess values were identified in the company's technology, brand, customer relationships and goodwill.

The excess values in technology and customer relationships have estimated useful lives of five and seven years, respectively. In 2014 the acquired technology was fully amortized according to plan.

Brand and goodwill with indefinite useful lives are evaluated through impairment testing of the cash-generating unit based on the unit's value in use. The cash-generating unit referred to is business area SMT.

#### Impairment testing of goodwill and brand with indefinite useful lives

At least yearly Mycronic tests the reported value of goodwill and brand with indefinite useful lives for impairment. This is done by assessing the value in use of business area SMT.

The value in use is based on cash flow forecasts, built on the management's business plan for the coming five years. After the business plan period, the expected growth rate is 2 (2) percent. The discount factor used to determine recoverable value is 15.5 (15.2) percent before tax and 12.8 (12.5) percent after tax. The most important assumptions in the five year business plan relate to sales volumes, margins, operating profit, capital expenditure and discount factors.

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

## Note 23 Tangible assets

Group	IMPROVEMENTS TO LEASED PROPERTY		MACHINERY AND EQUIPMENT		CONSTRUCTION IN PROGRESS		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
<i>Accumulated cost</i>								
Opening balance 1 January	4,273	4,273	369,682	404,058	145	472	374,100	408,803
Purchases during the year	-	-	5,839	5,502	1,893	145	7,732	5,647
Reclassifications to equipment			1,107	472	-1,107	-472	-	-
Reclassifications to inventory			-1,106	-13,622			-1,106	-13,622
Historical cost sold/scrapped equipment			-36,177	-25,474			-36,177	-25,474
The year's foreign exchange differences			812	-1,254			812	-1,254
<b>Closing balance, accumulated cost at 31 December</b>	<b>4,273</b>	<b>4,273</b>	<b>340,157</b>	<b>369,682</b>	<b>931</b>	<b>145</b>	<b>345,361</b>	<b>374,100</b>
<i>Accumulated depreciation and write-down</i>								
Opening balance 1 January	-1,626	-833	-338,963	-368,152	-	-	-340,589	-368,985
Depreciation reclassifications to inventory			968	13,622			968	13,622
Depreciation of sold/scrapped equipment			32,191	25,415			32,191	25,415
The year's depreciation	-793	-793	-9,021	-9,848			-9,814	-10,641
<b>Closing balance, accumulated depreciation at 31 December</b>	<b>-2,419</b>	<b>-1,626</b>	<b>-314,825</b>	<b>-338,963</b>	<b>-</b>	<b>-</b>	<b>-317,244</b>	<b>-340,589</b>
<b>Closing balance, residual value at 31 December</b>	<b>1,854</b>	<b>2,647</b>	<b>25,332</b>	<b>30,719</b>	<b>931</b>	<b>145</b>	<b>28,117</b>	<b>33,511</b>

Parent Company	IMPROVEMENTS TO LEASED PROPERTY		MACHINERY AND EQUIPMENT		CONSTRUCTION IN PROGRESS		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
<i>Accumulated cost</i>								
Opening balance 1 January	4,273	4,273	239,623	269,603	145	472	244,041	274,348
Purchases during the year			3,907	1,963	1,893	145	5,800	2,108
Reclassifications to equipment			1,107	472	-1,107	-472	-	-
Reclassifications to products in progress			-	-13,622			-	-13,622
Other reclassifications								-
Historical cost sold/scrapped equipment			-18,243	-18,793			-18,243	-18,793
<b>Closing balance, accumulated cost at 31 December</b>	<b>4,273</b>	<b>4,273</b>	<b>226,394</b>	<b>239,623</b>	<b>932</b>	<b>145</b>	<b>231,598</b>	<b>244,041</b>
<i>Accumulated depreciation and write-down</i>								
Opening balance 1 January	-1,626	-833	-219,790	-246,139			-221,416	-246,972
Depreciation reclassifications to products in progress				13,622			-	13,622
Depreciation of sold/scrapped equipment			18,149	18,793			18,149	18,793
The year's depreciation	-793	-793	-5,634	-6,066		-	-6,427	-6,859
<b>Closing balance, accumulated depreciation at 31 December</b>	<b>-2,419</b>	<b>-1,626</b>	<b>-207,275</b>	<b>-219,790</b>	<b>-</b>	<b>-</b>	<b>-209,694</b>	<b>-221,416</b>
<b>Closing balance, residual value at 31 December</b>	<b>1,854</b>	<b>2,647</b>	<b>19,119</b>	<b>19,833</b>	<b>932</b>	<b>472</b>	<b>21,905</b>	<b>22,626</b>

## Note 24 Participation in Group companies

	PARENT COMPANY	
	2014	2013
Opening balance, historical cost	367,763	353,460
Group contribution to Mydata Technologies AB	-	14,303
Acquisitions	100	-
<b>Closing balance, accumulated cost</b>	<b>367,863</b>	<b>367,763</b>
Opening balance, impairment	-2,407	-2,407
<b>Closing balance, accumulated impairment</b>	<b>-2,407</b>	<b>-2,407</b>
<b>Closing balance, book value</b>	<b>365,456</b>	<b>365,356</b>

Directly owned subsidiaries	Corp. ID no.	Domicile	Number of shares	% of capital	Book value
Mycronic Technologies Corp.	607215	Tokyo	200	100	3,823
Mycronic Technologies Inc.	94-3344558	Wilmington	500	100	4,390
Mycronic Co., Ltd.	80271004	Taipei	1,600,000	100	4,332
Mycronic Co., Ltd.	134111-0136974	Anyang	810	100	12,832
Mycronic Technologies AB	556238-6739	Stockholm	6,149,261	100	334,122
Mycronic (Shanghai) Co., Ltd	310 000 400 631 000	Shanghai	-	100	5,857
Micronic Mydata AB	556963-0360	Stockholm	50,000	100	50
MYDATA automation AB	556963-0329	Stockholm	50,000	100	50
					<b>365,456</b>

Indirectly owned subsidiaries	Country	Number of shares	% of capital	Book value
Mycronic S.A.S.	France	10,000	100	630
Mycronic Ltd.	The UK	24,000	100	278
Mycronic Inc.	The US	10,000	100	1,379
Mycronic Pte Ltd.	Singapore	1,000	100	477
Mycronic B.V.	The Netherlands	180	100	160
Mycronic GmbH	Germany	4	100	15,010

## Note 25 Non-current provisions

	GROUP	
	2014	2013
<i>Employee benefits</i>		
Opening balance, book value	11,274	12,445
The year's deductions	-9,756	-1,562
The year's provision	9,514	391
<b>Closing balance, book value</b>	<b>11,032</b>	<b>11,274</b>

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.

## Note 26 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Setup costs	7,328	3,423	7,328	3,210
Salaries and social expenses	64,477	44,986	39,090	25,495
Commissions	4,497	3,952	469	590
Deferred income	11,520	8,706	-	-
Other accrued expenses	41,302	33,570	24,183	18,158
	<b>129,125</b>	<b>94,637</b>	<b>71,070</b>	<b>47,453</b>

Accrued setup costs consist of the estimated remaining costs for setting up a system at a customer site. These costs are estimated on an individual basis. Costs for setup are easy to assess and are also small in relation to the value of the system as a whole. When setup is completed, a warranty period begins and normally lasts for twelve months.

The increase in salaries and social expenses is primarily attributable to variable salaries based on financial goals for the Group.

## Note 27 Current provisions

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<i>Warranty provisions</i>				
Opening balance, book value	19,170	24,343	8,791	11,962
The year's provision	23,862	17,503	11,641	7,124
Utilized during the year	-16,362	-18,346	-6,621	-6,721
Unutilized during the year	-4,712	-4,330	-4,074	-3,574
<b>Total warranty provisions</b>	<b>21,958</b>	<b>19,170</b>	<b>9,737</b>	<b>8,791</b>
Other provisions	-	3,344	-	3,344
<b>Closing balance, book value</b>	<b>21,958</b>	<b>22,514</b>	<b>9,737</b>	<b>12,135</b>

Accrued warranty costs include the estimated remaining costs for warranty commitments. These costs are estimated on an individual basis for each system that is shipped to a customer. A provision for warranty commitments is made in connection with revenue recognition.

## Note 28 Trade receivables, impairment, age analysis and other information

Group	2014		2013	
	Gross	Impairment	Gross	Impairment
Trade receivables not yet due	283,020	161	223,596	143
Trade receivables, overdue 0-30 days	30,939	-	21,608	-
Trade receivables, overdue >30-90 days	14,857	-	5,709	360
Trade receivables, overdue >90-180 days	6,790	174	4,299	164
Trade receivables, overdue >180-360 days	5,684	274	4,427	418
Trade receivables, overdue >360 days	2,170	1,832	2,447	1,368
	<b>343,461</b>	<b>2,441</b>	<b>262,086</b>	<b>2,453</b>

Trade receivables overdue amount to 18 (15) percent of total Trade receivables.

In business area SMT 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 and are very limited. The company judges that the risk of losses is very low except for impairment done.

Provisions for doubtful trade receivables have been accounted for at an amount expected to flow in. Other trade receivables are considered to have high credit quality. No collateral is furnished, other than documentary credits and credit insurance in certain cases. The maximum credit risk exposure refers to the reported value of trade receivables.

Five customers represent 39 (40) percent of total trade receivables. For further information on customer concentration and customer risk see note 31.

Provisions for doubtful trade receivables	GROUP	
	2014	2013
Opening balance, book value	2,453	3,137
Additions	1,119	547
Deductions	-479	-98
Unutilized	-652	-1,133
<b>Closing balance, book value</b>	<b>2,441</b>	<b>2,453</b>

## Note 29 Pledged assets

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Collateral provided for liability items in the balance sheet				
<i>Credit institutions</i>				
Floating charges	121,700	121,700	89,000	89,000
	<b>121,700</b>	<b>121,700</b>	<b>89,000</b>	<b>89,000</b>

## Note 30 Contingent liabilities

	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Commitment for billing by credit insurance through EKN	2,212	2,140	-	-
Other	129	121	-	-
	<b>2,341</b>	<b>2,261</b>	<b>-</b>	<b>-</b>
of which, falling due:				
within one year	78	115	-	-
between one and five years	2,134	2,146	-	-
	<b>2,341</b>	<b>2,261</b>	<b>-</b>	<b>-</b>



## Note 31 Financial risks

Financial risks arise due to negative fluctuations in Mycronic's earnings and cash flow as a consequence of movement in exchange rates and interest rates, credit risks and financing risks. The single largest financial risk is exchange rate fluctuations.

Financial risks are managed in accordance with the finance policy established by the Board.

### Foreign exchange risk – transaction exposure

Transaction exposure is the risk that changes in exchange rates for sales and sourcing in foreign currencies will affect consolidated earnings and the value of assets and liabilities.

Mycronic's sales are done almost exclusively in foreign currency. Most of the Group's expenses are incurred in Swedish kronor.

Sales of surface mount equipment occur primarily in US-dollars and Euros. All sales within business area PG are in foreign currency, primarily US-dollars, Japanese yen and Korean won.

Changes in exchange rates have a greater impact on income than on expenses. Mycronic's net currency exposure is significant (refer to the table below for revenue and expenses by currency). Currency hedging is undertaken in accordance with the established finance policy.

For sales of pattern generators the company uses forward exchange contracts to hedge contracted cash flows, which consist of orders received. As the delivery date approaches, the hedged portion of the respective contracted inflows increases. Forecasted inflows not covered by underlying orders are not hedged. Hedge accounting is used within business area PG.

For sales of surface mount equipment, forward exchange contracts, corresponding to at least 50 percent of the order backlog in Euros and US dollars, are sold. Hedge accounting is not used within business area SMT.

### Effects from transaction exposure

If sales for 2014 within business area PG were translated at the average exchange rates for 2013, without consideration given to forward exchange contracts, sales revenues would have been SEK 34 million lower. The major part is attributable to the US dollar. Turnover was negatively affected by forward exchange contracts in the amount of SEK 10 million. The operating profit for the business area was negatively affected by SEK 13 million as a result of forward exchange contracts.

If sales for 2014 within business area SMT were translated at the average exchange rates for 2013, sales revenues would have been SEK 38 million lower. The major part is attributable to the US dollar. The operating profit for the business area was affected negatively by forward exchange contracts at an amount of SEK 7 million.

Based on 2013 sales volumes and expenses, without consideration given to forward exchange contracts, the effect on consolidated operating profit of a 10 percent change in the exchange rate of the most important currencies compared to the Swedish krona would be about SEK 99 (60) million. Equity would be affected in the same amount after tax.

### Foreign exchange risk – translation exposure

Translation exposure is the risk Mycronic is exposed to when translating the financial statements of subsidiaries to Swedish kronor.

### Effects from translation exposure

Mycronic's policy is to not hedge translation exposure in the financial statements. At the end of 2014, net investment in foreign subsidiaries was SEK 289 million. Translation of the balance sheets of foreign subsidiaries to Swedish krona generated a translation difference of SEK 21 (-17) million after tax.

A change of 10 percent against those currencies where Mycronic has foreign net investments would affect the Group's equity by SEK 29 million after tax.

### Interest risk

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 2014, no investments were made in interest-bearing financial instruments.

The Group held no interest-bearing liabilities at the end of 2014.

### Credit risks

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

### Exposure to credit risks

Mycronic sells only a few pattern generators to a limited number of customers, which concentrates the credit risk. Customers are, however, major manufacturers of photo-masks where the pattern generator 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 341 (260) million. The average credit period was 62 (57) days for business area SMT and 16 (75) days for business area PG. For information on the ageing structure of trade receivables and provisions for doubtful trade receivables, see note 28.

Financial investments are made in high quality financial instruments or in bank deposits. Mycronic's maximum financial credit exposure consists of the fair values of financial assets, see note 32. At year-end 2014, the total financial credit exposure, excluding trade receivables, was SEK 662 (488) million, of which SEK 661 (487) million was liquid assets.

### Liquidity risks

Liquidity risk refers to the risk that the counterparty may not be able to meet its payment obligations on the settlement date.

Mycronic's net cash at the end of 2014 was SEK 661 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

MSEK	2014	2013
Credit line	37	35
Cash and cash equivalents	661	487
<b>Total</b>	<b>698</b>	<b>522</b>

### REVENUE AND EXPENSES BY CURRENCY

Currency	% of revenue	% of expenses	Average rate, 2014	Average rate, 2013	Closing rate, 2014	Closing rate, 2013
USD	52	12	6.8577	6.5140	7.8117	6.5084
EUR	20	14	9.0968	8.6494	9.5155	8.9430
JPY (100)	15	6	6.4867	6.6877	6.5362	6.1788
GBP	4	1	11.2917	10.1863	12.1388	10.7329
SEK	1	62	1.000	1.000	1.000	1.000
KRW (100)	6	2	0.6518	0.5954	0.7129	0.6178
CNY	2	2	1.1135	1.0596	1.2595	1.0732
SGD	0	1	5.4125	5.2059	5.9066	5.1302

## Note 32 Financial assets and liabilities

The following table present the Group's financial assets and liabilities, stated at book and fair value and classified in the categories

Derivatives, hedge accounting  
 Derivatives, non-hedge accounting, recognized in profit and loss at fair value  
 Loans and receivables, including cash and cash equivalents  
 Other liabilities

### Fair value and carrying amount

IFRS 13 Fair Value Measurement include a valuation hierarchi regarding data to be used in the valuation. This valuation hierarchi is divided into three levels, in accordance with the levels introduced in IFRS 7 Financial instruments: Information.

Mycronic use level 2 according to the valuation hierarchi when measurement of forward exchange contracts at fair value through current market prices and current exchange rates on the closing day.

### Risk management

A description of the Group's risks and risk management is provided according to IFRS 7 in note 31.

Financial assets and liabilities, Group 2014	Derivatives, hedge accounting	Derivatives, non-hedge accounting	Loans and receivables	Other liabilities	Total carrying amount	Total fair value
Trade receivables			341,020		341,020	341,020
<b>Other receivables</b>						
Currency						
SEK			497,525		497,525	497,525
USD			43,712		43,712	43,712
JPY	892	504	41,176		42,572	42,572
EUR			35,764		35,764	35,764
GBP			13,664		13,664	13,664
TWD			1,556		1,556	1,556
KRW			17,693		17,693	17,693
SGD			396		396	396
CNY			9,466		9,466	9,466
<b>Total assets</b>	<b>892</b>	<b>504</b>	<b>1,001,972</b>		<b>1,003,368</b>	<b>1,003,368</b>
Of which, cash and cash equivalents			660,952			
<b>Financial liabilities</b>						
Trade payables				75,662	75,662	75,662
Forward exchange contracts	1,215	18,360			19,575	19,575
Other financial liabilities				138	138	138
<b>Total liabilities</b>	<b>1,215</b>	<b>18,360</b>		<b>75,800</b>	<b>95,375</b>	<b>95,375</b>
<b>Recognized profit (change in value)</b>		<b>-10,174</b>				

### Financial liabilities, maturity structure, Group 2014

	Currency	Nom. amount in original currency	Total SEK thousand	Within 1 month	1-3 months	3 months -1 year	1-5 years	5 years and later
<b>Trade payables</b>								
Trade payables	SEK	47,125	47,125	33,626	13,499			
Trade payables	EUR	1,378	13,108	10,078	3,030			
Trade payables	JPY	120,371	7,868	3,828	4,040			
Trade payables	USD	819	6,396	4,711	1,117	568		
Trade payables	GBP	49	596	388		208		
Trade payables	SGD	9	52	52				
Trade payables	CNY	170	214	48	80	86		
Trade payables	KRW	42,632	304	17	287			
<b>Other financial liabilities</b>								
Forward exchange contracts	SEK	20,310	20,310	11,421	5,799	2,936	154	
Other financial liabilities	JPY	2,117	138	138				
<b>Total</b>			<b>96,111</b>	<b>64,307</b>	<b>27,852</b>	<b>3,798</b>	<b>154</b>	

At year-end the balance sheet item Cash and cash equivalents consisted of bank balances. Granted unutilized bank overdraft facilities amount to SEK 37 (35) million.

**Outstanding forward exchange contracts at 31 december 2014**

The Group's holdings of forward exchange contracts at 31 December, 2014, can be broken down into the following underlying amounts and maturities. The forward contracts fall due at a time when the secured flows are expected to affect earnings. The table shows the undiscounted value of the forward exchange contracts.

	Currency	Amount, thousand	Value, TSEK	Maturity
EUR, sold	EUR	3,050	-838	Q 1-15
JPY, sold	JPY	224,800	455	Q 1-15
JPY, sold	JPY	1,008,000	600	Q 3-15
JPY, sold	JPY	84,000	151	Q 4-15
USD, sold	USD	19,238	-16,382	Q 1-15
USD, sold	USD	2,750	-1,459	Q 2-15
USD, sold	USD	10,000	-1,253	Q 3-15
USD, sold	USD	890	-224	Q 4-15
USD, sold	USD	700	-89	Q 1-16
USD, sold	USD	70	-65	Q 4-16
<b>Total</b>			<b>-19,104</b>	

**Outstanding forward exchange contracts at 31 december 2013**

	Currency	Amount, thousand	Value, TSEK	Maturity
EUR, sold	EUR	1,700	23	Q 1-14
USD, sold	USD	9,963	592	Q 1-14
USD, sold	USD	570	34	Q 2-14
USD, sold	USD	1,710	215	Q 1-15
USD, sold	USD	190	25	Q 2-15
<b>Total</b>			<b>889</b>	

<b>Financial assets and liabilities, Group 2013</b>	Derivatives, hedge accounting	Derivatives, non-hedge accounting	Loans and receivables	Other liabilities	Total carrying amount	Total fair value
Trade receivables			259,633		259,633	259,633
<b>Other receivables</b>						
Currency						
SEK			277,145		277,145	277,145
USD	137	533	27,935		28,605	28,605
JPY			38,653		38,653	38,653
EUR		11	24,898		24,909	24,909
GBP			17,253		17,253	17,253
TWD			1,258		1,258	1,258
KRW			94,783		94,783	94,783
SGD			283		283	283
CNY			5,081		5,081	5,081
<b>Total assets</b>		<b>137</b>	<b>544</b>	<b>746,922</b>	<b>747,603</b>	<b>747,603</b>
Of which, cash and cash equivalents					487,289	
<b>Financial liabilities</b>						
Trade payables				63,582	63,582	63,582
<b>Total liabilities</b>				<b>63,582</b>	<b>63,582</b>	<b>63,582</b>
<b>Recognized profit (change in value)</b>						<b>5,139</b>

**Financial liabilities, maturity structure, Group 2013**

	Currency	Nom. amount in original currency	Total SEK thousand	Within 1 month	1-3 months	3 months -1 year	1-5 years	5 years and later
<b>Trade payables</b>								
Trade payables	SEK	39,807	39,807	25,077	14,730			
Trade payables	EUR	1,585	14,170	12,289	1,881			
Trade payables	JPY	49,025	3,029	3,029				
Trade payables	USD	881	5,734	5,251	407	76		
Trade payables	GBP	7	78	58		20		
Trade payables	SGD	11	55	55				
Trade payables	CZK	1,571	512	503	9			
Trade payables	CNY	58	63	63				
Trade payables	CHF	18	134	134				
<b>Total</b>			<b>63,582</b>	<b>46,459</b>	<b>17,027</b>	<b>96</b>		

# Corporate governance

**Corporate governance in Mycronic AB aims to guide the business towards set targets and to ensure openness to the company's various stakeholders by giving them correct information. Good corporate governance is created through a clear division of roles and responsibilities between various company bodies.**

**THE ANNUAL GENERAL MEETING (AGM)** is the company's highest decision-making body. At the AGM, the shareholders exercise their voting rights in accordance with Swedish legislation and Mycronic's Articles of Association. Each share grants the holder one vote. The AGM elects the Board of Directors and auditor, adopts the income statement and balance sheet, and passes resolutions on the appropriation of profits and the discharge from liability for Board members and the CEO. The AGM also decides on the remuneration of the Board and auditor and establishes guidelines for the remuneration of senior executives.

**THE NOMINATION COMMITTEE** consists of three members representing the three largest known shareholders at the end of August and the Chairman of the Board, a total of four members.

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

The Nomination Committee prepares proposals regarding the election of the chairman of the AGM and the election and remuneration of the Board, Chairman of the Board and auditors.

The AGM decides how the Nomination Committee shall be appointed.

**THE BOARD OF DIRECTORS** has the overall responsibility for the company's organization and

management. The Board follows up on operations, ensures a suitable organization and establishes guidelines and internal control. The Board establishes the strategy and business plan and makes decisions on major investments among other things. The responsibilities of the Board are prescribed by the Swedish Companies Act and the Board's formal work plan.

Under the Articles of Association, the Board shall consist of a minimum of three and a maximum of ten members, with a maximum of two deputies. The Board consists of six members elected by the AGM and two union representatives. The AGM appoints the Chairman of the Board.

**THE AUDIT COMMITTEE** is appointed by the Board and consists of three Board members. The majority are independent in relation to the company's major shareholders. The Audit Committee reports to the Board.

The Audit Committee's task is to ensure the quality of the financial reporting. This comprises reviews of material accounting and measurement issues.

The Audit Committee is the main contact with the external auditor. The Audit Committee evaluates the audit and assists the Nomination Committee with recommendations on the nomination of auditors and their remuneration.

The Audit Committee determines which non-

audit services the company may procure from the elected auditors. Certain meetings between the Audit Committee and external auditors take place without the presence of employees.

**THE REMUNERATION COMMITTEE** is appointed by the Board and consists of three Board members. The Remuneration Committee reports to the Board.

Its task is to recommend salaries, other remuneration and terms of employment for the CEO. The committee prepares proposals for principles for remuneration and terms of employment for other executives and subsidiary presidents as well as proposals on incentive programs. The Remuneration Committee shall ensure compliance with established guidelines for remuneration of senior executives.

# 47%

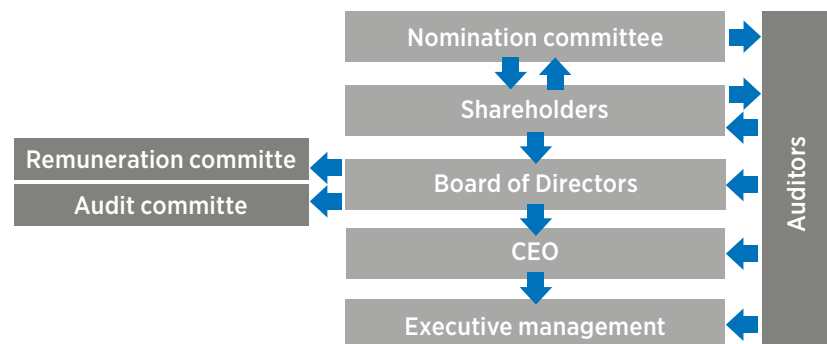
*of the Mycronic shares were represented at the AGM on 6 May, 2014.*

## ABOUT CORPORATE GOVERNANCE

Corporate governance defines the decision-making system through which the owners, directly or indirectly, control the company.

Governance, management and control are divided between the shareholders, Board, CEO and executive management. Control is exercised by the external auditors and through internally structured control activities.

More information about corporate governance and the Swedish Code of Corporate Governance is available at [www.bolagstyrning.se](http://www.bolagstyrning.se).



**MYCRONIC COMPLIES WITH** the Swedish Code of Corporate Governance (the Code). The Code is based on the "follow or explain" principle.

Corporate governance defines the decision-making system through which the owners, directly or indirectly, control the company. Governance, management and control are divided between the shareholders, Board, CEO and executive management. The internal governance processes are comprised of the vision, mission, strategy and an annual business plan. The company's values and Code of Conduct also form the basis of corporate governance.

#### EXTERNAL GOVERNANCE SYSTEMS

Corporate governance is based on Swedish legislation, mainly the Swedish Companies Act and Nasdaq's Rule Book for Issuers and other relevant rules and guidelines.

#### INTERNAL GOVERNANCE SYSTEMS

Internal governance systems that form the basis of corporate governance include the Articles of Association, the Board's formal work plan, the Board's terms of reference to the CEO and a number of policy documents and instructions updated annually.

#### APPLICATION OF THE CODE

Mycronic complies with the Code without deviation.

#### CORPORATE GOVERNANCE IN 2014

##### Annual General Meeting

At the Annual General Meeting on May 6, 2014,

47 percent of the shares were represented. The AGM was held on the company's premises. Before the AGM, the shareholders were given the opportunity to see part of the operations during a tour. The Board of Directors was present as well as the CEO, CFO and the company auditor.

The AGM addressed customary matters. Among them, all Board members were re-elected. Patrik Tigerschiöld was elected the Chairman of the Board. The public accounting firm EY was re-elected as the auditor with Heléne Siberg Wendin as auditor in charge.

The AGM passed a resolution establishing an extraordinary dividend of SEK 2.50 per share.

The AGM decided to approve the Board's proposal regarding principles for remuneration for senior executives. The principles comprise long-term incentive, LTI, to encourage executives to acquire shares in the company.

The AGM authorized the Board, until the next AGM, to decide on a new share issue and on the buy back of the company's own shares.

The AGM resolved to change the company's name to Mycronic AB (publ) and to change the business description in the Articles of Association.

#### Nomination Committee

The composition of the Nomination Committee for the 2015 AGM was announced on October 22, 2014.

The Nomination Committee's proposal for Board members will be submitted in connection with the notice for the upcoming AGM.

#### Board of Directors

The AGM elected six Board members for the period until the end of the next AGM. In addition, the unions Akademikerna and Unionen each appoint a representative with a deputy to the Board.

#### Board remuneration

The 2014 AGM resolved on a total Board fee of SEK 1,500,000 for the period until the end of the next AGM. Of the fee, SEK 500,000 pertains to remuneration of the Chairman of the Board and SEK 200,000 pertains to remuneration of each of the other Board members elected by the AGM. In addition, a remuneration of SEK 50,000 was established for the chairman of the Audit Committee.

#### Board work

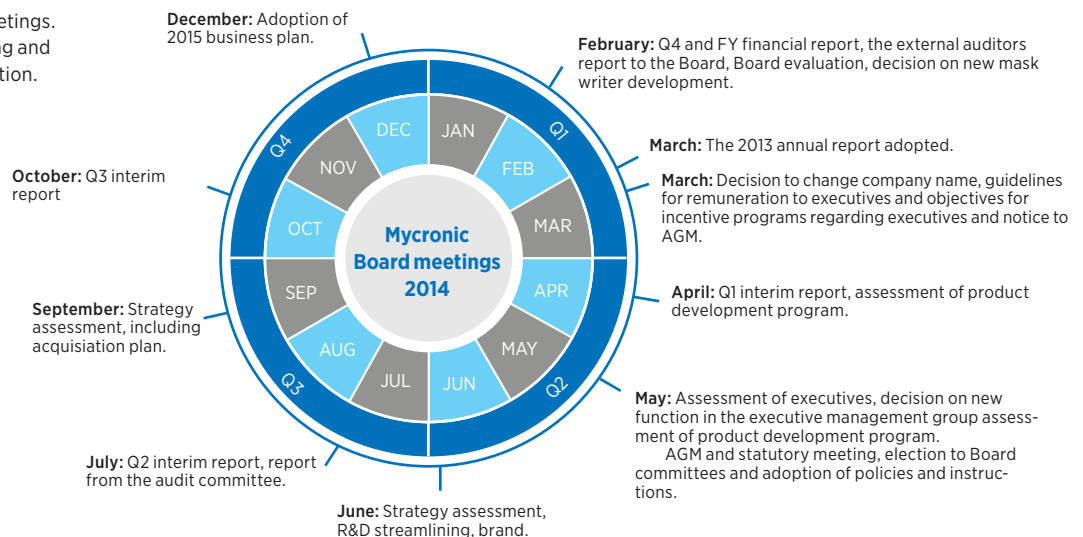
The Board of Directors' primary responsibility is to manage the Group's operations to best safeguard the interests of the owners.

The Board's work follows a written formal work plan. The formal work plan shall ensure that the Board is well informed and that all Board-related matters are brought up for discussion. The plan describes the division of responsibilities between the Board and its committees and between the Board and the CEO.

The Board decides on strategy and budget, adopts the annual report and other external financial reports, key policies and authorization instructions, appoints the CEO and evaluates the performance of the CEO, adopts rules for internal control and follows up on how internal control is

#### THE BOARDS'S WORK 2014

In 2014, the Board held 15 meetings. One was the statutory meeting and two meetings were by circulation.



#### NOMINATION COMMITTEE

Name	Representing	Holdings at 31 August, 2014, %
Henrik Blomquist	Bure Equity	38.0
Ulf Strömsten	Catella Fonder	4.7
Jan Särilvik	Nordea Fonder	4.3
Patrik Tigerschiöld	Chairman, Mycronic AB	



working, decides on major investments and agreements, appoints an Audit Committee and Remuneration Committee, and evaluates the performance of the Board. The Board will ensure that the adopted guidelines on the remuneration for senior executives are complied with and proposes guidelines for remuneration at the AGM.

The Chairman leads the Board's work. The Chairman also represents the company in owner issues. Patrik Tigerschiöld was elected the Chairman of the Board at the 2014 AGM.

The Board meetings are prepared by the Chairman, together with the CEO. Ahead of each Board meeting, Board members are provided with written material. Certain matters are prepared in the committees. Recurring items on the agenda are a review of the business situation as well as financial reporting. The minutes from these meetings are recorded by the company's CFO.

#### Evaluation of Board performance

The Board of Directors evaluates the Board work, through external evaluation or through self evaluation. The results of the evaluation are presented to the Nomination Committee before the assignment to prepare proposals on the Board for the upcoming AGM.

#### Board work in 2014

At ordinary Board meetings, the business situation and financial reporting are addressed. The Board committees present their work and put forth issues for decision.

Besides recurring agenda items, issues addressed included the establishment and continuous follow-up of strategies and business plans, decisions regarding product development and efficiency enhancement measures, decisions on the name change and brand work, and the appointment of a new function in executive management. The Board's work year is illustrated on page 57.

#### BOARD COMMITTEES

##### Audit Committee

The Audit Committee consists of three Board members. At least one of the members has auditing or accounting expertise. The Audit Committee consists of Magnus Lindquist (Chair), Katarina Bonde

and Eva Lindqvist. In 2014, the Audit Committee held five meetings. Part of the Audit Committee meetings take place without the presence of employees and without the external auditor.

##### Remuneration Committee

The Remuneration Committee consists of three Board members, currently Patrik Tigerschiöld (Chair), Anders Jonsson and Ulla-Britt Fräjdin-Hellqvist. In 2014, the Remuneration Committee held five meetings. Part of the Remuneration Committee meetings take place without the presence of employees.

##### AUDIT

The company's auditor is elected by the AGM. At the 2014 AGM, EY was re-elected as the auditor, with Authorized Public Accountant Heléne Siberg Wendin as senior auditor.

Audit of the annual report and the consolidated financial statements as well as the Board's and the CEO's management is done in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. The external auditor continuously meets the Audit Committee and meets the whole Board annually.

In 2014, the auditors conducted a review of one interim report, in addition to the audit of the annual accounts.

##### CEO AND EXECUTIVE MANAGEMENT

The executive management consists of eight people including the CEO. These are presented on page 61. As of June 1, 2014, a new function has been established responsible for Operational Excellence, which comprises a systematic follow-up of the implementation of the strategy.

The CEO leads the executive management's work and the executive management makes joint decisions. The CEO is responsible for keeping the Board informed of the company's development. Executive management holds meetings every second week. Three times a year, the management of the global organizations meet to reinforce uniform communication and governance with the Group.

##### Financial reporting

In accordance with the established communica-

tion policy, Mycronic continuously provides information on the company's development and financial position. Information is comprised of interim reports, the annual report and press releases in connection with significant events that can affect the company's valuation.

In connection with interim reports, presentations are held for financial analysts, investors and the media. Company management also meets financial analysts and investors at other external and internal events.

In November 2014, Mycronic held a capital market day for professional investors and the media. Financial reports and press releases are presented on the company website together with other information deemed to be valuable to the company's stakeholders.

Mycronic applies a period of silence of 30 days prior to the publication of interim reports. During this period, the company does not communicate with investors, analysts or the media.

##### Insiders

Members of the Board, executive management, the company's auditor and employees who are considered to have access to unpublished information are registered with the Swedish Financial Supervisory Authority as insiders. These individuals are obliged to report changes in their holdings of financial instruments in Mycronic.

In addition to this, Mycronic is obliged to maintain a logbook over individuals who have access to insider information during a limited period of time in connection with individual events. Besides insiders, this may be other individuals, employees or contractors, who have insider information without being registered as insiders.

##### INTERNAL CONTROL OF FINANCIAL REPORTING

Internal control is comprised of processes and methods to limit risks for material misstatement in the financial statements and thereby ensure the accuracy of the financial reporting.

Internal control is created and maintained by the Board, management and employees. Mycronic's internal control is comprised of the control environment, risk assessment, control activities, information and communication as well as follow-up.

#### PRESENCE AND REMUNERATION FOR BOARD MEMBERS ELECTED BY THE AGM

Name	Elected	Independent <sup>1)</sup>	Holdings	PRESENCE			REMUNERATION	
				Board	Audit committee	Remuneration committee	Board	Audit committee
Patrik Tigerschiöld, chairman	2009	no	-	14/15		5/5	500,000	
Anders Jonsson	2011	yes	63,836	15/15		3/5	200,000	
Magnus Lindquist <sup>2)</sup>	2007	yes	-	13/15	5/5		200,000	50,000
Katarina Bonde	2010	yes	2,000	15/15	5/5		200,000	
Ulla-Britt Fräjdin-Hellqvist	2012	yes	10,000	15/15		5/5	200,000	
Eva Lindqvist	2012	yes	1,500	15/15	5/5		200,000	

1) According to the Swedish Code of Corporate Governance.

2) Chairman of the remuneration committee

3) Chairman of the audit committee



*In the BIO, Business Improvement Office, Group executive management meet regularly to monitor execution of the strategy. Monitoring is done based on relevant Key Performance Indicators.*

### Control environment

A good control environment is made of a suitable organization, decision-making procedures, and powers and responsibilities, which are expressed in policies and guidelines. Shared values create consensus and strengthen internal control. Relevant targets and their follow-up are significant to achieving good internal control. Mycronic's Code of Conduct describes the approach that the employees shall have in business ethics matters and social issues.

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

Development, purchasing and production are largely based in Sweden. The accounting and controller function supports the efficiency enhancements of the operations. Responsibility for creating processes with a high degree of internal control is assigned to each department manager.

### Risk assessment

A review of risk areas from a broader perspective is done in connection with the annual strategy work. Business processes are assessed in terms of efficiency and risk. The most critical business processes and the most significant values are found in the Swedish operations.

In an assessment of the risks that affect internal control regarding financial reporting, an evaluation is done based on probability and impact. This assessment is done at the Group and company level. Risks are graded and linked to processes. Significant processes include development, purchasing, production, sales, installation and supporting processes such as financial closing

and IT. The processes for the administration of salaries and pensions are also deemed to be critical and subject to evaluation. The risk assessment also covers risks of impropriety and fraud.

### Control activities

Control activities should prevent, discover and resolve deviations. Control activities exist at all levels in the company and within all functions. Each identified risk shall be covered by controls.

Control activities may be automated by being built-in in IT systems, such as authorization structures. They may also be manual, such as double checks in disbursements and reconciliations in connection with account closing.

Recurring analyses of results supplement daily controls. The controller function, consisting of controllers for the business areas and for development and production, constitute a significant part of the control structure.

### Information and communication

The Board and the executive management have established information and communication channels to ensure complete and accurate financial reporting. Internal communication channels include quality systems and analysis tools as well as the intranet and regular meetings.

In 2014, the company developed the financial handbook, which ensures uniformity with regard to financial reporting in every part of the Group.

Mycronic has a report package that is compiled monthly and is distributed to the Board and executive management.

External communication takes place in accordance with the established communication and IR policy.

### Monitoring

Mycronic has no separate review function, internal audit. In light of the Group's size and structure, the Board has determined that monitoring of internal control will be achieved through self-assessment at present.

Self-assessment means that employees at all levels are involved, which increases the understanding of the significance of internal control. Processes are documented and assessed based on identified risks and controls. Responsibility for developing the processes lies within each unit.

The evaluation of internal control follows a plan approved annually by the Audit Committee.

The risks of material misstatement or deficiencies in financial reporting are reported to the Audit Committee.

On behalf of the Board, some of the more critical processes also undergo an external evaluation every year. In 2014, the external audit concentrated on the procedures for compensation of employees.

Personnel from the headquarters' finance and controller function regularly visit the subsidiaries, in part to monitor the earnings trend and evaluate the internal controls in the respective units. In 2014, a controller conference was held in Sweden with representatives from the finance functions of each company.

In 2014, the company's external auditor accompanied the visits to several subsidiaries to further strengthen the monitoring of financial reporting.

The Audit Committee monitors the internal control efforts and maintains continuous contact with the external auditors, which also contributes to the Board's overall view of internal control of financial reporting.

# Board of directors and auditors



From the left: Anders Jonsson, Eva Lindqvist, Magnus Lindquist, Ulla-Britt Fräjdin Hellqvist, Peter Sundström, Patrik Tigerschiöld, Tobias Böök and Katarina Bonde.

Board members elected by the AGM 2014:

**Patrik Tigerschiöld**, born 1964

Chairman since 2012.

Director since 2009.

**Education:** M.Sc. in Business and Economics.

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

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

Shareholding in Mycronic: 0

**Magnus Lindquist**, born 1963

Director since 2007.

Investment adviser at Triton Advisers AB.

**Education:** Economist.

**Other Board assignments:** Board member of Ambea AB, Ovako AB and Polygon AB.

**Previous positions:** CFO Autoliv 2001-2008, CFO Perstorp 1996-2001, CFO Stora Cell Group 1993-1996.

Shareholding in Mycronic: 0

Auditor

**Heléne Sjöberg Wendin**, born 1965

Auditor in Mycronic since 2013.

Authorized accountant, Ernst & Young AB

Other assignments: IKEA, Ovako, Papyrus, Scania

**Anders Jonsson**, born 1950

Director since 2011.

Industrial adviser at Triton Advisers Ltd.

**Education:** Master of Engineering and IFL Handelshögskolan i Stockholm.

**Other Board assignments:** Chairman of Alimak Hek Group AB and Talis GmbH. Board member of Rejlerskoncernen, Battenfield Cincinnati AG and GEA Heatexchangers AG. Vice chairman of Swedish Swiss Chamber of Commerce in Zürich.

**Previous positions:** Member of ABB's executive management Zürich, manager Robot Division ABB, manager ABB Automation Segment China 2004-2005, global management positions within ABB Zürich 1988-2004, various management positions ABB Sweden 1979-1988.

Shareholding in Mycronic: 63,836

**Katarina Bonde**, born 1958

Director since 2010.

President Kubi LLC.

**Education:** Master of Engineering.

**Other Board assignments:** Chairman of Propellerhead Software AB. Board member of Aptilo Networks AB, Avega Group AB, Image Systems AB, Microsystemation AB and Sjätte AP-fonden.

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

Shareholding in Mycronic: 2,000

**Eva Lindqvist**, born 1958

Director since 2012.

**Education:** Master of Engineering and M.Sc Business and Economics.

**Other Board assignments:** Board member of Assa Abloy, Bodycote, Caverion Oy, Sweco AB, Tieto and Tieto Oy.

**Previous positions:** CEO Xelerated Holding 2009-2011, CEO TeliaSonera International Carrier 2002-2007, Sr VP Telia Equity 2000-2002, leading positions Ericsson 1981-1999.

Shareholding in Mycronic: 1,500

**Ulla-Britt Fräjdin-Hellqvist**, born 1954

Director since 2012.

Fräjdin&Hellqvist AB.

**Education:** Master of Engineering.

**Other Board assignments:** Chairman of Kongsberg Automotive and Vindora Holding. Board member of Anna+Cie, DataRespons ASA, e-man AB, HRM Affärsutveckling, Fräjdin&Hellqvist AB and UBFH Management AB.

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

Shareholding in Mycronic: 10,000

Union representatives:

**Tobias Böök**, born 1966

Director since 2014, representing Akademikerna.

Shareholding in Mycronic: 0

**Peter Sundström**, born 1976

Director since 2012, representing Unionen.

Shareholding in Mycronic: 0



# Executive management



From the left: Silke Ernst, Charlott Samuelsson, Magnus Råberg, Lena Olving, Niklas Edling, Per Ekstedt and Robert Göthner. Johan Franzén, appointed Sr Vice President Research&Development, will start 23 March, 2015.

**Lena Olving**, born 1956  
CEO and President employed 2013.  
**Education:** Master of Engineering.  
**Board assignments:** Board member of SJ AB and Novozymes A/S (Denmark).  
**Previous positions:** Vice President and COO of Saab AB (publ), leading positions and member of executive management Volvo Personvagnar AB, CEO of Samhall Högland AB.  
Shareholding in Mycronic: 95,000

**Per Ekstedt**, born 1964  
Sr Vice President, CFO, employed 2012.  
**Education:** Bachelor of Business administration.  
**Previous positions:** CFO Selecta, CFO Group4 Securicor, CFO Siemens Business Services.  
Shareholding in Mycronic: 7,900

**Robert Göthner**, born 1959  
Sr Vice President, General Manager business area SMT, employed 2007.  
**Education:** Master of Engineering.  
**Previous positions:** Vice President Marketing within the Group, Partner Nordic Venture Partners and InnovationsKapital, executive positions IBM Corporation.  
Shareholding in Mycronic: 5,500

**Silke Ernst**, born 1967  
Sr Vice President HR, employed 2013.  
**Education:** Fil mag lingvistik and MBA.  
**Previous positions:** VP HR Business Division Asset Optimisation & Trading Vattenfall, Vice HR manager Vattenfall BG Nordic, HR manager BU Distribution Vattenfall  
Shareholding in Mycronic: 0

**Charlott Samuelsson**, born 1963  
Sr Vice President, Operational excellence and acting manager R&D, employed 1996.  
**Education:** Master of Engineering.  
**Previous positions:** Manager global aftermarket, manager system and application development, manager business development within the Group.  
Shareholding in Mycronic: 14,350

**Magnus Råberg**, born 1966  
Sr Vice President, General Manager business area PG, employed 1996.  
**Education:** Master of Engineering.  
**Previous positions:** Manager global support, manager semiconductor system sales and other positions within the Group.  
Shareholding in Mycronic: 0

**Niklas Edling**, born 1963  
Sr Vice President, Strategy and Product Management and Head of sourcing, production and quality, employed 2011.  
**Education:** Master of Engineering and MBA.  
**Previous positions:** VP Supply Chain & Manufacturing Laerdal Medical, VP Operations Hudson RCI.  
Shareholding in Mycronic: 60,000.

# Financial overview

SEK million	2014	2013	2012	2011	2010	2009	2009 <sup>1)</sup>
<b>Order intake</b>	2,028	1,053	1,280	1,214	1,388	631	854
<b>Profit and loss accounts</b>							
Net sales	1,475.0	997.0	1,353.9	1,197.6	1,287.8	828.9	1,051.9
Operating profit, EBIT	276.5	32.3	-21.4	-65.7	72.5	-145.8	-179.1
Net financial items	1.6	3.6	6.8	8.7	1.2	-2.0	-2.8
Profit/loss before tax	278.1	35.9	-14.6	-57.0	73.7	-147.8	-181.9
Tax	-11.8	-22.1	-29.4	-31.8	-36.9	3.7	12.4
<b>Profit/loss for the year</b>	<b>266.2</b>	<b>13.7</b>	<b>-44.0</b>	<b>-88.8</b>	<b>36.8</b>	<b>-144.1</b>	<b>-169.5</b>
<b>Statements of financial position</b>							
Non-current assets	286.0	281.8	283.9	409.3	402.9	472.7	
Inventories	232.7	323.9	329.2	357.5	321.2	341.0	
Other receivables	420.0	308.6	277.9	283.5	407.0	318.1	
Cash and cash equivalents	661.0	487.3	581.1	536.4	582.6	276.6	
<b>Total assets</b>	<b>1,599.8</b>	<b>1,401.5</b>	<b>1,472.1</b>	<b>1,586.7</b>	<b>1,713.8</b>	<b>1,408.4</b>	
Equity	1,207.1	1,165.4	1,168.3	1,231.7	1,314.7	1,047.2	
Interest-bearing liabilities	-	-	2.3	6.9	12.3	18.7	
Other liabilities	392.7	236.0	301.5	348.1	386.8	342.5	
<b>Total equity and liabilities</b>	<b>1,599.8</b>	<b>1,401.5</b>	<b>1,472.1</b>	<b>1,586.7</b>	<b>1,713.8</b>	<b>1,408.4</b>	
Capital employed	1,207.1	1,165.4	1,170.6	1,238.6	1,327.0	1,065.9	
Net interest-bearing debt	-661.0	-487.3	-578.8	-529.4	-570.4	-257.8	
<b>Cash flow</b>							
Cash flow from operating activities	417.6	-47.2	69.9	-15.4	120.9	81.6	
Cash flow from investing activities	-18.4	-35.8	-5.3	-30.8	-36.2	-0.5	
Cash flow from financing activities	-244.8	-2.0	-4.0	-5.7	223.7	-172.9	
The year's cash flow	154.4	-85.1	60.6	-51.9	308.4	-91.8	
<b>Key ratios</b>							
Gross margin, %	48.3	44.8	45.2	40.8	49.2	39.5	40.0
EBIT margin, %	18.7	3.2	-1.6	-5.5	5.6	-17.6	-17.0
Adjusted EBIT margin, %	18.7	3.2	7.9	-5.5	6.0	-11.1	-11.9
Profit margin, %	18.0	1.4	-3.2	-7.4	5.7	-17.8	-17.3
Equity/assets ratio, %	75.5	83.2	79.4	77.6	76.7	74.4	
Return on capital employed, %	23.5	3.1	-1.1	-4.4	6.3	-13.3	
Return on equity, %	22.4	1.2	-3.7	-7.0	3.1	-14.9	
Capital turnover, times	1.2	0.9	1.1	0.9	1.1	0.8	
<b>R&amp;D</b>							
R&D expenditure	195.9	202.7	269.4	251.4	247.0	186.7	225.8
R&D costs	197.7	183.4	290.0	289.0	318.1	251.4	303.1
R&D expenditure/net sales, %	13.3	20.3	19.9	21.0	19.2	22.5	24.5
R&D costs/net sales, %	13.4	18.4	21.4	24.1	24.7	30.3	28.8
Capitalized development costs	10.8	31.4	-	9.1	2.9	1.4	3.0
Amortization of capitalized development costs	10.3	7.5	16.0	42.1	69.5	63.8	87.8
<b>Data per share</b>							
Number of shares at year end, millions	97.9	97.9	97.9	97.9	97.9	65.3	
Average number of shares, millions	97.9	97.9	97.9	97.9	82.5	52.3	
Share price at 31 December, SEK	24.80	12.40	10.25	11.95	17.70	14.30	
Proposed dividend	0.80	-	-	-	-	-	
Extraordinary dividend <sup>2)</sup>	3.20	2.50	-	-	-	-	
Earnings per share (average number)	2.72	0.14	-0.45	-0.91	0.45	-2.76	
Equity per share (average number)	12.33	11.90	11.93	12.58	15.93	20.00	
Cash flow per share (average number)	1.58	-0.87	0.62	-0.53	3.74	-1.76	
P/E-ratio (number of shares at year end)	9	88	neg	neg	47	neg	
Price/equity ratio (number of shares at year end)	2.01	1.04	0.86	0.95	1.32	0.89	

1) The pro forma figures are presented in order to illustrate how an acquisition at 1 January, 2008 would have affected the Group's profit and financial position. Pro forma figures are presented when relevant. 2) Proposed extraordinary dividend of SEK 3.20 to the 2015 AGM.

For key figures definition see page 64.



# Auditor's report

To the annual meeting of the shareholders of Mycronic AB (publ), corporate identity number 556351-2374

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Mycronic AB for the year 2014, except for the corporate governance statement on pages 56-61. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 28-55.

### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### Opinions

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 2014 and of its financial performance and its cash flows 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover

the corporate governance statement on pages 56-61. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Mycronic AB for the year 2014. We have also conducted a statutory examination of the corporate governance statement.

### 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. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 56-61 has been prepared in accordance with the Annual Accounts Act.

### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory 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.

### Opinions

We recommend to the annual 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.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm 13 March, 2015  
Ernst & Young AB

**Heléne Siberg Wendin**  
Authorized Public Accountant

# Financial definitions

## ADJUSTED OPERATING MARGIN

Operating profit adjusted for non-recurring costs as a percentage of net sales.

## CAPITAL EMPLOYED

Total assets reduced by non-interest bearing liabilities and deferred tax.

## CAPITAL TURNOVER RATE

Net sales divided by average capital employed.

## CASH FLOW AFTER INVESTING ACTIVITIES BEFORE FINANCING

Cash flow from operations including changes in working capital less investments.

## CASH FLOW FROM INVESTING ACTIVITIES

Net capital investments in building, machinery and equipment, capitalized development and financial non-current assets.

## CASH FLOW FROM OPERATIONS

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

## CASH FLOW PER SHARE

Cash flow for the year divided by the average number of shares.

## EARNINGS PER SHARE

Net profit divided by the average number of shares.

## EQUITY PER SHARE

Equity divided by the average number of shares.

## EQUITY/TOTAL ASSETS

Equity as a percentage of total assets.

## GROSS MARGIN

Gross profit as a percentage of net sales.

## NET DEBT

Interest-bearing liabilities less cash and cash equivalents.

## OPERATING MARGIN (EBIT MARGIN)

Operating profit as a percentage of net sales.

## P/E RATIO PER SHARE

Share price at 31 December divided by earnings per share.

## PROFIT MARGIN

Net profit as a percentage of net sales.

## R&D EXPENDITURE

Expenditure for R&D activities that has an effect on cash flow.

## R&D COSTS

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

## RETURN ON CAPITAL EMPLOYED

Operating profit including financial income as a percentage of average capital employed.

## RETURN ON EQUITY

Net profit as a percentage of average equity.

# Shareholder information

## FINANCIAL REPORTING 2015

Interim report January – March, 23 April.

Interim report January – June, 14 July.

Interim report January – September, 21 October.

## FINANCIAL INFORMATION

The annual report is available on the company website [www.micronic-mydata.com](http://www.micronic-mydata.com) on 13 April, 2015, at the latest.

Financial reports and press releases are published on the website.

It is also possible to subscribe for press releases and financial reports through the website.

## DISTRIBUTION OF THE ANNUAL REPORT

Due to environmental and cost considerations, the annual report is only distributed to those who request it.

## ANNUAL GENERAL MEETING (AGM)

The AGM will be held on Tuesday 5 May, 2015 at 5 p.m. at headquarters in Täby.

## RIGHT TO PARTICIPATE AT AGM

Shareholders who wish to participate at the AGM must be registered in the share register held by Euroclear Sweden AB as of 28 April, 2015, and advice the company of their intention to participate at the AGM latest 30 April, 2015.

## REGISTRATION

Registration can be done by mail to:

Mycronic AB (publ), Box 3141, S-183 03 Täby, Sweden

Registration can also be done by phone: +46 8 638 35 32

or by e-mail: [bolagsstamma@mycronic.com](mailto:bolagsstamma@mycronic.com). The registration should include the name, address, telephone number, personal or corporate identification number and registered shareholding.

## NOMINEE SHARES

To be entitled to participate in the AGM, shareholders whose shares are held in the name of a nominee must request that the bank or broker handling the shares temporarily re-register the shares in their own name with Euroclear Sweden AB. This must be done well in advance of 28 April, 2015, which is when the registration must be finalized.

# Press releases in 2014

## March 2014

Launch of the most advanced mask writer, Prexision-80.

Order for a Sigma7700 mask writer.

## April 2014

Notice for AGM.

Information on name change to Mycronic AB.

Order for a FPS mask writer.

Information on publication of the annual report for 2013.

Order for a FPS mask writer.

Financial report on Q1, 2014.

## May 2014

Launch of MY600 for solder paste application.

Information from AGM.

## June 2014

Information that the new name of the Parent Company was registered.

## July 2014

Information that the name change of the subsidiary MYDATA automation was registered.

Financial report on Q1, 2014.

Information on record date for payment of extraordinary dividend.

## August 2014

Order for an Omega mask writer.

Order for an advanced mask writer for display applications.

Order for an FPS mask writer.

## September 2014

Order for the newly developed mask writer Prexision-80.

## October 2014

Information on Nomination Committee to AGM 2015.

Financial report on Q3, 2014.

## December 2014

Adjustment upwards of outlook on full year sales 2014.

Order for a mask writer Prexision-80.

# Press releases up until February 2015

## February 2015

Financial report on Q4 and Full year, 2014.

Order for two FPS mask writers.

Introduction of new functionality for next-generation material handling and large board jet printing.

The first order received for a mask writer based on Mycronic's replacement strategy.



# The Mycronic product offering

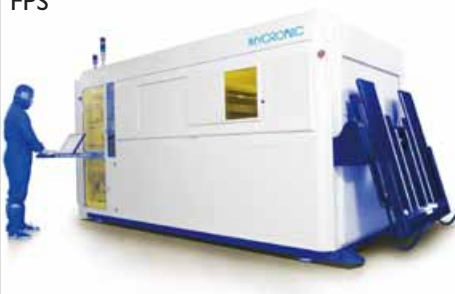
## Prexision series



*The Prexision-80 mask writer for manufacturing of complex photomasks for display manufacturing, was launched in March 2014.*

*This newly developed mask writer offers improvements in image quality and makes manufacturing of tomorrow's display products possible.*

## FPS



*Mycronic's FPS is a mask writer for multi purpose applications.*

*The multi purpose market is a broad segment with many application areas. Some of these applications include LED, touch screens, and electronic packaging.*

## MY200



*The MY200 series comprises a number of machine models for mounting components on circuit boards.*

*Through a unique construction with a high degree of automation, efficient and flexible electronics production with the market's shortest changeover times is possible.*

## MY600



*In May 2014, the MY600 for stencil-free application of solder paste on PCBs was launched. The machine is based on the unique jet printing technology developed by Mycronic.*

*The technology is utilized within all parts of the electronics industry for handling complex PCBs and mixed technology boards.*

## SMD Tower



*Mycronic's SMD Tower is an automated storage tower for components.*

# Glossary

## AMOLED

AMOLED (Active-Matrix, Organic Light-Emitting Diode). In an AMOLED display each pixel is its own light source, which enables thinner and more power saving display manufacturing.

## Direct writer LDI

Exposure equipment intended for writing directly on a component that is itself ultimately incorporated into an electronics product.

## Dispensing

Dispensing technology in the manufacturing of electronics is used to apply dots or strings of glue or solder paste on circuit boards.

## Electronic packaging

The manufacturing step that packages a semiconductor chip so that it is protected and can be connected to other electronics components in electronic equipment.

## EMEA

A geographical term that comprises Europe, the Middle East and Africa.

## Jet Printing

A technology to apply solder paste on the PCB (printed circuit board) without touching it.

## Internet of things

A term for where machines, vehicles, goods, household appliances and clothing are equipped with small built-in sensors for communication.

## LCD

LCD (Liquid Crystal Display), the dominating technology for the manufacturing of flat panel displays. LCD is based on liquid crystal material. There are two main types of LCD: passive (PM-LCD or TN/STN LCD) and active (TFT-LCD).

## LED

Light Emitting Diodes, so called LEDs are used as light source in the thinnest TFT-LCD panels.

## Lithography

A technique to transfer a design (pattern) from a template to a solid material.

## Mask writer

Exposure equipment used for the manufacture of photomasks.

## Multi purpose

A broad market segment for many application areas. Some of them are electronic packaging and touch screen applications.

## Pattern generator

Pattern generator is a collective term for mask writers and direct writers.

## Nanometer, nm

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

## Pick and Place

Term for automated machines that pick and place electronic components on a PCB (printed circuit board).

## PPI

Pixels per inch. A unit for pixel density per inch in a display, in for example computers, tablets and smartphones.

## Photomask

A photomask can be described as a photo negative. The image on the negative is written with a pattern generator from Mycronic and transferred to the end product through 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 film of photoresist, a light sensitive material that can be developed and washed away once it has exposed. After writing, the photoresist is developed and the pattern is transferred to the chrome layer by etching.

## Semiconductor

An electronic component containing more than one circuit element on the same silicon chip, such as memories, processors and amplifiers.

## Solder paste

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

## SMT (Surface Mount Technology)

The dominating technology for the production of electronics. The components are mounted directly on the PCB surface instead of being hole mounted.

## TFT-LCD

A TFT-LCD is an active LCD panel providing better image quality and faster response than a passive LCD panel. It is the standard technology for flat panel computer monitors, laptops and LCD-TVs. TFT-LCD is also common in mobile phones. The active LCD panels have a Thin Film Transistor (TFT) in each pixel.

## UHD

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



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