

Mycronic AB (publ), interim report January-September 2016

Nine months of strong order intake - execution of strategy for growth

Mycronic demonstrated a strong financial performance during the first nine months of the year. Order intake and net sales increased 44 and 9 percent respectively. The operating margin reached 22 percent. Demand for the Group's products is favorable, thanks to product launches which broadened the Group's addressable market. Mycronic also has major focus on investments for future growth, both through initiatives in product development and through acquisitions.

Third quarter July-September 2016

- Order intake was SEK 367 (559) million
- Net sales were SEK 497 (605) million
- EBIT was SEK 148 (262) million
- Earnings per share was SEK 1.17 (2.33)

Period January-September 2016

- Order intake reached SEK 1,936 (1,341) million
- Net sales reached SEK 1,303 (1,194) million
- EBIT was SEK 286 (289) million
- Earnings per share was SEK 2.25 (2.52)

Outlook

The Board's assessment remains, that net sales in 2016 will be at the level of SEK 1,900 million, excluding effects from acquisitions.

CEO comments

The first nine months demonstrated good demand for Mycronic's production solutions. Order intake increased 44 percent compared with the same period 2015 and net sales increased 9 percent. We are making significant investments in product development to maintain our competitive edge. And we report an EBIT of SEK 286 million, or a margin of 22 percent, for the first nine months. The order backlog reached SEK 1,699 million.

The global market for SMT equipment experienced a negative trend in 2015, while Mycronic maintained volumes and margins. In 2016, the slowdown has affected business area SMT, primarily during the first half year. The trend in the third quarter was positive with an increase in the order intake and net sales compared with the third quarter 2015.

Mycronic has received orders for nine mask writers thus far in 2016. The newly launched the Prexision-800, which ensures effective production of the most complex photo-masks for the smart 4K phones and advanced AMOLED displays of the future. The replacement offering provides customers with a solution to secure long-term high productivity in photomask manufacturing.

Investments in product development within SMT equipment continue, in line with the strategy. We have launched new products and in this way broadened our product offering, which creates opportunities for growth. The introduction of an updated MY600 for dispensing of several different mounting fluids targets new segments on the SMT market, both from geographic and product perspectives. The introduction has been well received on the market.

To achieve long-term, sustainable growth Mycronic's strategy includes M&As. During 2016, we acquired the German company RoyoTech, which developed the strategic storage solutions that are an integrated part of Mycronic's offering for the smart factory. In August, an agreement was signed on the acquisition of Axxon, a leading actor on the dispensing market in China. The acquisition is strategically important as Axxon's technology and market position complement our own position, which make us a leading global actor.

Mycronic is continuing to execute the growth strategy at a high pace, while at the same time delivering good results.

Lena Olving, *CEO and President*

Financial performance, Group

Summary SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
Order intake	367.5	558.6	1,936.4	1,340.9	2,774.3	2,178.8
Order backlog	1,698.9	849.3	1,698.9	849.3	1,698.9	1,065.9
Net sales	496.8	604.9	1,303.4	1,193.7	1,924.7	1,815.0
Gross profit	295.5	392.8	745.1	671.0	1,149.7	1,075.6
Gross margin	59%	65%	57%	56%	60%	59%
EBIT	148.4	261.9	285.8	288.8	537.3	540.3
EBIT margin	30%	43%	22%	24%	28%	30%
Earnings per share, SEK	1.17	2.33	2.25	2.52	4.24	4.52
Cash flow	81.2	243.4	-122.1	33.0	77.4	232.6

Third quarter July-September 2016

The order intake comprised one mask writer, SMT equipment, and aftermarket. During the third quarter last year, orders for three mask writers were received.

Net sales included delivery of two (two) mask writers and positive currency effects of SEK 21 (42) million. Recalculated to the same exchange rates which prevailed during the corresponding period last year, sales reached SEK 476 million.

Gross profit corresponded to a gross margin of 59 (65) percent. The difference compared to last year is due primarily to the type of mask writers delivered.

The operating margin for the third quarter was 30 (43) percent. The difference is explained by the type of mask writers delivered and to higher operating expenses.

Consolidated development expenses were SEK 6 million higher and related primarily to continuing investments within product development for business area SMT.

Sales and administration expenses increased by SEK 18 million, which was primarily due to M&A activities and additional expansion of the sales organization.

The positive results are reflected in a positive cash flow of SEK 81 million. At the same time, cash flow is charged with increased working capital.

Interim period January-September 2016

The order intake comprised nine mask writers, SMT equipment, and aftermarket. For the same period 2015, orders for seven mask writers were received. The order backlog of SEK 1,699 million comprises two mask writers for delivery in 2016 and eleven mask writers for later delivery.

Net sales included delivery of five (two) mask writers and positive currency effects of SEK 25 (128) million, mainly attributable to the Japanese yen. Recalculated to the same exchange rates which prevailed during the corresponding period last year, sales reached SEK 1,278 million.

Gross profit corresponded to a gross margin of 57 (56) percent. This improvement over the previous year is primarily due to delivery of five mask writers.

The EBIT margin for the first nine months was 22 (24) percent. Sales of mask writers were higher compared to last year. At the same time, operating expenses were SEK 80 million higher. Development expenses were SEK 50 million higher due to increased investments within product development for business area SMT. Sales and administration expenses increased by SEK 30 million, due to an increase in marketing activities, M&A activities, and additional expansion of the sales organization, geographically and product wise.

Cash flow and financial position

Consolidated cash and cash equivalents at the end of September were SEK 786 (700) million. Cash flow for the first nine months was SEK -122 (33) million. During the second quarter, dividends totalling SEK 392 million were paid out.

The operating cash flow was SEK 324 (445) million. This is attributable to the positive earnings as well as a reduction in working capital. Inventories, trade receivables and advance customer payments increased through an increase in the order backlog.

Investing activities claimed SEK 54 (20) million, of which SEK 8 (3) million related to capitalized development within SMT. During the first quarter, the German companies RoyoTech and Kognitec were acquired, which claimed SEK 49 million.

Equity

Consolidated equity at the end of the period was SEK 1,112 million, compared with SEK 1,268 million at the end of 2015. The number of outstanding shares was 97,916,509. Earnings per share were SEK 2.25 (2.52).

Business area SMT

SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
Order intake and net sales						
Order intake	219.0	202.3	570.5	627.1	772.8	829.4
Order backlog	65.4	69.9	65.4	69.9	65.4	51.8
Net sales from external customers	210.6	207.3	556.9	623.1	777.3	843.6
Results						
Gross profit	98.2	99.0	251.3	287.4	347.5	383.7
Gross margin	47%	48%	45%	46%	45%	45%
EBIT	-11.4	2.5	-85.8	1.9	-104.1	-16.4
EBIT margin	-5%	1%	-15%	0%	-13%	-2%
Development costs	-62.0	-53.1	-200.1	-155.7	-269.2	-224.8

Financial performance January-September 2016

Order intake and net sales for SMT equipment decreased during the first nine months of the year by 9 and 11 percent respectively compared with last year. Mycronic has, with some delay, been affected by the slowdown in demand on the global market for SMT equipment in 2015 when the market declined by 19 percent. During the first half of 2016, the global market fell an additional 7 percent. During the third quarter, Mycronic's order intake and net sales experienced a positive trend compared with third quarter 2015, which can be attributed to favorable growth within jet printing.

Sales were negatively impacted by currency effects in the amount of SEK -2 (78) million. Recalculated to the same exchange rates which prevailed during the corresponding period in 2015, sales reached SEK 559 million.

Gross profit corresponded to a gross margin of 45 (46) percent, which is in line with last year despite the impact of lower volumes.

EBIT corresponded to an operating margin of -15 (0) percent. EBIT was affected by lower sales volumes and increased investments in product development, in line with the strategy. Development expenditures were SEK 48 million higher than during the same period last year and related to investments in growth within SMT. Development was capitalized in the amount of SEK 8 (3) million, while amortization of previously capitalized development amounted to SEK 9 (9) million.

Sales and administration expenses increased, due to an increase in marketing activities, M&A activities, and additional expansion of the sales organization.

Mycronic in the SMT market

The global electronics industry in 2015 was almost flat, valued at USD 1,865 billion. The semiconductor industry, which is part of the electronics industry experienced a weak decline of 0.3 percent. The global market for SMT equipment declined by 19 percent in 2015 to USD 1.9 billion, primarily due to weaker demand on the markets in Asia. (PROTEC MDC, January 2016).

The beginning of 2016 indicates continuing weakness for the electronics industry, where the full year assessment is for a drop of 0.6 percent. Areas where positive growth is expected include electronics for servers and data storage, consumer electronics such as TVs and automotive electronics, areas where Mycronic's customers are active. During the first half of 2016, the semiconductor industry experienced a decline of 6 percent compared with the same period last year. The prognosis for the second half year has been adjusted downward from expected growth of 1 percent to a decline of 3.5 percent for whole-year 2016.

During the first half of 2016, the global market for SMT equipment experienced a negative trend, declining 7 percent compared with the same period in 2015. During the first half-year, the markets in North and South America, China and Japan demonstrated a negative trend while markets in Europe and the rest of Asia experienced a positive trend compared with last year. (PROTEC MDC, July 2016).

The introduction of Mycronic's updated MY600 platform, with increased functionality for dispensing a broad spectrum of mounting fluids, has continued globally. The reception has been positive, which creates opportunities on several markets which are new to the company, including new applications within consumer electronics.

The indicators on the electronics and semiconductor markets, and an uncertain global economy, point towards relatively weak trend in 2016. Mycronic's assessment is that demand for SMT equipment, affected by these factors, is still difficult to assess.

Business area PG

SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
Order intake and net sales						
Order intake	148.4	356.3	1,365.9	713.8	2,001.5	1,349.4
Order backlog	1,633.5	779.4	1,633.5	779.4	1,633.5	1,014.0
Net sales from external customers	286.2	397.6	746.5	570.5	1,147.3	971.4
Results						
Gross profit	197.3	293.8	493.7	383.5	802.2	691.9
Gross margin	69%	74%	66%	67%	70%	71%
EBIT	160.8	259.9	373.6	288.4	643.8	558.6
EBIT margin	56%	65%	50%	51%	56%	58%
Development costs	-5.7	-8.7	-36.7	-30.8	-47.8	-41.9

Financial performance January-September 2016

The order intake comprised nine (seven) mask writers and aftermarket. The order backlog, amounting to SEK 1,634 million, comprised 13 mask writers in total, of which two systems are for delivery in 2016.

During the first nine months 2016, five mask writers were delivered, of which three display systems. During the same period in 2015, two systems were delivered, one of which was an advanced mask writer. Net sales were impacted positively by currency effects in the amount of SEK 28 (50) million, which related primarily to the Japanese yen. Recalculated to the same exchange rates that prevailed during the same period last year, sales were SEK 719 million.

The gross margin of 66 (67) percent is in line with last year. Aftermarket business remained stable and during the third quarter also included several major upgrades.

The EBIT margin of 50 (51) percent was affected by the type mask writers delivered. Development expenditures amounted to SEK 37 (31) million and included development of the next generation of mask writers for the most complex photomasks.

Mycronic in the display market

The assessment for the total display market is a decline of 12 percent in 2016 to USD 100 billion. This is a significantly greater decline than the initial assessment of -6 percent. Some reasons behind the weak trend and downward adjustment are lower prices for TV and mobile displays, as well as weak demand for LCD monitors and tablets. At the same time, the market remains positive for several of the more advanced segments, such as AMOLED displays and high resolution displays. The number of displays produced in 2016 is estimated to decrease from approximately 3.7 billion to approximately 3.6 billion units. (IHS, July 2016)¹.

The display photomask market shows a positive trend. Approximately 17,000 photomasks valued at USD 610 million were sold in 2015. During 2016-2019, the number of photomasks for display manufacturing is expected to show annual growth of 3 percent. Sales are expected to grow 5 percent annually to approximately USD 750 million in 2019 (IHS, April 2016). Several factors affect the photomask market positively. High resolution displays and the trend toward AMOLED is driving technology development and hence demand for complex photomasks. Additional factors for increased demand for photomasks are the growing number of different types of displays and that several new factories for display production have been taken into operation, primarily in China.

The degree of utilization on Mycronic's mask writers remains high but is currently at a somewhat lower level than the very high degree of utilization during the second quarter. At that time, an earthquake hit Japan in an area where photomask production for displays takes place, which led to reduction in the total manufacturing capacity for some time. Also, the transition towards AMOLED is temporarily affecting the degree of utilization. As fabs are adopting from LCD to AMOLED, productivity temporarily decrease.

Good demand for photomasks, in combination with the trend towards more complex photomasks, is driving demand for Prexision capacity. High resolution mobile displays and AMOLED technology is driving demand for capacity from the Prexision-80 (P-80). Producing the really high resolution displays of the future will require a new generation of mask writers. During the second quarter, Mycronic launched the Prexision-800, which offers higher optical resolution and writes approximately 25 percent smaller structures compared with the P-80.

¹ In 2016, IHS revised its definition of the display market. The value of background lighting used in LCD displays, USD 13 billion, is no longer included in the value of the market. Comparative figures are recalculated.

Other

Parent company

Mycronic AB is the Group's parent company. Product development and sales of mask writers are conducted through the parent company. In June, 2016 Mycronic Technologies AB merged into the parent company. All Swedish employees are now employed in the parent company and all operations in Sweden are conducted in the parent company. See note 7.

The parent company's net sales during the first nine months were SEK 1,182 (599) million and comprise sales of five mask writers. Net sales comprise the sales from Mycronic Technologies AB from 1 January until the merger in June.

EBIT was SEK 277 (297) million. Research and development expenditures are expensed as they occur.

In order to better adapt the property in Täby to future requirements, the company purchased the property from the owner, and sold it immediately to a new owner. The transaction, which took place on 30 June, 2016, resulted in a gain of SEK 3.3 million after transaction costs, which was reported as other operating income. The new lease is for ten years.

Cash and cash equivalents at the end of the third quarter were SEK 662 million, compared to SEK 759 million at the end of 2015.

Nomination committee

The composition of the nomination committee for the 2017 AGM is:

Henrik Blomquist, Bure

Thomas Ehlin, Fjärde AP-fonden

Joachim Spetz, Swedbank Robur Fonder

Patrik Tigerschiöld, chairman of the board

The nomination committee represents 40 percent of shares and votes.

The nomination committee is tasked with putting forth proposals for board members and board chairman, and for remuneration of board members and auditor.

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

Acquisitions

On 1 August, 2016, Mycronic published the agreement to acquire 75 percent of Shenzhen Axxon Automation Co., Ltd (Axxon). On 8 October, Mycronic was registered as owner in the Chinese Companies Register Office.

Mycronic will get controlling interests in Axxon when payment of the purchase price is done. From that date, Axxon will be consolidated into the Mycronic Group. This is expected to take place in October. See note 3.

Financial information

Mycronic AB (publ) is listed on NASDAQ Stockholm, Mid Cap, MYCR. The information in this report is published in accordance with the EU Market Abuse Regulation and the Swedish Securities Act. The information was submitted for publication, through the contact persons stated below, on 20 October, 2016, at 8 am.

Financial reports and press releases are published in Swedish and English and are available on the website www.mycronic.com.

Mycronic publish market updates on the website when new external market statistics are available. The latest update was published on 10 October, 2016.

Financial calendar

Full year report 2016	10 February, 2017
Interim report January-March 2017	20 April, 2017
Annual general meeting 2017	4 May, 2017
Interim report January-June 2017	13 July, 2017

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Täby, 19 October, 2016

Lena Olving

President and CEO



*Mycronics vision**

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

*Mycronics mission**

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

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

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

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

Mycronic's long-term financial objectives

Growth

Consolidated net sales will reach SEK 2 billion at the end of the period covered by the business plan.

Profitability

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

Capital structure

Net debt will be less than 3 times the average EBITDA (earnings before depreciation, amortization, interest and tax).

Mycronic's dividend policy

The objective of the company is to provide both good returns and value growth. Between 30 and 50 percent of net profit will be distributed to the shareholders, provided the company has a net debt lower than 3 times EBITDA after stipulated dividend. On each occasion the financial position, profitability trend, growth potential and future investment requirements of the company shall be taken into account.

About Mycronic

Mycronic AB is a high-tech Swedish company engaged in developing, manufacturing and marketing of production solutions to the electronics industry. Mycronic headquarters are located in Täby, north of Stockholm and the Group has subsidiaries in China, France, Germany, Japan, Singapore, South Korea, Taiwan, the Netherlands, United Kingdom and the US. For more information, see the company website www.mycronic.com.

Mycronic AB (publ) is listed on NASDAQ Stockholm, Mid Cap: MYCR.

This interim report is a translation of the Swedish version. In the event of any differences between this translation and the Swedish original version, the Swedish version shall have precedence.

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Consolidated profit and loss accounts, SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
Net sales, note 4	496.8	604.9	1,303.4	1,193.7	1,924.6	1,815.0
Cost of goods sold	-201.3	-212.1	-558.3	-522.7	-774.9	-739.4
Gross profit	295.5	392.8	745.1	671.0	1,149.7	1,075.6
Research and development expenses, note 5	-67.7	-61.8	-236.7	-186.5	-317.0	-266.7
Selling expenses	-53.4	-44.5	-153.5	-137.6	-195.9	-180.0
Administrative expenses	-31.7	-22.1	-79.6	-66.0	-104.8	-91.1
Other income and expenses	5.7	-2.4	10.7	8.0	5.2	2.6
EBIT	148.4	261.9	285.8	288.8	537.3	540.3
Financial income and expenses	-0.8	0.0	-0.8	0.1	-0.8	0.2
Profit/loss before tax	147.6	261.9	285.0	289.0	536.5	540.5
Tax	-32.9	-34.0	-64.6	-41.8	-120.8	-98.0
Net profit/loss	114.8	227.9	220.4	247.2	415.7	442.5
Earnings/share, SEK	1.17	2.33	2.25	2.52	4.24	4.52
Average number of shares, thousand	97,917	97,917	97,917	97,917	97,917	97,917

Consolidated comprehensive income, SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
Net profit/loss	114.8	227.9	220.4	247.2	415.7	442.5
Other comprehensive income						
<i>Items not to be reclassified to profit/loss, after tax</i>						
Actuarial loss from defined benefits to employees	-	-	-	-	-5.2	-5.2
<i>Items to be reclassified to profit/loss, after tax</i>						
Translation differences at translating foreign entities	8.8	5.5	26.4	17.2	25.0	15.7
Changes in cash flow hedges	1.7	-2.5	-11.7	-5.1	-6.8	-0.1
Total comprehensive income	125.3	230.9	235.1	259.3	428.7	452.8

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

Consolidated cash flow statements, SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
Cash flow from operations before changes in working capital	98.9	269.2	242.9	288.9	504.5	550.5
Changes in working capital	-20.8	-19.5	80.7	155.9	35.7	110.9
Cash flow from operations	78.1	249.7	323.6	444.8	540.2	661.4
Cash flow from investing activities	3.1	-6.2	-54.0	-20.1	-71.1	-37.2
Cash flow from financing activities	0.0	0.0	-391.7	-391.7	-391.7	-391.7
Cash flow	81.2	243.4	-122.1	33.0	77.4	232.6
Cash and cash equivalents, opening balance	700.7	455.0	897.7	661.0	699.9	661.0
Exchange differences	4.3	1.5	10.6	5.9	8.9	4.2
Cash and cash equivalents, closing balance	786.3	699.9	786.3	699.9	786.3	897.7

Consolidated statements of financial position,

SEK million	30 Sep 16	30 Sep 15	31 Dec 15
ASSETS			
Fixed assets			
Intangible assets	185.4	121.5	122.9
Tangible assets	41.9	32.2	38.1
Long-term receivables	24.4	38.6	40.1
Deferred tax assets	54.4	75.3	40.9
Total fixed assets	306.0	267.5	242.0
Current assets			
Inventories	375.3	266.9	275.9
Trade receivables	443.5	266.1	271.1
Other current receivables	91.0	58.2	55.4
Cash and cash equivalents	786.3	699.9	897.7
Total current assets	1,696.1	1,291.0	1,500.2
Total assets	2,002.1	1,558.5	1,742.2
EQUITY AND LIABILITIES			
Equity	1,111.6	1,074.7	1,268.2
Liabilities			
Other long-term liabilities	45.7	11.9	21.0
Deferred tax liabilities	14.9	4.7	15.3
Total long-term liabilities	60.6	16.6	36.3
Trade payables	98.6	90.6	90.9
Other current liabilities	731.3	376.7	346.8
Total current liabilities	829.9	467.2	437.7
Total liabilities	890.5	483.8	474.0
Total equity and liabilities	2,002.1	1,558.5	1,742.2

Consolidated statements of changes in equity, SEK million

	Jan-Sep 16	Jan-Sep 15	Jan-Dec 15
Opening balance	1,268.2	1,207.1	1,207.1
Dividend	-391.7	-391.7	-391.7
Total comprehensive income	235.1	259.3	452.8
Closing balance	1,111.6	1,074.7	1,268.2

Profit and loss accounts, Parent Company in summary, SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Jan-Dec 15
Net sales	454.4	409.3	1,181.6	598.7	1,003.7
Cost of goods sold	-190.4	-115.2	-526.5	-219.7	-339.8
Gross profit	264.0	294.0	655.1	379.0	663.9
Other operating expenses	-121.0	-26.3	-377.7	-82.1	-111.7
EBIT	143.0	267.7	277.3	296.9	552.2
Result from financial investments	-0.8	0.1	-0.8	0.2	0.2
Profit/loss after financial items	142.2	267.8	276.6	297.1	552.4
Appropriations	-	-	-	-	-114.0
Result before tax	142.2	267.8	276.6	297.1	438.4
Tax	-31.3	-42.3	-60.8	-42.2	-71.6
Net profit/loss	110.9	225.5	215.8	254.9	366.8
Total comprehensive income	110.9	225.8	215.8	255.5	367.3

Balance sheets, Parent Company in summary, SEK million	30 Sep 16	30 Sep 15	31 Dec 15
ASSETS			
Fixed assets			
Intangible and tangible assets	26.0	25.5	30.5
Financial assets	186.9	413.9	392.7
Total fixed assets	212.9	439.4	423.2
Current receivables			
Inventories	287.2	27.0	13.2
Other current receivables	429.1	211.1	154.9
Cash and cash equivalents	662.2	543.1	759.0
Total current receivables	1,378.5	781.3	927.1
TOTAL ASSETS	1,591.4	1,220.7	1,350.3
EQUITY AND LIABILITIES			
Equity	841.2	939.8	1,051.7
Untaxed reserves	25.0	-	25.0
Other non-current liabilities	0.2	0.2	0.2
Total current liabilities	725.0	280.7	273.6
TOTAL EQUITY AND LIABILITIES	1,591.4	1,220.7	1,350.3

In June, 2016 Mycronic merged Mycronic Technologies AB (corp id number 556238-6739) into the Parent Company through absorption of wholly owned subsidiary.

The profit and loss accounts of Mycronic Technologies AB from 1 January, 2016 until the merger is included in the profit and loss accounts of the Parent Company for the second quarter.

At the merger the Parent Company took over all assets and liabilities in Mycronic Technologies AB. See note 7.

Note 1 - Accounting policies

This interim report for the Group has been prepared in accordance with IAS 34, Interim Financial Reporting, and applicable parts of the Annual Accounts Act. The report for the parent company has been prepared in accordance with Chapter 9 of the Annual Accounts Act.

For the Group and the parent company, the same accounting principles, estimates and assumptions have been used in this report as were used in the most recent annual report.

The character of financial assets and liabilities are essentially the same as they were on 31 December, 2015. As was the case at the end of 2015, reported values are the same as fair values.

Note 2 – Risks and uncertainties

There are a number of risks and uncertainty factors of an operational and financial character to which the group is exposed. These are described in the 2015 annual report. No new major risks have occurred since publication of the 2015 annual report.

Those risks which are most prominent in the short term relate to the results of efforts within development and launches within new product areas.

Note 3 – Events after end of interim period

On 1 August, 2016, Mycronic published the agreement to acquire 75 percent of Shenzhen Axxon Automation Co., Ltd (Axxon). In the end of September, 2016, Mycronic received regulatory approvals regarding the acquisition from Chinese authorities. On 8 October, Mycronic was registered in the Chinese Companies Register Office as owner of 75 percent of the shares in Axxon.

Mycronic will get controlling interests in Axxon when payment of the purchase price is done. From that date, Axxon will be consolidated into the Mycronic Group. This is expected to take place in October. Establishing an acquisition analysis is underway.

The purchase price for 75 percent of the shares amounts to RMB 343 million, corresponding to approximately SEK 445 million (including currency effect from 1 August 2016), as well as a possible earn-out of RMB 33 million, corresponding to approximately SEK 40 million. The earn-out will depend on financial results for 2016. The acquisition is financed through the Company's own cash.

Mycronic has also entered into an agreement to acquire the remaining shares in Axxon in two steps. Mycronic has an optional right to acquire 20 percent in three years, while the seller has an option to sell these at the same point in time. Mycronic intends to exercise this option. The purchase price will be valued on the basis of such parameters as growth and earnings. The price will be in the range of RMB 80-180 million. Furthermore, negotiations are underway for acquisition of the remaining 5 percent with finalization expected within six months.

Axxon develops, manufactures and sells dispensing equipment for the electronics industry and has quickly established itself as a leading actor on the SMT market in China. China accounts for approximately 40 percent of the global dispensing market, the total value of which has been assessed at several hundred million USD. The company is headquartered in Shenzhen in China and has approximately 240 employees.

Axxon, founded in 2008, has in just a short time achieved a strong position on the market through its strategy of developing a broad product portfolio and by responding quickly to customer requirements and market demands. This has made possible strong growth and good margins. During 2015, net sales increased over 100 percent to approximately SEK 150 million, with an operating margin exceeding 20 percent. Axxon's market position and technological capabilities complement Mycronic's unique position, which builds on forty years of experience with innovation as well as a global market presence. Together, these two businesses make a leading global actor in dispensing equipment.

Note 4 – Segment reporting

SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
Net sales from external customers						
SMT	210.6	207,3	556.9	623.1	777.3	843.6
PG	286.2	397,6	746.5	570.5	1,147.3	971.4
	496.8	604,9	1,303.4	1,193.7	1,924.6	1,815.0
EBIT						
SMT	-11.4	2,5	-85.8	1.9	-104.1	-16.4
PG	160.8	259,9	373.6	288.4	643.8	558.6
Amortization of acquired intangible assets	-1.0	-0,5	-1.9	-1.4	-2.4	-1.9
Group	148.4	261,9	285.8	288.8	537.3	540.3

Revenue geographical market, SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
EMEA	102.2	111.5	270.2	308.1	385.9	423.8
Americas	80.9	67.8	248.0	237.5	321.0	310.5
Asia	313.7	425.6	785.2	648.1	1,217.7	1,080.6
	496.8	604.9	1,303.4	1,193.7	1,924.6	1,815.0

Note 5 – Costs for research and development

Research and development, SEK million	July-Sep 16	July-Sep 15	Jan-Sep 16	Jan-Sep 15	Rolling 12 months	Jan-Dec 15
<i>R&D expenditure</i>						
SMT equipment	-58.5	-53.1	-197.9	-149.6	-268.9	-220.5
Pattern generators, PG	-5.7	-8.7	-36.7	-30.8	-47.8	-41.9
	-64.2	-61.8	-234.6	-180.3	-316.7	-262.4
<i>Capitalization of development</i>						
SMT equipment	0.0	3.1	7.6	3.1	12.6	8.0
<i>Amortization of capitalized development</i>						
SMT equipment	-3.3	-3.1	-9.3	-9.2	-12.4	-12.3
	-3.3	0.0	-1.7	-6.1	0.2	-4.3
Amortization of acquired technology	-0.2	-	-0.5	-	-0.5	-
R&D costs	-67.7	-61.8	-236.7	-186.5	-317.0	-266.7

Note 6 – Business combinations

During the first quarter 2016, 100 percent of Kognitec Vertrieb and Service GmbH was acquired, as well as 75 percent of RoyoTech Digitalelektronik GmbH, with an option to acquire the remaining 25 percent approximately two years from the acquisition date. The seller of RoyoTech also has an option to sell the remaining 25 percent at the same point in time. Mycronic's intention is to exercise this option. Mycronic's assessment is that the terms of the options are designed so that the remaining 25 percent of RoyoTech be regarded as acquired and that the estimated price consists of an earn-out.

RoyoTech develops and manufactures the SMD Tower, an intelligent storage solution of electronic components. Kognitec is distributing the SMD Tower. Both companies are based in Höhenkirchen, Germany and have 13 employees. Mycronic has marketed the SMD Tower worldwide since 2008. The acquisition secures the rights to a strategic product already part of Mycronic's product portfolio since long.

Mycronic has made preliminary acquisition analyses. The combined acquisition price for the two businesses is SEK 73 million and the preliminary acquisition analyses indicate that goodwill is SEK 54 million. The acquisition price is adjusted for the estimated earn-out of SEK 17 million, calculated by best estimate. The companies are fully consolidated into the Mycronic Group as of 1 January, 2016.

SEK million	Jan-Sep 16
Acquisition price	
Cash paid for acquisitions during the period	55.6
Holdbacks and deferred considerations for acquisitions during the period	17.1
	72.7
Acquired assets and liabilities at fair value	
Intangible assets	9.5
Tangible assets	0.6
Financial assets	0.0
Inventories	9.1
Short-term receivables	8.0
Cash and cash equivalents	6.8
Long-term liabilities	-2.9
Short-term liabilities	-12.6
Total	18.5
Goodwill	54.1
Changes in cash and cash equivalents from acquisitions	
Cash paid for acquisitions during the period	55.6
Cash and cash equivalents in acquired subsidiaries	-6.8
	48.9

Note 7 – Merger

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

Profit and loss accounts Mycronic Technologies AB

1 January 2016 until merger

Net sales 1)	213.5
Cost of goods sold	-141.0
Gross profit	72.5
Reserch and development expenses	-112.8
Selling expenses	-28.1
Administrative expenses	-14.8
Other income and expenses	-1.3
EBIT	-84.5
Result from financial investments	0.0
Profit/loss before tax	-84.5

1) Of which SEK 43.7 million refer to internal sales to the Parent Company and is not recorded after the merger.

Balance sheet Mycronic Technologies AB at merger

ASSETS	
Fixed assets	
Financial assets	19.4
Current assets	
Inventories	278.0
Current receivables	121.4
Total current assets	399.3
Total assets	418.7
EQUITY AND LIABILITIES	
Equity	145.6
Current liabilities 2)	273.2
Total liabilities	273.2
Total equity and liabilities	418.7

2) Of which SEK 182.5 million refer to liabilities to the Parent Company and is not recorded after the merger.

Group financial key figures

Financial key figures are used by Group management and the Board of directors to manage and evaluate operations. These key figures are also seen as being of interest for external analysts and investors monitoring the company. For key figure definitions, see the 2015 annual report.

	Jan-Sep 16	Jan-Sep 15	Jan-Dec 15
Order intake	1,936.4	1,340.9	2,178.8
Net sales	1,303.4	1,193.7	1,815.0
Order backlog	1,698.9	849.3	1,065.9
Gross margin	57.2%	56.2%	59.3%
EBITDA margin	23.7%	25.7%	31.2%
EBIT margin	21.9%	24.2%	29.8%
Return on equity	18.5%	21.7%	35.8%
Net debt	-786.3	-699.9	-897.7
Equity/total assets	55.5%	69.0%	72.8%
Equity/average number of shares	11.4	11.0	13.0
Average number of employees	513	498	501
Capital spending			
Capitalized development	7.6	3.1	8.0
Fixed assets, net	13.1	7.0	17.6
Other capital spending, net	33.3	10.0	11.6
The Mycronic share			
Closing share price	107.00	46.00	82.25
Market cap	10,477.1	4,504.2	8,053.6

Additional information on alternative key figures

EBITDA	Jan-Sep 16	Jan-Sep 15	Jan-Dec 15
EBIT	285.8	288.8	540.3
Amortization and depreciation	22.8	18.3	25.2
EBITDA	308.6	307.1	565.5

EBITDA is a component in the dividend policy.

Group quarterly figures

	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
Order intake SMT	219.0	199.3	152.1	202.4	202.3	191.4	233.3	204.6
Order intake PG	148.4	575.4	642.1	635.5	356.3	119.8	237.7	413.8
	367.5	774.7	794.3	837.9	558.6	311.2	471.0	618.4
Sales SMT	210.6	193.6	152.7	220.5	207.3	193.9	222.0	229.8
Sales PG	286.2	269.0	191.3	400.9	397.6	90.7	82.2	426.7
	496.8	462.5	344.0	621.3	604.9	284.6	304.1	656.4
Gross profit SMT	98.2	91.4	61.7	96.2	99.0	88.8	99.6	108.0
Gross profit PG	197.3	169.7	126.8	308.4	293.8	45.8	43.9	260.0
	295.5	261.2	188.4	404.7	392.8	134.6	143.5	368.0
Gross margin SMT	47%	47%	40%	44%	48%	46%	45%	47%
Gross margin PG	69%	63%	66%	77%	74%	50%	53%	61%
	59%	56%	55%	65%	65%	47%	47%	56%
Reserch and development expenses	-67.7	-90.9	-78.2	-80.2	-61.8	-62.2	-62.6	-63.8
Selling expenses	-53.4	-49.2	-51.0	-42.4	-44.5	-48.1	-45.0	-46.2
Administrative expenses	-31.7	-23.3	-24.7	-25.1	-22.1	-19.2	-24.6	-33.2
Other income and expenses	5.7	8.1	-3.1	-5.5	-2.4	-4.0	14.5	6.1
EBIT	148.4	105.9	31.5	251.4	261.9	1.1	25.8	231.0
EBIT margin	29.9%	22.9%	9.2%	40.5%	43.3%	0.4%	8.5%	35.2%
Return on equity, rolling 4 quarters	38%	58%	35%	36%	47%	28%	24%	22%
Equity per share	11.4	10.1	13.3	13.0	11.0	8.6	12.6	12.3
Earnings per share	1.17	0.83	0.24	1.99	2.33	0.01	0.19	2.37
Cash flow per share	0.8	-4.7	2.64	2.04	2.49	-4.17	2.02	1.85
Closing share price	107.00	62.75	73.25	82.25	46.00	60.25	53.50	24.80

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

To the Board of Mycronic AB (publ), corporate identity number 556351-2374

Introduction

We have reviewed the condensed interim report for Mycronic AB (publ) as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 19 October, 2016
Ernst & Young AB

Erik Sandström
Authorized Public Accountant