

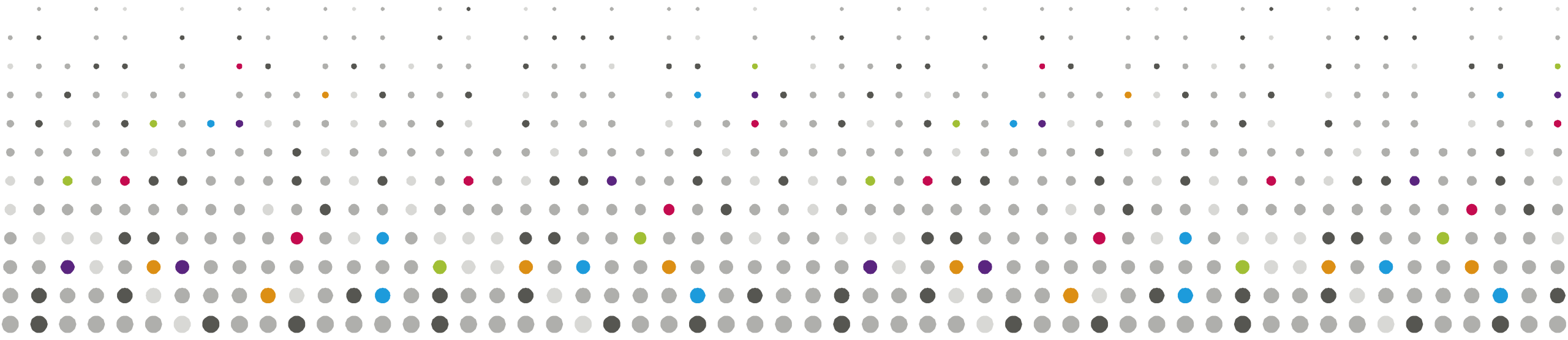
# January-September 2018

October 24, 2018

Lena Olving  
President and CEO

Torbjörn Wingårdh  
CFO

Johan Franzén  
Sr VP R&D



# Important information

This presentation includes forward-looking statements including, but not limited to, statements relating to operational and financial performance, market conditions, and or similar matters. All forward-looking statements are based on our beliefs and assumptions based on information available at the time the assumption was made. Although the expectations described in these statements are assumed to be reasonable, there is no guarantee that such forward-looking statements will materialize or are accurate. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Mycronic undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or stock exchange regulations. Mycronic will not be liable for any loss or damage of any kind arising from the use of this information.

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# MYCRONIC



## Strong growth and increasing profitability

**Lena Olving**  
President and CEO



# Mycronic in brief



**>40**  
years of innovation

**>1,200**  
employees  
in ten countries

Represented in  
**>50**  
countries

**>500**  
patents

**>12,000**  
production systems at more  
than 3,000 customers

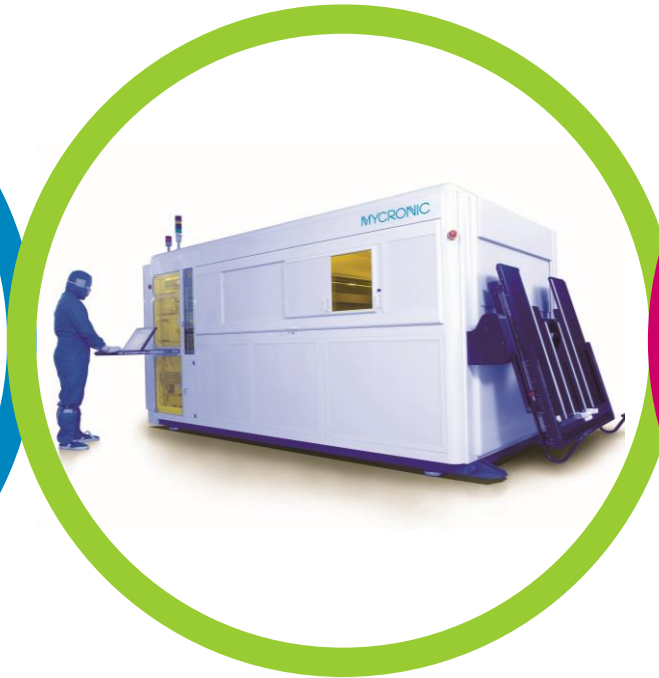
**>99%**  
of net sales  
outside Sweden

# Mycronic's Pattern Generator solutions

Indispensable for the display industry



Display



Multi-purpose



Aftermarket products

# Mycronic's Assembly Solutions

Broad product offering for efficient electronics manufacturing

Surface Mount Technology

Inspection

Dispensing

Assembly Automation



- Jet printing & dispensing
- Pick-and-place assembly equipment
- Component storage systems
- Advanced software solutions



- Solder Paste Inspection (SPI)
- Automated Optical Inspection (AOI)
- Advanced software suite (Sigma)



- Broad range of dispensing and coating systems



- Camera module assembly equipment
- Ultra-high precision die bonding equipment



# In short

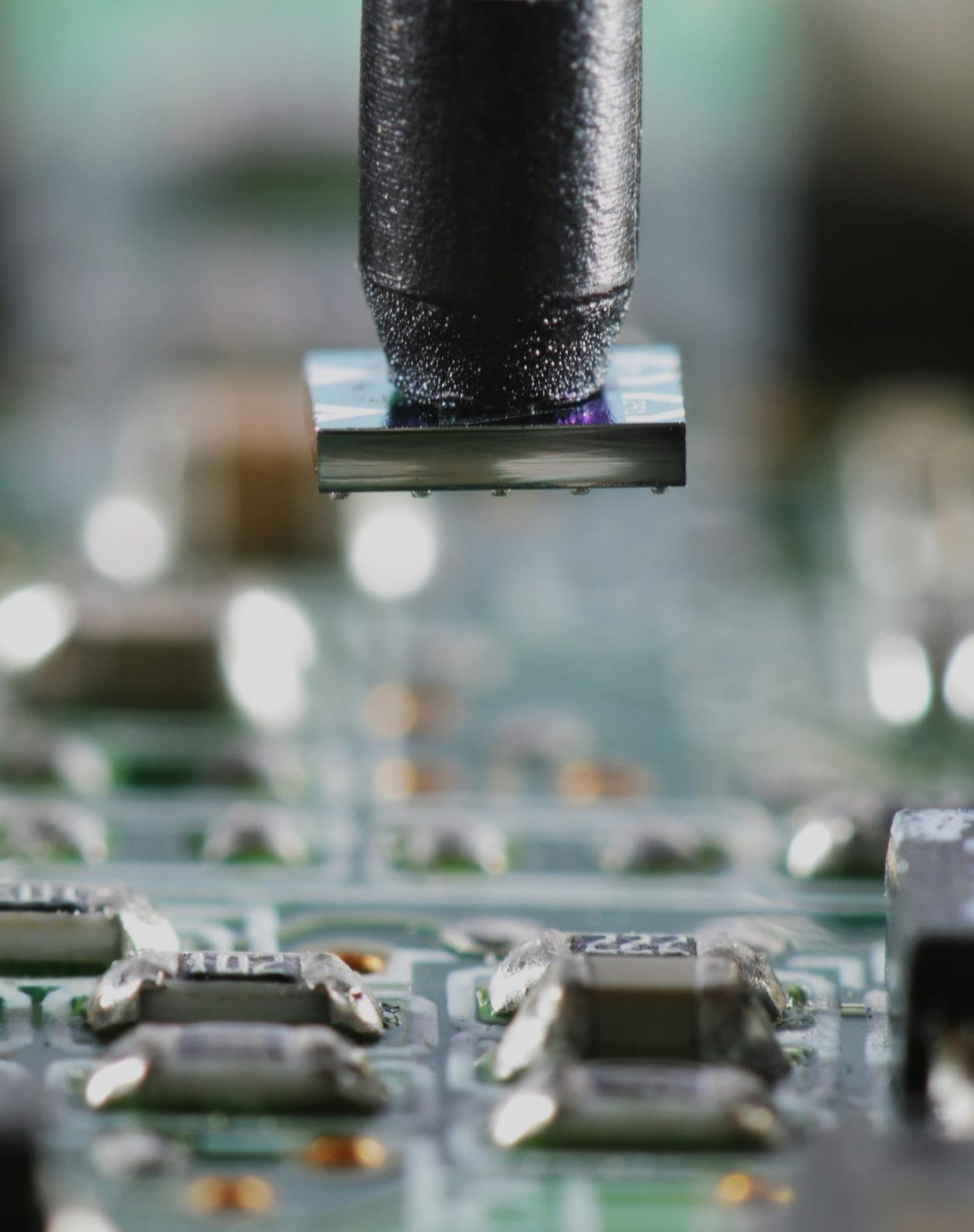
Strong growth  
and increased  
profitability

Increased  
margins

Strong  
platform for  
future growth

Confirmed  
outlook

MYCRONIC



## Q3: Strong deliveries

- Strong net sales up 123% to 1 096 MSEK (+32% YTD)
  - More than doubled net sales in both business areas
  - Strong volumes and favorable mix
  - Variation between quarters of delivery volumes for mask writers
- Good order intake of 813 MSEK
  - Strong development within Assembly Solutions with +45% order growth
  - Good performance from acquisitions
  - Two multipurpose systems and a larger upgrade landed
  - Challenging comparison from 8 maskwriters in Q3 2017
- Order of a Prexision 800 with limited functionality after the end of the quarter
- EBIT increased 560% to 436 MSEK with a margin of 40%
  - Continued investments in R&D for future growth
  - AEi: Positive effect of 55 MSEK from reversal of earn-out
- Order backlog at 1,651 MSEK
  - Strong deliveries has lowered backlog
  - Good base for the rest of the year



# Q3: Favorable market

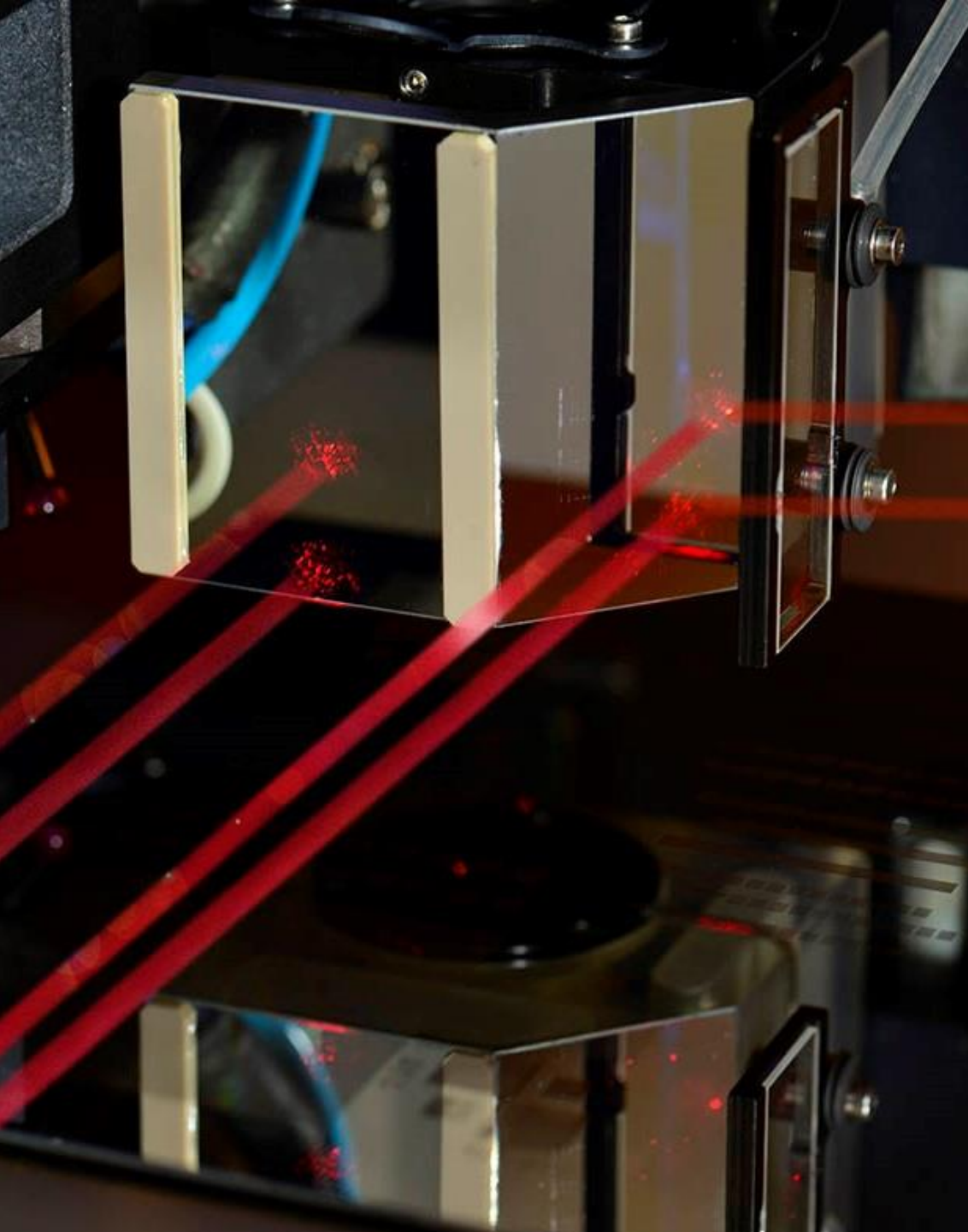
Continued  
high growth in  
global  
electronics  
industry  
expected

Solid market  
development  
in Mycronic's  
markets  
segments

Shift to  
AMOLED  
drives  
photomask  
area growth

Strong  
dispensing  
market in Asia

*For details, see Market Appendix*



# Confirmed Outlook 2018

- Confident that we will hit the target
- We are not including MRSI
- Both business areas have well stocked order books
- Change of delivery conditions of a Prexision-10 delays revenue recognition from before year-end 2018 to early 2019 does not affect the outlook

*The Board's assessment remains that consolidated net sales will be at the level of 3,500 MSEK in 2018, with the clarification that this excludes acquisitions already made in 2018 as well as possible additional acquisitions during the remainder of 2018.*



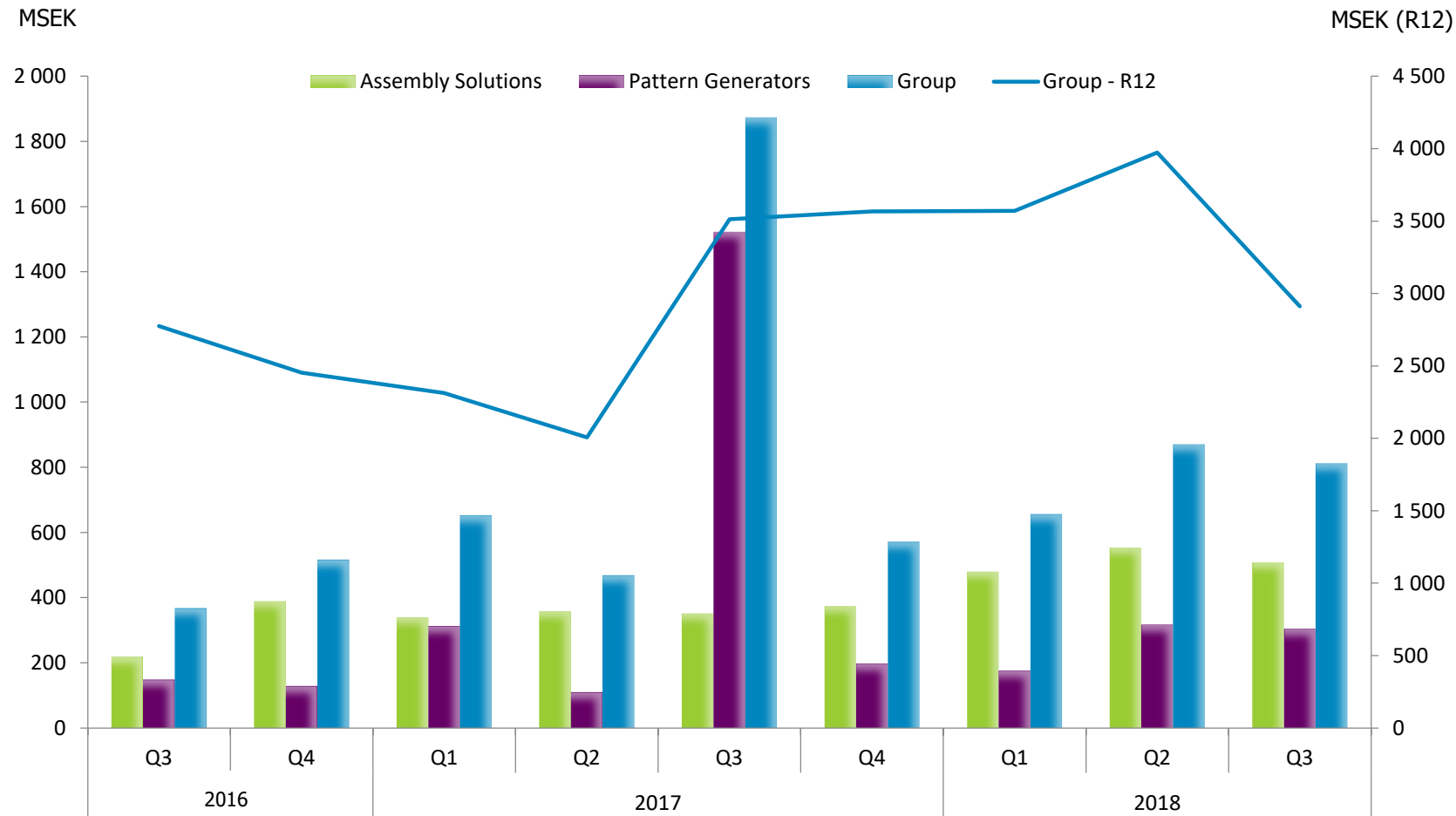
A person wearing a blue protective suit, hood, and white face mask is working in a laboratory. They are leaning over a piece of equipment, possibly a microscope or a specialized instrument, which is illuminated with a warm orange light. The person's reflection is visible on the dark surface of the equipment. The background is dark, and the overall scene suggests a high-tech or scientific environment.

**Financial update**

**Torbjörn Wingårdh**  
CFO



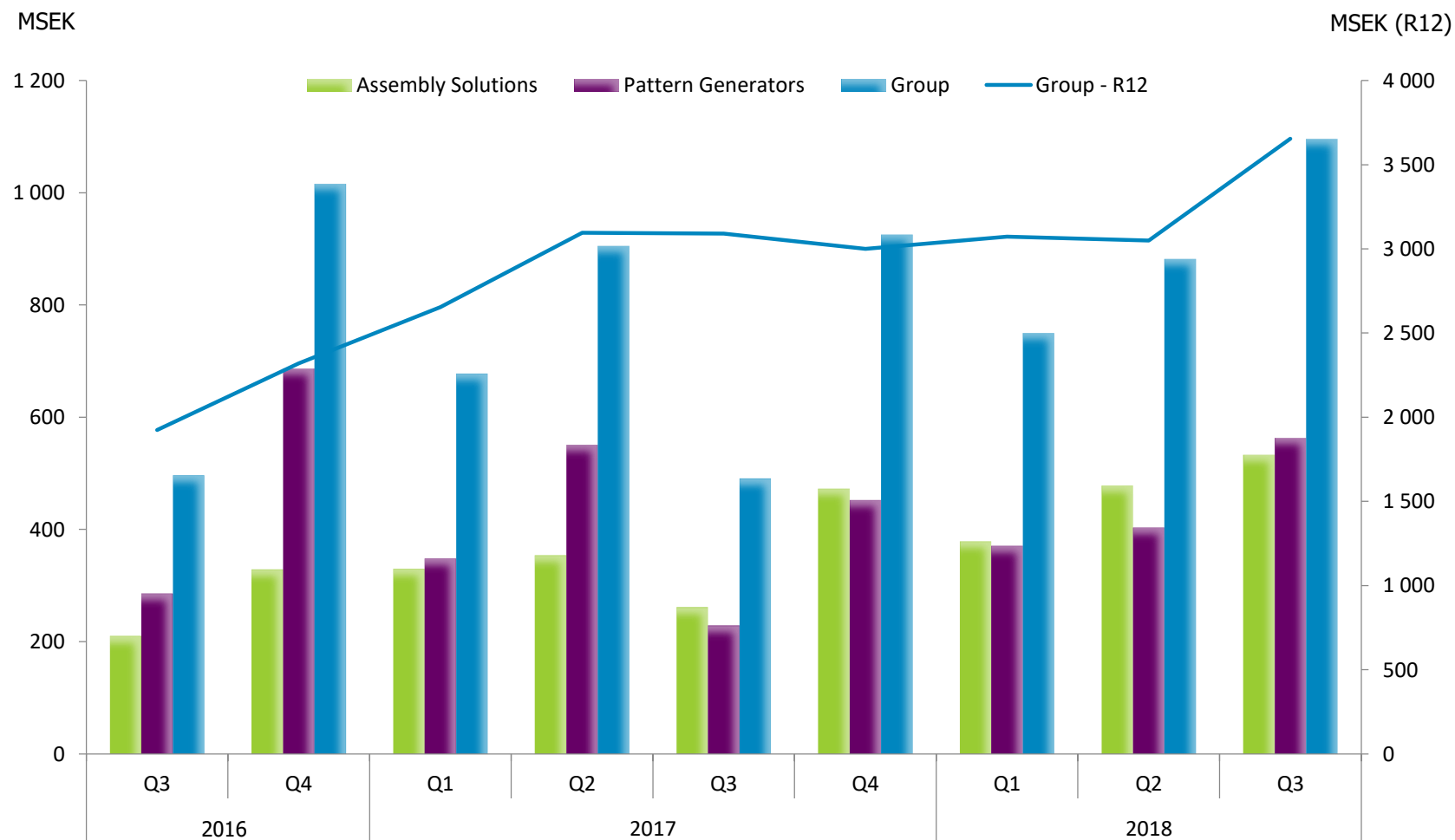
# Solid order intake



- **Assembly Solution increased 45% to 508 MSEK (47% YTD)**
  - Strong dispensing market in Asia
  - Organic growth of 24% (32% YTD)
- **Solid order intake with challenging comparison**
  - 8 maskwriters in Q3 2017
  - 90-100 MUSD order to Mycronic in Q3 2017
  - Prexision 800 order of 30-35 MUSD after end of quarter
- **Backlog at 1 651 MSEK**
  - Good deliveries during the quarter
  - Assembly Solutions at 520 MSEK
  - Pattern Generators at 1 131 MSEK

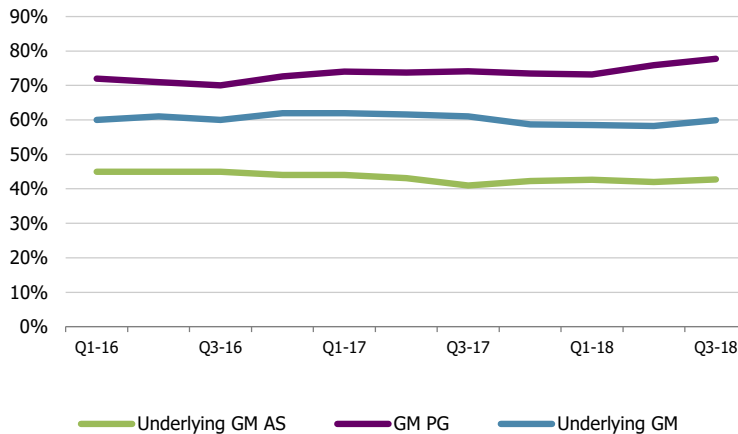
# Strong net sales

- Net sales increased 123% to 1 096 MSEK (32% YTD)
  - Strong volumes and favorable mix
  - Assembly Solutions increased 104% to 533 MSEK (47% YTD)
  - Pattern generators increased 146% to 563 MSEK (19% YTD)
- 2 mask writers delivered compared to 1 last year (5 YTD compared with 8 last year)
- Currency effects on net sales of 60 MSEK (24 MSEK YTD)



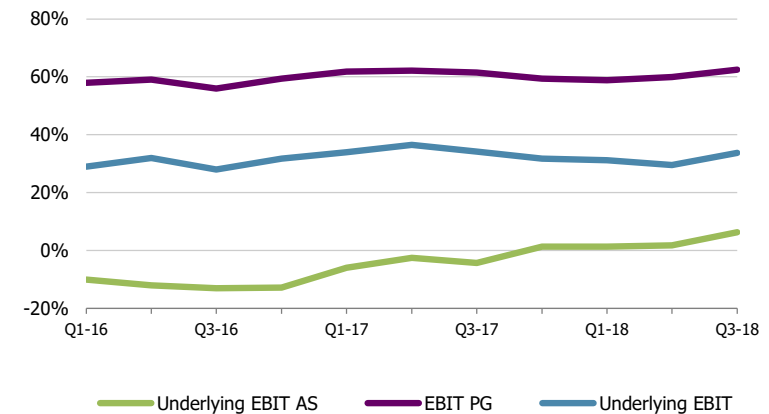
# Improved margins

Gross margin, 12 months rolling



- Gross margin improved 7.1 ppt to 60.3% (58.6% YTD)
  - Favorable product mix in Pattern Generators improves gross margin 9.7 ppt to 79.1% (YTD 76.8%)
  - Assembly Solutions improves gross margin with 1.6 ppt to 40.6% (YTD 41.1%)
  - Fast growing Assembly Solutions increases its weighting in the group

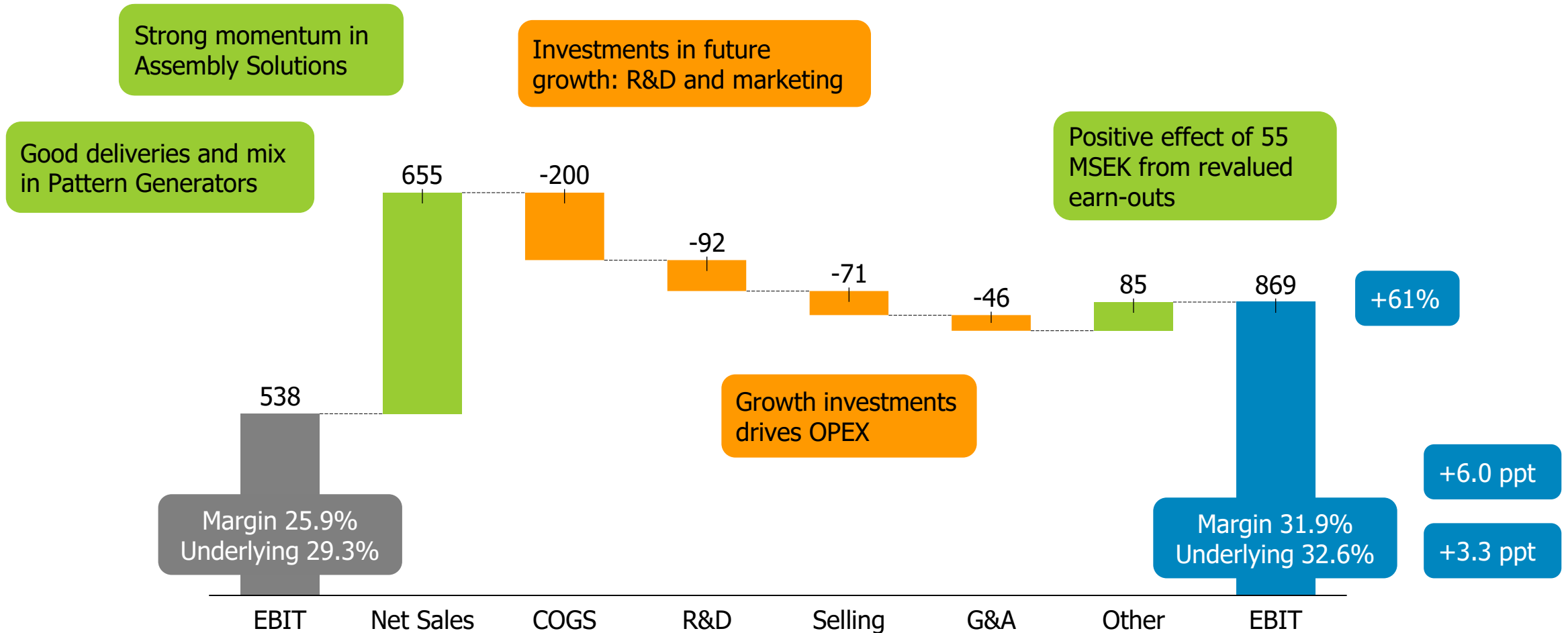
EBIT margin, 12 months rolling



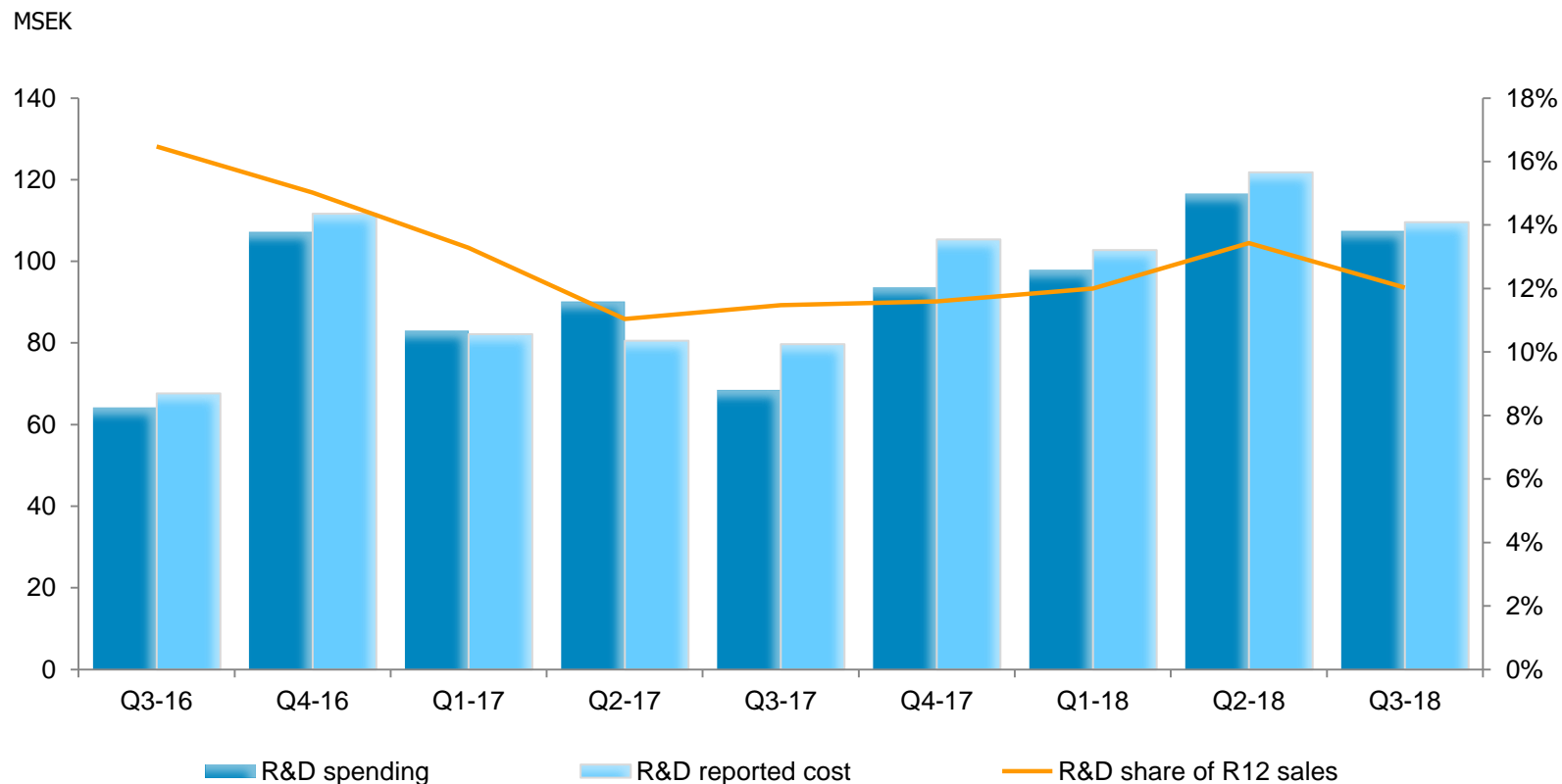
- EBIT margin up 26.3 ppt to 39.7% (31.9% YTD)
  - Strong volumes and favorable product mix
  - AEI: Positive effect of 55 MSEK from a revalued earn-outs
  - Pattern Generators improves EBIT margin 14.8 ppt to 63.5% (YTD 61.3%)
  - Assembly Solutions improves EBIT margin from -17.1% to 14.8% (YTD 3.7%)
- Underlying EBIT amounted to 409 MSEK (YTD 890 MSEK) with a margin of 37.3% (YTD 32.6%)



# Jan-Sep: Strong EBIT performance



# R&D: Driving innovation



- R&D spending increased 39 MSEK from Q3 2017
  - Next generation mask writers, general product development and acquired companies
- Product development will continue in line with growth strategy
- R&D spending to sales at 12% compared with industry average of 15%

# Summary by business area, Q3 2018

	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Assembly Solutions	508	351	1,542	1,050
Pattern Generators	304	1 523	797	1,945
<b>Order intake, MSEK</b>	<b>813</b>	<b>1,874</b>	<b>2,339</b>	<b>2,995</b>
Assembly Solutions	520	372	520	372
Pattern Generators	1,131	1,926	1 ,131	1,926
<b>Order backlog, MSEK</b>	<b>1,651</b>	<b>2,298</b>	<b>1,651</b>	<b>2,298</b>
Assembly Solutions	533	262	1 391	946
Pattern Generators	563	229	1,338	1,128
<b>Net sales, MSEK</b>	<b>1,096</b>	<b>491</b>	<b>2,729</b>	<b>2,074</b>
Assembly Solutions	41%	39%	41%	37%
Pattern Generators	79%	69%	77%	70%
<b>Gross margin, %</b>	<b>60%</b>	<b>53%</b>	<b>59%</b>	<b>55%</b>
Assembly Solutions	15%	-17%	4%	-10%
Underlying EBIT margin AS	10%	-14%	5%	-3%
Pattern Generators	63%	49%	61%	57%
<b>EBIT margin, %</b>	<b>40%</b>	<b>13%</b>	<b>32%</b>	<b>26%</b>
Underlying EBIT margin Group	37%	15%	33%	29%

- Strong order momentum in Assembly Solutions
- Good orders in Pattern Generators, but challenging comparison from last year
- Good deliveries has lowered backlog
- Strong net sales in all areas
- Favorable mix and volumes drives margins
- Major improvement of Assembly Solutions EBIT-margin
- Strong EBIT-margin



# Cash flow YTD

<b>MSEK</b>	<b>2018 YTD</b>	<b>2017 YTD</b>
Cash flow from operations	732	493
Change in working capital	-661	336
<b>Cash flow from operations after changes in working capital</b>	<b>70</b>	<b>829</b>
Investments in development	-3	-21
Other investments, net	-416	-72
<b>Cash flow before financing activities</b>	<b>-349</b>	<b>736</b>
Financing	-258	-194
<b>Cash flow</b>	<b>-607</b>	<b>543</b>
<b>Cash at end of period</b>	<b>216</b>	<b>742</b>

- Working capital change mainly driven by growth strategy with increased inventory and receivables
- MRSI acquisition represents 354 MSEK of the total investments
- In total 245 MSEK was paid as dividend

A man with dark hair and glasses, wearing a dark blue hoodie, is pointing at a complex industrial machine. A woman with blonde hair, wearing a black top, is looking at the machine. The machine is black and silver, with various components and wires. The background shows a laboratory or workshop environment with shelves and equipment.

**Global R&D development**

**Johan Franzén**

Sr VP R&D

# Mycronic RnD 2015





# Mycronic RnD 2018 – true global R&D

Partnership and acquisitions



# The power of innovation

## Global team



## High competence and diversity



## Collaboration with academia and institutions



## Member of leading organizations



# Strategic product development roadmap

*Utilize and leverage the existing and acquired technologies and competences*

## Core Competencies

- Utilize the full R&D capability
- Build virtual competence networks
- Drive innovation within dedicated areas

## Appoint Centers of Excellence

- Building critical mass
- Create focus and expertise
- Support the global organization

## Drive Modularization

- Reuse components and platforms
- Internal off the shelf solutions
- Increase volumes and serviceability

## Implement common set of tools

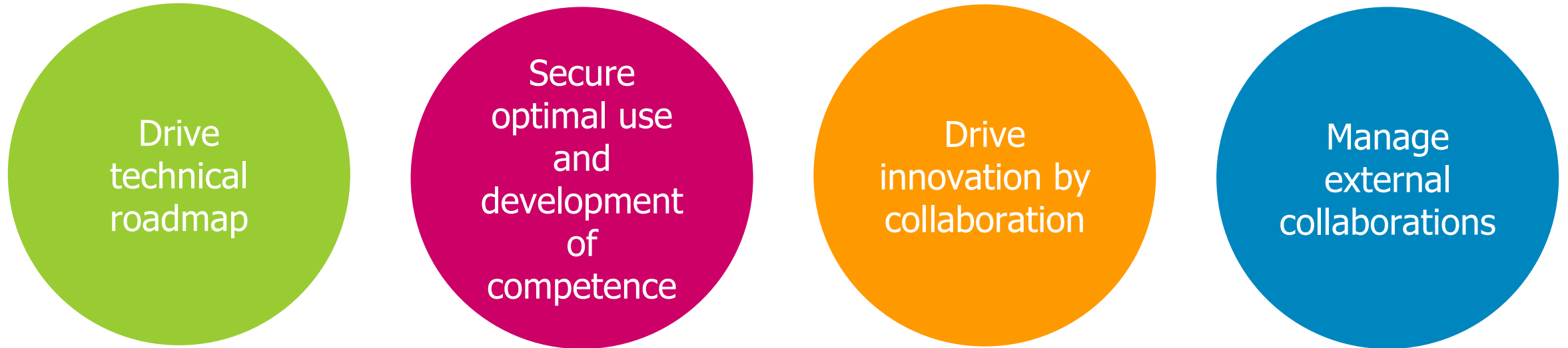
- Enable distributed development
- Offload work peaks
- Share global resources

## Common product development framework

- Align project portfolio development
- Develop common roadmap
- Mycronic Way of Working

# Center of Excellence

Driving virtual competence networks to boost innovation and increase efficiency



Examples:

- ViT, France - Center of Excellence for Vision
- Mycronic, Sweden - Center of Excellence for Optics



## CENTER FOR DEEP LEARNING IN ELECTRONICS MANUFACTURING

- Founded by Mycronic together with Nuflare and D2S supported by NVIDIA
- Pooling of talent and resources
- Jointly explore new opportunities with Deep Learning and Machine Learning
- Implement outcome and learning in products and service to help customers drive efficiency and yield
- Global resource for Deep Learning within Mycronic

A PARTNERSHIP OF

**NUFLARE**

**MYCRONIC**

**D2S**

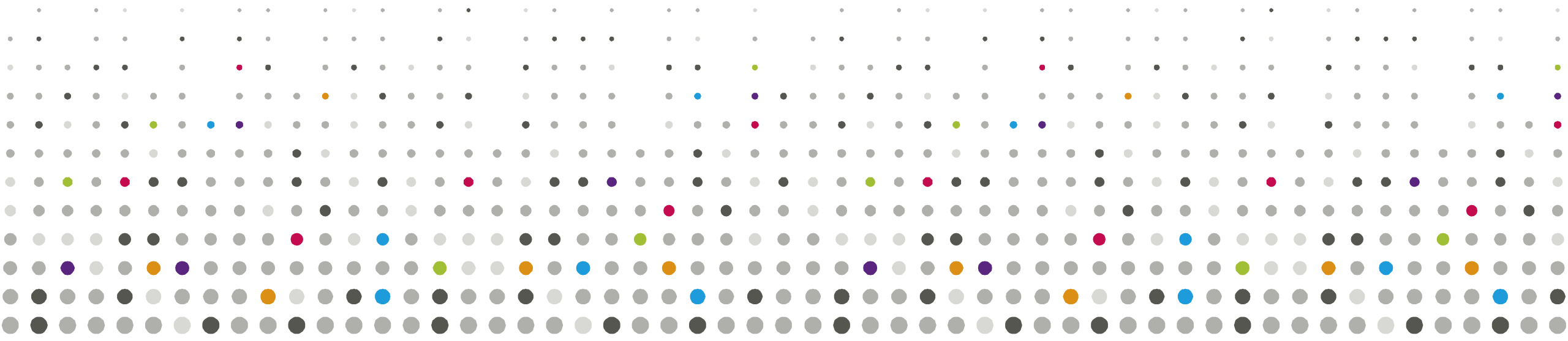


# Q&A



# APPENDIX

Q3 2018 Market update

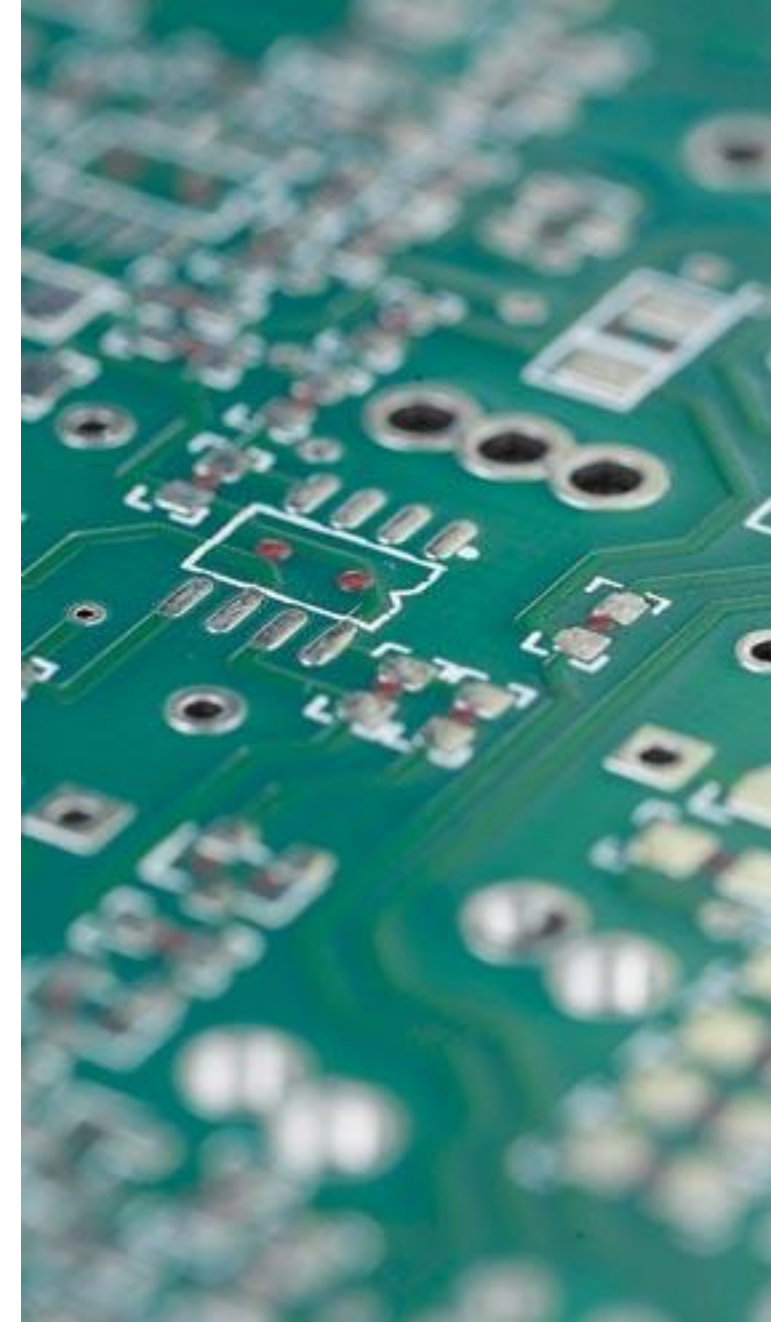


# Outcome 2017

## Market summary and updates

- Global electronics at +6.5% (from +6.1) or 2,017 BUSD
- Semiconductors +21.7% and reached 412 BUSD
- SMT assembly equipment +32% to 2,615 MUSD
- Dispensing equipment +28% to 770 MUSD
- Camera modules +34% and 130 million units
- Display market actuals came in close to expectations, with +19% from 105 to 124 BUSD
- Display photomasks +14% to around 704 MUSD

*Source: Prismark May / September 2018, PROTEC MDC January 2018, IHS April 2018, IHS May 2018*





# Forecasts 2018

## Market summary and updates

- Global electronics forecast revised to 5.4% (from 4.1%) or 2,126 BUSD
  - Long term forecast over 2018 to 2022 indicates a CAGR of +3.5% (from 2.6%)
- Semiconductor industry forecast revised up to 14.0% (from 11.1) to 470 BUSD
  - Forecast 2018 to 2022 indicates a CAGR of +1.6%
- Camera modules forecast +19% to 155 million units
  - +18% CAGR 2018-2022 to 300 million units
- Displays expects a decrease to 115 BUSD (from 124)
- Display photomasks +8% to 762 MUSD
- SMT and Dispensing: Not available

*Source: Prismark May / September 2018, IHS April 2018, IHS April/May 2017.*

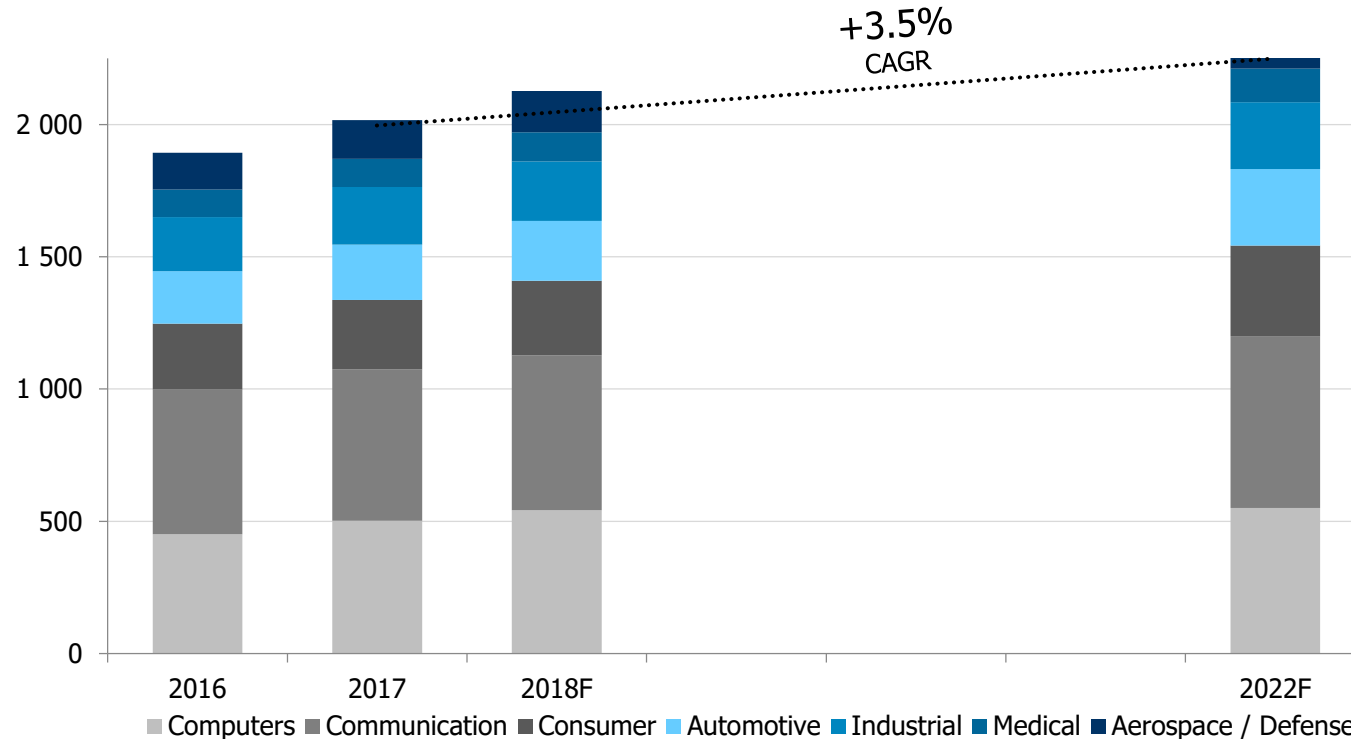




# Electronics industry systems

## Solid long term growth

USD billion



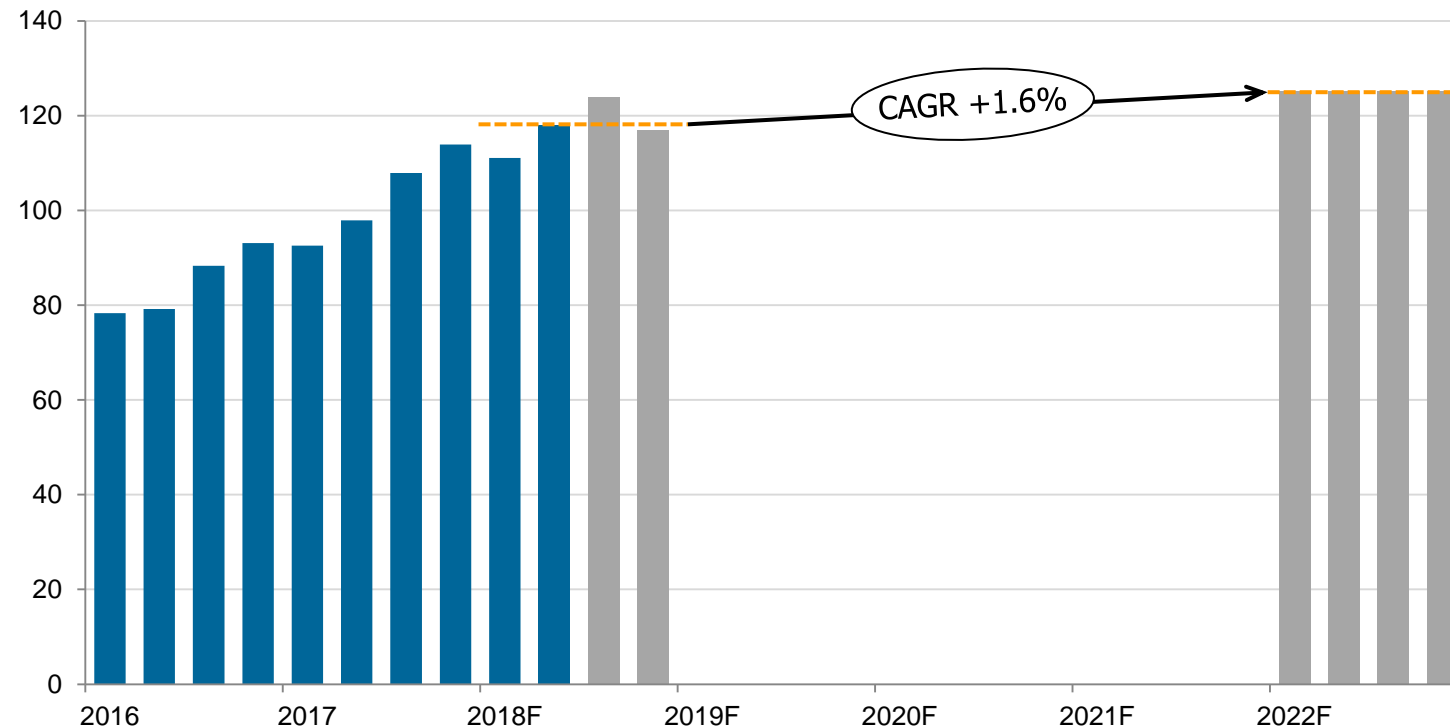
- +6.5% in 2017 to 2,017 BUSD
- Expected growth of +5.4% in 2018 to 2,126 BUSD
- Forecasted segment growth 2018
  - Automotive 8%
  - Computers 8%
  - Consumer 8%
  - Aerospace 5%
  - Industrial 4%
- +3.5% CAGR expected for 2017-2022

Source: Prismark, September 2018

# Semiconductors

## Quarterly development

USD billion



- +21.7% in 2017 to 412 BUSD
- +14.0% growth expected in 2018 to reach 470 BUSD
- 2018 to 2022 CAGR forecasted at +1.6% growth

Source: Prismark, September 2018

# Assembly Solutions

## Market update

### SMT equipment\*

- H1 2018 saw a positive development for assembly equipment with a growth of 29% compared to H1 2017. Positive development in all regions but slower in Americas.

### Dispensing\*

- 2017 market estimated at 770 MUSD
- Mycronic within the top 5 largest suppliers of dispensing equipment addressing the major part of the total market

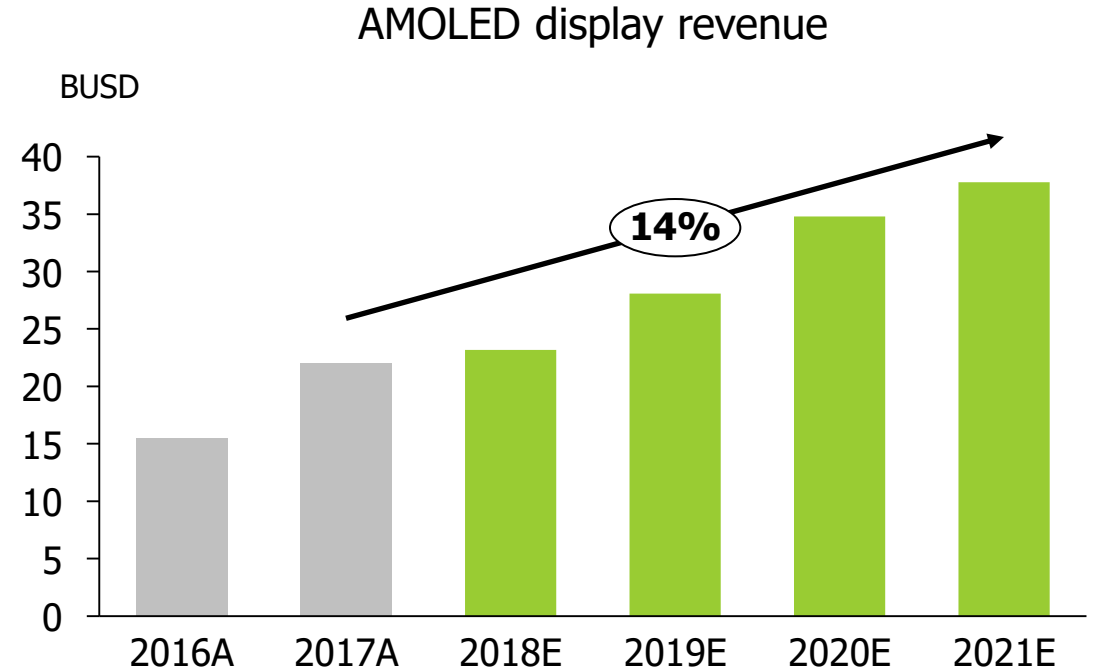
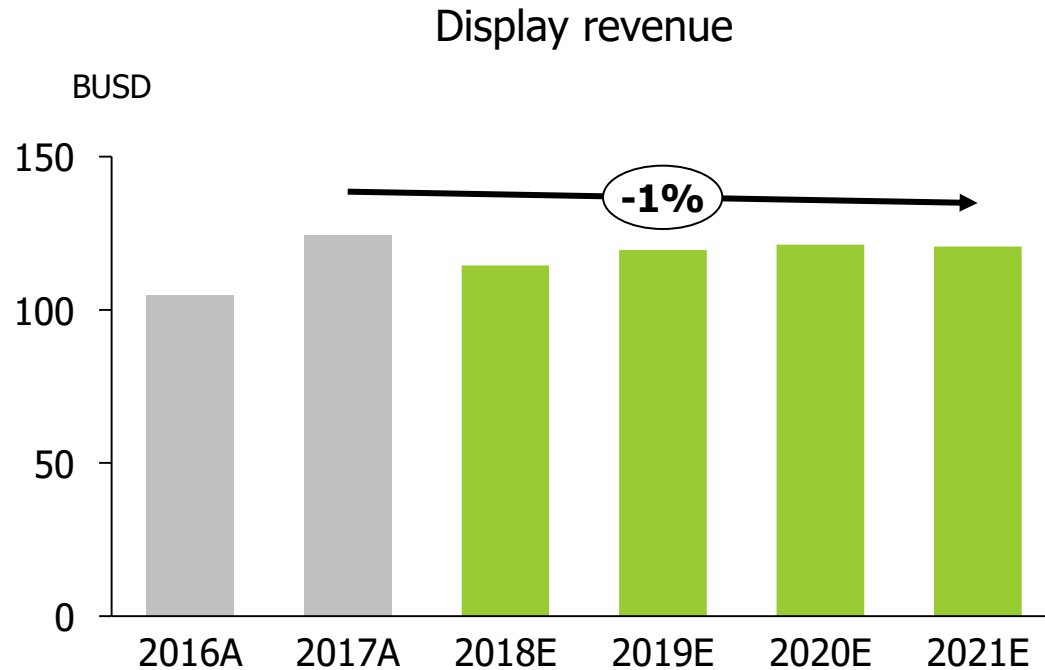
### Assembly automation

- Die bonding equipment market 2017 estimated at 919 MUSD
- Camera modules for ADAS is growing fast
  - Estimated 34% growth or 130 million units produced 2017
  - Expected to grow 19% in 2018 to 155 million units
  - +18% CAGR 2018-2022 to reach 300 million units
  - Ongoing transition in China to actively aligned camera modules driven by more advanced automotive applications

*Source: PROTEC MDC July 2018, Prismark May 2018, Mycronic*

# Pattern Generators

## Display market



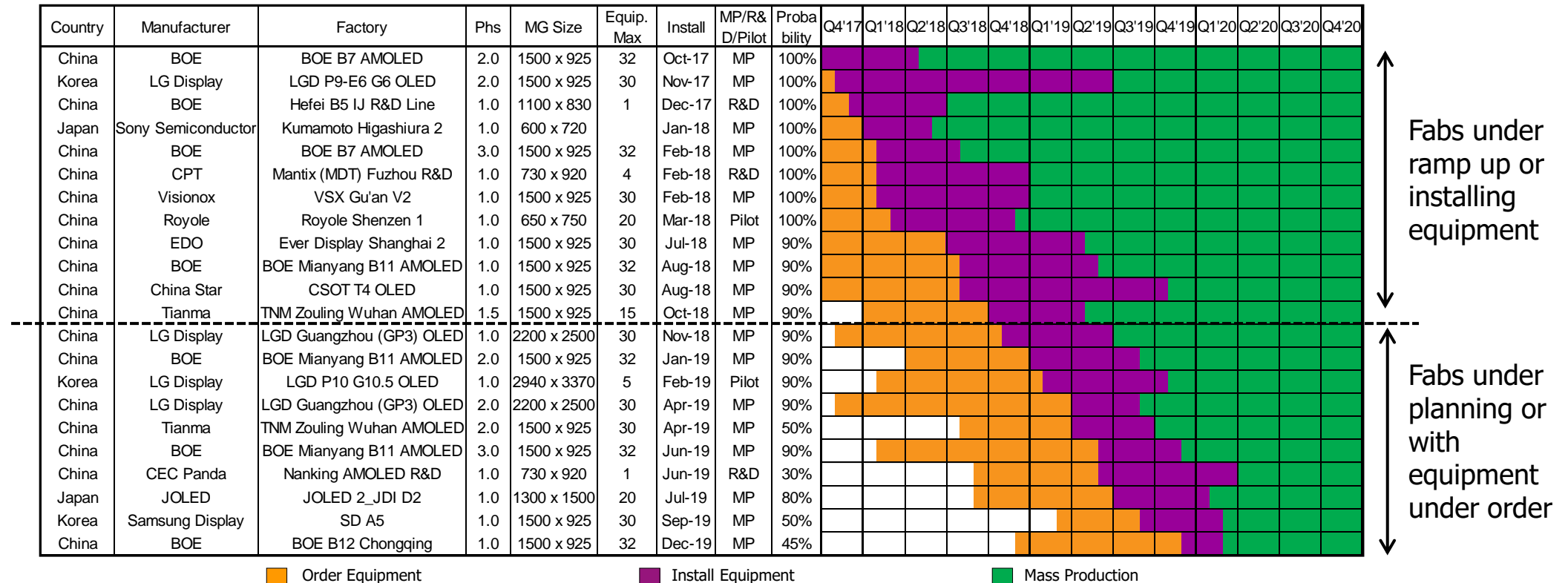
- Display market forecasted to show a negative growth of 8% 2018
  - Relaxed supply/demand situation drives price pressure, although prices starts to stabilize
- Strong growth in AMOLED the coming years
  - Technology shift ongoing from LCD to AMOLED for mobile display but now also in TV segment
  - AMOLED ratio goes from 18% of total display revenue 2017 to 31% of total display revenue 2021

Source: IHS May 2018



# AMOLED display fab forecast

## Many new AMOLED display fabs planned to ramp up production 2018-2019



- Several new actors to enter AMOLED production

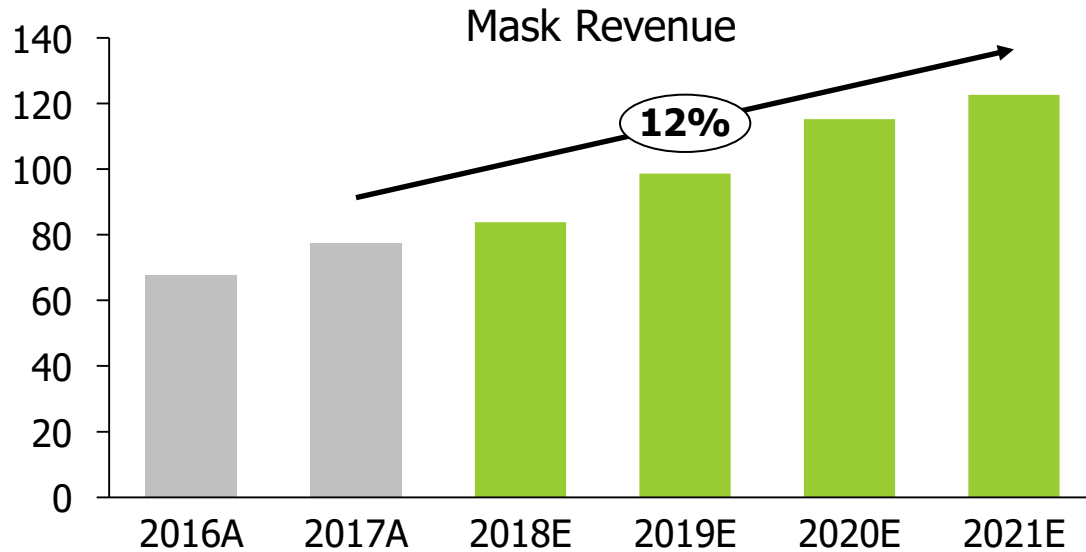
- Will drive design variations and technology development
- Will open up opportunities for P800

Source: IHS October 2018

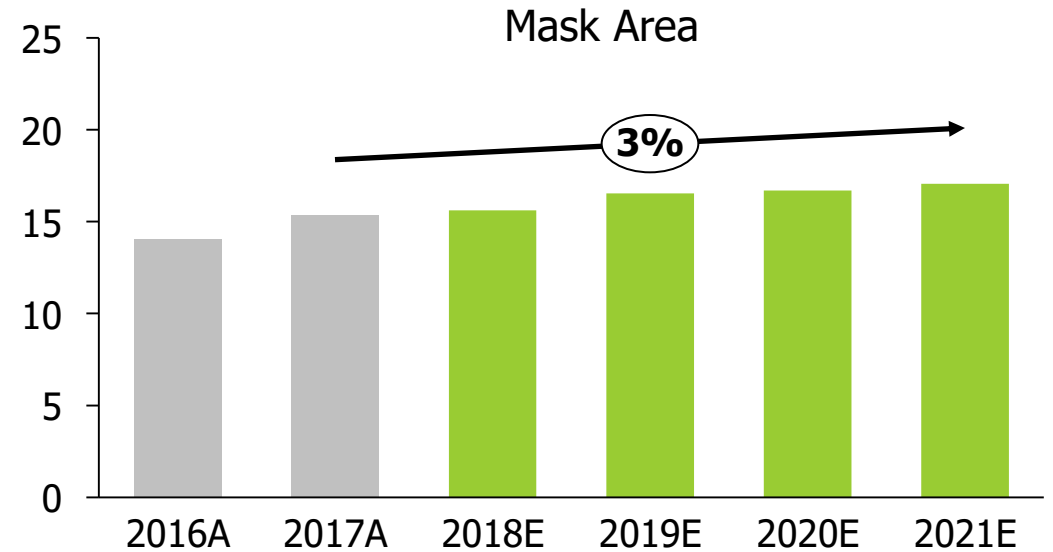
# Pattern Generators

## Positive photomask market

Billion Japanese Yen



Thousands of square meters

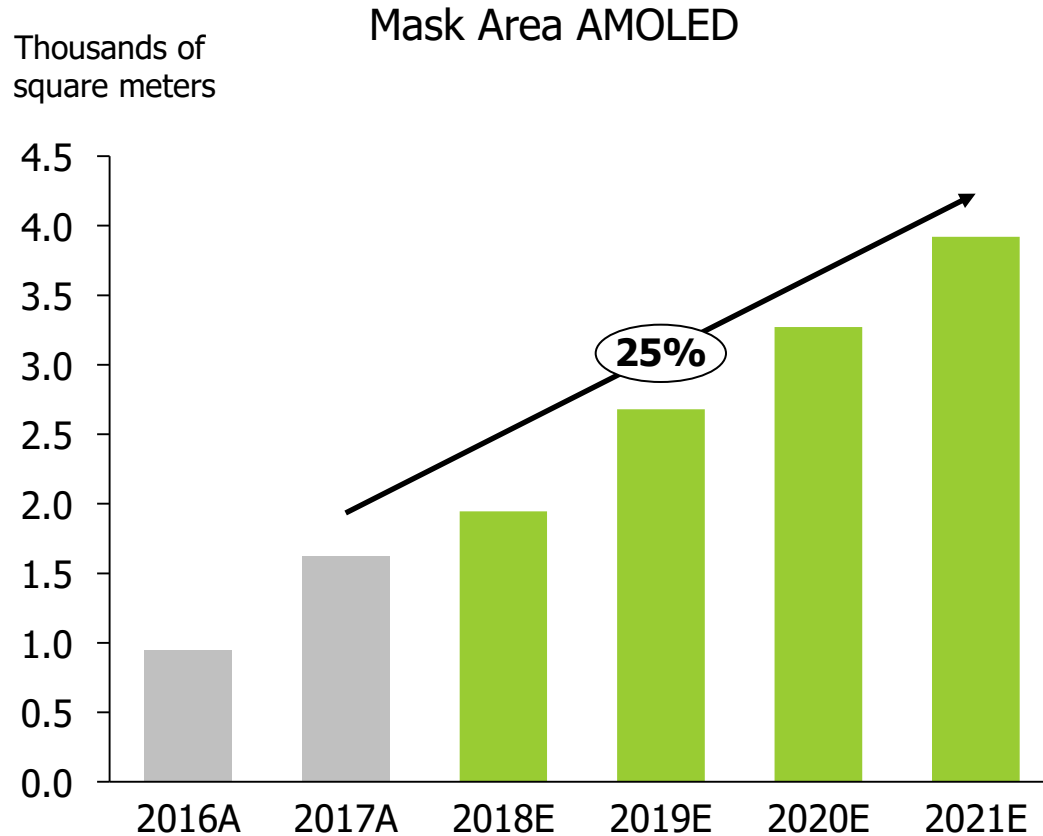


- Forecast for the display mask market is positive for 2018 with a forecasted revenue growth of 8% according to latest forecast from May 2018
- Long term forecast remains positive both for revenue and area growth
  - Increased share of complex and high value masks due to AMOLED transition and transition to displays with higher resolution
  - Increased share of G10 masks to support new G10 fabs ramping up in China

Source: IHS May 2018 (Display photomask market is forecasted in JPY by IHS since it is mainly priced in that currency)

# Pattern Generators

## Strong growth of photomasks for AMOLED displays



Source: IHS May 2018

- Technology shift from LCD to AMOLED for mobile displays drives demand for AMOLED photomasks
  - Share of AMOLED photomasks will grow from 11% 2017 to 23% 2021 in relation to the total photomask area
- Photomasks for AMOLED is typically more complex than for LCD
  - More complex circuit design in each pixel
  - Requires a higher image quality and tighter specs
- Expected to drive need for P80/P800 capacity on the market

When passion meets innovation ●