



EXTRACT FROM THE
ANNUAL REPORT

2016

MICATRONIC
WELDING VALUE



2016 AT A GLANCE

- Revenue at DKK 304.3 million – an increase of 3 per cent
- EBIT at DKK 12.4 million as against DKK 8.6 million in 2015, equivalent to an increase of 44 per cent
- Earnings before tax DKK 10.1 million in conformity with the original expectation
- Cash flow from operating activities at DKK 23.9 million, an increase of DKK 17.6 million compared to 2015
- Solvency ratio at 61 per cent
- Proposed dividend to shareholders: DKK 6 per share of DKK 20, equivalent to a total dividend payout of DKK 2.9 million

OUTLOOK FOR 2017

- Growing revenue at 5-8 per cent
- Earnings before tax at DKK 13–16 million

FINANCIAL CALENDAR 2017

- | | |
|-----------|--|
| 16 March | Annual Report 2016 |
| 27 April | Annual General Meeting at Migatronik at 5 p.m. |
| 29 August | Half-year Financial Report 2017 |



This summary is an extract from the Migatronic Group's Annual Report 2016 and cannot be taken to replace this.

Migatronic's annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) and additional Danish disclosure requirements for annual reports of listed companies. The accounting principles applied in the consolidated financial statement, as well as recognition and measurements, remain unchanged compared to last year.

The full annual report (available in Danish only) can be downloaded at www.migatronic.dk under Investor Relations.



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TO BECOME THE
PREFERRED PARTNER
FOR THE ARC
WELDING INDUSTRY



COMPANY DETAILS AND SHAREHOLDER INFORMATION

Svejsemaskinefabrikken

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Established: 1970
Registered office: Jammerbugt Kommune

AUDITORS

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BANKERS

Nordea Danmark, branch of Nordea Bank
AB (public), Sweden

SUPERVISORY BOARD

Elected by the AGM (for one year at a time)

Peter Roed, Chairman
(year of birth 1943, has served on the Supervisory Board since 2012)
Supervisory Board member of: four companies of the Stenhøj A/S group, PanPac Engineering a/s.
Manager of: Roed Invest ApS, Roed Invest 1 ApS, Roed Invest II ApS

Anders Høiris, Vice-chairman
(year of birth 1953, has served on the Supervisory Board since 2004)
Chairman of: Middelalder-Centeret I/S, Handelsaktieselskabet B.F.C.
Vice-chairman of: Det Københavnske Teatersamarbejde I/S.
Supervisory Board member of: Alfa Travel A/S, Tack Training International Danmark A/S, Galaxe A/S
Manager of: Akkumulo IVS

Jens Lübeck Johansen (year of birth 1966, has served on the Supervisory Board since 2015).
Chairman of: Konxion A/S, Sciteq A/S, Biokube A/S, CK-Teknik A/S, CK-Teknik Holding ApS
Supervisory Board member of: Novatech ApS, NT Liftec Oy, Dansk Overfladeteknik A/S, New Owners Management ApS
Manager of: New Owners Management ApS, Anpartsselskabet af 1. marts 2006, JL & ML Invest ApS, JLJ Business Development ApS, New Owners GP ApS, New Owners Invest I ApS

Jørn Kresten Roed (year of birth 1978, has served on the Supervisory Board since 2015)
Manager of: Roed Invest ApS, Mellon Invest ApS

Elected by the employees (election every four years, next time 2019)

Frank Justesen
(year of birth 1958, has served on the Supervisory Board since 2013)
Planner Migatronic A/S

Vibeke Kappel Andersen
(year of birth 1971, has served on the Supervisory Board since 2009)
Sales assistant Migatronic A/S

EXECUTIVE BOARD

Mads Prebensen, CEO
(year of birth 1960, employed with Migatronic since 2016, member of the Executive Board since 2016)
Chairman of: Intelligent Systems A/S

Niels Jørn Jakobsen, CFO
(year of birth 1958, employed with Migatronic since 2002, member of the Executive Board since 2010)
Manager of: NAM Invest ApS

Martha Holme, Communications/HR Manager
(year of birth 1963, employed with Migatronic since 1987, member of the Executive Board since 2012)
Manager of: NAM Invest ApS

Shareholder mix

	A-shares Nom. DKK.	B-shares Nom. DKK.	B-shares Number	Voting rights Number	Capital %	Voting rights %
Major shareholders (>5%)						
Peter Roed, Aabybro*	1.300.000	3.052.800	152.640	802.640	44,76	74,93
NAM Invest ApS, Fjerritslev		992.740	49.637	49.637	10,21	4,63
Supervisory Board						
Vibeke K. Andersen, Fjerritslev		1.000	50	50	0,01	0,00
Executive Board						
Mads Prebensen, Fjerritslev		4.800	240	240	0,05	0,02
Treasury shares		964.260	48.213	48.213	9,92	4,50
Other shareholders						
Other registered shareholders		2.581.800	129.090	129.090	26,55	12,05
Unregistered shareholders		826.320	41.316	41.316	8,5	3,87
Total shares	1.300.000	8.423.720	421.186	1.071.186	100,00	100,00

*Includes shareholdings held by the company Roed Invest ApS where chairman Peter Roed holds controlling interest.

OPERATING REVIEW



Profit for the year - Consolidated

DKK'000	2016	2015
Revenue	304.3	294.8
Earnings before interest, taxes, depreciation and amortization (EBITDA)	23.8	21.9
Earnings before interest and tax (EBIT)	12.4	8.6
Earnings before tax (EBT)	10.1	8.0
Profit/loss for the year	6.9	4.4

In the 2016 financial year, the Migatronic Group reported earnings before tax of DKK 10.1 million as against DKK 8.0 million in 2015.

The Migatronic Group realised revenue of DKK 304 million as against DKK 295 million in 2015 – a three per cent increase.

EBITDA earnings in the Group were DKK 23.8 million, an increase of DKK 1.9 million compared to 2015.

Earnings before interest and taxes (EBIT) in the Group were up from DKK 8.6 million to DKK 12.4 million, a significant increase equivalent to 44 per cent.

Financial items developed negatively at DKK 1.7 million which can be attributed to exchange rate adjustments.

Compared to 2015, Migatronic realised a minor increase of two per cent in revenue for welding machines and accessories. The home market is unchanged compared to 2015. Sales have increased on the European export markets, where Migatronic is well represented. Markets outside Europe are in decline.

Migatronic's strong position in the trade is highly dependent on an up-to-date product line, which is why the investment level within product development remains high. Technology development, including software design of welding programs adapted for specific welding assignments and materials, is the primary area of development in the field of welding.

Migatronic continuously endeavours to develop and optimize the product line. 2016 saw the investment of significant resources in production optimisation and enhancement of already marketed products, with the aim of improving welding quality. Furthermore, focus has been on customer requirements for special welding solutions.

Sale of automated solutions increased by 12 per cent compared to 2015, which is a satisfactory development. The increase was primarily realised in the neighbouring markets Sweden and Germany.

2016 saw an increased pressure on price as a result of keen competition in the market for equipment for manual and automated welding.

BALANCE AND CASH FLOWS

The balance sheet total in the financial year was down by DKK 5.4 million, which was primarily caused by lower stock.

Cash flows from operating activities increased significantly to DKK 23.9 million as against DKK 6.3 million in 2015.

Cash flows to investment activities were DKK 10.1 million as against DKK 9.3 million in 2015.

Cash flows from financing, including repayment of loans and other credit facility, make up a reduction of DKK 13.7 million as against DKK 4.1 million in 2015.

OUTLOOK FOR 2017

The market for manual welding equipment is not expected to increase significantly in 2017.

Also 2016 was characterised by an increasing demand for automated welding. A large number of inquiries at the beginning of 2017 gives rise to expect an increase in activities in the field in the coming year.

OPERATING REVIEW

In addition to offering complete automation solutions through the subsidiary Migatronic Automation A/S, Migatronic also supplies other system builders with welding machines and equipment for automated welding. Resources have been committed to increase sales of this product line, which is consequently expected to make a positive contribution to revenue in the future. In accordance with this, Migatronic has developed highly flexible automated solutions, in particular for the use of relatively uncomplicated production processes.

In view of this, Migatronic is expecting revenue in 2017 to increase by 5-8 per cent and earnings before tax in 2017 to increase to DKK 13-16 million.

Parent company

The parent company's 2016 year-end report is presented on pages 49-67 of the Annual Report. Operating profit (EBIT) was DKK 16.2 million as against DKK 11.4 million in 2015.

Profit for the year was DKK 6.9 million as against DKK 4.4 million in 2015.

BUSINESS RISKS

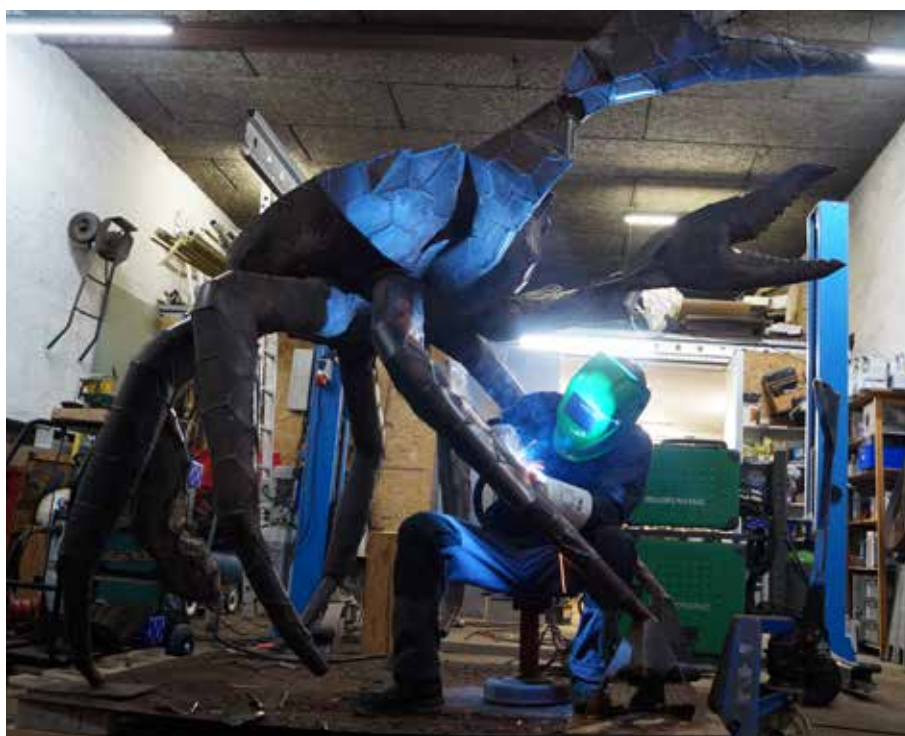
Business Trends

The Migatronic Group is dependent on the development in overall economic trends, in particular within the iron and metal processing industry. Negative business trends within these segments have an adverse impact on earnings.

The Group still strives to obtain geographically diversified sales, reducing its dependency on individual market and segment trends.

Markets

Migatronic holds a very strong position in the Danish market. This position must be further strengthened, in particular in the field of automation of the welding process.



Strongest growth is expected in the European export markets. Sale in these markets takes place primarily through the Group's subsidiaries. Also in the Far East, growth is expected through the subsidiaries in India and China.

Automation of the welding processes will increasingly take over traditionally manual welding tasks. With a variety of new products and solutions and a focused strategy, Migatronic is well placed to take part in global growth also on the automation market.

Competition

The market for welding machines and automation is characterised by keen competition. There is a large number of international competitors and several minor local competitors in almost all markets.

Financial Risks

The Group's and the parent company's financial risks and the management thereof are mentioned in note 20 of the Annual Report, showing that the Group and the parent company are slightly affected by movements in exchange rates and interest rates.

Insurance etc.

The Group strives to take out insurance against risks which may jeopardise its financial position. In addition to statutory insurance, the Group has taken out product liability and consequential loss insurances. Buildings, operating equipment and inventories are insured at replacement cost.

INTELLECTUAL CAPITAL

Well-qualified employees and innovative products are among Migatronic's most important competitive factors which is why continuous development of the organisation is a key priority.

Migatronic manages to maintain its position as one of the world's technologically leading manufacturers of welding machines owing to large-scale investments in innovative product development. On the other hand, Migatronic manages to translate extensive market knowledge into products that meet customer requirements and expectations.

OPERATING REVIEW

Migatronic has a stable and loyal workforce that is highly motivated by working in a company allowing its employees to follow the process all the way from creation of ideas to commissioning of the finished solution.

ENVIRONMENT

Migatronic has no production processes that can be described as harmful to the environment. Throughout the years, investments have been made in environmentally friendly processes.

All production departments have obtained the necessary environmental approvals from public authorities and the Group is not a party to any environmental cases.

Migatronic is not registered as a company with a high environmental impact.

EVENTS AFTER BALANCE SHEET DAY

In addition to conditions already allowed for, no events of importance to consolidated financial statements 2016 have taken place after the year-end closing.

CORPORATE GOVERNANCE

Migatronic has made a statutory statement on Corporate Governance, cf. the Danish Financial Statements Act § 107b, for the 2016 financial year and published it on the Group's website www.migatronic.com/dk/virksomhedsledelse2016

The statement elaborates on Migatronic's compliance with Recommendations for Corporate Governance and describes the main elements of the Group's internal control and risk management systems as well as the composition of the Group's governing bodies.

CORPORATE SOCIAL RESPONSIBILITY

In 2016, Migatronic further developed its policy on Corporate Social Responsibility. The statement on the Group's Corporate Social Responsibility initiatives in 2016 is published on the Group's website: www.migatronic.com/dk/CSR2016

The statement elaborates on social and environmental initiatives, human rights, climate impact and environmental aspects policies as well as the composition of the management in terms of gender.



MISSION

TO PROVIDE OUR
CUSTOMERS
WITH AMAZING
WELDING SOLUTIONS
AND SERVICES

KEY FIGURES AND FINANCIAL RATIOS

Key figures

		2016	2015	2014	2013	2012
Revenue	DKKm	304.3	294.8	269.3	271.1	327.5
EBITDA	DKKm	23.8	21.9	22.3	21.5	25.6
EBIT	DKKm	12.4	8.6	8.3	8.1	11.2
Profit/loss from financial income and expenses	DKKm	-2.3	-0.6	-1.3	-2.6	-1.9
Profit/loss before tax (EBT)	DKKm	10.1	8.0	6.9	5.5	9.3
Profit/loss for the year	DKKm	6.9	4.4	5.1	4.4	6.5
Total assets	DKKm	208.0	213.5	204.2	200.0	223.9
Equity	DKKm	125.8	118.9	129.6	123.9	119.7
Cash flows from operating activities	DKKm	23.9	6.3	19.7	30.1	24.7
Cash flows from investing activities	DKKm	-10.1	-9.2	-11.2	-8.3	-12.0
Portion rela. to invest. in prop., plant and equip.	DKKm	-6.6	-4.1	-5.5	-4.0	-5.3
Cash flows from financing activities	DKKm	-13.7	-4.1	-5.6	-19.1	-14.0
Total cash flows	DKKm	0.1	-7.0	2.9	2.7	-1.3
Number of employees		305	292	287	291	313

Financial ratios

		2016	2015	2014	2013	2012
Revenue per employee	DKK'000	998	1.009	938	932	1.046
Staff costs per employee	DKK'000	375	369	356	338	332
EBITDA margin		7.8%	7.4%	8.3%	7.9%	7.8%
Operating margin (EBIT margin)		4.1%	2.9%	3.1%	3.0%	3.4%
Return on equity (ROE)		5.6%	3.5%	4.1%	3.6%	5.7%
Return on invested capital (ROIC)		8.8%	6.2%	6.2%	5.8%	7.5%
Equity ratio		60.5%	55.7%	63.5%	61.9%	53.5%
Current ratio		2.0	1.8	2.3	2.1	1.7
Net asset value per share of DKK 20 (BVPS)	DKK	287	271	267	255	247
Market price at year end per share of DKK 20	DKK	232	250	175	170	114
Earnings per share of DKK 20 (EPS)	DKK	15.8	9.5	10.6	9.0	14.0
Price Earnings Ratio (P/E Basic)	DKK	14.7	26.2	16.6	18.9	8
Dividend per share of DKK 20 (DPS)	DKK	6.0	0	10.0	0	0
Payout ratio		42.2	0	94.6	0	0
Cash flow per share of DKK 20 (CFPS)	DKK	54.7	14.3	40.6	61.9	53.1
Price/Cash flow (P/CF)	DKK	4.2	17.5	4.3	2.7	2.1

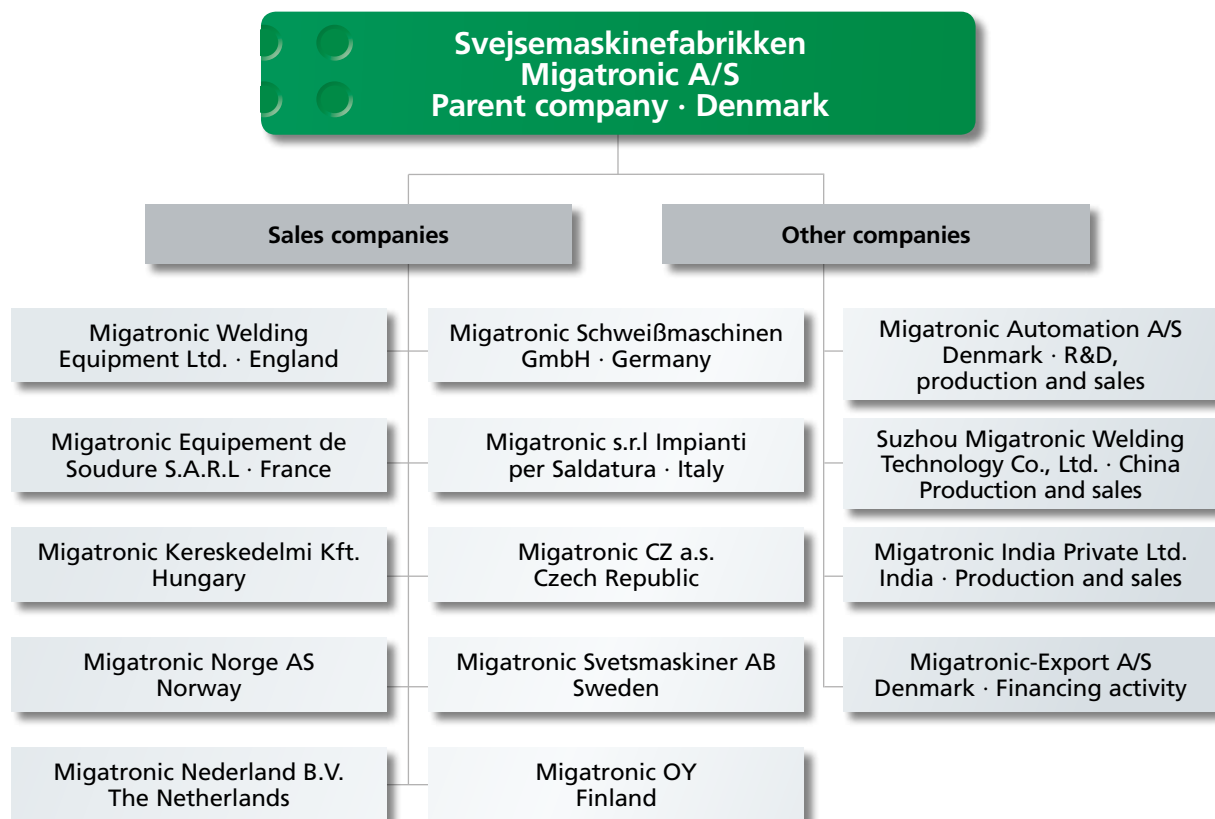
The financial ratios have been calculated in accordance with the Danish Finance society's "Recommendations and Financial Ratios 2015", apart from "Earnings per share" that has been calculated according to IAS 33.

INCOME STATEMENT

Consolidated income statement for 1 January – 31 December

DKK'000	2016	2015
Revenue	304,280	294,751
Changes in inventories of finished goods and work in progress	-2,365	9,164
Other operating income	620	475
Total income	302,535	304,390
Costs of raw materials and consumables	-126,416	-137,438
Other external costs	-41,117	-41,633
Staff costs	-111,054	-103,327
Other operating costs	-177	-90
EBITDA	23,771	21,902
Depreciation and impairment of non-current assets	-11,389	-13,285
EBIT	12,382	8,617
Financial income	726	1,194
Financial expenses	-3,033	-1,790
Profit/loss before tax (EBT)	10,075	8,021
Tax on profit/loss for the year	-3,164	-3,617
Profit/loss for the year	6,911	4,404

Group structure



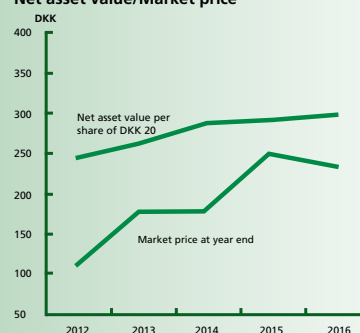
CONSOLIDATED BALANCE SHEET

Consolidated balance sheet at 31 December		
DKK'000	2016	2015
ASSETS		
Non-current assets		
Intangible assets		
Product development projects (finished and under implementation)	21,143	23,185
Property, plant and equipment		
Land and buildings	38,720	39,966
Plant and machinery	4,246	3,055
Fixtures and fittings, other plant and equipment	7,918	7,212
	50,884	50,233
Total non-current assets	72,027	73,418
Current assets		
Inventories	60,689	64,305
Receivables	58,651	58,454
Construction contracts	2,712	3,206
Corporation tax	184	76
Securities	5,384	5,777
Cash	8,399	8,254
Total current assets	136,019	140,072
Total assets	208,046	213,490
EQUITY AND LIABILITIES		
Share capital	9,724	9,724
Share premium	3,372	3,372
Treasury share reserve	-11,588	-11,588
Translation reserve	-416	-198
Hedging reserve	-234	-421
Retained earnings	122,015	118,021
Proposed dividend to shareholders	2,917	0
	125,790	118,910
Non-current liabilities		
Deferred tax	8,527	7,389
Mortgage credit institutions	3,983	7,983
Provisions	2,447	2,291
	14,957	17,663
Current liabilities		
Mortgage credit institutions	10,997	20,684
Prepayments for construction contracts	1,200	8,519
Trade payables	23,165	17,495
Corporation tax	2,458	1,020
Provisions	2,002	2,801
Other payables	27,177	25,826
Derivative financial instruments (negative current value)	300	572
	67,299	76,917
Total liabilities	82,256	94,580
Total equity and liabilities	208,046	213,490

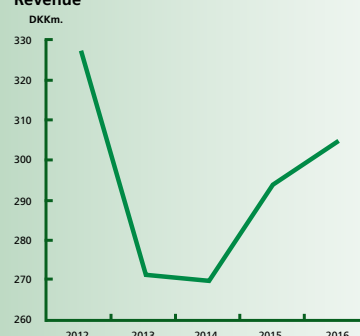
Number of employees



Net asset value/Market price



Revenue



CONSOLIDATED EQUITY AND CASH FLOWS

Statement of comprehensive income

DKK'000	2016	2015
Profit/loss for the year	6,911	4,404
Other comprehensive income		
Foreign exchange adjustments on translation of foreign entities	-266	-164
Foreign exchange adjustments of loans considered as equity	62	943
Tax on foreign exchange adjustments of loans considered as equity	-14	-222
Value adjustment for the year	-72	-35
Value adjustments transferred to financial expenses	344	401
Tax on value adjustments of hedging instruments	-85	-86
Other comprehensive income after tax	-31	837
Total comprehensive income	6,880	5,241

Statement of changes in equity

DKK'000	2016	2015
Equity at 1 January	118,910	129,636
Total comprehensive income for the year	6,880	5,241
Purchase/sales of treasury shares	0	-11,588
Dividend to shareholders	0	-4,862
Treasury shares dividend	0	483
Equity at 31. December	125,790	118,910

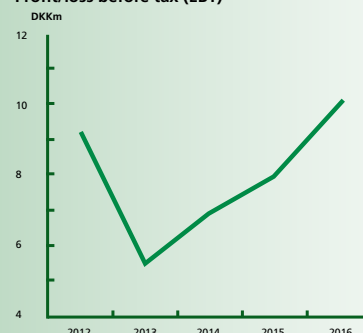
Cash flow statement

DKK'000	2016	2015
Operating profit/loss	12,382	8,617
Financial income received	726	581
Financial expenses paid	-2,598	-1,790
Depreciation/amortisation and impairment	11,389	13,285
Other non-cash operating items	-403	-19
Exchange rate adjustments, etc.	274	642
Changes in inventories	3,616	-11,300
Changes in receivables	297	-8,267
Changes in other provisions	-643	651
Changes in trade and other payables	-297	4,537
Corporation tax paid	-795	-666
Cash flows from operating activities	23,948	6,271
Acquisition of intangible assets	-3,949	-5,187
Acquisition of property, plant and equipment	-6,589	-4,122
Disposal of property, plant and equipment	465	62
Acquisition/disposal of securities (net)	-42	0
Cash flows from investing activities	-10,115	-9,247
Dividend to shareholders	0	-4,379
Purchase/sale of treasury shares	0	-11,588
Repayment of mortgage debt	-4,000	-3,935
Changes in bank loans	-9,687	15,837
Cash flows from financing activities	-13,687	-4,065
Net cash flows from operating, financing and investing activities	146	-7,041
Cash and cash equivalents at 1 January	8,254	15,295
Exchange rate adjustments	-1	0
Cash and cash equivalents at 31 December	8,399	8,254

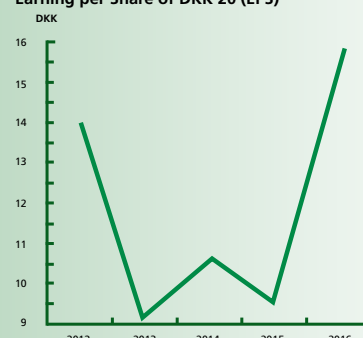
Net profit ratio



Profit/loss before tax (EBT)



Earning per Share of DKK 20 (EPS)



MIGATRONIC WORLDWIDE

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