MYCRONIC

# Annual and Sustainability Report **2021**

# Bringing tomorrow's electronics **to life**

- The audited annual and consolidated accounts can be found on pages 16–32, 46–57 and 64–105. The report of the Directors is a part of the annual report and can be found on pages 16–32 and 46–57. The corporate governance report examined by the auditors can be found on pages 58–63.
- Pages 33–45 and 110–129 in this report constitute Mycronic's statutory sustainability report in accordance with the Swedish Annual Accounts Act. This report relates to the financial year January 1–December 31, 2021.

**Electronics** touch every corner of our lives. At Mycronic, we are driven by the idea that through our technological expertise, innovative spirit and passionate teamwork, we are helping to make the world smarter, brighter and more sustainable for people everywhere. Every day.

We believe that the power of electronics is limited only by our own imagination. Which is why, together with our customers, we're committed to extending the frontiers of electronics technology. Because with each new breakthrough, the impossible becomes possible. Our mission is clear: to bring tomorrow's electronics to life.

# A global supplier of **production solutions for electronics manufacturing**

>40
years of experience in **innovation**

>500
**patents** guarantee market-leading positions

12%
of net sales in 2021 was invested in **research and development**

>1,900
**employees** in 12 countries at year-end

35%
**women** in executive management

>5,500
**customers**

>28,000
installed **systems** in more than 50 countries

**Mycronic's operations**

Mycronic is a global high-tech company that develops, manufactures and markets production equipment that meets the electronics industry's high demands for precision, flexibility and efficiency. The company is headquartered in Täby, north of Stockholm, Sweden and the Group has subsidiaries in China, France, Germany, Japan, the Netherlands, Singapore, South Korea, Taiwan, United Kingdom, United States and Vietnam. Rooted in breakthrough innovations for flexible PCB assembly and laser-based mask writers for thinner and sharper displays, the company has today grown into a global enterprise which at the end of 2021 had 1,964 employees in twelve countries. A spirit of innovation, service and problem-solving, together with its customers, has long been a central ingredient to the company's success.

Today, nine R&D sites in seven countries on three continents continue to explore new software and hardware applications. With R&D and manufacturing in Asia, Europe and the US, the company has a broad global reach, with a strong local presence.

**Four divisions**

The Mycronic Group is organized into four decentralized divisions. Local wholly owned subsidiaries are supported by a network of agents and distributors covering more than 50 countries. A large share of Mycronic's net sales is derived from the aftermarket business, where service is provided to more than 5,500 customers, with over 28,000 installed systems.

The focus is on offering advanced production solutions that help customers realize their goals, while enabling the transition to a more sustainable electronics industry. Mycronic is listed on Nasdaq Stockholm, Large Cap.

- Pattern Generators
- Assembly Solutions High Flex
- Assembly Solutions High Volume
- Global Technologies

**Pattern Generators:** World's foremost supplier of laser based mask writers for the manufacture of photomasks for displays and semiconductors, including measuring machines.

**Assembly Solutions High Flex:** Leading global provider of flexible, printed-circuit board (PCB) assembly solutions, with a comprehensive full-line offering in the high-mix manufacturing segment.

**Assembly Solutions High Volume:** World's second-largest supplier of automated systems for dispensing and conformal coating, with local R&D and manufacturing.

**Global Technologies:** Leading positions in profitable niche technologies with a potential to grow faster than the electronics industry as a whole.

CEO comments

# Innovation fuels **sustainable and profitable growth**

Despite multiple waves of Covid-19 in 2021, the global electronics industry rebounded strongly. Our people continued to deliver and serve our customers with minimal disruptions. The decentralized structure is bearing fruit and we made two promising acquisitions and one divestment. Looking ahead, we are well positioned for sustainable growth as we leverage our core strength of innovation.

In reviewing the year, I'm pleased to see that we achieved record net sales and delivered on the ambitious goal that I announced in 2019, of achieving an EBIT margin of 10 percent in the former Assembly Solutions business area not later than in 2021. If we exclude the year's acquisitions, which were not part of the Group when the goal was set, we achieved an EBIT margin of 11 percent in what are now High Flex, High Volume and Global Technologies, including their share of the costs for joint Group functions. We also continued to strengthen our four decentralized divisions to meet customer needs. After a few tough years, it is also gratifying to see a comeback for the entire electronics sector. Growth was considerably stronger than in previous years and evenly distributed across Asia, Europe and the US.

This strong growth, coupled with earlier structural changes, gave us the momentum and focus to navigate the pandemic and deliver an EBIT of SEK 1,049 million, with an EBIT margin of 23 percent. And with net sales of SEK 4,635 million, we are well on our way to achieving our goal of being a SEK 5 billion company in 2023. In fact, we believe the company will already achieve this in 2022.

**Coming together in tough times**

More than just strong numbers, I am even more proud of how our teams really came together to stay close to customers, despite tough lockdowns and stringent health restrictions. Service and aftermarket support are extremely important to our customers, especially in difficult times, and account for approximately one third of group revenue.

So it was encouraging to see local service teams rising to the occasion, staying safe and making use of digital tools, to support customers in real time. These are great examples of local leadership and proactive decision-making out near the customer where it matters. The closer we are to them, the closer we are to solving their problems.


**Decentralized and delivering**

The *Pattern Generators division* ended the year on a bright note with orders for 11 SLX mask writers to the semiconductor industry, bringing the number of total orders received to 19. This is a milestone for us because it further strengthens our position in a fast-growing new business segment. Roughly three quarters of all photomasks produced for semiconductor manufacturing are manufactured by laser mask writers and the SLX offers a modern solution, which not only ensures performance and productivity, but also significantly reduces energy consumption.

By contrast, the market for display photomasks has not yet returned to pre-pandemic levels, despite strong demand for all types of displays. What happened? Essentially, display producers seized the opportunity to reap profits by selling existing display models instead of developing new ones. This market tendency delayed investments in advanced mask writers, which is required for higher-resolution AMOLED displays. As a result, the order intake product mix in Pattern Generators was less advantageous during the year.

Our *Assembly Solutions High Flex division* continued to invest in and develop its unique portfolio of MYPro in-line SMT solutions for flexible, highly automated production of complex, high-quality PCBs. Sales of integrated in-line and process control solutions grew steadily as customers experienced the value of enhanced usability, machine-to-machine connectivity, and factory-wide integration across the entire MYPro portfolio. The division also reported strong demand for other products, including the MYSmart range of dispensing and coating solutions for electronics production.

The *Assembly Solutions High Volume division* continued to develop its strong position in China, where it also has local manufacturing and R&D. During the year, it acquired Shenzhen-based HC Xin, which specializes in screen printers. The division also strengthened its position as China's number-one provider of dispensing and coating systems.

Within the *Global Technologies division*, which focuses on distinct niche technologies with high growth potential, we acquired German-based atg L&M, producers of electrical test equipment of bare board PCBs and substrates, a market niche closely linked to our business that is experiencing growing demand in China and Southeast Asia. Our die bonding business also showed healthy activity in the Chinese market. We also divested AEi, a transaction that was finalized in February 2022.

**Releasing the full business potential**

Our decentralized four-division structure, with each addressing key customer needs within their respective area, creates a platform for us to release the full potential within each division. I cannot emphasize enough how important it is to encourage an entrepreneurial spirit where local teams are given the mandate to go beyond incremental improvements and truly lead the

Mycronic's ability to attract, retain and develop talented people is crucial to our long-term growth plans. We believe the secret lies in cultivating a dynamic, people-centric culture where everyone has the possibility to grow as the company continues to prosper. A central part of all this is supporting diversity, inclusion and valuing cultural differences and different points of view.

way forward within their areas. This attitude, applied together with our customers, is what fuels innovation and growth.

Our product portfolio mix, combined with good geographic coverage in all major electronics manufacturing hubs, provides a strong foundation to capitalize on the various sales cycles and regional industry trends.

Overall, the global electronics industry shows robust growth, and Mycronic is well positioned to benefit from many of its key trends. Examples include the global rollout of 5G infrastructure, the increasing electronics content in electric vehicles, the rise of edge computing and new local data centers. All these developments drive a need for advanced production solutions.

**Sustainable business is good business**

Sustainability challenges affect every sector, including electronics manufacturing, and are a high priority for us. Increasingly, our larger customers are under pressure to not only follow responsible work practices, but to report how they minimize their carbon footprints, improve recycling and use eco-friendly materials. Instead of just reacting to this trend, we see an opportunity to stay ahead of it – for ourselves and to help our customers achieve their goals.

> By staying close to our customers, we get closer to finding innovative ways to solve their problems – it's not 'them and us', it's always together.

Ultimately, we believe that sustainable business is good business.

Mycronic supports the UN Global Compact, with its ten principles relating to human rights, labor, environment and anti-corruption.

In June, we launched our Sustainability Strategy for 2030, with long-term goals in three key areas: innovation for sustainability, future engineers through diversity, and climate impact. The overall ambition is to work with customers to promote the transition to a more sustainable electronics industry.

Within our own operations, we aim to reduce $CO_2$ emissions by 50 percent through 2030. Notably, we have established an Innovation Fund for sustainability. The purpose of the fund is to finance innovative projects in our industry that have clear environmental or social benefits.

**Dynamic, people-centric culture**

Sometimes I like to challenge myself by asking a simple question: "What would it take to release the full potential of Mycronic?" Above all, I strongly believe that the answer lies in the values, skills and motivation of our people.

Of course, the foundation for this is creating a dynamic, people-centric company culture where everyone can grow and develop their skills. We've spent a lot of time working to cultivate a diverse, open, inclusive and healthy workplace. When people are developing, we are developing, too. Word spreads, we become a more attractive employer and it helps us in the competition to attract talent. I'm extremely proud of the culture we continue to build, and of the people who drive our progress every day.

**Building on our strengths**

Looking at the big picture and where we are heading, I feel confident that we have a strong portfolio of competitive solutions in the growing market for producing electronic goods. Mycronic is a relatively small supplier, but we are financially strong and operating in clearly defined niches with high potential for growth. We will now continue to grow both organically and through acquisitions where they make sense.

Every day, I am inspired by our purpose of bringing tomorrow's electronics to life and our vision to be the most trusted partner to the creators of tomorrow's electronics. When I joined the company in 2019, I already knew about Mycronic and was impressed by some of the market-leading innovations the company was providing to help transform the way we work, live and play.

Now, having been at the company for a few years, I am even more amazed by what I've seen. But let me assure you that it is the commitment and teamwork shown during the pandemic that has been truly remarkable. Despite many challenges, we have all come together to work methodically, flexibly and quickly to help our customers become even better. I feel very proud of what we have achieved so far, and this is just the start.

**Nothing is impossible**

In closing, let me thank everyone for all the incredibly hard work in these challenging times and all our stakeholders for entrusting me to lead this great company. Together I am confident that we can continue to push the limits of what is possible, support our customers with innovative solutions and help shape a sustainable electronics industry and thereby the future of electronics.

**Anders Lindqvist**
President and CEO

# Turning trends into **business opportunities**

As the global electronics industry recovered, several key global trends continue to drive demand for our advanced high-tech solutions. Mycronic's four divisions benefit from these trends in different ways and are strategically well positioned to capitalize on the growth.

**Growth comeback.** This is the top-line story for the electronics industry in 2021, which ended the year with above-average growth after a challenging period. And while Asia was once the world's electronics growth engine, this is no longer the case. Today, we see a more well-balanced and even distribution of growth in electronics production across Europe, Asia and the Americas.

Naturally, this growth is driven by a wide range of global trends. These include personalization, digitalization, miniaturization, Industry 4.0, the Internet of Things and Big Data. However, our primary focus and the emphasis in this section is on key trends that *most directly* impact Mycronic's operations and where we see specific opportunities.

5G TECHNOLOGY
fuels connectivity
and investments

AUTOMATION
is the number-one
driver in our
industry

ARTIFICIAL
INTELLIGENCE
is the secret
weapon
for higher
productivity

EDGE COMPUTING
means more
regional data
centers globally

REGIONALIZATION
creates East and
West ecosystems

ELECTRIFICATION
of vehicles boosts
need for electronics
content

SUSTAINABILITY
is growing in
importance

## AUTOMATION

**WHY** It's very simple. Every manufacturing step that can be automated will be. That's because every business wants to save time, increase quality and reduce costs. Rising labor costs in some traditionally low-cost manufacturing hubs are also fueling this trend. The focus is on factory-wide, data-driven systems with continuous feedback loops, in-line inspection and quality control versus only optimizing stand-alone machines. Another key focus is automating pre- and post-assembly steps using advanced robots and connected software.

**HOW** Mycronic's core automation strategy is to make it happen in ways that matter most for our customers. This means thinking about output, not speed alone, in-line solutions vs individual machines, software vs only hardware. To meet new demanding requirements, we invest in advanced automation systems around key technologies. The focus is always on boosting total productivity and quality, using both software and hardware.

## 5G TECHNOLOGY

**WHY** 5G devices are hitting the market and opening new opportunities. And while the rollout of 5G networks is slightly delayed due to Covid-19, heavy infrastructure investments are expected. Simply put, 5G networks offer greater speed in transmissions, lower latency and better connectivity, while handling more data. For consumer electronics, the challenge is to create robust, well-protected devices. For suppliers of infrastructure (5G radio base stations, switches and routers), the task is to mount layers of advanced components on complex printed circuit boards.

**HOW** The 5G challenge is being met by all divisions. Pattern Generators develops advanced photomasks for better screens on 5G devices. High Volume collaborates with 5G mobile device producers to innovate high-volume dispensing of adhesives and protective coatings. High Flex continues to offer full-line SMT solutions, including jet printers and dispensers for complex boards in 5G base stations and other infrastructure. Finally, Global Technologies is developing crucial die bonding solutions for 5G network components as well as electrical tests for the bare board PCBs used.

## REGIONALIZATION

**WHY** The electronics industry will continue to be a global, interconnected ecosystem. However, the arrival of war, trade wars, economic nationalism and the pandemic, has accelerated an earlier tendency towards regional supply chains. Broadly speaking, this translates to East and West ecosystems. For example, the "made in China, for China" policy of domestic self-reliance is echoed by onshoring initiatives in Europe and the US. Many companies are thus reviewing their supply-chain strategies.

**HOW** Mycronic has a strong local presence in the key electronic production hubs. For years, the company has been active in the assembly, photomask and semiconductor businesses in the US, China and Taiwan, Japan and South Korea. Nine R&D sites for key technology areas support this trend. In Asia, the High Volume division is seen as a local Chinese player, complete with manufacturing, service and R&D. Close proximity to all key markets has been an advantage during the pandemic and provides a strong growth platform going forward.

## ELECTRIFICATION

**WHY** With conventional cars turning into infotainment centers on wheels, the added growth of electric vehicles (EVs) is expected to increase the need for electronic subassembly content. EVs require roughly 50 percent more electronics, ranging from semiconductors and advanced packaging to high-resolution display screens and other specialized components. All car manufacturing regions are investing heavily to seize the lead position in EVs, particularly in China.

**HOW** The "electrification strategy" for all divisions is to leverage this trend but in different ways. For Pattern Generators, this means mask writers for high-resolution screens and semiconductors. For High Volume, industrial dispensing, coating and other technologies. For High Flex, it means mounting complex PCBs. Global Technologies will also seek to identify new growth opportunities here.

## ARTIFICIAL INTELLIGENCE

**WHY** Artificial Intelligence (AI) is emerging as a technology with the power to solve key challenges in the manufacturing of photomasks, mounting of printed circuit boards and flat panel displays. In particular, Machine Learning, a subset of AI, is being applied to areas such as automated optical inspection (AOI) to significantly increase first-pass yield, eliminate potential human error and boost productivity. Deep learning takes this to another level requiring large amounts of data storage. The US and China are racing to take the lead in this area.

**HOW** AI research is coordinated with our AI Center in Silicon Valley, with a focus on solving key production challenges across all divisions. Within SMT assembly, the focus is on real-time 3D AOI and SPI inspection of components using feedback-based machine algorithms and camera images. AI is being tested together with clients in applications such as high-value boards for aerospace and other industries.

## EDGE COMPUTING

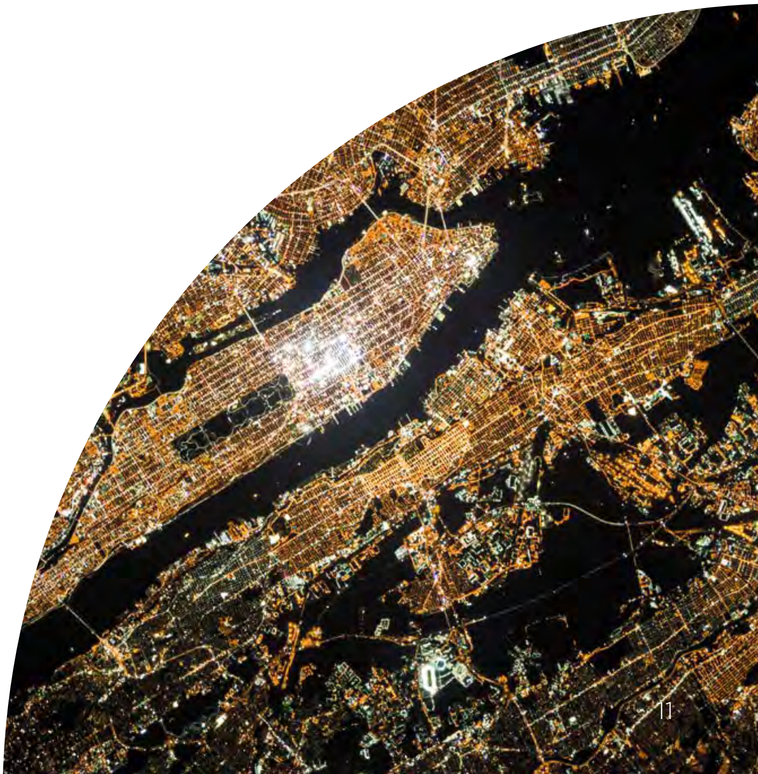
**WHY** Instead of only storing data in the cloud or big data centers, there is a trend towards more regional data centers. This is all about having smaller data centers located closer to the source of the data to improve response times and save bandwidth. This might involve local data storage at a facility, or it could mean building more intelligence into the machine to do some computing there. Edge computing is vital to achieving the full potential of 5G and is being enabled by powerful CPUs in local computers.

**HOW** Mycronic supports edge computing by investing in the flexible, full-line SMT solutions and specialized systems for efficient handling of the complex circuit board assemblies required for data centers. These include industrial dispensing, coating, jet printing, inspection, electrical tests and related technologies. The 5G strategy is interrelated to this since edge computing is a key prerequisite for the success of 5G.

## SUSTAINABILITY

**WHY** As the use of electronics permeates into new sectors and the demand for electronic products is growing, environmental and social challenges follow. The growing use increases the carbon footprint of the electronic industry's value chain, puts pressure on scarce natural resources and leads to vulnerability for violation of privacy rights. However, IT and electronics can also be enablers for reducing emissions in society or improving access to health care, just to mention two examples. Consumers, manufacturers and investors are waking up to these issues, which combined with stricter laws, are driving the need for more sustainable business practices.

**HOW** Mycronic adheres to the UN Global Compact with its ten principles relating to human rights, labor, the environment and anti-corruption. It also follows its own sustainability strategy with goals leading up to 2030. At a Group level and within the divisions there are three key areas: innovation for sustainability, future engineers through diversity and reducing our own $CO_2$ emissions by 50 percent by 2030.



# Clear strategy and **principles for success**

Mycronic strives to be the most trusted partner to the creators of tomorrow’s electronics. Our strategy is to be a market-leading solutions provider within selected niches of electronics production with a high degree of recurring revenue. Sustainable and profitable growth is achieved both organically and through acquisitions of companies in adjacent areas or with stand-alone potential to grow faster than the market average.

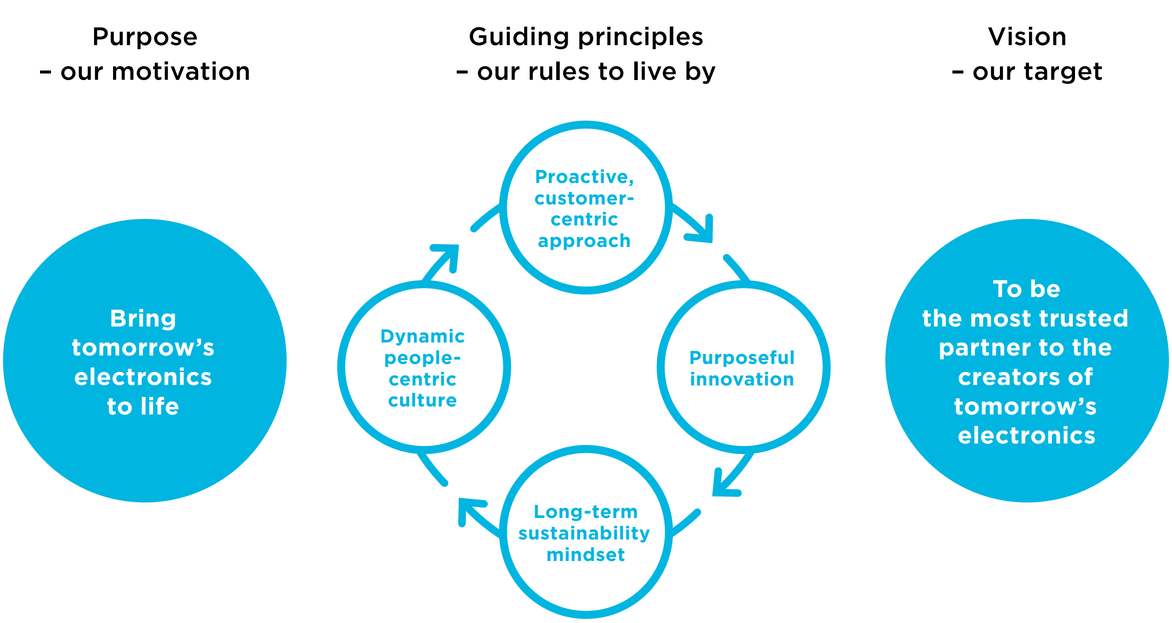
Trust is something that is earned. It’s about staying close to customers, being there for them and solving their everyday challenges. For our customers, the strategic value we bring comes down to meeting their exacting manufacturing requirements for higher precision, greater flexibility and ultimately higher productivity. Increasingly, today this is also a matter of helping them achieve their own sustainability goals.

The growth engine behind all value creation at Mycronic is the company’s long-term commitment to technology innovation. It goes right to the core of Mycronic’s DNA and has fueled the company´s growth for more than 40 years.

When our market-leading solutions make customers more successful, Mycronic becomes more successful, too.

**The power of a strong brand**
Developing a strong brand is central to Mycronic’s strategy. During 2021, the company held workshops and rolled out an updated brand platform to anchor its purpose, vision and guiding principles. The main motivator, or *purpose*, is to bring tomorrow’s electronics to life. The target, or *vision,* is to be the most trusted partner to the creators of tomorrow’s electronics. The four *guiding principles* are rules to live by.

The refined brand and culture are now being activated throughout our four decentralized divisions in close collaboration with customers.



> Mycronic's strategy is to be a market-leading solutions provider within selected niches of electronics production with a high degree of recurring revenue.

**Mycronic's four guiding principles**

**Proactive, customer-centric approach**

This principle underscores the need to better understand our customers, their challenges, products and applications. Staying closer to their problems means being closer to the solution. The goal is to understand our customers' challenges so well that we don't just systematically solve them – we anticipate them. Our global setup, with four decentralized divisions in all major electronics hubs, including China, helps us to anticipate needs in advance. Local teams can respond quickly with shorter decision-making paths and decentralized responsibility for research and development. This allows us to quickly adapt to new requirements for 5G technology, electric vehicles, edge computing and other trends.

**Purposeful innovation**

Mycronic believes that customer-centric innovation starts with solving a market need. As we dream up visions of tomorrow, we do so with our customers' current and future needs always top of mind. And because game-changing innovations emerge only when one dares to test the limits of what is possible. At Mycronic we foster a culture of innovation that spans the entire organization. Our innovations build on and enhance the company's current strong expertise in areas such as advanced lasers, robotics and electronics assembly. In 2021, R&D costs amounted to SEK 548 million, equivalent to 12 percent of net sales.

**Long-term sustainability mindset**

Sustainability is becoming more important for all companies, across all industries. Traditionally, environmental and social aspects have not been main selling points in electronics production. However, this is changing, and Mycronic is already implementing measures that help customers stay a step ahead. By addressing both our own and our customers' challenges, we can contribute to a more sustainable electronics industry and future-proof our business.

**Dynamic, people-centric culture**

Achieving our financial goals depends a lot on our ability to attract, develop and inspire our people into the future. A key focus is thus on encouraging an innovative, proactive and entrepreneurial culture, where new ideas can come from anyone. It's all about creating an open, diverse and responsible culture.

By adhering to our strategy, guided by our four principles and working closely with customers in our four decentralized divisions, Mycronic secures a strong platform for long-term sustainable growth.

# Driving **value creation**

1

## Inspired by our purpose, principles and vision …

**Purpose**
Bring tomorrow's electronics to life

**Guiding principles**
1. Proactive, customer-centric approach
2. Purposeful innovation
3. Long-term sustainable mindset
4. Dynamic, people-centric culture

**Vision**
To be the most trusted partner to the creators of tomorrow's electronics

2

## … and to meet stakeholders' expectations …

**Customers**
A strategic partner that understands the challenges of producing tomorrow's electronics

**Our people**
- Inclusive, healthy workplace
- Learning and collaboration
- Career development possibilities

**Shareholders**
- Attractive total return on capital, including dividend
- Value creation
- Risk management

**Suppliers**
Stable, secure business relationships

Stakeholder dialogues on sustainability highlight expectations from these groups with regard to climate change, and fair and ethical business practices

3

## … we execute on a **clear strategy** for profitable and sustainable growth …

### Strategy

Market-leading solutions provider within selected niches of electronics production with a high degree of recurring revenue

### Sustainability goals support business strategy

- Innovation for sustainability
- Future engineers through diversity
- Climate impact

### Decentralized business model

Transformational M&A → **Corporate Office**

Leading niche solutions → **Global Technologies**

Complementing businesses → **Pattern Generators**; Assembly Solutions **High Flex**; Assembly Solutions **High Volume**

- Four distinct divisions with full P/L responsibility
- Clearly defined market segments for each division
- Realizing the full potential within each market segment

As a global supplier of production solutions to the electronics industry, Mycronic strives to add value to all key stakeholders. The company aims to help drive the industry shift towards more sustainable and profitable growth, for the benefit of customers and society.

## Differentiation and competitive advantage

Achieved through close partnership and innovation with our customers in distinct segments of the global electronics industry where our advanced, high-precision solutions add great value. Stand out with a people-centric culture that prioritizes problem-solving, a high level of aftermarket service and strong initiatives that contribute to the industry's drive towards sustainable business.

>1 BSEK → **own division**[1]

Mainstream → **HF/HV**[2]

[1] When net sales reach SEK 1 billion, the business becomes a division of its own.

[2] When the technology becomes mainstream, it is transfered to High Flex or High Volume.

## 4 … that creates value …

**Unique laser-based mask writers** for manufacturing display photomasks

**Energy-efficient mask writer** for the semiconductor industry

**Most flexible PCB** assembly offering, with full-line solution for high-mix electronics production

**World's fastest jet** printer for efficient application of solder paste, generating less waste

**Automated near-production tower** storage systems

**World's leading dispensing and coating** systems for wide-ranging applications

**Die bonding systems** for 5G electronics

**Bare board PCB testing** with Flying Probe Testing (FPT) and Grid Test systems

## 5 … for our stakeholders

**Customers**
- Cost-efficient production
- Production process innovation

**Our people**
- Over 1,900 employees in 12 countries at year-end
- Attractive, diverse and healthy work environment

**Shareholders**
- SEK 294 million paid out in dividends

**Suppliers**
- Long-term relations

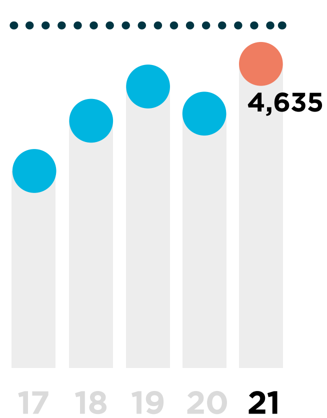
**Society**
- Taxes paid: SEK 219 million
- Promoting equality and diversity in the communities where we operate

# **Financial targets** and achievements

## Growth

Net sales, SEK million

Target




**Target SEK 5 billion**

**Achieved SEK 4.6 billion**

**Financial target**

Mycronic should reach net sales of SEK 5 billion no later than in 2023.

**Achievements**

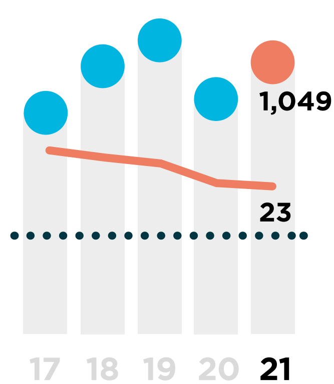
Net sales reached a record level of SEK 4,635 million in 2021, with a strong order backlog.

## Profitability

EBIT, SEK million

EBIT margin, %

Target




**Target 15%**

**Achieved 23%**

**Financial target**

EBIT will exceed 15 percent of net sales over a business cycle.

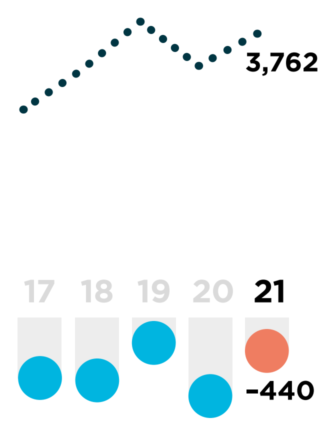
**Achievements**

EBIT increased to SEK 1,049 million and EBIT margin was 23 percent.

## Capital structure

Net debt, SEK million

Target




**Target <3x EBITDA**

**Achieved 440 MSEK net cash**

**Financial target**

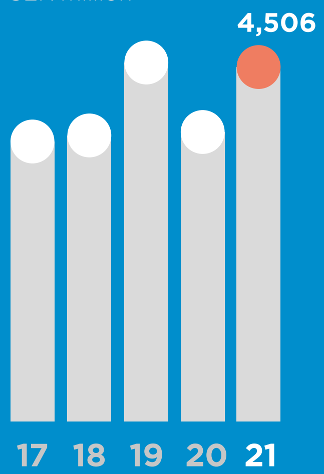
Net debt will be less than three times average EBITDA. The average is calculated over a three-year period.

**Achievements**

Mycronic had a net cash position of SEK 440 million at the end of 2021.


## Order intake

SEK million




+22%

### Acquisitions and divestment

**Germany:** Acquisition of atg Luther & Maelzer GmbH (atg L&M), in Germany, strengthens and broadens Global Technologies' offering with the addition of electrical testing of bare board PCBs and substrates.

**China:** Acquisition of Huan Cheng Xin Precision Manufacturing Co., Ltd (HC Xin), in Shenzhen, specialists in screen printers and pick-and-place machines for final-assembly SMT, strengthens Mycronic's presence in China and broadens Assembly Solutions High Volume's portfolio.

**USA:** The divestment of Automation Engineering Inc. (AEi), makers of camera module assembly and test solutions for the automotive industry, was finalized in February 2022.

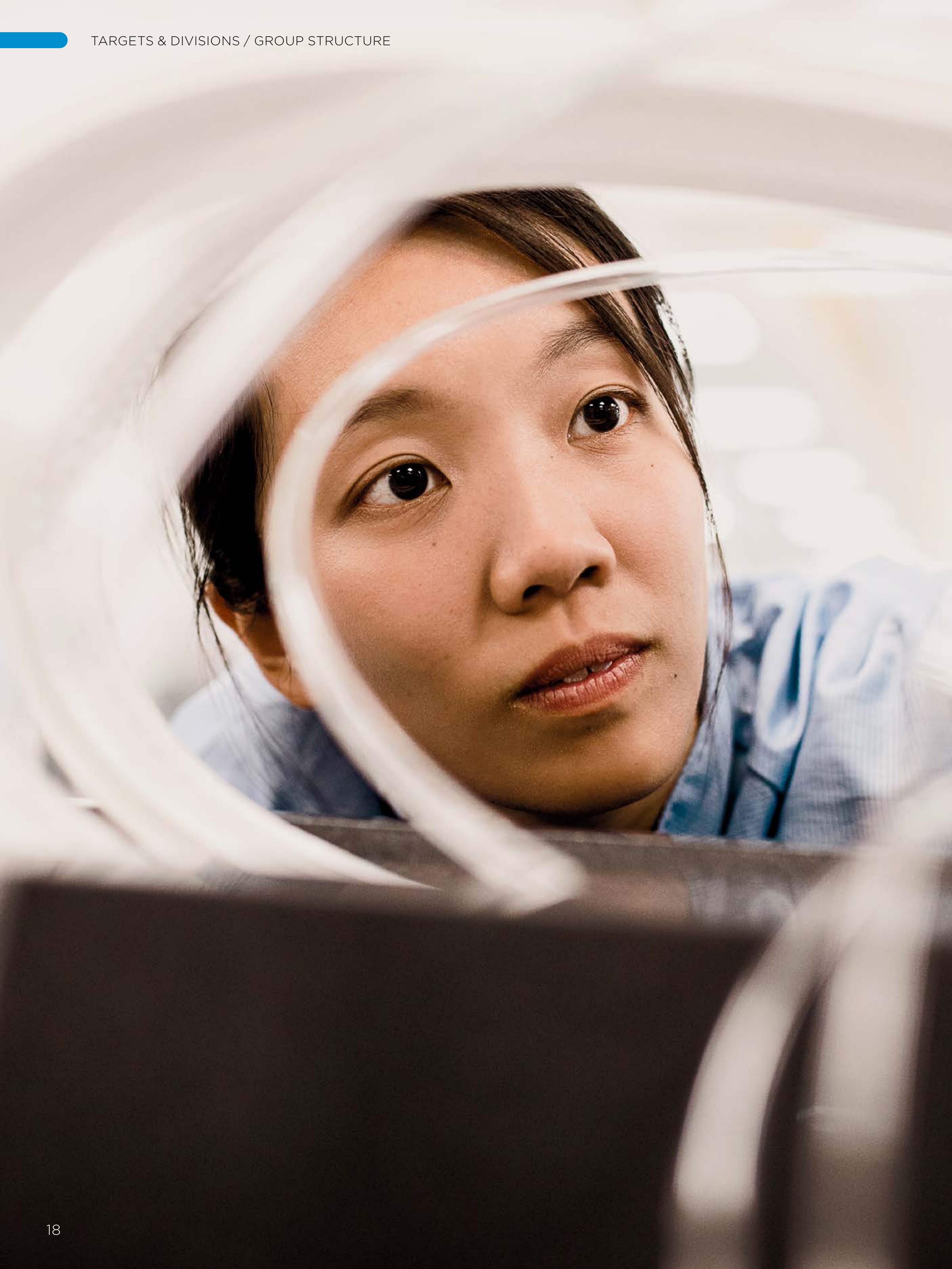
### Management changes

Pierre Brorsson joined Mycronic in October 2021 as CFO & Sr VP Corporate Development.

Johanna Jarl joined Mycronic in March 2022 as Sr VP Human Resources.

### Other developments

Targets for Mycronic's 2030 Sustainability Strategy were implemented at a Group and division level to both reduce Mycronic's own environmental impact and support customers moving to more sustainable practices.

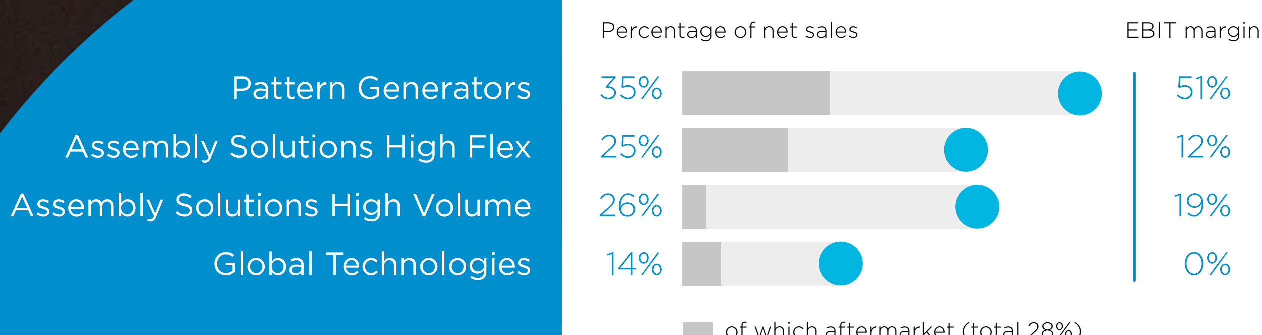


# Closer to customers **with four decentralized divisions**

Our four divisions focus on distinct segments of the electronics manufacturing industry in Asia, Europe and North America, where Mycronic can add significant value.

Local teams are given the mandate to think like entrepreneurs and work closely with customers to identify new business opportunities. The emphasis is on developing the full potential of each division.

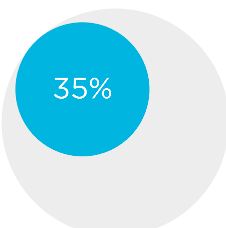
This customer-centric approach, supported by group-wide knowledge sharing, policies and objectives, allows us to act more quickly and adapt to individual market needs.



Pattern Generators

# Strengthening and diversifying **our world-leading mask writer technology**

**Percentage of net sales**




**Net sales**

SEK 1,645 M

**of which aftermarket**

37%

**EBIT**

SEK 832 M

**EBIT margin**

51%

**Geographical presence**

USA, South Korea, China and Taiwan, Japan

**Primary competitors**

Applied Materials, Heidelberg

**Charlott Samuelsson**
Sr VP Pattern Generators

The Pattern Generator division received orders for 11 SLX mask writers from the semiconductory industry, strengthening its presence in a new market segment and further developing its leading position in laser-based mask writers for displays.

**Market position and development**

Pattern Generators is a leading supplier of laser-based mask writers for the display and semiconductor industries. These machines are used to produce the photomasks required to manufacture screens for TVs, cars, mobile phones, tablets and computers as well as the semiconductor components used inside. The customers are electronics giants (for inhouse production) or mask shops in Asia and the US.

Virtually any type of display and 70–75 percent of all semiconductor photomasks are made with a laser mask writer – a niche where Mycronic holds a strong global position. Mycronic's mask writers rely on advanced, laser-based lithography and specialized optics to deliver the nanometer-level of precision required to ensure sharp and vibrant screen resolution.

A few years ago, the division saw an opportunity to make this available to the semiconductor industry. The result was the SLX, a new energy-efficient mask writer based on the same technology as the mask writers for displays. It also shares the Evo control platform, which allows Mycronic to offer a future-proof platform for all machines, while spreading the cost base and minimizing risks.

Over the years, working closely with its customers in Asia and the US, the division has developed a range of mask writers as well as measuring machines to ensure high image quality and accurate positioning of the written pattern.

Crucially, these are backed by service agreements to allow customers' mask writers to be used efficiently with a high degree of availability, throughout the equipment life cycle.

**Key trends and sales drivers**

In the display industry, demand for photomasks is driven by factors such as technology shifts from LCD to AMOLED screens, larger displays, higher quality and new applications. During the pandemic, although consumers bought new screens, many manufacturers were quick to meet this new demand with existing display designs, postponing the development required to make next-generation displays.

The SLX mask writer for semiconductor manufacturing not only drives down costs but reduces carbon emissions using solid-state lasers.

The Prexision 800 Evo mask writer sets the world standard for high precision and quality for advanced photomasks for displays, while the Prexision Lite Evo is suitable for less advanced photomasks.

> ❝ We are leveraging our deep knowledge of laser-based mask writers for displays and applying it to the semiconductor segment, a fast-growing area with high potential and similar needs for precision, quality and productivity.

Charlott Samuelsson
Sr VP Pattern Generators

This delayed the supporting investments in Mycronic's most advanced mask writers, such as Prexision 800 Evo. Investments of this type boost the division's net sales when they occur but are cyclical in nature and should be evaluated in a longer perspective.

Surging demand in the semiconductor industry was driven by 5G, new data centers, Internet of Things, cloud computing and an overall shortage of semiconductor components. This accelerated the need to increase production capacity for components, drive down costs and replace aging equipment for the most common chip production.

While order intake of advanced display mask writers was slow in 2021, the aftermarket business held firm. Under challenging circumstances, Pattern Generators worked closely with its customers to ensure a high level of quality in deliveries and uptime. The trend towards data-based analysis and connected support also continued as travel restrictions remained in place in many countries.

**Accomplishments in 2021**

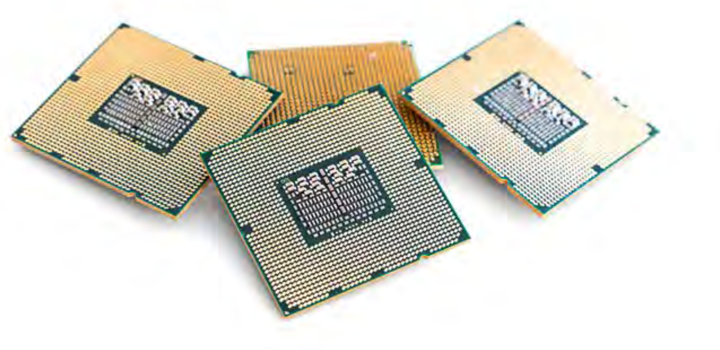
In 2021, Pattern Generators received orders for 11 SLX mask writers, bringing the total of SLX machines sold to 19 since first being introduced in 2019. In addition, orders for a Prexision Lite 8 Evo and an FPS 6100 Evo were received. During the year, Pattern Generators successfully installed one Prexision 800 Evo, three Prexision Lite 8 Evo, seven SLX, two FPS systems and one Prexision MMS.

**Focus in 2022 and beyond**

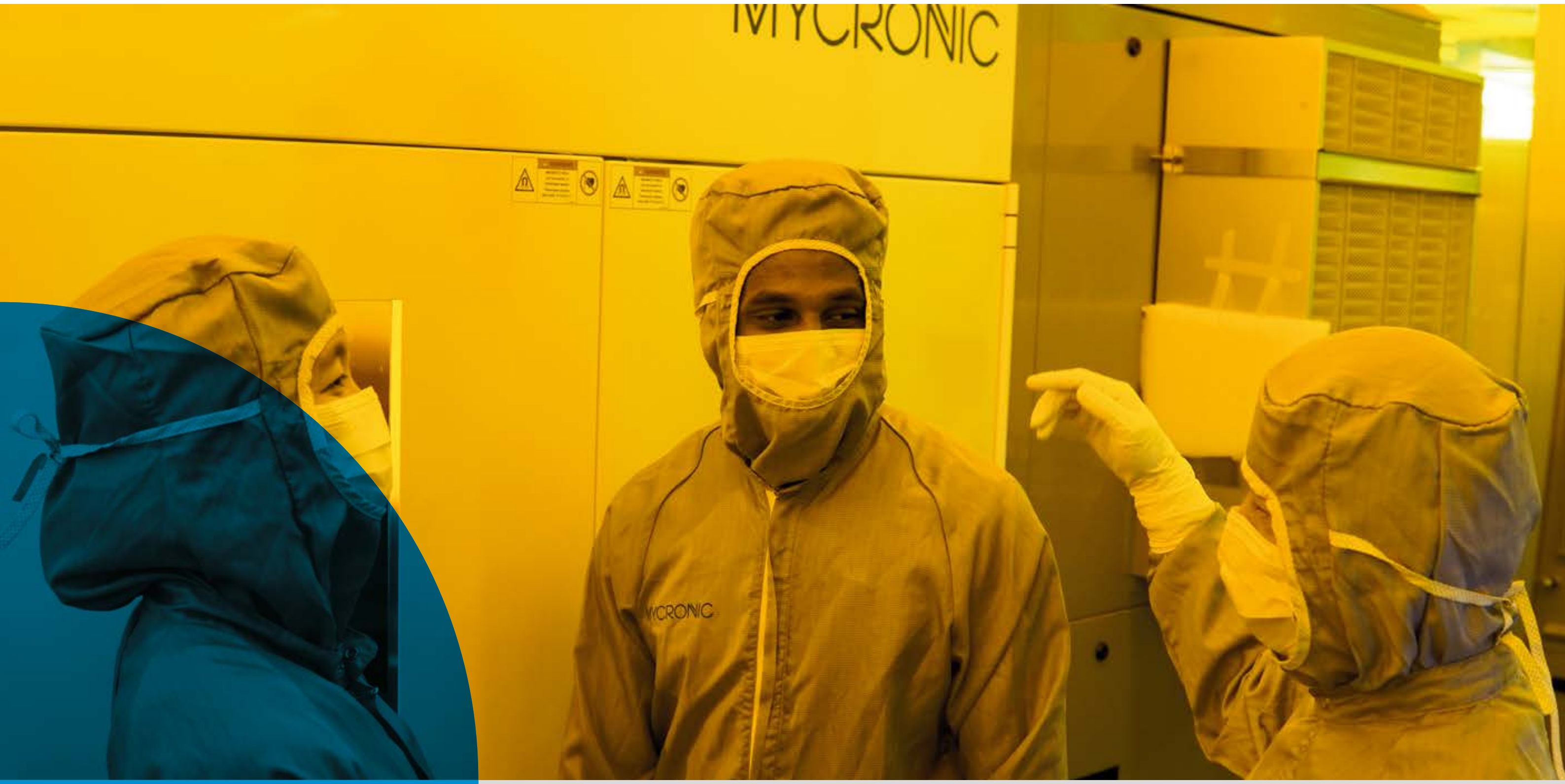
In 2022, the photomask market for displays is expected to return to pre-pandemic levels as the need to innovate and develop new display models returns. Booming sales of electric vehicles, flexible screens and advanced devices are anticipated to further drive investments. Pattern Generators will continue to develop new systems to support the demanding requirements of the future for displays and semiconductors. In addition to the favorable demand for photomasks in the semiconductor industry, there is also a need for replacement and modernization of the existing installed base of ageing mask writers. Looking ahead, the division will continue helping customers renew the installed base of display mask writers through Mycronic's replacement program.

The industry's awakening to climate change favors sales of SLX mask writers, which are both energy efficient and significantly boost productivity. The division continues to investigate ways to reduce carbon emissions.

By staying close to customers and continuing to invest in R&D, Pattern Generators will secure a strong and sustainable customer offering.



The semiconductor market increased dramatically in 2021, driven by demand for mobile phones, notebooks, servers, automotive, smart home, gaming and wearables. But much of the equipment used for photomasks is outdated and needs replacement, a fact that favors Mycronic.




By staying close to each other and the machine throughout the process, we can better anticipate the customer's future service needs.

Hyun-Kyu (HK) Kim,
System Specialist

# Close collaboration ensures a high level of service from day one

In just a few months, a new SLX mask writer for semicondustors will be shipped to an Asian customer. But how do you secure that it runs perfectly, before the machine has left the assembly plant?

According to an expert Service Team in Stockholm, it comes down to careful planning, sharing ideas, purposeful innovation and close team collaboration, together with the customer.

The team is led by Huyn-Kuy (HK) Kim, a 16-year Mycronic veteran System Specialist in South Korea. He is joined by a diverse team consisting of Rachel Lin, Systems Engineer from Taiwan, and Tesfu Woldai, Systems Engineer from Sweden.

**Staying close to perform better**

"What we do now in terms of set-up and preparations, logging histories and protocols, will be crucial to ensuring good service from day one," says Tesfu Woldai.

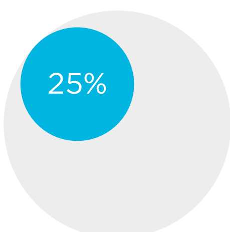
"When we're all aligned as a team and connected, everything goes a lot more smoothly," Rachel explains.

"Staying close" is a key theme echoed by all of them, and a way to anticipate future service requirements. As HK puts it: "The secret to great service lies in staying close to each other, close to the machine and close to the customer."

Assembly Solutions High Flex

# **Conquering complexity** in printed circuit board assembly

**Percentage of net sales**




**Net sales**

SEK 1,176 M

**of which aftermarket**

37%

**EBIT**

SEK 136 M

**EBIT margin**

12%

**Geographical presence**

Primarily Europe and North America

**Primary competitors**

ASM, Fuji, Juki, Yamaha, Hanwha Techwin,Panasonic, Koh Young, Viscom, Saki

**Clemens Jargon**
Sr VP High Flex

The High Flex division further developed key process control, inspection and storage systems around its unique, full-line solution for flexible printed circuit board assembly. It also reported strong interest in its growing range of MYSmart dispensing and coating solutions.

**Market position and development**
Mycronic's Assembly Solutions High Flex division is the leading global provider of flexible, printed circuit board (PCB) assembly solutions, with a comprehensive full-line offering in the high-mix manufacturing segment. Customers are primarily US and European electronics manufacturers running diverse mixes of complex, high-value boards that require fast job changeovers, high quality and good line utilization. Key industrial sectors are aerospace, defense, automotive, energy and medtech and industrial electronics.

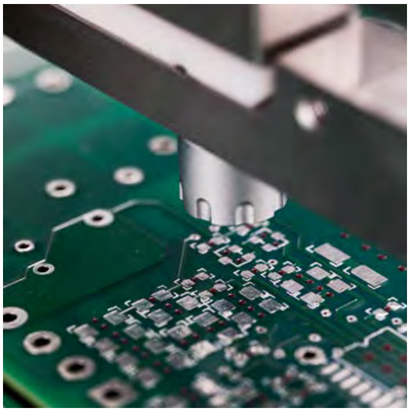
The High Flex division offers all key solutions for PCB assembly, from complete production lines to individual systems for specific process steps. The flagship solution is the MYPro Line, which integrates advanced jet printing and dispensing, pick-and-place, advanced process control solutions and 3D inspection systems, together with MYTower automated material handling and factory-wide software connectivity.

During 2021, the surface mount technology (SMT) market experienced resurgent growth as the initial shock of the pandemic wore off, leading to renewed investments in defense, aerospace, telecom, medical technologies and electric vehicles. Chip shortages and supply-chain issues caused some delays but were managed locally and centrally through a close collaboration with suppliers and customers. To stay close to customers, High Flex service teams implemented new digital solutions, to guide customers in different locations.

**Key trends and sales drivers**
Connectivity, automation and data-driven production are the underlying themes for the next generation of Industry 4.0 intelligent factories. Producers are increasingly looking to leverage vast quantities of process data generated within the production line and throughout the factory to create automated control loops that predict process variability, improve product quality and add more value to every user interaction.

There is increasing demand for innovative solutions that contribute to higher quality, flexibility and productivity while reducing the costs of custom IT integration at the customer site. Mycronic has long been a leading partner in this segment

Tomorrow's High Flex product portfolio is constantly being developed to provide the next generation of Industry 4.0 intelligent factories with greater connectivity, automation and data-driven performance.



The MYSmart portfolio of high-capacity dispensing and coating equipment was expanded during the year.

A broadened portfolio of automated high-capacity MYTower material handling systems opens new possibilities for industrial customers requiring more flexible, near-production storage.

"We prepare our customers for change by improving their flexibility, quality and productivity, helping them automate and take full control of the entire production process.

Clemens Jargon
Sr VP High Flex

and continues to equip PCB assembly solutions with intuitive software solutions, open programming interfaces and the latest machine-to-machine and vertical connectivity standards.

**Accomplishments in 2021**

In November, at the electronics production trade show Productronica in Munich, High Flex introduced the new MYPro I series 3D AOI inspection system. It builds on the success of the industry-leading K series 3D AOI and brings AI into the inspection process, helping customers to dramatically reduce programming time while securing highest first pass yield. Another highlight was the introduction of a new high-speed coating line as well as an automated industrial dispensing solution. The division also presented the market's fastest all-materials jetting system and a new tabletop dispenser.

In addition, High Flex launched two new high-capacity component storage systems called the MYTower Series X.

The flagship MYPro Line has been further improved with new software and hardware to ensure added quality and flexibility. Customers benefit from increased automation and integration in their assembly.

**Focus in 2022 and beyond**

High Flex will continue to support and grow together with customers in its core high-mix PCB assembly segment by offering the industry's most flexible solutions for the most challenging production environments. Enhanced process control software, intuitive user environments and factory-wide data integration services and solutions will continue to add customer value to the innovations we create.

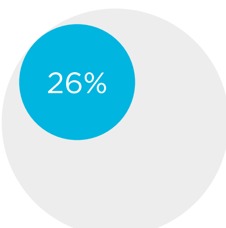
A top priority is to unleash the full growth potential of the MYSmart dispensing and coating systems, particularly in Europe and the US. This also includes working closer with larger Tier One manufacturers requiring tailored process control, material handling and IT integration solutions.

Finally, to meet the market's growing need to reduce environmental impact, High Flex continues to develop its range of jet printers, which use lead-free solder paste, eliminate waste in screen printing and remove the need for cleaning with hazardous solvents. The division is also developing energy-efficient pick-and-place machines and other equipment to support customers' needs to reduce their carbon footprint in production. All production in Sweden is based on fossil-free electricity from the Nordic power grid.

Assembly Solutions High Volume

# **Inventing the future** of dispensing and conformal coating in China and beyond

**Percentage of net sales**




**Net sales**

SEK 1,200 M

**of which aftermarket**

8%

**EBIT**

SEK 231 M

**EBIT margin**

19%

**Geographical presence**

Asia, primarily China

**Primary competitors**

Nordson Asymtek, Musashi, Protec, Anda, PVA

**Ivan Li**
Sr VP High Volume

The High Volume division became the world's second-largest provider of dispensing and conformal coating systems and is number-one in China. During the year, it broadened its offering by acquiring a local SMT screen printing company, Huan Cheng Xin, based in Shenzhen.

**Market position and development**
The Assembly Solutions High Volume division is the world's second-largest supplier of automated systems for dispensing and conformal coating. Local R&D and manufacturing secure a strong presence in China and facilitate unique access to high-volume customers. The focus is on manufacturers of mobile phones, tablets, computers and electronics for electric vehicles.

The dispensing of adhesives and conformal coating on printed circuit boards plays an important role in ensuring that end products can withstand vibration, temperature changes, avoid dust and are waterproof. These automated systems dispense a wide range of adhesives, mounting fluids and coatings in different stages of assembly, helping combine, connect and protect components in the products, enabling them to be smaller, safer and more reliable.

In 2021, High Volume strengthened and broadened its portfolio with the acquisition of HC Xin, in Shenzhen, China, suppliers of automated screen printers.

**Key trends and sales drivers**
Rising labor costs in the highly competitive Chinese market are driving investments to automate all production steps for smart phones, watches, earphones, electric vehicle components and more. To maintain a cost advantage and hedge potential risks of tariffs as well as supply-chain issues, some producers are shifting production and new investments to plants in Southeast Asia and Mexico.

However, China is expected to remain strong. The large domestic market is growing, the rising middle class has spending power, and the government is prioritizing infrastructure investments in sectors such as automotive, semiconductors and 5G telecom, all of which favor High Volume's business.

"Our growth is fueled by agile teamwork, local innovation and a very close collaboration with our demanding customers in China and around the world.

Ivan Li
Sr VP High Volume

Fully automated dispensing equipment from Mycronic's High Volume division simplifies and speeds up the high-volume production of smartphones, wearables and devices, driving down costs and boosting productivity.

Dispensers apply adhesives that hold the tiny components inside smartphones and other devices in place, while conformal coatings protect them from water, dust and other environmental factors.

**Accomplishments in 2021**

During 2021, newly acquired HC Xin was integrated into the dispensing and coating operations, further consolidating High Volume's market-leading position in China. The acquisition broadened the portfolio and opened up access to the surface mount technology (SMT) market in the region.

**Focus in 2022 and beyond**

High Volume will continue to grow by working closely with its customers, tailoring solutions to fit their specific applications and following key accounts abroad to service them in Vietnam, Malaysia, Mexico and elsewhere.

To meet growing concerns about environmental-related issues, the division is working with energy-reduction measures in its production facilities, more energy-efficient equipment design and switching to eco-friendly coatings.

PHOTO: HONOR

Similar to Mycronic's purpose of 'bringing tomorrow's electronics to life', we strive to help create a better tomorrow. I believe that with Mycronic we have an excellent partnership for creating a promising future. *HONOR*

"

PHOTO: HONOR

# Going beyond with HONOR

The tempo of business in China is fast. But if you go a step beyond, the rewards can be great, as High Volume discovered in 2021. In just 15 days, it delivered 30 dispensing systems to HONOR and was awarded Superior Dispensing Supplier Status.

**High ambitions**

Since its establishment in 2013, Shenzhen-based HONOR has risen to become one of the world's leading providers of smartphones, with 8,000 people and a 16 percent market share in China. Under the banner of "*go beyond*" they are striving to build a global iconic tech brand. Their immediate challenge was to boost local market share by launching two new smartphone series and five products in just six months, but the decision to work with Mycronic was not immediate.

**Earning trust over time**

"During a four-year pre-research phase, although no orders were placed, their people demonstrated good teamwork in helping us push the projects forward. This experience formed the basis for a strong partnership based on trust," says HONOR's Project Team Leader.

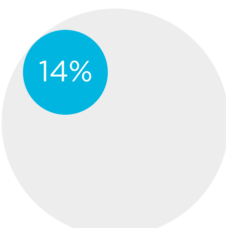
"Timely delivery was of the essence," recalls Li Lin, Key Account Manager at Mycronic. "To make it happen we threw all our resources into the project 24/7 for weeks."

The result? Mycronic's dispensers are now being used for HONOR's new Magic3 Series smartphones and many other products in the pipeline.

Global Technologies

# **Acquiring and growing** advanced technologies with high growth potential

**Percentage of net sales**




**Net sales**
SEK 657 M

**of which aftermarket**
24%

**EBIT**
SEK –3 M

**EBIT margin**
0%

**Geographical presence**

China and Taiwan,
US, South Korea, Japan,
Europe, other (Asia >70%)

**Primary competitors**

**Electrical testing**
*Flying Probe Test:* Hioki, Microcraft, Joint Stars
*Grid Test:* Nidec, Mason, Yamaha
**Die bonding**
ASM, 4 Technos, Palomar, Finetech

**Michael Chalsen**
Sr VP Global Technologies

Global Technologies had an eventful year with the acquisition of German-based atg L&M, makers of electrical testing equipment for bare board PCBs and substrates, new product extensions in its die-bonding business, and the divestment of AEi, which was completed in February 2022.

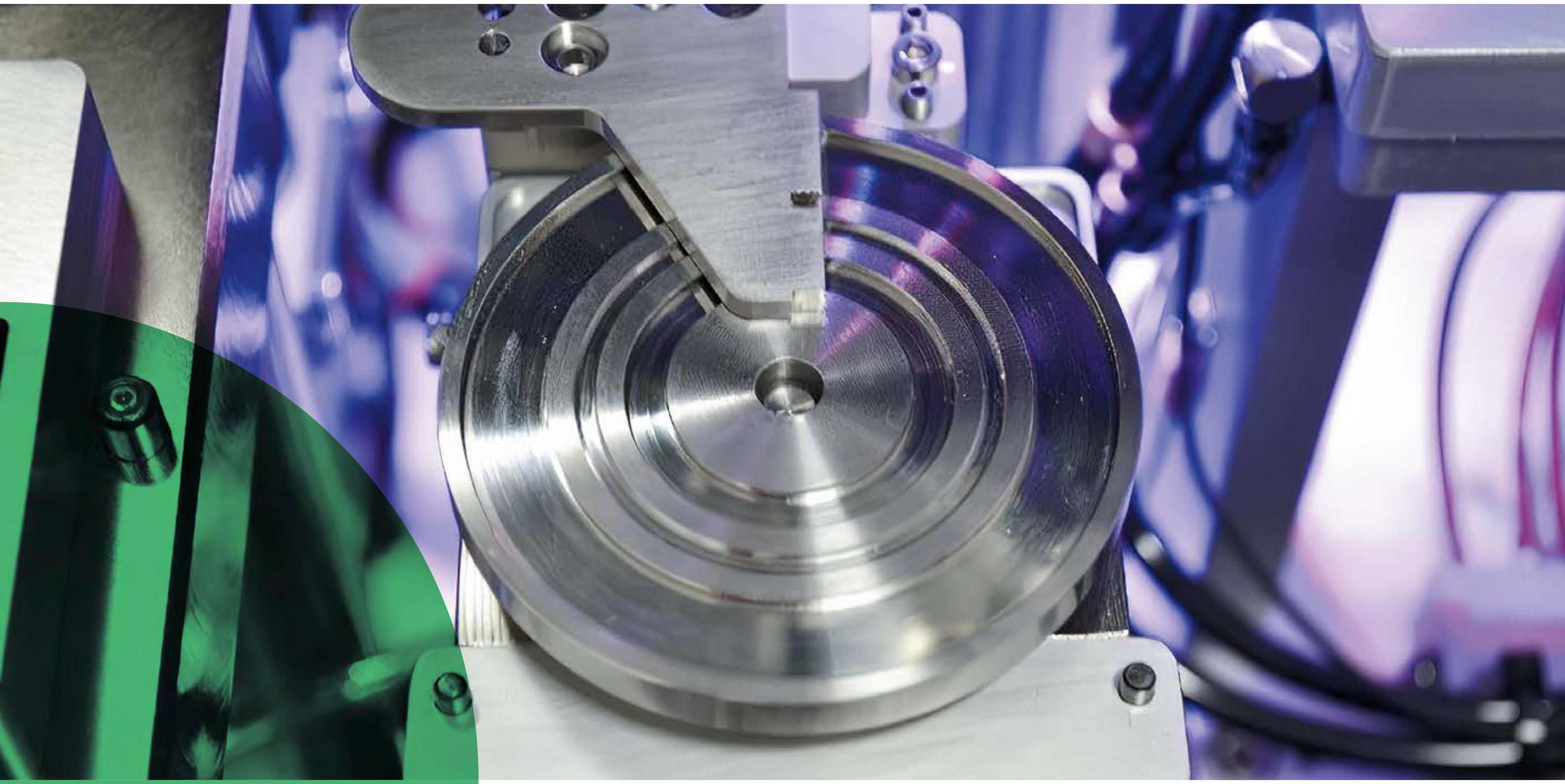
**Market position and development**
The Global Technologies division acquires and grows advanced electronics technology businesses with a high level of differentiation that are growing faster than the industry average. The division encourages a decentralized, entrepreneurial culture of problem-solving close to customers, supported by the expertise and resources of a strong high-tech global owner. The focus is on distinct market segments favored by long-term trends in the electronics industry, with growth delivered organically and via acquisitions.

The year was characterized by ongoing development of the division's market-leading position in die-bonding applications for microelectronics and optoelectronic applications. Die bonding is an assembly process used in the packaging of semiconductors to mount a die (or chip) to a substrate or package by epoxy or solder. Simply put, the die is placed into a previously dispensed epoxy or attached in a heating process using solder. It is widely used in the data and telecommunications, aerospace, defense and other industries.

Further advancements within die bonding now make it possible to provide submicron placement accuracy on 12-inch wafers for silicon photonics, a fast-growing area in the data and telecommunications industries.

The acquisition of atg L&M, headquartered in Germany, strengthened and broadend the division's offering by adding advanced electrical measurement of bare board PCBs and substrates to the portfolio. The key technologies acquired via the acquisition were the Flying Probe Test (FPT) System, an automated electrical measurement system for low to mid quantities and complex boards, as well as Grid Test Systems for volume bare board verification.

The acquisition also reinforced the division's strategy of offering premium products with a strong aftermarket business. The division's presence in China and rest-of-Asia, which account for roughly three-quarters of its sales was also further strenghtened. The camera module assembly business was divested due to a challenging automotive sector and Mycronic's lack of sector presence to nurture its growth.



Technical advancements within die bonding now make it possible to provide sub-micron placement accuracy on 12-inch wafers for silicon photonics, a fast-growing area in the data and telecom industry.



The MRSI-HVM platform is the industry's first automated system with dual accuracy mode (0.5 and 1.5 micron) in one machine.

The new automated A9a Flying Probe Test System for lower to mid quantities and complex boards offers higher capacity than competitors and allows for quick and efficient testing of bare board PCBs.

> We encourage a decentralized, entrepreneurial culture in our specialized niches, while benefiting from the knowledge-sharing and local presence of a global high-tech group.

Michael Chalsen
Sr VP Global Technologies

**Key trends and sales drivers**

The global pandemic accelerated the need for automation and served as a catalyst for the integration of Global Technologies' specialized equipment and systems into the manufacturing environment. This was driven by an increasing need for higher PCB reliability, supported by flexible integrated systems to achieve higher accuracy, speed and flexibility at the lowest total cost.

Both the die-bonding and bare-board testing business benefited from large-scale rollouts of 5G wireless networks, new data center applications, telecommunication upgrades to 5G wireless and advanced optical sensors. Increasing global investments in space, defense and satellites also contributed. However, the trend towards nationalism and regionalization adds some uncertainties.

Overall, the electronics industry rebounded during the year, supporting growth in both the die-bonding business and electrical testing of PCBs and substrates.

**Accomplishments in 2021**

In 2021, Mycronic received several Chinese patents for its die bonding technology and won an innovation award for its latest MRSI-HVM 1.5-micron series, which improves accuracy, throughput and lowers costs. To reinforce local presence, it opened a Product Demonstration Center in Shenzhen. Overall, the focus was on extending the division's ultra-precision, high-speed solutions to fit the exacting specifications of segments within data & telecom and aerospace & defense.

With the acquisition of atg L&M, Global Technologies gained a foothold in the market for electrical testing. The successful launch of its A9 FPT system further extended its lead in Flying Probe Test technology, a flexible alternative to Grid Test. And because the A9 effectively doubles the throughput and speed compared to the previous version, it is well positioned to meet the needs of 5G and other high-speed PCB applications.

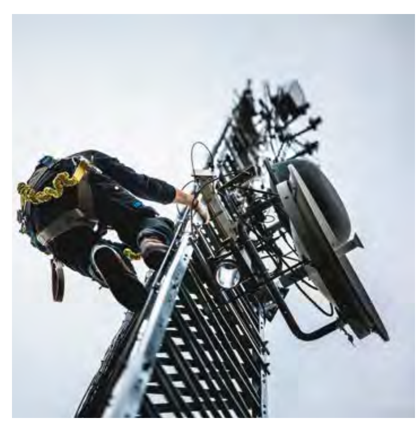
In the field of Grid Test, the division continued to roll out its highly compact LM 1000 for mass testing of HDI bare boards.

**Focus in 2022 and beyond**

Looking ahead, the division will continue to work closely with customers, which are primarily in Asia, to solve their production needs. As supply chains move from China to other countries in Southeast Asia, Global Technologies is investigating ways to meet this. Acquisitions will be considered in growing niches supported by long-term trends.

New growth opportunities in the substrate testing business are being leveraged through extensions to the A9 FPT System concept. In the die bonding field, the division will explore new market segments such as silicon photonics, where submicron precision is essential.

Although it is not yet a main business driver for the division, Global Technologies is striving to develop more energy-efficient machinery solutions and use environmentally friendly materials in its products.



Mega trends such as the growth of 5G, new data centers, IoT and AI, are expected to fuel growth in the die bonding market as well as the need for electrical testing of printed circuit boards and substrates.

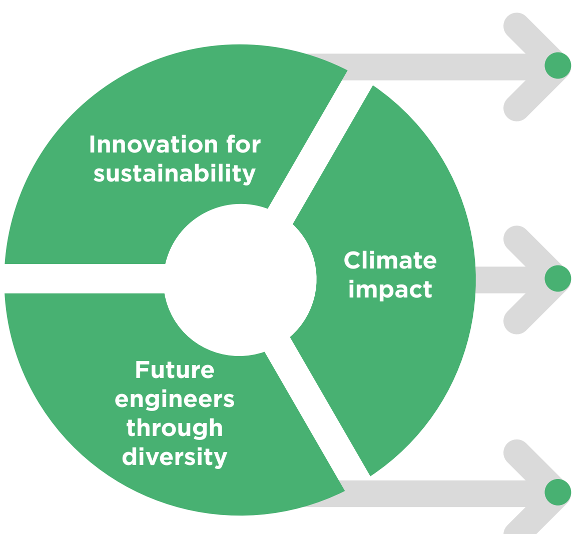
# Towards a **sustainable tomorrow**

Electronics have great potential to support our society in becoming more sustainable. At the same time, their production and usage involve a range of environmental and social challenges that must be addressed. Mycronic is firmly committed to contributing to a clean, responsible and profitable electronics industry. To this end, the company has formulated a strategy to help bring tomorrow's electronics to life.

# Contributing to the **transition**

Mycronic is helping drive the transition to a sustainable electronics industry by focusing on the three key areas where it sees the greatest potential to make a difference.

## Our three key areas




Goals for 2030*

UN Sustainable Development Goals (SDGs)

**Innovation for sustainability**
Enable our customers to achieve their sustainability ambitions through product innovation. For example, we target to reduce mask writer lifecycle emissions by >70%.

**Climate impact**
Cut own $CO_2$ emissions by 50%. We target emissions from facilities, transports and business travel.

**Future engineers through diversity**
Foster diversity, equality and inclusiveness in the communities where we act. For example, in the US we target to meet or exceed local labor market representation in terms of women and ethnic minorities.

## Other material areas

**Responsible business**
- Responsible sourcing
- Trade compliance
- Anti-corruption
- Anti-competitive practices
- IT security

**Social responsibility**
- Health and safety
- Training and development
- Community involvement
- Human and labor rights

**Environmental responsibility**
- Environmental management systems
- Management of chemicals
- Minimizing waste

*The baseline year for the goals is 2020, except for goals related to business travel for which it is 2019.

The UN describes sustainable production as "doing more and better with less" (SDG 12: Responsible consumption and production). While electronic products have the potential to help alleviate many environmental and social challenges, the industry must also address its own direct impact.

At Mycronic, we work systematically to reduce our negative impact and make every effort to contribute positively, strengthening our current business and preparing for tomorrow's challenges in the process. We are currently on a journey to integrate sustainable thinking into all aspects of our operations, with the aim of making it a natural part of our day-to-day business.

**Agenda for 2030**

Our sustainability strategy towards 2030 forms an integral part of our business strategy. It is guided by the UN Global Compact and the UN Sustainable Development Goals. The sustainability strategy takes into account key global trends that will shape the future of our industry and therefore impact our business over the next decade.

Grounded in these overarching trends and international goals, the strategy focuses on three specific areas where Mycronic feels it can make the greatest difference: Innovation for sustainability, Future engineers through diversity, and Minimizing climate impact. The responsibility for breaking down the Group strategy into concrete targets and actions lies within the divisions, each of which established their own goals and action plans during 2021.

The three key areas will be described in-depth in the coming pages, followed by a section about our work with business ethics. For further information about other relevant topics, sustainability governance, materiality analyses, stakeholder dialogues and our impact on the UN SDGs, see the sustainability notes on pages 110–129.

# **Our impact as a supplier** of production equipment

Mycronic's impact and sustainability risks vary throughout the value chain. Our largest environmental impact by far is in the product-use phase by our customers, where we can have a strong indirect influence through product development.

## Product development

Through innovation, we meet the market's needs for increasingly efficient – and at the same time more sustainable – manufacturing processes. We recruit and retain talent, and promote our innovative capacity by being an attractive employer that puts innovation, diversity, and equality high on the agenda.

**Share of $CO_2$ emissions**

<1%

**Ability to influence**

High

## Sourcing of raw materials and components

Through stable relations, clear requirements and controls, we can contribute to improvements to working conditions, reinforce human rights and reduce environmental impact in the supply chain.

**Share of $CO_2$ emissions**

~10%

**Ability to influence**

Medium

## Manufacturing

By focusing on sustainable manufacturing, we reduce our environmental impact. Our efficiency improves with healthy and happy employees. By promoting diversity and equality at our workplace and in the community, we increase opportunities to find the right skills and promote local community development.

**Share of $CO_2$ emissions**

~3%

**Ability to influence**

High

## Transportation

By optimizing our logistics chain, we reduce our environmental impact and meet customer demand for rapid, secure, and sustainable deliveries.

**Share of $CO_2$ emissions**

~6%

**Ability to influence**

Medium

## Sales

Through clear values and efficient procedures to ensure regulatory and ethical compliance, we create stable business relations and increase transparency and control in the sales process.

**Share of $CO_2$ emissions**

<1%

**Ability to influence**

High

## Product use

By creating product solutions that facilitate reduced environmental impact from customers' manufacturing processes, we promote a more sustainable electronics sector and future-proof our business.

**Share of $CO_2$ emissions**

~80%

**Ability to influence**

Medium

## End-of-life treatment

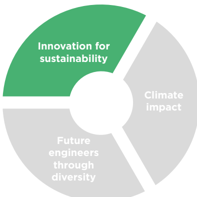
By using less materials that are also more sustainable, and by facilitating dismantling, we simplify recycling for the customer. Through increased focus on maintenance and upgrades to extend the useful life of our equipment, we contribute to a more circular approach in the electronics industry.

**Share of $CO_2$ emissions**

<1%

**Ability to influence**

Medium




# **Innovation** for sustainability

Mycronic invests 12 percent of its revenues in R&D. Innovation for sustainability is about developing solutions that help customers realize their goals, while enabling the transition to a more sustainable electronics industry.

**>500**
**employees and consultants working in R&D.**

**31** **new patents were granted in 2021. In total, Mycronic has >500 patents.**

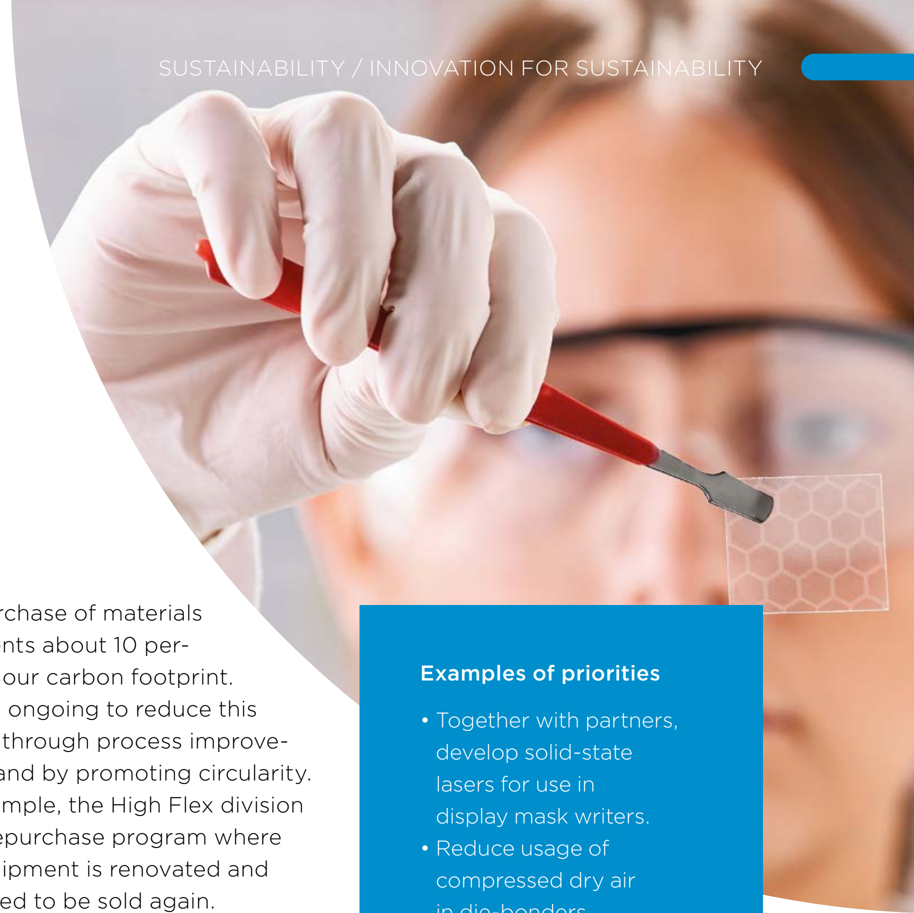
While $CO_2$ emissions from the electronics supply chain are increasing, the World Economic Forum estimates that material and process efficiency improvements could reduce these emissions by 20 percent. This could be achieved through measures to reduce power and heat consumption as well as waste in production. Another 35 percent could be cut by switching to renewable energy.

As a global supplier of production equipment to the electronics industry, Mycronic is committed to developing solutions that facilitate this transition.

**Reducing product impact**
80 percent of Mycronic's carbon footprint (scope 1–3) is attributable to our customers' use of our products (see illustration on page 42). In particular, the vast majority of the mask writer products currently in use by our customers consume large amounts of electricity due to their energy-intensive gas lasers. A key priority for Mycronic is therefore to, together with partners, develop and qualify alternatives to these gas lasers. A first major step was taken in 2019, when Mycronic released the SLX mask writer, aimed at the semiconductor

## How much $CO_2$ could we save?

Energy usage from the lasers in our mask writers accounts for the single largest source of $CO_2$ emissions at Mycronic. By introducing energy-efficient, solid-state lasers in all our mask writers, we could theoretically reduce our entire carbon footprint by 20 percent.



market. SLX uses a solid-state laser that reduces the energy consumption from the laser by up to 99 percent. The next step is to enable the use of this technology in mask writers for the display market, which is a significant challenge due to the long writing times in combination with high requirements on image quality.

Sustainability is an integral part of the divisions' product development processes. To support the work, Mycronic has developed a method for product Life Cycle Analysis (LCA), which has thus far been used by two divisions. The LCAs, which offer detailed information about the environmental impact of the products, are now influencing their development paths in tangible ways.

Mycronic's products contain many different materials and components. The purchase of materials represents about 10 percent of our carbon footprint. Work is ongoing to reduce this impact through process improvements and by promoting circularity. For example, the High Flex division has a repurchase program where old equipment is renovated and upgraded to be sold again.

**Fostering sustainable innovation**
In 2021, Mycronic launched the Sustainable Innovation Fund, which finances innovative projects that advance sustainability in the electronics industry or otherwise support the UN Sustainable Development Goals. The fund also serves to raise awareness and increase interest about sustainability within the Group.

**Examples of priorities**

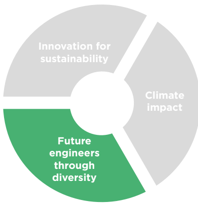
- Together with partners, develop solid-state lasers for use in display mask writers.
- Reduce usage of compressed dry air in die-bonders.
- Reduce energy consumption from pick-and-place machines.

## Swimming milli-robots

Mycronic is part of the EU-funded SOMIRO project, which aims to build the world's first energy-autonomous swimming milli-robot. Less than 1 cm long, the solar powered robot is used to monitor water quality and reduce the environmental impact of farming – mainly reducing the carbon footprint, eutrophication and excessive use of pesticides and feed.

Teams throughout Europe are working on different aspects of the robot. The Mycronic team is, together with Uppsala University, tasked with planning how to assemble the robot using Mycronic's existing product offering.

The project has made steady progress since the start, despite pandemic-related restrictions, and since October 2021, the robot can swim! The project is expected to be finalized by the end of 2023.




# Future engineers through **diversity**

Mycronic's continued long-term success depends on its ability to recruit engineering talent. When promoting diversity, we take our responsibility as a company while broadening our pool of potential candidates.

33% of Mycronic's Board members are women.

The UN Global Compact and the UN Sustainable Development Goals call for companies across all sectors to work towards diversity and gender equality,

The electronics industry, which is characterized by a rapid pace of innovation, is also a large employer of engineers and is highly male dominated. Wherever one looks in the electonics sector, women remain under-represented, including in engineering roles.

The ability to recruit top-tier engineering talent is of strategic importance for ensuring Mycronic's potential to innovate and grow. By actively promoting equality and diversity, we broaden our recruiting base and safeguard our long-term innovative capacity.

In practice, Mycronic's work to promote diversity involves a range of initiatives and policies, large and small, that can roughly be divided into two separate areas of focus. The first is to make Mycronic a welcoming and inspiring place to work for all. The second is to encourage more young people, especially girls, to pursue careers in the engineering field.

**Diversity and inclusion in recruitment and employment**

Our ambition is always to hire the most qualified and competent candidate for each role. To ensure that we do not lose out on any qualified candidates, we are making conscious efforts to become more diverse so that as many people as possible find Mycronic a welcoming place to work.

For example, in Sweden we actively seek to have both male and female candidates, and candidates with diverse backgrounds, in the final phase of recruitments. In the US, we post open roles on job boards geared specifically towards

**Facilitating access to the labor market**

In Sweden, Mycronic participates in Jobbsprånget, an initiative by the Royal Swedish offers newly arrived immigrants. with academic credentials. internships at companies. We have offered internships to about 10 newly arrived through this initiative since 2020. The collaboration has worked very well and following the internship, interns have either been offered to work for Mycronic or found other qualified jobs within the industry.

women. The High Volume division, with its base in China, has started to offer targeted job opportunities for people with disabilities. This division also regularly visits job fairs targeting female engineers to encourage women to apply for jobs in the company. Finally, in all our divisions, employees and managers have received training on unconscious bias in the past two years, either through an e-learning or through classroom courses.

These initiatives now need to be reinforced, since recent acquisitions have led to some challenges in reaching our targets of having 20 percent female employees and 25 percent managers, respectively, by 2023.

**Encouraging youth to engineering careers**

Mycronic regularly collaborates with local universities around the world. In addition, we support initiatives that encourage young people to choose careers in engineering. These activities increase Mycronic's visibility in the local community and can provide a sense of pride in their workplace for employees. Our Group guidelines for local community involvement prioritize initiatives that promote education in technology and science, women in technology, and environmental benefits.

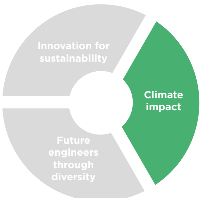
• *The non-profit organization Hello World* promotes science, technology, engineering, and mathematics (STEM) for children, regardless of background and conditions. Each spring and fall, 100 children are invited to Mycronic's site in Sweden to learn about technology in a playful way. Mycronic also offers scholarships for children to participate in the organization's summer camp.

• *Tekniksprånget* offers internships at engineering companies to Swedish high school graduates with hope that it will inspire them to pursue engineering degrees. Mycronic usually accepts around 10 youngsters every year, half being girls and the other boys, at our site in Täby.

• *SparkAlpha Pitch Program* introduces American high school students to manufacturing, entrepreneurship and integrated photonics through a pitching contest. Students identify a real-world problem and use integrated photonics to solve it. Mycronic is a featured industry partner in the program.

**Examples of priorities**

- Establish a Group-wide professional network for women.
- In China, dedicated investments to improve female employees benefits.
- In the US, join professional engineering organization supporting under-privileged people.




# **Climate impact** from our operations

Mycronic has set a target of cutting $CO_2$ emissions from its own operations by half by 2030. To reach this goal, the company will focus on energy consumption, transportation and travel.

**47% of our energy consumption come from renewable sources.**

**95% less $CO_2$ are emitted when we transport goods by train instead of air.**

To achieve the goals of the Paris Climate Agreement, the world's $CO_2$ emissions must at least be halved by 2030 and reduced to nearly zero by 2050. Mycronic intends to do its share to make this happen. Therefore, in addition to developing equipment that facilitates our customers' transition (read more about this on pages 38-39), Mycronic has set a target of reducing its own $CO_2$ emissions by 50% to 2030, compared to 2020. The target encompasses emissions from our manufacturing facilities and offices, transports and business travel. In 2021, $CO_2$ emissions from these amounted to 12,900 tons $CO_2e$, which is an increase compared to 2020 (11,700 tons $CO_2e$). This was mainly due to an expansion of our site area in China.

## Our carbon footprint

**Scope 1 emissions**
<1%

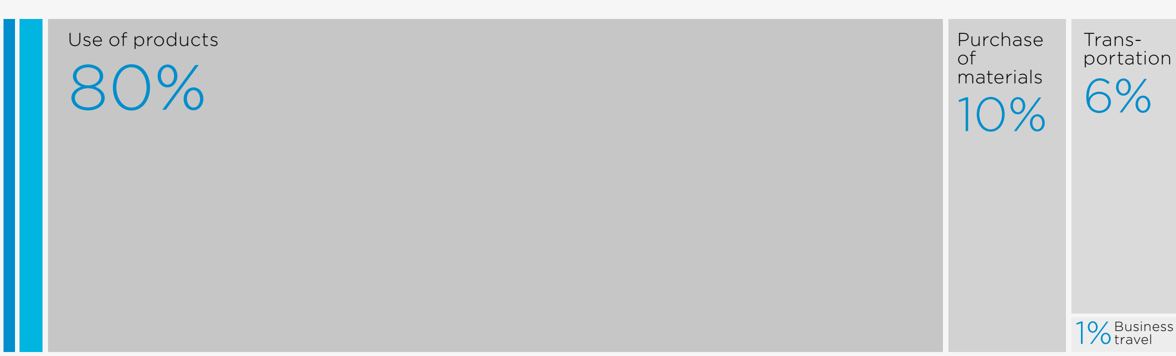
**Scope 2 emissions**
2%

**Scope 3 emissions**
98%

**Scope 1** Direct emissions from activities controlled by us, including production of heating of own facilities and fuel consumption by own vehicles.

**Scope 2** Indirect emissions associated with our consumption of purchased electricity and heating.

**Scope 3** Indirect emissions caused by our activities but not controlled by us, including use of products, purchase of materials, transportation, business travel and waste.



**Transport**
Transports of goods are Mycronic's third-largest source of emissions. Since this is mainly due to more polluting air freight, we are working to find alternatives. Sea freight shipping is used by the divisions to varying extents. Tests to increase the use are being made, but challenges remain to make this a more common transport mode. For example, due to the sensitivity of the equipment, only aircrafts are currently suitable for long-distance transportation of our mask writers. Vibrations, moisture and differences in temperature may damage the equipment, making it difficult to ship these machines by other means. In 2021, the Pattern Generators division started collaborating with a new logistics supplier, which includes an agreement with a clause to strive for carbon neutrality.

**Energy consumption from facilities**
Efforts to reduce $CO_2$ emissions from our sites include reducing energy consumption by optimizing isolation, ventilation, lighting and heating systems. Where possible, we switch to renewable electricity. Two of our five production sites are certified according to the environmental and quality management systems ISO 14001 and ISO 9001.

**Business travel**
The restrictions during the Covid-19 pandemic have forced a rapid adoption of remote working practices both for Mycronic and its customers. For example, Mycronic has successfully tested remote video approvals of new equipment to customers, avoiding the long distance travel that is usually required. We are also exploring new ways to solve issues that formerly required on-site visits. One example of this is developing software that enables our service technicians to diagnose problems remotely. Although there still are some IT security challenges to overcome with this approach, remote service software solutions have been rolled out for some products.

Other measures to reduce business travel include, for example, opening local sales and service offices (three opened in 2021) that reduce medium- and long-distance flights.

**Examples of priorities**

- Assess options to replace air by sea transport.
- Optimize processes and workflow to reduce transportation of goods between internal sites.
- Assess additional possibilities to supply electricity from renewable sources.
- Raise awareness on how to travel smarter.

**Testing long distance transports by train**
During the year, Mycronic's Swedish operations tested rail as an alternative to air shipments between China and Sweden. A total of six rail shipments were made, enabling savings of about 28,000 kg/$CO_2$ compared to if the goods had been shipped by air.

**Providing service with augmented reality**
We have started using Augmented Reality glasses to perform remote service and maintenance. With the AR glasses, our service technicians can see what the customer on site sees and indicate in her/his field of vision what to do.

# **A responsible way** of doing business

Mycronic strives to ensure that business is conducted responsibly by following robust, clearly defined routines and promoting a responsible business culture.

Doing business responsibly, in accordance with laws and internationally adopted standards, is a prerequisite for the long-term prosperity of any company. Mycronic has codified what responsible means in the Codes of Conduct for employees, suppliers and distributors. These cover topics such as supply chain due diligence (including for example environmental management, human and labor rights and conflict minerals), trade compliance (such as export controls), anti-corruption and IT security.

All employees, suppliers and distributors are required to read and sign our Code of Conduct. Mycronic also works actively to promote a culture based on clear-cut guidelines and rules for how business is to be conducted. Mycronic's Ethics and Compliance Board (ECB) prepares guidelines on ethics and compliance, monitors the outcome and takes action as appropriate. The ECB consists of Mycronic's General Counsel and three members of Executive Management.

### Responsible sourcing

Mycronic has around 1,500 suppliers globally, of which a majority are local suppliers. These must sign the Supplier Code of Conduct as part of the contractual agreement with us. New strategic suppliers of direct materials also need to be certified according to ISO 9001.

The divisions use different methods and tools for evaluating suppliers, such as self-assessments and audits that cover quality aspects as well as environmental and social aspects.

Mycronic also performs due diligence regarding conflict minerals. We use a reporting tool from the Responsible Minerals Initiative to assess suppliers according to the IPC-1755 standard. We also require our suppliers to have similar due diligence practices in place with regard to conflict minerals.

### Corruption prevention and trade compliance

Including agents and distributors, Mycronic is present in approximately 50 countries, some which are deemed to be of high risk for corruption by Transparency International. To safeguard against corruption, training on our anti-corruption policy is provided.

In December 2020, an updated Trade Compliance Policy and accompanying instructions were introduced. Since then, a new self-assessment tool has been rolled out through-out the Group. Identified non-compliance risks are followed up quarterly. ECB also provides guidance on individual transactions and its compliance to Mycronic's policy and strategy.

### Whistle-blower function

Mycronic has an independent whistle-blower function, to which violations of the Code of Conduct, or any illegal behaviour can be reported. Reported cases are always investigated and if a violation is confirmed, corrective measures are taken.

### Information security

Based on the result of an external assessment, Mycronic initiated a Cybersecurity program in 2020, with the objective to increase maturity and mitigate identified risk areas. New technical solutions have since then been introduced and already existing solutions have been replaced or updated. Awareness training has been introduced and a large majority of the employees participated in the first wave of training. Processes, ways of working and management have been adjusted and a balanced scorecard for Cybersecurity has been created and is reported regularly to all stakeholders.

# **EU Taxonomy Regulation** disclosures for 2021

Assessment of substantial contribution to climate change mitigation in accordance with the EU Taxonomy Regulation.

In this section, information is provided on how the economic activities in the EU Taxonomy apply to Mycronic's operations, including how the criteria for substantial contribution (EU Taxonomy eligibility in 2021) have been determined.

**Overview of eligible activities**

Identified taxonomy-eligible economic activities as a percentage of turnover, CapEx and OpEx

| 2021 | Total (MSEK) | Eligible* (%) | Non-eligible (%) |
|---|---|---|---|
| Turnover | 4,635 | 7 | 93 |
| CapEx | 123 | 9 | 91 |
| OpEx | 548 | 14 | 86 |

* see definitions below

### Description of eligible activities

Mycronic considers its mask writer products with solid-state lasers; the solid-state laser technology itself; and all related R&D projects; to be eligible to the EU taxonomy under "3.6 Manufacture of low carbon technologies", because these demonstrate substantial life-cycle GHG emission savings, compared to alternative technology currently used in the market.

The solid-state laser technology enables the mask writer to significantly reduce energy consumption from the customer use phase, thus reducing related GHG emissions. Mycronic's mask writers with solid-state lasers are estimated to consume around 80 percent less electricity during operation, compared to similar products that rely on gas laser technology. Accordingly, Mycronic's view is that the mask writers with solid-state lasers have the potential to substantially contribute to reduced GHG emissions for the customer.

In 2021, the vast majority of the installed base of laser-based mask writers on the global market used energy-intensive gas lasers. Given this fact, Mycronic considers mask writers that integrate solid-state laser technology into their design as "the best performing alternative technology /…/ available on the market", in accordance with the description provided in the Annex 1 to the EU Taxonomy Climate Delegated Act (p. 50).

R&D projects related to these products or to the solid-state laser technology itself are considered eligible, based on the same rationale described above.

### Definitions

- Turnover: Turnover from mask writers with the solid-state laser technology are reported as eligible turnover in percentage of consolidated net sales.
- OpEx: Non-capitalized R&D costs related to mask writer products with solid-state lasers, or to the solid-state laser technology itself, are reported as operational expenditures in percentage of consolidated research and development expenses. Other taxonomy-related expenditures are not significant.
- CapEx: Capitalized development costs related to these products and the technology are reported as capital expenditures and expressed as a percentage of total investments in tangible and intangible assets, as well as add-ons of IFRS 16 leases.

### Contextual information, scope, and limitations

Mycronic has taken a cautious approach in its assessment of eligible activities. This means that the company excludes activities for which there are substantial uncertainties in the interpretation of the EU Taxonomy Regulation. Mycronic may re-evaluate the eligibility of some of its activities when interpretation guidelines and best practice become available. Revenues from sales through distributors are included in the scope. To our knowledge, Mycronic has no direct or indirect customers in the fossil-fuel industry. No revenues derived from specific customer segments have therefore been excluded.

# Mycronic as an investment

**The share**

Mycronic AB (publ), with corporate identification no. 556351-2374 is listed on Nasdaq Stockholm, Large Cap. The company was listed in March, 2000. The share capital amounts to SEK 98 million. The number of shares is 97,916,509. All shares are of the same class with equal voting rights and the same share of capital and earnings. The quote value is SEK 1 per share. In 2021, the total turnover of Mycronic shares on Nasdaq Stockholm amounted to 33.2 (73.7) million shares, corresponding to 34 (75) percent of the total number of shares. Nasdaq Stockholm accounted for 41 percent of total trading in Mycronic shares in 2021, down from 48 percent in 2020. CBOE (Chicago Board Options Exchange) accounted for 45 percent and LSE (London Stock Exchange) accounted for 7 percent.

**Shareholders**

At the end of the year, Mycronic had 15,716 (14,758) shareholders. The largest shareholder, Bure Equity, owned 26.9 percent at the end of 2021, whereas the second largest shareholder, SEB Fonder, owned 10.4 percent. No other shareholder owned more than 10 percent of the company's shares. The ten largest owners held 68 (67) percent of the total number of shares. Board members and executive management held a total of 0.3 (0.4) percent. At the end of 2021, Swedish ownership was 78 (78) percent.

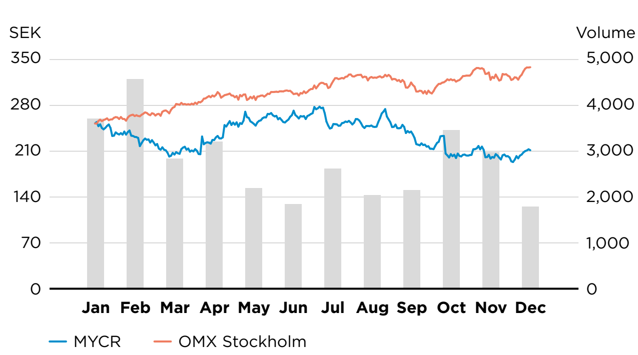
**Price development**

Mycronic's market capitalization declined 14 percent in 2021 to SEK 20,660 million, from SEK 24,029 million at the end of 2020. The highest closing rate was recorded on July 12 at SEK 276.8 and the lowest closing rate on December 15 at SEK 193.10. OMX Stockholm increased during the year by 33.8 percent, and OMX Stockholm Technology rose by 25.3 percent.

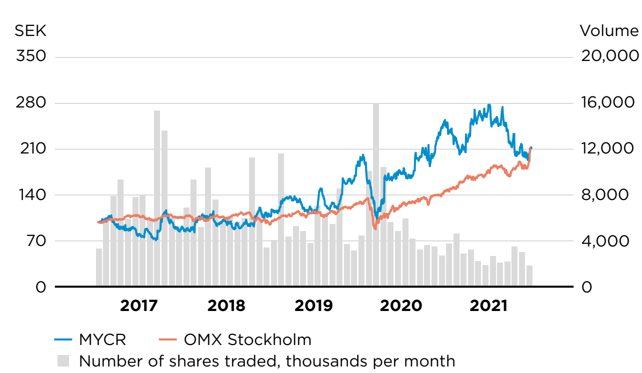
**Dividend and proposal on share buy-back**

Mycronic's objective is to provide both a good return 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. As a basis for the dividend decision, the Board of Directors takes into account not only the nature, scope and risks associated with the operations but also the historical development, budgeted development, investment plans and general economic climate. For 2021, the Board of Directors is proposing, in accordance with the company's dividend policy, a dividend of SEK 3.00 (3.00) per share. The dividend corresponds to a total of SEK 294 (294) million and 36 (42) percent of net profit for the year. The Board of Directors intends to propose to the 2022 Annual General Meeting a renewed authorization for the Board of Directors to buy back shares in Mycronic. According to the proposal, the number of shares that may be bought back will be limited to a maximum of 5 percent of shares outstanding in Mycronic. During 2021, Mycronic repurchased 89,600 of its own shares for delivery to participants in the LTIP 2021 long-term incentive program.

**Share price development 2021**




**Share price development 2017–2021**




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

**Ownership structure December 31, 2021**

| Holding by size | No. of shareholders | No. of shares | % |
|---|---|---|---|
| 1–500 | 12,903 | 1,436,368 | 1.5 |
| 501–1,000 | 1,285 | 1,045,257 | 1.1 |
| 1,001–5,000 | 1,171 | 2,677,602 | 2.7 |
| 5,001–10,000 | 138 | 1,044,631 | 1.1 |
| 10,001–50,000 | 139 | 3,129,130 | 3.2 |
| 50,001–100,000 | 22 | 1,603,886 | 1.6 |
| 100,001– | 58 | 83,721,507 | 85.5 |
| Anonymous | | 3,258,128 | 3.3 |
| **Total** | **15,716** | **97,916,509** | **100.0** |

**Analysts that follow Mycronic**

| Company | Analyst |
|---|---|
| Carnegie | Mikael Laséen |
| Handelsbanken | Fredrik Lithell<br>Daniel Djurberg |
| Danske Bank | To be appointed |

**Data per share**

| | 2021 | 2020 |
|---|---|---|
| No. of shares | 97,916,509 | 97,916,509 |
| Share price at year-end, SEK | 211.00 | 245.40 |
| Equity per share, SEK | 40.94 | 34.58 |
| Market value/equity ratio | 5.15 | 7.11 |
| Earnings per share, SEK | 8.48 | 7.10 |
| P/E ratio | 25 | 35 |
| Dividend | 3.00[1] | 3.00 |

1) Proposed dividend.

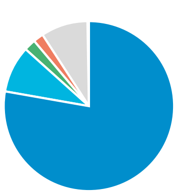
**Largest shareholders, December 31, 2021**

| Shareholder | No. of shares | Holding, % |
|---|---|---|
| Bure Equity | 26,317,163 | 26.88 |
| SEB Fonder | 10,198,488 | 10.42 |
| The Fourth Swedish National Pension Fund | 9,364,552 | 9.56 |
| Lannebo Fonder | 3,968,170 | 4.05 |
| Swedbank Robur Fonder | 3,748,780 | 3.83 |
| Didner & Gerge Fonder | 3,406,396 | 3.48 |
| Handelsbanken Fonder | 3,130,418 | 3.20 |
| Invesco | 2,326,422 | 2.38 |
| Vanguard | 2,220,071 | 2.27 |
| C WorldWide Asset Management | 1,915,582 | 1.96 |
| The 10 largest shareholders | 66,596,042 | 68.01 |
| Others | 31,320,467 | 31.99 |
| **Total** | **97,916,509** | **100.00** |

**Share capital development**

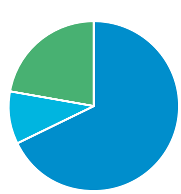
| Year | Increase in number of shares | Total number of shares | Share capital, SEK thousand |
|---|---|---|---|
| 1989 | 16,000 | 16,000 | 1,600 |
| 1990 | 3,300 | 19,300 | 1,930 |
| 1994 | 1,801 | 21,101 | 2,110 |
| 1997 | 11,979,399 | 12,000,500 | 12,001 |
| 1998 | 2,000,083 | 14,000,583 | 14,001 |
| 2000 | 5,100,000 | 19,100,583 | 19,101 |
| 2001 | 102,000 | 19,202,583 | 19,203 |
| 2002 | 12,700 | 19,215,283 | 19,215 |
| 2003 | 19,951,333 | 39,166,616 | 39,167 |
| 2009 | 26,111,057 | 65,277,673 | 65,278 |
| 2010 | 32,638,836 | 97,916,509 | 97,917 |

**Ownership structure by geography %**



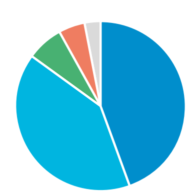
- Sweden, 78.0
- USA, 8.9
- Denmark, 2.3
- Finland, 1.9
- Other, 9.0

**Ownership structure by category %**



- Swedish institutions and companies, 67.9
- Swedish private investors, 10.1
- Foreign investors, 22.0

**Trading per marketplace %**



- CBOE, 44.7
- Nasdaq, 40.8
- LSE, 6.9
- Aquis, 4.6
- Other, 3.0

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

# Proposal on appropriation of profit

At the Annual General Meeting's disposal are the following amounts in SEK:

| | |
|---|---|
| Share premium reserve | 213,187,838 |
| Retained earnings | 1,575,192,151 |
| Profit for the year | 599,975,868 |
| **Total** | **2,388,355,857** |

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

| | |
|---|---|
| Dividend | 293,749,527 |
| Carried forward to new account | 2,094,606,330 |
| **Total** | **2,388,355,857** |

### Proposal on dividend

The Board of Directors proposes to the Annual General Meeting a dividend of SEK 3.00 per share, amounting to SEK 293.7 million. The dividend corresponds to 36 percent of the Group's net profit after tax.

### Approval and adoption

The annual report and consolidated financial statements were approved for publication on March 24, 2022. The consolidated profit and loss accounts and statement of financial position as well as the profit and loss accounts and balance sheet of the Parent Company will be put before the Annual General Meeting for adoption on May 5, 2022.

# Remuneration

### Approved guidelines for remuneration

For guidelines for remuneration to members of the executive management resolved on by the 2021 Annual General Meeting, refer to Note 14.

### Remuneration guidelines 2022

The following guidelines for remuneration to members of the executive management are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the 2022 Annual General Meeting. The guidelines encompass remuneration to the Board of Directors, the CEO and the executive management, however, these guidelines do not apply to any remuneration decided or approved by the Annual General Meeting.

The Board of Directors shall be entitled to temporarily depart from these guidelines, in whole or in part, if special reasons justify doing so in an individual case and such deviation is necessary in order to meet the company's long-term interests or to ensure the company's financial viability. If such a departure occurs, it must be reported in the remuneration report before the next Annual General Meeting. The guidelines pertain to the period starting from the 2022 Annual General Meeting. Any issue regarding departure from the guidelines shall be prepared by the remuneration committee and decided by the Board of Directors.

### The guidelines' promotion of the company's business strategy, long-term interest and sustainability

Mycronic is a global high-tech company that develops, manufactures and supplies market-leading production equipment with high requirements on precision and flexibility to the electronics industry. Mycronic aims to work intimately with the customers to bring tomorrow´s electronics to life in a sustainable way. Supported by this, Mycronic´s priorities within the framework of the company's long-term strategy are to consolidate the company's strong position within the Pattern Generators division and to grow or retain profitably in the High Flex, High Volume and Global Technologies divisions.

The Board of Directors considers that it is critical for the successful implementation of the company's business strategy and safeguarding of its long-term interests, that the company is able to recruit and retain members of the executive management with the competence and capacity to achieve specified goals. To this end, the company must offer competitive remuneration to motivate the executive management. Short-term variable pay covered by these guidelines shall be based on criteria that aim at promoting the company's business strategy and long-term interests, and where the fulfillment of the criteria is determined by the method set out below.

### Forms of remuneration, etc.

The remuneration and other terms of employment for members of the executive management shall be based on market terms. Total remuneration consists of base salary and variable pay, pension and other benefits. Long-term variable pay is excluded in the calculation of the total remuneration and the relative proportion of the remuneration components.

### Fixed remuneration

In establishing the base salary for the CEO and members of the executive management, the scope and complexity of the position in question as well as the individual's performance is taken into account. The executive managements' salaries are, like the other components of remuneration, subject to annual review by the Remuneration Committee, which with the support of external salary statistics ensure that the salaries remain competitive. The base salary constitutes a maximum of 65 percent of total remuneration in the event of a maximum outcome of short-term variable pay.

### Short-term variable remuneration

The remuneration is paid in accordance with goals achieved. The criteria, such as order intake or EBIT, are established in order to contribute to the company's business strategy, long-term interests and thus to the company's long-term value creation. The fulfillment of the criteria is determined through the company's audited annual accounts. Short-term variable pay can amount to a maximum of 110 percent of base salary and 55 percent of total remuneration. Variable pay shall not be pensionable, unless otherwise provided by mandatory law or obligations in applicable collective bargaining agreements. The outcome is prepared by the Remuneration Committee and approved by the Board of Directors in connection with the end of the qualification period and the remuneration is thereafter paid out. The company has no contractual right to recover the remuneration.

**Long-term variable remuneration**
Members of the executive management can be offered incentive programs, which mainly should be share or share price-related. An incentive program is intended to improve the participants' commitment to the company's development and shall be introduced on market-based terms.

Resolutions on share or share price-related incentive programs must be passed at an Annual General Meeting and are therefore not covered by these guidelines.

***Other long-term remuneration***
There are already existing agreements on long-term variable pay linked to continued employment for certain members of the executive management.

**Benefits**
*Pension*
Members of the executive management employed in Sweden after 2012 are covered by the contribution-defined plan under ITP1. Members of the executive management employed prior to 1 January 2022 have a supplementary contribution-defined pension plan in addition to the ITP plan. The retirement age for members of the executive management employed in Sweden is 65 years. For members of the executive management employed outside of Sweden, locally competitive pension plans and retirement ages are applied.

*Other benefits*
Other benefits e.g. car benefits and health care plans are established based on them being competitive in the local market.

Pension and other benefits constitute a maximum of 40 percent of total remuneration in the event of a maximum outcome of short-term variable pay.

*Special adjustments*
Regarding employment conditions that are governed by rules other than those applying in Sweden, appropriate adjustments may be made in order to comply with such mandatory rules or local practice, whereby the overall purpose of these guidelines shall be met.

**Notice of termination and severance pay**
The employment or contractual agreements of members of the executive management shall be valid until further notice or for a specified period of time. For the CEO, in the event of termination by the company, a twelve months notice period and twelve months severance pay applies. For members of the executive management employed in Sweden, the mutual notice period is a maximum of six months. Upon termination by the company, six months' severance pay also apply. During the notice period, the current employment contract runs with associated benefits. In cases where severance pay would be paid, no other benefits will be paid after the expiry of the notice period. For other members of the executive management who are locally employed outside of Sweden, employment or contractual agreements shall comply with mandatory rules applicable in the relevant jurisdiction or local practice, entailing that e.g. other term of the employment (or term of contract as the case may be), other notice periods and other agreements on severance pay may be applicable in the individual case.

**Salary and terms of employment**
In preparing the Board of Directors' proposal for guidelines on remuneration to members of the executive management, the salaries and terms of employment for the company's

other employees have been taken into account. Information about the executive managements total remuneration, components of their remuneration, as well as increases in remuneration and rates of increase over time have been obtained and have constituted a part of the Remuneration Committee's and the Board of Directors' decision basis in their evaluation of the fairness of the guidelines and the limitations arising from them.

**The resolution process**

The Board of Directors shall prepare a proposal for new guidelines when there is a need for significant changes to the guidelines, however at least every four years. The Board of Directors' proposal is prepared by the Remuneration Committee. The Chairman of the Board of Directors may also be the Chariman of the Remuneration Committee. In order to manage conflicts of interest, other members of the Remuneration Committee who are elected by the Annual General Meeting must be independent in relation to the company and members of the executive management.

The Remuneration Committee shall, inter alia, monitor and evaluate the application of the guidelines for remuneration to members of the executive management resolved by the Annual General Meeting. When the Remuneration Committee has prepared the proposal, it is submitted to the Board of Directors for decision. The CEO or other members of the executive management shall not be present while the Board of Directors addresses issues related to remuneration and passes resolutions about them, insofar as they are affected by the issues.

If the Annual General Meeting resolves not to adopt guidelines when there is a proposal for such, the Board of Directors shall submit a new proposal no later than at the next Annual General Meeting. In such cases, remuneration shall be paid in accordance with the current guidelines or, if no guidelines exist, in accordance with the company's practice.

External advisors are used in the preparation of these matters when deemed necessary.

**Review of the guidelines**

The guidelines for remuneration to members of the executive management were reviewed ahead of the 2022 Annual General Meeting, and did not result in any adjustments.

**Long-term incentive program (LTIP)**

The Board of Directors proposes that the Annual General Meeting resolves to introduce a long-term incentive program for 2022 (LTIP 2022).

LTIP addresses members of the executive management and other key employees as a mean of increasing and strengthening opportunities to recruit, retain and motivate employees, and to encourage personal, long-term ownership in Mycronic. Each participant is entitled, after the end of a qualification period, subject to the employee still being employed throughout the qualification period until allotment, and depending on the fulfillment of specific performance requirements linked to Mycronic's earnings per share, to receive an allotment of shares in Mycronic, referred to as performance shares.

The allotment of performance shares will be free of charge. The allotment within LTIP 2022 will take place during a limited time period following the 2025 Annual General Meeting. The period up until this time constitutes the qualification period.

In addition, allotment requires the fulfillment of performance requirements linked to Mycronic's earnings per share. The number of shares is limited to a maximum of 8,900 for the CEO, 3,400 for the executive management, and 1,400 for key employees. In the event of a maximum allotment and participation, the program will encompass maximum 125,500 shares.

# **Managing risks** across the Group

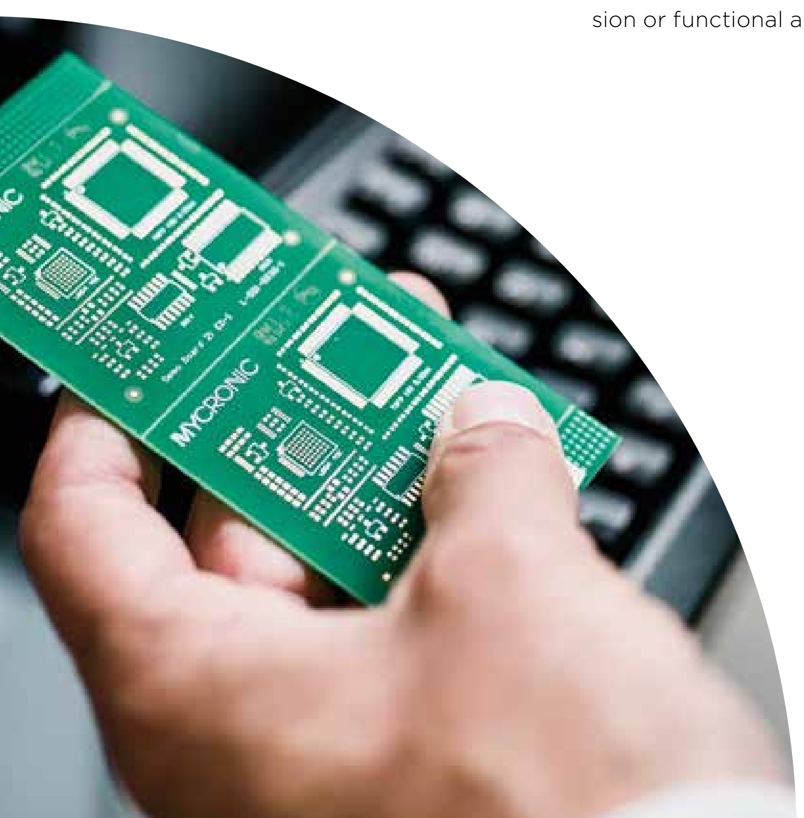
In 2021, Mycronic further developed the enterprise risk management (ERM) process that covers all parts of the Group. The ERM framework is an integrated part of the management system and supports Mycronic's purpose, vision, strategy development and execution.

**Risk Management**
The ERM framework establishes a structured and consistent approach to risk management within the Group. Through clear roles, responsibilities and process management, transparent risk overview is achieved. The risk categories highlighted in the table to the right are the main risks identified during the 2021 group ERM process.

The management of operational risks in Mycronic is embedded in business processes, controls and approvals on different levels of the organization. Certain cross-functional risks are centrally coordinated and locally managed, such as risks related to information security, IT security, corporate governance, integrity and anti-corruption. Operational, environmental, labor, health and safety, supply-chain (e.g. conflict minerals) and human rights risks are managed within respective division or functional areas.

Mycronic is an international group with the bulk of its operations in Europe, Asia and North America. A general economic downturn on a global level, war, trade wars, pandemics, natural disasters, terrorism and disturbances in financial markets could significantly affect the demand for Mycronic products and solutions. Other areas that could significantly affect the operations are country-specific risks like political instability and decisions, internal conflicts or changes in regulatory requirements such as trade, environmental and privacy regulations.

For detailed information on financial risks see Note 35.



| Risk | Trend | Mitigation |
|---|---|---|
| **Geopolitical/global or regional crisis**<br>Changes in the macro- or micro-economic situation, such as war, trade wars, pandemics, natural disasters and climate change consequences, terrorism, disturbances in financial markets and other major events. | ↗ | Continuous monitoring and integration into the strategy process. Critical functions, such as R&D, IP, production, sourcing, sales and service represented in key regions. Group goals and action plan to address climate change. |
| **Market**<br>Market decline, end-order cancellation and increasing competition. | → | Diversification to other segments, acquisitions to diversify and strengthen the product portfolio, developing new products. Monitoring of clients' financial situation and downpayments on high-risk orders implemented. |
| **Emergency situation/local crisis**<br>Local emergency situations such as fires and property burglary. Loss of key site. | → | Preventive maintenance and fire-protection measures. Crisis management team, crisis management procedures, training and testing in place. Continuously strengthen recovery plans to ensure business continuity. |
| **Compliance**<br>Failure to comply with external regulations or internal governance. Includes product and trade compliance, environmental compliance, GDPR compliance, internal corruption or fraud, violation of labor and human rights and ethical codes and standards encompassing the full value chain. | ↗ | Codes of conduct, policies and other governance documents established, communicated and, when relevant, included in contracts. Whistleblower system in place. Quarterly self-assessments reviewed at the Mycronic Group Ethics and Compliance Board. Reviewed and further improved trade compliance processes. Supplier evaluations covering quality, social and environmental requirements. |
| **Cyber and information security**<br>The risk of an event or events resulting in business information being lost, stolen, copied or otherwise compromised. Includes cyber-attacks and IP risks. | ↗ | Information security controls strengthened, governance established and awareness training conducted. Continue to implement Mycronic structured cyber security program. |
| **Financial**<br>Currency and other financial risks. | → | Financial policy and key processes to mitigate currency risks in place. Reviewed currency hedging strategy and developed training materials. Conducted currency fluctuation analyses and adapted finance system architecture to enable currency simulation. |
| **Human resources**<br>Risk of not being an attractive employer, leading to poor employee attraction, retention and development. Health and safety risks | ↗ | Global Job Architecture project as a foundation for consistent reward, recruitment and development. Continuously improved culture and systematic approach to health and safety. Policies established for remuneration, health and safety, diversity and inclusion. |

### Mycronic Group Enterprise Risk Management (ERM) Process

**Risk assessment**

Risk identification and prioritization is made by divisions and Group functions.

**Prioritization and consolidation**

Group risk consolidation and top risk identifictation.

**Risk mitigation**

Risk owners manage risk mitigation activities.

**Monitoring and review**

ERM coordinators follow up, report status and initiate actions as needed.

**Strategy development and execution**

Risk Management is an important input to the strategy development and execution on Group and divisional levels.

**Board of Directors**

The Consolidated Risk Assessment is shared with the Board of Directors.

**Annual and Sustainability Report**

A high-level overview is shared externally in the Annual and Sustainability Report

The result and group consolidation is reviewed and approved by the Corporate Management Team and shared with the Board of Directors. Regular follow-up is performed to ensure that mitigation activities have been identified and acted upon.

# Board of Directors and auditor

**Patrik Tigerschiöld**

Chairman of the Board since 2012 and Board member since 2009

**Born** 1964

Dependent Board member

**Education** MSc Business and Economics

**Other Board assignments** Chairman of the Board of Bure Equity AB, ACQ Bure AB, Cavotec SA, the Association for Generally Accepted Principles in the Securities Market, the Swedish Association for Listed Companies and the Center for Business and Policy Studies (SNS). Board member of Ovzon AB, Fondbolaget Fondita AB and member of the Royal Academy of Engineering Sciences

**Previous positions** CEO of Bure Equity AB 2010–2013, CEO of Skanditek Industriförvaltning 1999–2010, and CEO of SEB Allemansfonder AB 1995–1999.

**Committee in Mycronic** Chairman of the Remuneration Committee

**Shareholding in Mycronic** 235,170

**Arun Bansal**

Board member since 2020

**Born** 1968

Independent Board member

Deputy CEO, and President of Europe and Latin America at Ericsson

**Education** Bachelor of Engineering (Electronics) from University of Jiwaji, India. Postgraduate Diploma in Marketing from Indira Gandhi National Open University, India

**Previous positions** Senior international positions at Ericsson since 1995

**Committee in Mycronic** Member of the Remuneration Committee

**Shareholding in Mycronic** —

**Anna Belfrage**

Board member since 2018

**Born** 1962

Independent Board member

**Education** MSc Business and Economics

**Other Board assignments** Board Member of NOTE AB, Isofol Medical AB, Ellevio AB, Cint AB and Elopak ASA

**Previous positions** CFO Södra Skogsägarna ekonomisk förening 2017–2019, Acting CEO Beijer Electronics Group 2014–2015, CFO Beijer Electronics Group 2011–2014, CFO ABS Group (a division of the Cardo Group) 2004–2010, various roles and positions at Dresser Wayne AB, Obducat AB, Åkerlund & Rausing AB, and auditor at Price Waterhouse 1986–1994

**Committee in Mycronic** Chairman of the Audit Committee

**Shareholding in Mycronic** —

**Katarina Bonde**

Board member since 2010

**Born** 1958

Independent Board member

President of Kubi LLC

**Education** MSc Engineering Physics

**Other Board assignments** Chairman of the Board of Mentimeter AB, Nepa AB, Flatfrog Laboratories AB and Stratsys AB. Board Member of ACQ Bure AB and Stillfront Group AB

**Previous positions** CEO of UniSite Software Inc 2000–2003, CEO of Captura International 1997–2000, Marketing director Dun & Bradstreet Software Inc 1996–1997, Vice President at Timeline Inc 1994–1995, and CEO of Programator Industri AB 1989–1992.

**Committee in Mycronic** Member of the Audit Committee

**Shareholding in Mycronic** 2,000

Shareholding as of December 31, 2021.

**Staffan Dahlström**

Board member since 2019
**Born** 1967
Independent Board member CEO of HMS Networks AB (publ) since 2009
**Education** Data Engineer, MBA
**Other Board assignments** Board Member of Clavister AB (publ)
**Previous positions** Co-founder HMS Networks since 1989
**Committee in Mycronic** —
**Shareholding in Mycronic** 11,000

**Robert Larsson**

Board member since 2018
**Born** 1967
Independent Board member EVP and Head of Industrial & Digital Solutions at AFRY AB
**Education** MSc Mechanical Engineering
**Previous positions** A number of senior positions in ABB in Sweden, China and Switzerland
**Committee in Mycronic** Member of the Remuneration Committee
**Shareholding in Mycronic** —

## Employee representatives

**Johan Densjö**

Board Member 2012–2014 and since 2019 employee representative appointed by Unionen
**Born** 1971
Training Team Leader, Pattern Generators
**Education** Engineer
**Shareholding in Mycronic** —

**Jörgen Lundberg**

Board member since 2019 Employee representative appointed by Akademikerna
**Born** 1964
Director, Development Center Pattern Generators – Product Strategy & Development
**Education** MSc Mechanical Engineering
**Shareholding in Mycronic** 1,000

**Erik Sandström**
Auditor-in-Charge, Ernst & Young AB
**Born:** 1975
Authorized Public Accountant and member of FAR
**Other assignments:** Atlas Copco, Autoliv and Ratos

# Executive management

**Anders Lindqvist**

President and CEO
Employed since 2019

**Born** 1967

**Education** Mechanical engineer and university-level studies in marketing

**Previous positions** President and CEO of Piab Group AB 2013–2019, Divisions Director for Atlas Copco 2007–2013, President of Atlas Copco China 2006–2007, President of Atlas Copco Nordic 2004–2006

**Board assignments** Chairman of the Board of Dafo Vehicle Fire Protection AB. Board member of Gunnebo Holding AB

**Shareholding in Mycronic** 25,100

**Pierre Brorsson**

CFO & Sr VP Corporate Development
Employed since 2021

**Born** 1972

**Education** MSc Business and Economics

**Previous positions** CFO Ramirent, senior positions as Financial Manager and VP Business Development at Atlas Copco

**Shareholding in Mycronic** —

**Lena Båvegård**

Sr VP Global Functions
Employed since 2018

**Born** 1967

**Education** MSc Electrical Engineering

**Previous positions** Various senior positions in Transmode and Infinera, most recently as Sr Dir, Corporate Quality & Sustainability and various senior positions in Q-Med and Ericsson

**Board assignments** Board alternate of SIQ and Chairman of the Board of SIQ Intressentföreningen Kvalitetsutveckling

**Shareholding in Mycronic** 2,210

**Michael Chalsen**

Sr VP Global Technologies
Employed since 1984

**Born** 1959

**Education** BSc Mechanical Engineering, MBA

**Previous positions** VP Operations, MRSI Group, GM Newport/MRSI, President, MRSI Systems LLC

**Shareholding in Mycronic** 734

Shareholding as of December 31, 2021.

**Clemens Jargon**

Sr VP High Flex
Employed since 2015

**Born** 1965

**Education** Master's degree in Mechanical Engineering, discipline: Aerospace engineering

**Previous positions** Various senior positions in telecommunications and the semiconductor industry, as well as in the market for renewable energy, at companies such as Q-Cells, Infineon, Siemens and T-Mobile.

**Shareholding in Mycronic**
3,365

**Johanna Jarl**

Sr VP, Human Resources
Employed since 2022

**Born** 1981

**Education** MSc Business and Economics

**Previous positions** Vice President & Head of HR Infrastructure Division at AFRY, Director Strategy & Integration SSAB Europe Division and management consultant in Talent & Organization at Accenture

**Shareholding in Mycronic**
—

**Ivan Li**

Sr VP High Volume
Employed since 2008

**Born** 1983

**Education** MSc Mechanical Engineering

**Previous positions** VP Global Dispensing Mycronic & General Manager Axxon

**Shareholding in Mycronic**
8,800

**Charlott Samuelsson**

Sr VP Pattern Generators
Employed since 1996

**Born** 1963

**Education** MSc Engineering Physics

**Previous positions** Head of global aftermarket, Head of system and application development and Head of operational development in the Mycronic Group.

**Board assignments** Board member of Invisio Communications AB

**Shareholding in Mycronic**
22,480

# Corporate Governance Report

**The objective of corporate governance is to ensure that the Mycronic Group is managed as efficiently as possible in order to create shareholder value. This is achieved through a clear division of responsibilities between the Annual General Meeting, the Board and the Executive management, as well as through clear regulations and transparent processes.**

### Framework for corporate governance

Corporate governance is based on external governing instruments such as the Swedish Companies Act, the Annual Accounts Act, Nasdaq Nordic's Main Market Rule Book and the Swedish Code of Corporate Governance (the Code), as well as internal governance systems. In 2021, Mycronic complied with the Code in all respects.

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

### Shareholders

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

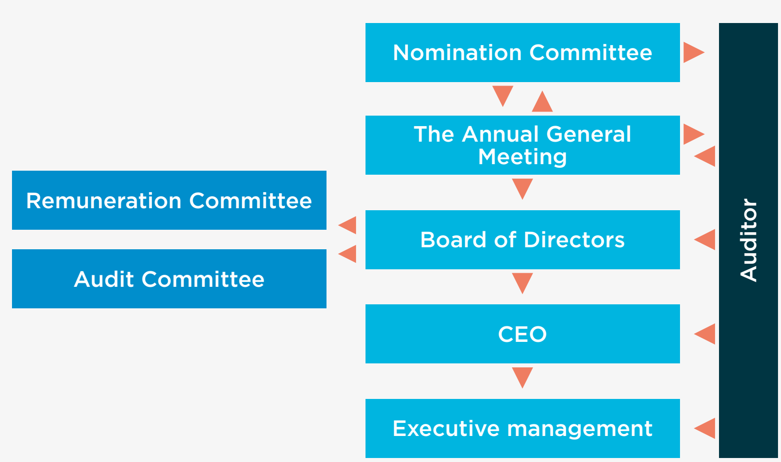
At the end of 2021, Mycronic had 15,716 (14,758) shareholders. Bure Equity was the largest shareholder with 26.9 percent of capital and votes at the end of the year. More information on Mycronic's share and shareholders can be found in the section Mycronic as an investment on pages 46–47.

### The Annual General Meeting (AGM)

The AGM is the company's highest decision-making body. All shareholders have the right to participate in the AGM and to exercise their voting rights relative to their shareholdings. Rules regarding the AGM can be found in the Swedish Companies Act and the Articles of Association. Notice to attend the AGM shall be made four to six weeks prior to the meeting through an announcement in Post- och Inrikes Tidningar and in a press release published on the company website. Issuance of the notice shall be announced in

**Corporate governance at Mycronic**

In order to govern the Mycronic Group in an efficient manner, governance, management and control has been distributed between the Annual General Meeting, the Board, the CEO and Executive management, with committees and collaborative bodies within specific areas. Control is exercised by the external auditor and through internal control activities.



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

**2021 Annual General Meeting**
The AGM was held in Stockholm on May 5, 2021. The AGM was attended by shareholders representing 72.1 percent of the share capital and votes.

The AGM took decisions in accordance with the Board's and the Nomination Committee's proposals on:

- Chairman of the Meeting
- Adoption of the balance sheet and profit and loss accounts
- Disposal of earnings through a dividend of SEK 3.00 per share
- Discharge from liability to the company for the Board members and the CEO
- The number of Board members elected shall be six with no deputy Board members
- Election of a registered public auditing firm
- It was resolved that Board fees shall be paid with a total of SEK 2,755,000, to be distributed with SEK 800,000 to the Chairman and SEK 320,000 to each of the other elected Board members. In addition, SEK 100,000 was allocated to the Audit Committee Chairman, SEK 50,000 to other members of the Audit Committee, as well as SEK 75,000 to the Remuneration Committee Chairman and SEK 40,000 to other members of the Remuneration Committee
- It was resolved that fees to the auditor are paid on an ongoing basis as invoices are approved
- Anna Belfrage, Katarina Bonde, Staffan Dahlström, Robert Larsson, Arun Bansal and Patrik Tigerschiöld were re-elected to the Board. Patrik Tigerschiöld was re-elected Chairman of the Board. In addition to the elected members, two employee representatives were appointed from the employee organizations Unionen and Akademikerna to represent employees
- The auditing firm Ernst & Young was appointed auditor with authorized public accountant Erik Sandström as auditor-in-charge
- The Board's remuneration report according to Chapter 8, Section 53 a of the Swedish Companies Act was approved
- Adoption of guidelines for remuneration to senior executives
- Adoption of principles for appointing the Nomination Committee
- Resolution to authorize the Board of Directors to decide on a new issue of shares. The issue price will be established on a market basis, and the maximum number of shares will correspond to 10 percent of the number of shares outstanding as of the date of the notification to attend the 2021 AGM.
- Resolution to authorize the Board of Directors to decide on acquisition of the company's own shares. Acquisition of own shares may take place provided that the company after each acquisition holds a maximum of 5 percent of the total number of shares outstanding in Mycronic.
- Resolution to approve the terms and conditions for the long-term incentive program LTIP 2021 and to implement hedging measures pertaining to LTIP 2021 by transfer of the company's own shares.
- Resolution on changes to the Articles of Association

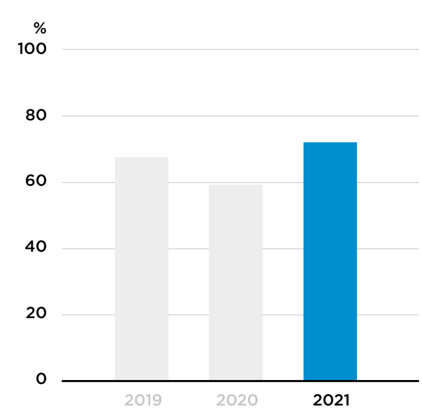
Information on the AGM including all proposals and minutes can be found at www.mycronic.com.

**2022 Annual General Meeting**
The Annual General Meeting will be held on May 5, 2022.

**Nomination Committee**
The Nomination Committee represents the shareholders. Its task, ahead of the AGM, is to produce proposals regarding election of the chair of the meeting; decisions on the number of Board members; election of and decisions on fees to Board members, the Chairman of the Board and auditor; election of and decisions on fees to members pertaining to other special committees or councils that the AGM may resolve on appointing; and proposals for principles on appointing a Nomination Committee for resolution by the AGM.

In accordance with the resolution by the AGM, the Nomination Committee consists of four persons: representatives from the three largest

**Attendance at most recent AGMs**



known owners as of August 31 and the Chairman of the Board. The composition of the Nomination Committee is published at the latest six months prior to the AGM. The Nomination Committee's proposals are presented in the Notice of the AGM and on Mycronic's website.

The annual evaluation of the Board's work is presented to the Nomination Committee and is the basis for its work in proposing Board members. The Nomination Committee bases its work on the requirements of the Swedish Companies Act and the Code, as well as company-specific requirements. In its work, the Nomination Committee applies section 4.1 of the Code as the diversity policy. The intention is to have an appropriate Board composition, which shall be characterized by versatility and breadth including age, gender, education, background and experience. The Board of Directors is presented on pages 54–55. Additional information is available in the Nomination Committee's reasoned statement regarding its proposal to the 2022 AGM.

The Nomination Committee for the 2022 AGM consists of Henrik Blomquist (Bure Equity), Patrik Jönsson (SEB Funds), Thomas Ehlin (Fourth Swedish National Pension Fund) and Patrik Tigerschiöld (Chairman of the Board).

*Nomination Committee*

| Name | Representing | Holdings %, August 31, 2021 |
|---|---|---|
| Henrik Blomquist | Bure Equity | 26.9 |
| Patrik Jönsson | SEB Funds | 10.4 |
| Thomas Ehlin | Fourth Swedish National Pension Fund | 9.6 |
| Patrik Tigerschiöld | Chairman of the Board of Mycronic AB | |

## Board of Directors

The Board of Directors (the Board) has overall responsibility for the company's organization and management. The Board monitors operations, ensures a suitable organization, and establishes guidelines for internal control. The Board establishes strategies and goals and makes decisions on major investments. The CEO is appointed by the Board and is responsible for ongoing administration.

The responsibilities of the Board are governed by the Swedish Companies Act and in the rules of procedure. Division of labor between the Board and the CEO is established through written instructions.

The Board consists of six members appointed by the AGM, and two employee representatives appointed by Unionen and Akademikerna.

**Board activity in 2021**

During 2021, the Board held fifteen meetings, of which one was the statutory meeting, three were by circulation and all meetings offered the opportunity to participate digitally.

**Fourth quarter**

Budget for 2022 established

Interim Report January–September

**Third quarter**

Interim Report January–June


**First quarter**

Interim Report for the fourth quarter and full-year 2020, proposal on dividend

2020 Annual Report adopted

**Second quarter**

Review of business operations in the divisions

Review of forecast and update on development projects

Statutory meeting with decisions on signing authority, policies, etc. directly after the AGM

Strategy seminar, with adjacent Board meeting

Interim Report January–March

Enterprise Risk Management review

### Board activities

The Board works according to the rules of procedure, which shall ensure that the Board is well-informed and that all Board-related issues are addressed. The rules of procedure, which are established annually, describe the division of responsibilities between the Board and its committees, and between the Board and the CEO. The Board takes decisions on strategy and budget, confirms financial reports and significant policies including the approval and signing policy, appoints the CEO and evaluates the CEO's work, establishes regulations for internal control and monitors the effectiveness of internal control, decides on major investments and agreements, appoints the Audit and Remuneration Committees, and evaluates the work of the Board. The Board monitors compliance with approved guidelines on remuneration to executive management, and proposes guidelines for remuneration for consideration by the AGM.

The Chairman of the Board leads the work of the Board and also represents the company on ownership issues. Board meetings are prepared by the Chairman of the Board, together with the CEO. The CEO and the company's CFO, who is responsible for recording the minutes of Board meetings, attend. In addition, other employees attend as necessary in relation to individual cases. Materials are distributed prior to each meeting. Some questions are prepared in committees.

Recurring items at Board meetings are reviews of the business situation and financial reporting. Board committees report on their activities and raise issues for decision.

The Board held fifteen meetings in 2021.

### Board committees

The committees' tasks and work plan are established by the Board in written instructions. The main task of the committees is to prepare matters for Board decision-making.

*Remuneration Committee*

The Remuneration Committee is appointed by the Board and consists of three Board members. The Committee is tasked with proposing the CEO's salary, other remuneration and terms of employment. The Committee also proposes guidelines for remuneration and terms of employment for other executive management and the directors of subsidiaries and proposals for incentive programs. The Remuneration Committee ensures compliance with established guidelines for remuneration of executive management.

Since the 2021 AGM, the Remuneration Committee has consisted of Patrik Tigerschiöld (Chairman), Arun Bansal and Robert Larsson. The Remuneration Committee held four meetings in 2021.

*Audit Committee*

The Audit Committee is appointed by the Board and consists of two Board members. The Committee is tasked with ensuring the quality of financial reporting. This comprises reviews of significant accounting and valuation issues. The Audit Committee evaluates the external auditing and assists the Nomination Committee with proposals for the election of the auditor. Employees do not participate during part of certain meetings between the Audit Committee and the external auditor.

**Attendance at meetings in 2021 and remuneration to Board members elected by the AGM**

| | | | | Attendance | | | Remuneration | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Elected | Independent[1] | Holdings | Board of Directors | Audit Committee | Remuneration Committee | Board | Audit Committee | Remuneration Committee |
| Patrik Tigerschiöld, Chairman | 2009 | No | 235,170 | 15/15 | | 4/4 | 800,000 | | 75,000 |
| Katarina Bonde | 2010 | Yes | 2,000 | 13/15 | 5/5 | | 320,000 | 50,000 | |
| Anna Belfrage | 2018 | Yes | – | 15/15 | 5/5 | | 320,000 | 100,000 | |
| Robert Larsson | 2018 | Yes | – | 15/15 | | 4/4 | 320,000 | | 40,000 |
| Staffan Dahlström | 2019 | Yes | 8,000 | 15/15 | | | 320,000 | | |
| Arun Bansal | 2020 | Yes | – | 14/15 | | 4/4 | 320,000 | | 40,000 |

1) According to the Swedish Code of Corporate Governance, in relation to the company's largest shareholders.

Since the 2021 AGM, the Audit Committee has consisted of Anna Belfrage (Chairman) and Katarina Bonde. In 2021, the Audit Committee held five meetings.

### Evaluation of Board performance

The Board's work is evaluated annually. The evaluation is done by external evaluation or self-assessment. The objective is to develop, set targets for, and measure the work of the Board, but also to provide the Nomination Committee a basis for the task of preparing proposals on Board appointments to the upcoming AGM. The Chairman of the Board is responsible for the evaluation.

### CEO and Executive management

The executive management consists of eight persons, including the CEO, see pages 56–57.

The CEO leads the work of the executive management, which meets once a month. Issues addressed include financial performance, development projects, leadership and skills supply and other strategic issues. The CEO is responsible for keeping the Board informed of the company's development. Three global management meetings were organized in 2021 to strengthen unified communication and control throughout the Group. In addition to the executive management, there are several collaborative bodies that prepare and coordinate strategic and operational issues.

### External audit

The auditor is appointed by the AGM to review the company's annual financial statements and the consolidated accounts, as well as the Board's and CEO's administration. Audits are conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. The executive management is briefed on audit results continuously. The auditor meets with the Audit Committee on an ongoing basis and with the entire Board annually. The auditor submits the Auditor's Report to shareholders at the AGM. In 2021, the auditor performed, in addition to the audit, a summary review of the third quarter report. Fees to the auditor are paid on an ongoing basis as invoices are approved. Refer to Note 9 for information on auditor remuneration.

### External financial reporting

In accordance with the established communication policy, Mycronic continuously reports information on the company's performance and financial position through interim reports, the Annual and Sustainability Report and press releases in conjunction with significant events.

In conjunction with interim reports, presentations are held for financial analysts, institutional investors, and the media. Company management and Director Investor Relations meet analysts and institutional investors at other external and internal arrangements. Representatives from Mycronic also participate at events arranged by, for example, investment banks and the Swedish Shareholders' Association. Financial reports, press releases and other relevant information are presented on the company's website.

Mycronic observes a 30-day silent period before publication of financial reports, during which the company does not communicate with the financial market by means other than public press releases.

### Insiders

In accordance with the EU's Market Abuse Regulation (MAR), Mycronic is obligated to maintain a register of persons discharging managerial responsibilities and parties closely related to them. This group consists of Board members and executive management. These persons are obliged to report all transactions in Mycronic securities to the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) and to the company. The company is also required to maintain a temporary insider register (log book) of persons who have access to non-public information for a limited period in connection with particular events. This might be the Board, employees or contractors. The details of the application of the provisions above are outlined in the Market Abuse Regulation.

### Internal control of financial reporting

Internal control is comprised of processes and methods that limit risks for material misstatement in the financial statements, and provide a reasonable assurance of the reliability and accuracy of the financial reporting. Internal control is maintained by the Board, management and employees. Mycronic has chosen to describe its work with internal control based on COSO's components: the control environment, risk assessment, control activities, information and communication, and monitoring.

*Control environment*

The control environment consists of a suitable organization, decision-making procedures, authorization and responsibilities, as expressed in policies and guidelines. Common values provide consensus with the intention of strengthening internal control. Mycronic's Code of Conduct describes the approach that employees are expected to maintain in matters relating to business ethics and social issues. Examples of steering documents include the rules of procedure for the Board and its committees, terms of reference issued by the Board to the CEO, the approval and signing policy, Code of Conduct, and insider and communication policies. Ensuring processes include a high degree of internal control is the responsibility of the respective department manager. Process descriptions and steering documents are gathered in a digital, Group-wide management system. The Group's finance and control organization, centrally and at the level of each unit, plays an important role in the reliability of financial information and is responsible for ensuring that complete, accurate financial reporting is completed on time.

*Risk assessment*
Included in risk assessment is the identification and evaluation of the risk for material misstatements in accounting and reporting and the risks of irregularities and fraud. When assessing risks that affect internal control as it relates to financial reporting, the evaluation is based on likelihood and impact. Risks are linked to processes. Critical processes are evaluated with respect to their efficiency and risk. Critical processes include product development, sourcing, manufacturing, sales, salary and support processes such as financial closing and IT.

*Control activities*
Control activities should prevent, reveal and resolve deviations. There are controls at all levels within the company and across all departments. Control activities may be automated by being built into IT systems, such as authorization structures. They may also be manual, such as double checks for disbursements and reconciliations in connection with financial closings. Recurring analysis of results complement daily controls. A financial handbook ensures uniformity of financial reporting within the Group. A Group-wide system is used for financial reporting. In 2021, Mycronic further developed the standardization of a number of key controls within critical processes. These controls comprise unified Group-wide tools for internal control and governance. Control requirements are important aids for the Board to manage and evaluate information from management and assume responsibility in relation to the risks identified.

*Information and communication*
The Board and management have established channels for communication to ensure that financial reporting is complete and accurate. Internal communication channels include quality systems and analysis tools as well as the intranet. One way to educate staff on Group-wide rules is through e-learning, which can be linked to tests after completion of the training. Each month, financial information is compiled and distributed to Board members and Executive Management. External communication is carried out in accordance with the established communication policy. Financial reporting is published in accordance with applicable regulations. The Board approves the Group's annual report and year-end statement and issues quarterly reports. For the first and third quarters, the Board has instructed the CEO to issue the quarterly reports.

*Monitoring*
Mycronic's evaluation of internal control occurs through self-assessment. Self-assessment entails employee involvement, which increases understanding of the importance of internal control. Self-assessment of critical processes is complemented by external evaluation or statements of opinion. Evaluation of internal control follows a plan approved by the Audit Committee.

Mycronic continuously develops its overall procedure in which the effectiveness of key controls is monitored for each reporting unit. The results are followed up and compiled at the Group level and presented to the Audit Committee on a quarterly basis, which in turn reports the results to the Board.

Representatives of the central finance and controller department regularly visit the subsidiaries to review and evaluate internal controls. In 2021, reviews have been carried out using a digital solution. Experiences are continuously shared among representatives from the Group's finance and HR departments, for example, through digital meetings and global conferences.

The Audit Committee monitors the internal control work and has ongoing contact with the external auditor. This contributes to the Board's collective insight into internal control as it relates to financial reporting.

Mycronic has no internal audit function, as it is the Board's opinion that the company's internal organization and processes for monitoring fulfill this function in a satisfactory manner.

# Financial statements


# Contents

# Group

## PROFIT AND LOSS ACCOUNTS

| SEK million | Notes | 2021 | 2020 |
|---|---|---|---|
| Net sales | 6, 7 | 4,635 | 3,882 |
| Cost of goods sold | 12 | –2,351 | –1,802 |
| **Gross profit** | | **2,284** | **2,080** |
| Research and Development | 11, 12 | –548 | –514 |
| Selling expenses | 12 | –526 | –435 |
| Administrative expenses | 9, 12 | –243 | –236 |
| Other operating income | 10 | 85 | 55 |
| Other operating expenses | 10, 12 | –3 | –52 |
| **EBIT** | | **1,049** | **898** |
| Financial income | | 11 | 6 |
| Financial expenses | | –14 | –14 |
| **Net financial items** | 15 | **–2** | **–8** |
| **Profit before tax** | | **1,046** | **890** |
| Tax | 18 | –219 | –187 |
| **Profit for the year** | | **827** | **703** |
| Earnings per share, before and after dilution, SEK | 17 | 8.48 | 7.10 |
| Profit attributable to owners of the Parent Company | | 828 | 694 |
| Profit attributable to non-controlling interests | | –1 | 10 |
| | | **827** | **703** |

## STATEMENTS OF COMPREHENSIVE INCOME

| SEK million | Notes | 2021 | 2020 |
|---|---|---|---|
| Profit for the year | | 827 | 703 |
| **Other comprehensive income** | | | |
| **Items not to be reclassified to profit and loss** | | | |
| Actuarial profit/loss from defined benefits to employees | 30 | 1 | 4 |
| Tax relating to actuarial results | | 0 | –1 |
| **Total of items not to be reclassified to profit and loss** | | **1** | **3** |
| **Items to be reclassified to profit and loss** | | | |
| Translation differences upon translating foreign entities | 35 | 209 | –186 |
| Tax relating to translation differences | 35 | –18 | 25 |
| Hedge of net investment | 36 | –6 | — |
| The year's changes in fair value on cash flow hedges | 36 | –49 | 87 |
| Cash flow hedges transferred to profit and loss | 35 | –47 | –11 |
| Tax relating to cash flow hedges | | 20 | –16 |
| **Total of items to be reclassified to profit and loss** | | **109** | **–100** |
| **Total other comprehensive income** | | **110** | **–97** |
| **Total comprehensive income for the year** | | **938** | **606** |
| Total comprehensive income attributable to owners of the Parent Company | | 936 | 597 |
| Total comprehensive income attributable to non-controlling interests | | 2 | 9 |
| | | **938** | **606** |

## Comments on financial performance

All financial information, such as profit and loss and balance sheet items, includes acquired companies as of the respective dates of acquisition.

### Net sales

Group net sales increased 19 percent to SEK 4,635 million (3,882) and by 23 percent based on constant exchange rates. Organic growth was 16 percent.

Net sales comprised delivery of 14 (7) mask writers, of which 7 SLX systems, in the Pattern Generators division. Of net sales for the year, the Pattern Generators division accounted for SEK 1,645 million (1,563), High Flex for SEK 1,176 million (1,079), High Volume for SEK 1,200 million (873) and Global Technologies for SEK 657 million (412).

Aftermarket sales constituted 28 percent (30) of the Group's net sales.

### Gross profit and gross margin

Consolidated gross profit amounted to SEK 2,284 million (2,080). Gross margin amounted to 49 percent (54). The lower gross margin for the year is attributable to a different product mix, mainly lower net sales in Pattern Generators' display segment.

### Research and development

Consolidated research and development expenses in 2021 amounted to SEK 548 million (514). In 2021, SEK 46 million (85) was capitalized in the balance sheet, of which the Pattern Generators division accounts for SEK 17 million (60) and the High Flex division for SEK 29 million (25).

The product program is continuously being modernized through maintenance and minor development initiatives. The Group also continued to execute its product development strategy. Through collaboration with external parties, investments are made in product development for new needs and new markets.

Mycronic's patent strategy protects its investments in unique technology. At year-end, the Group held more than 500 patents.

### Sales and administration

Expenses for sales and administration amounted to SEK 769 million (670) in 2021. The increase in expenses is primarily attributable to operating expenses in the acquired companies, investments in the sales organization as well as increased variable selling costs.

### EBIT

Consolidated EBIT for 2021 amounted to SEK 1,049 million (898), corresponding to an EBIT margin of 23 percent (23). Acquisition-related costs amounted to SEK 97 million (77), and are primarily attributable to expensing the true-up of acquired inventories at fair value, amortization of acquired intangible assets and transaction expenses.

EBIT for the Pattern Generators division amounted to SEK 832 million (889), corresponding to an EBIT margin of 51 percent (57).

EBIT for the High Flex division amounted to SEK 136 million (33). The EBIT margin was 12 percent (3).

EBIT for the High Volume division amounted to SEK 231 million (181), corresponding to an EBIT margin of 19 percent (21).

EBIT for the Global Technologies division totaled SEK –3 million (–87). The EBIT margin amounted to 0 percent (–21).

Costs for Group-wide functions of SEK 149 million (116) were charged to EBIT.

### Tax

Consolidated profit before tax for 2021 totaled SEK 1,046 million (890). Consolidated tax expenses amounted to SEK 219 million (187), corresponding to an effective tax rate of 21 percent (21) in relation to profit before tax.

### Profit for the year and earnings per share

Consolidated profit after tax for full-year 2021 amounted to SEK 827 million (703), of which SEK 828 million (694) is attributable to the Parent Company's owners. This corresponds to earnings per share, before and after dilution, of SEK 8.48 (7.10).

**STATEMENTS OF FINANCIAL POSITION**

| SEK million | Notes | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 19 | 2,296 | 1,253 |
| Tangible assets | 20 | 206 | 236 |
| Right-of-use assets | 21 | 223 | 230 |
| Other non-current assets | 6, 25, 36 | 55 | 40 |
| Deferred tax assets | 18 | 145 | 128 |
| **Total non-current assets** | | **2,926** | **1,886** |
| Inventories | 26 | 1,363 | 1,181 |
| Tax receivables | | 93 | 95 |
| Trade receivables | 6, 27, 36 | 658 | 601 |
| Prepaid expenses and accrued income | 28 | 181 | 116 |
| Other receivables | | 46 | 137 |
| Cash and cash equivalents | 35, 36 | 683 | 1,303 |
| **Total current assets** | | **3,024** | **3,433** |
| Assets held for sale | 29 | 186 | – |
| **TOTAL ASSETS** | | **6,136** | **5,319** |
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | | 98 | 98 |
| Other contributed capital | | 1,349 | 1,343 |
| Reserves | | 92 | –15 |
| Retained earnings including profit/loss for the year | | 2,417 | 1,938 |
| **Equity attributable to owners of the Parent Company** | | **3,955** | **3,364** |
| Holdings of non-controlling interests | | 42 | 14 |
| **Total equity** | | **3,997** | **3,378** |
| **Liabilities** | | | |
| Non-current interest-bearing liabilities | 36 | 181 | 185 |
| Non-current provisions | 30 | 48 | 41 |
| Deferred tax liabilities | 18 | 329 | 281 |
| Other non-current liabilities | 36 | 11 | – |
| **Total non-current liabilities** | | **570** | **507** |
| Current interest-bearing liabilities | 36 | 62 | 79 |
| Advance payments from customers | 6 | 364 | 559 |
| Trade payables | 36 | 295 | 261 |
| Tax liabilities | | 24 | 14 |
| Other liabilities | | 128 | 94 |
| Accrued expenses and deferred income | 6, 31 | 596 | 364 |
| Current provisions | 32 | 74 | 62 |
| **Total current liabilities** | | **1,544** | **1,434** |
| Liabilities directly associated with assets held for sale | 29 | 26 | – |
| **Total liabilities** | | **2,139** | **1,941** |
| **TOTAL EQUITY AND LIABILITIES** | | **6,136** | **5,319** |

## Comments on financial position

The Group's total assets at year-end 2021 amounted to SEK 6,136 million, compared with SEK 5,319 million at the end of 2020.

Non-current assets amounted to SEK 2,926 million (1,886). Intangible assets amounted to SEK 2,296 million (1,253), of which SEK 2,156 million (1,119) consisted of acquisition-related assets in the form of goodwill, customer relationships, technology and brands.

Capitalized development expenditure amounted to SEK 126 million (116). During 2021, development projects were capitalized in the amount of SEK 46 million (85). Amortization of previously capitalized development amounted to SEK 36 million (20). Each development project is assessed individually to determine whether the criteria for capitalization in the statement of financial position have been met.

The value of intangible assets with indefinite useful life is impairment tested annually.

During 2021, inventory increased from SEK 1,181 million to SEK 1,363 million, and trade receivables from SEK 601 million to SEK 658 million. The increase is mainly attributable to business combinations. Cash and cash equivalents in 2021 decreased from SEK 1,303 million to SEK 683 million.

Current non-interest bearing liabilities amounted to SEK 1,482 million (1,355). Trade payables increased from SEK 261 million to SEK 295 million. Advance payments from customers amounted to SEK 364 million (559). The Group strives to the greatest extent possible to receive advance payments from customers in connection with orders, and especially for sales of mask writers.

At year-end, the Group had interest-bearing liabilities amounting to SEK 243 million (264) while net cash was SEK 440 million (1,039). Interest-bearing liabilities consist primarily of lease liabilities.

### Equity

Consolidated equity on December 31, 2021, was SEK 3,997 million (3,378). The number of outstanding shares at year-end was 97,634,509.

The equity/assets ratio, the percentage of equity of the total assets, was 65 percent (64). At year-end, Mycronic's market capitalization was SEK 20,660 million (24,029).

## STATEMENTS OF CASH FLOW

| SEK million | Notes | 2021 | 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | | 1,046 | 890 |
| *Adjustments for non-cash items and paid income tax* | | | |
| Depreciation/amortization and impairment of assets | 19, 20, 21 | 205 | 214 |
| Capital gain/loss on the sale of non-current assets | | 2 | 0 |
| Unrealized foreign exchange differences | | –34 | 19 |
| Provisions for employee benefits | | 5 | –3 |
| Other provisions | | 3 | 17 |
| Write-down of inventories | | 16 | 15 |
| Revaluation of contingent considerations | | 0 | –1 |
| Other non-cash items | | 3 | 8 |
| Income tax paid | | –181 | –251 |
| **Cash flow from operating activities before changes in working capital** | | **1,066** | **908** |
| *Cash flow from changes in working capital* | | | |
| Inventories | | –26 | –213 |
| Trade receivables | | 110 | 191 |
| Other receivables | | –56 | –15 |
| Trade payables | | –1 | –15 |
| Other liabilities | | –95 | 270 |
| **Cash flow from operating activities** | | **998** | **1,126** |
| **Investing activities** | | | |
| Investments in subsidiaries | 23 | –1,117 | –4 |
| Investments in intangible assets | 19 | –48 | –91 |
| Investments in tangible assets | 20 | –42 | –44 |
| Sale of tangible assets | | 0 | 0 |
| Increase in other non-current assets | 25 | –17 | –15 |
| Decrease in other non-current assets | 25 | 1 | 4 |
| **Cash flow from investing activities** | | **–1,223** | **–150** |
| **Financing activities** | | | |
| Dividends paid to Parent Company shareholders | | –294 | –196 |
| Dividends to non-controlling interests | | –4 | –1 |
| Swap contract for own shares | | 10 | –15 |
| Repurchase of own shares | | –23 | — |
| Acquisition of non-controlling interest | | –43 | — |
| Borrowings | 36 | — | — |
| Repayment of loans and lease liabilities | 36 | –83 | –76 |
| **Cash flow from financing activities** | | **–437** | **–288** |
| **Cash flow for the year** | | **–662** | **689** |
| Cash and cash equivalents at beginning of year | | 1,303 | 655 |
| Exchange rate differences in cash and cash equivalents | | 51 | –41 |
| Cash and cash equivalents classified as assets held for sale | 29 | –9 | — |
| **Cash and cash equivalents at end of year** | | **683** | **1,303** |
| **Interest received and paid** | | | |
| Interest received | | 11 | 6 |
| Interest paid | | –14 | –14 |
| | | **–3** | **–8** |

### Comments on cash flow and investments

Consolidated cash and cash equivalents at year-end amounted to SEK 683 million (1,303). Cash flow for the period was SEK –662 million (689).

Cash flow from operating activities after changes in working capital generated SEK 998 million (1,126). Working capital tied up increased by SEK 68 million during the year, compared with an decrease of SEK 218 million in the preceding year.

Investments amounted to SEK 1,223 million (150), of which the acquisitions of atg L&M and HC Xin utilized SEK 1,027 million and SEK 87 million, respectively. Capitalization of product development accounted for SEK 46 million (85). Investments in tangible assets totaled SEK 42 million (44).

Financing activities utlized SEK 437 million (288), of which SEK 294 million (196) attributable to dividends to shareholders of the Parent Company. In addition, the acquisition of the holdings of non-controlling interests in Axxon Piezoelectric Technology Co, Ltd utlilized SEK 43 million.

## 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 million | Share capital | Other contributed capital | Reserves: Hedge reserve | Reserves: Translation reserve | Retained earnings | Total | Holdings of non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Equity, January 1, 2020** | 98 | 1,338 | 2 | 82 | 1,453 | 2,972 | 6 | 2,978 |
| Profit for the year | | | | | 694 | 694 | 10 | 703 |
| **Other comprehensive income** | | | | | | | | |
| **Items not to be reclassified to profit and loss** | | | | | | | | |
| Actuarial profit/loss from defined benefits to employees | | | | | 4 | 4 | | 4 |
| Tax relating to actuarial results | | | | | –1 | –1 | | –1 |
| **Items to be reclassified to profit and loss** | | | | | | | | |
| Translation differences for the period at translation of foreign entities | | | | –185 | | –185 | –1 | –186 |
| Tax relating to translation differences | | | | 25 | | 25 | | 25 |
| Hedging of net investments in subsidiaries | | | | — | | 0 | | 0 |
| The year's changes in fair value on cash flow hedges | | | 87 | | | 87 | | 87 |
| Cash flow hedges transferred to profit and loss | | | –11 | | | –11 | | –11 |
| Tax attributable to hedge accounting | | | –16 | | | –16 | | –16 |
| **Total other comprehensive income** | | | **61** | **–160** | **3** | **–96** | **–1** | **–97** |
| **Total comprehensive income for the year** | | | **61** | **–160** | **697** | **597** | **9** | **606** |
| **Transactions with owners, etc.** | | | | | | | | |
| Dividends paid | | | | | –196 | –196 | | –196 |
| Dividends to non-controlling interests | | | | | | 0 | –1 | –1 |
| Swap contract for own shares | | | | | –15 | –15 | | –15 |
| Share-based remuneration | | 5 | | | | 5 | | 5 |
| **Total transactions with owners** | **0** | **5** | **0** | **0** | **–211** | **–206** | **–1** | **–207** |
| **Closing equity December 31, 2020/ Opening equity January 1, 2021** | **98** | **1,343** | **63** | **–78** | **1,938** | **3,364** | **14** | **3,378** |
| Profit for the year | | | | | 828 | 828 | –1 | 827 |
| **Other comprehensive income** | | | | | | | | |
| **Items not to be reclassified to profit and loss** | | | | | | | | |
| Actuarial profit/loss from defined benefits to employees | | | | | 1 | 1 | | 1 |
| Tax relating to actuarial results | | | | | 0 | 0 | | 0 |
| **Items to be reclassified to profit and loss** | | | | | | | | |
| Translation differences for the period at translation of foreign entities | | | | 207 | | 207 | 2 | 209 |
| Tax relating to translation differences | | | | –18 | | –18 | | –18 |
| Hedging of net investments in subsidiaries | | | | –6 | | –6 | | –6 |
| The year's changes in fair value on cash flow hedges | | | –49 | | | –49 | | –49 |
| Cash flow hedges transferred to profit and loss | | | –47 | | | –47 | | –47 |
| Tax attributable to hedge accounting | | | 20 | | | 20 | | 20 |
| **Total other comprehensive income** | | | **–76** | **183** | **1** | **108** | **2** | **110** |
| **Total comprehensive income for the year** | | | **–76** | **183** | **829** | **936** | **2** | **938** |
| **Transactions with owners, etc.** | | | | | | | | |
| Dividends paid | | | | | –294 | –294 | | –294 |
| Dividends to non-controlling interests | | | | | –4 | –4 | | –4 |
| Change of non-controlling interest | | | | | –40 | –40 | 27 | –13 |
| Swap contract for own shares | | | | | 10 | 10 | | 10 |
| Repurchase of own shares | | | | | –23 | –23 | | –23 |
| Share-based remuneration | | 6 | | | | 6 | | 6 |
| **Total transactions with owners** | **0** | **6** | **0** | **0** | **–351** | **–345** | **27** | **–319** |
| **Closing equity, December 31, 2021** | **98** | **1,349** | **–13** | **105** | **2,417** | **3,955** | **42** | **3,997** |

# Parent Company

### PROFIT AND LOSS ACCOUNTS

| SEK million | Notes | 2021 | 2020 |
|---|---|---|---|
| Net sales | 6, 7 | 2,557 | 2,381 |
| Cost of goods sold | | –1,165 | –970 |
| **Gross profit** | | **1,392** | **1,411** |
| Research and Development | 11 | –377 | –374 |
| Selling expenses | | –189 | –155 |
| Administrative expenses | | –155 | –124 |
| Other operating income | 10 | 123 | 6 |
| Other operating expenses | 10 | — | –159 |
| **EBIT** | | **794** | **604** |
| *Profit from financial investments* | | | |
| Interest income and similar items | 15 | 194 | 169 |
| Interest expenses and similar items | 15 | –54 | –79 |
| **Profit after financial items** | | **934** | **694** |
| Appropriations | 16 | –199 | –157 |
| **Profit before tax** | | **735** | **537** |
| Tax | 18 | –135 | –103 |
| **Profit for the year** | | **600** | **434** |

### STATEMENTS OF COMPREHENSIVE INCOME

| SEK million | 2021 | 2020 |
|---|---|---|
| **Profit for the year** | **600** | **434** |
| Other comprehensive income | — | — |
| **Total comprehensive income for the year** | **600** | **434** |

**Parent Company**

Mycronic AB is the Group's Parent Company. Sales in the Parent Company comprise production solutions for electronics manufacturing and aftermarket sales. At year-end 2021, there were 358 persons (358) employed by the Parent Company.

The Parent Company's net sales amounted to SEK 2,557 million (2,381) and included 14 mask writers (7). EBIT was SEK 794 million (604). Cash and cash equivalents at year-end amounted to SEK 116 million (719).

## BALANCE SHEETS

| SEK million | Notes | Dec 31, 2021 | Dec 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 19 | 17 | 27 |
| Tangible assets | 20 | 102 | 135 |
| *Financial assets* | | | |
| Participations in Group companies | 22 | 1,218 | 1,071 |
| Receivables from Group companies | 24 | 1,674 | 753 |
| Other non-current assets | 25 | 18 | 13 |
| Deferred tax assets | 18 | 6 | 5 |
| **Total financial assets** | | **2,915** | **1,842** |
| **Total non-current assets** | | **3,034** | **2,005** |
| **Current assets** | | | |
| Inventories | 26 | 512 | 494 |
| *Current receivables* | | | |
| Trade receivables | | 126 | 235 |
| Receivables from Group companies | | 341 | 319 |
| Other receivables | | 65 | 81 |
| Prepaid expenses and accrued income | 28 | 109 | 88 |
| **Total current receivables** | | **641** | **722** |
| Cash and cash equivalents | | 116 | 719 |
| **Total current assets** | | **1,269** | **1,936** |
| **TOTAL ASSETS** | | **4,303** | **3,941** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| *Restricted equity* | | | |
| Share capital | | 98 | 98 |
| Statutory reserve | | 0 | 0 |
| | | **98** | **98** |
| *Non-restricted equity* | | | |
| Share premium reserve | | 213 | 208 |
| Retained earnings | | 1,575 | 1,448 |
| Profit for the year | | 600 | 434 |
| | | **2,388** | **2,090** |
| **Total equity** | | **2,486** | **2,188** |
| **Untaxed reserves** | 16 | **1,275** | **1,076** |
| *Non-current liabilities* | | | |
| Non-current interest-bearing liabilities | | — | 9 |
| Non-current provisions | | 1 | 1 |
| Other non-current liabilities | | 0 | 0 |
| **Total non-current liabilities** | | **1** | **10** |
| *Current liabilities* | | | |
| Current interest-bearing liabilities | | 8 | 17 |
| Advance payments from customers | | 92 | 292 |
| Trade payables | | 101 | 90 |
| Liabilities to Group companies | | 48 | 16 |
| Current tax liability | | — | — |
| Other liabilities | | 47 | 55 |
| Accrued expenses and deferred income | 31 | 232 | 187 |
| Current provisions | 32 | 11 | 10 |
| **Total current liabilities** | | **540** | **667** |
| **Total liabilities** | | **541** | **677** |
| **TOTAL EQUITY AND LIABILITIES** | | **4,303** | **3,941** |

## STATEMENTS OF CASH FLOW

| SEK million | Notes | 2021 | 2020 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit after financial items | | 934 | 694 |
| *Adjustments for non-cash items and paid income tax* | | | |
| Depreciation/amortization and impairment of assets | 19, 20 | 42 | 30 |
| Capital gain/loss on the sale of non-current assets | | — | 0 |
| Unrealized foreign exchange differences | | –111 | 128 |
| Provisions | | 2 | –2 |
| Write-down of inventories | | 8 | 8 |
| Share-based remuneration | | 3 | 3 |
| Interests not received | | –7 | –7 |
| Other non-cash items | | 43 | 71 |
| Paid income tax | | –126 | –186 |
| **Cash flow from operating activities before changes in working capital** | | **788** | **738** |
| *Changes in working capital* | | | |
| Inventories | | –9 | –103 |
| Trade receivables | | 131 | 4 |
| Other receivables | | –10 | 47 |
| Trade payables | | 10 | –28 |
| Other liabilities | | –137 | 123 |
| **Cash flow from operating activities** | | **773** | **781** |
| **Investing activities** | | | |
| Investments in subsidiaries | 22 | –193 | –4 |
| Investments in intangible assets | 19 | 0 | –5 |
| Investments in tangible assets | 20 | –13 | –31 |
| Increase in other non-current assets | 24, 25 | –892 | –41 |
| Decrease in other non-current assets | 24, 25 | 50 | 2 |
| **Cash flow from investing activities** | | **–1,049** | **–78** |
| **Financing activities** | | | |
| Dividends paid to Parent Company shareholders | | –294 | –196 |
| Swap contract for own shares | | 10 | –15 |
| Repurchase of own shares | | –23 | — |
| Borrowings | | — | — |
| Repayment of loans | | –21 | –19 |
| **Cash flow from financing activities** | | **–327** | **–229** |
| **Cash flow for the year** | | **–603** | **474** |
| Cash and cash equivalents at beginning of year | | 719 | 246 |
| **Cash and cash equivalents at end of year** | | **116** | **719** |
| *Additional information* | | | |
| **Interest received and paid** | | | |
| Interest received | | 23 | 22 |
| Interest paid | | –8 | –8 |
| | | **15** | **14** |

## PARENT COMPANY'S STATEMENTS OF CHANGES IN EQUITY

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

| | Restricted equity | | Non-restricted equity | | |
|---|---|---|---|---|---|
| SEK million | Share capital | Statutory reserve | Share premium reserve | Retained earnings including profit/ loss for the year | Total equity |
| **Equity, January 1, 2020** | **98** | **0** | **202** | **1,659** | **1,960** |
| Profit for the year | | | | 434 | 434 |
| **Total comprehensive income for the year** | | | | **434** | **434** |
| **Transactions with owners, etc.** | | | | | |
| Dividends to shareholders | | | | –196 | –196 |
| Swap contract for own shares | | | | –15 | –15 |
| Share-based remuneration | | | 5 | | 5 |
| **Closing equity, December 31, 2020** | **98** | **0** | **208** | **1,882** | **2,188** |
| Profit for the year | | | | 600 | 600 |
| **Total comprehensive income for the year** | | | | **600** | **600** |
| **Transactions with owners, etc.** | | | | | |
| Dividends to shareholders | | | | –294 | –294 |
| Swap contract for own shares | | | | 10 | 10 |
| Repurchase of own shares | | | | –23 | –23 |
| Share-based remuneration | | | 6 | | 6 |
| **Closing equity, December 31, 2021** | **98** | **0** | **213** | **2,175** | **2,486** |

# Notes

## Note 1 Accounting policies, general information

Mycronic AB (publ), corporate identification no. 556351-2374, and its subsidiaries, together comprising the Group, are engaged in the development, manufacture and sales of advanced production equipment to the electronics industry. Sales are generated almost exclusively outside Sweden.

Subsidiaries are located in China, France, Germany, Japan, the Netherlands, Singapore, South Korea, Taiwan, United Kingdom, United States and Vietnam. In addition, there are a large number of distributors and agents around the world.

The Parent Company Mycronic AB, with address Nytorpsvägen 9, PO Box 3141, 183 03 Täby, Sweden, is listed on Nasdaq, Stockholm, in the category Large Cap.

The Annual and Sustainability Report has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the EU. Furthermore, the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

The Annual and Sustainability Report was signed by the Board on March 24, 2022 and will be presented to the Annual General Meeting for adoption on May 5, 2022.

### New and forthcoming accounting standards

None of the new standards, revised standards and interpretations of existing standards that shall be applied as of the financial year beginning on January 1, 2021 have any material impact on the Group or Parent Company financial statements.

New or revised standards or interpretations published by IASB that have not yet entered into force are not expected to have any material impact on the Group's or the Parent Company's financial reporting.

### Basis of valuation

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

### Accounting estimates and classifications

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

The estimates and assumptions are reviewed regularly. Adjustments to estimates are reported for the period in which they occur if the change only affected this period or in the period that the change is made and future periods if the change affects both the current and future periods.

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

Non-current assets and liabilities essentially consist of amounts that are expected to be recovered or settled later than twelve months from the closing date. Current assets and liabilities essentially consist of amounts that are expected to be recovered or settled within twelve months from the closing date. Any deviations from these principles for recovery or payment will be described in notes associated with the relevant balance sheet item.

## Note 2 Accounting policies for the Group

### Consolidated reporting

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

The consolidated financial statements are prepared in accordance with the purchase method of accounting, whereby the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group's cost of acquisition is determined through an acquisition analysis in connection with the purchase. The analysis determines the acquisition value of the shares or operations, as well as the fair value on the date of acquisition for acquired identifiable assets as well as assumed liabilities or contingent liabilities. The cost of acquisition for the subsidiary shares and operations is measured as the aggregate of the fair values on the date of acquisition of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control of the acquired net assets. Contingent considerations are valued at fair value. In business combinations where the cost of acquisition exceeds the fair value of acquired net assets, the difference is recognized as goodwill. If the cost of acquisition is less than the fair value of acquired net assets, the difference is recognized in the profit and loss account. Transaction costs are reported directly in operating profit.

When contingent considerations are revalued at fair value, the revaluation is recognized in operating profit.
The financial statements of the subsidiaries are included in the consolidated financial statement from the date of acquisition and up to the date on which controlling influence ends.

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

### Foreign currency translation

*Functional currency*

Items included in the financial statements of the group companies are measured using the currency of the primary economic environments in which the company operates (functional currency). The functional currencies are CNY, EUR, GBP, JPY, KRW, SEK, SGD, TWD, USD and VND.

*Transactions*

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

Sales transactions in foreign currency within the Pattern Generators division are translated at the spot rate with the exception of sales of spare parts and service contracts for which an approximate exchange rate for the month is used. Sales transactions in foreign currency from sales within other divisions are reported at an approximate exchange rate for the month. When a contract sale is hedged, the cumulative gain or loss on the hedging instrument, normally a forward exchange contract, is recognized against net sales when the hedged sales transaction is recognized in the profit and loss account.

Monetary assets and liabilities in foreign currency are translated to the functional currency at the closing day rate. Exchange rate gains/losses arising on translation are recognized in the profit and loss account for the year. Non-monetary assets and liabilities carried at cost are translated at the exchange rate that applied on the transaction date. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the rate of exchange prevailing on the date when the fair value was determined. Forward exchange contracts are used to protect assets and liabilities from foreign exchange risk.

A financial hedge is reflected in the accounts, in that both the underlying asset/liability and the hedging instrument are translated at the closing day exchange rate, while changes in the exchange rates are recognized through the profit and loss account. Value fluctuations concerning operating assets and liabilities are recognized in the profit and loss account under other operating income/expenses.

*Financial statements of foreign operations*

Assets and liabilities in foreign group companies are translated from that company's functional currency to SEK at the closing day exchange rate.

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

*Net investments in foreign operations*

Exchange differences arising with the translation of long-term loans that form part of the net investment in a foreign operation are deferred to a translation reserve in other comprehensive income together with the related tax effects.

When a foreign operation is disposed of, the cumulative exchange differences relating to that foreign operation are realized through a reclassification from the translation reserve to the year's consolidated profit and loss.

**Reporting of operating segments**

A segment is an identified part of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. A segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess performance. In the Group, this function has been identified as the CEO. The grouping into segments correspond to the Group's divisions.

**Intangible assets**

*Capitalized costs for business systems*

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

*Capitalized development expenditure*

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

Costs related to research undertaken with the prospect of gaining new scientific or technical knowledge in the Group's operations are expensed as they are incurred. Development projects, where knowledge and understanding gained from research and practical experience are directed towards developing new products or processes, are recognized as intangible assets in the statement of financial position when they meet the criteria for capitalization. Development costs may be capitalized if the company can demonstrate the technical and commercial feasibility of completing the product or process, the intention and ability to complete the development and use or sell the asset. It must also be probable that future economic benefits related to the asset will flow to the company and the asset cost can be reliably measured. The carrying amount 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 expenditure is started when the development project in question is completed, normally when it begins generating revenue, and is carried out on a straight-line basis. Capitalized development costs are written off over five years. Amortization of capitalized development costs is included in the acquisition cost of inventories, which by extension impacts the cost of goods sold in the Group.

*Goodwill*

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is annually tested for impairment. Cash-generating units correspond to the Group's divisions. Goodwill is attributable to acquisitions.

*Other intangible assets*

Other intangible assets consist of brand, technology and customer relationships, and are measured at cost less accumulated amortization and possible impairment losses. These assets are attributable to acquisitions.

**Tangible assets**

Tangible assets are measured at cost less accumulated depreciation and possible write-downs. The acquisition costs include the acquisition price as well as charges for transportation to the site and preparation efforts in order to use the equipment according to the intended purpose of the acquisition.

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

The carrying amount 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. Gains and losses are recognized as other operating income/expenses.

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

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

Tangible assets are depreciated on a straight-line basis over their expected useful life starting from when they are accessible for use.

**Leases**

A majority of all Group leases are recognized in the statement of financial position. Mycronic assesses at the inception of a contract whether the contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Mycronic recognizes right-of-use assets and lease liabilities in the statement of financial position starting on the commencement date of the lease. Mycronic applies the practical exemptions regarding leases where the underlying asset has a low value and for leases with a lease term of less than twelve months. These leases are not included in amounts recognized in the statement of financial position.

Continued note 2

At the commencement date of a lease, Mycronic measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are discounted using the interest rate implicit in the lease, if this rate can be readily determined. If this rate cannot be readily determined, Mycronic's incremental borrowing rate is used. Mycronic's incremental borrowing rate is based on country-specific information, the lease term and the currency. Lease payments included in the measurement of the lease liability comprise payments for the right to use the underlying asset during the lease term and can include fixed payments, variable lease payments, payments for the possibility of an extension or the exercise price for an option to buy the underlying asset if Mycronic has reasonable assurance that it will utilize one of these possibilities. For subsequent measurement of the lease liability, Mycronic uses amortized cost by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

At the commencement date, Mycronic measures the right-of-use asset at cost, which includes the amount the lease liability was originally measured at, any initial direct costs, and an estimate of any costs for dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Mycronic applies a cost method for subsequent measurement of the right of use, which includes deductions for accumulated depreciation and any accumulated impairment losses adjusted for any remeasurement of the lease liability. Mycronic depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Mycronic's material leases currently primarily comprise rented premises, but also vehicles and office equipment. Rented premises are presented as one class of underlying assets, and vehicles and office equipment is presented under Other in the note 21. The lease liability is presented as current or non-current interest-bearing liabilities, respectively, in the consolidated statement of financial position.

When the standard entered into force on January 1, 2019, Mycronic chose to apply the modified retrospective approach, entailing that comparative information from prior periods is not presented. Lease payments are recognized on a straight-line basis over the lease term in comparative periods, and the right-of-use asset and the lease liability are thus not recognized in the statement of financial position.

**Financial instruments**

The financial instruments recognized in the statement of financial position include cash and cash equivalents, trade receivables and derivatives as assets. Financial liabilities include trade payables, loans payable, lease liabilities, contingent considerations and derivatives.

*Recognition and derecognition from the statement of financial position*

A financial asset or liability is recognized in the statement of financial position when the company initially becomes party to the contractual provisions of the instrument. Financial assets are recognized when the company has performed and there is a contractual obligation for the counterparty to pay, even if no invoice has been sent. Trade receivables are recorded in the statement of financial position when an invoice has been sent. Financial liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if no invoice has been received. Trade payables are recorded when an invoice has been received.

A financial asset is derecognized from the statement of financial position when the company's rights under the agreement are realized, expire or the company has relinquished control of the asset. The same applies for a part of a financial asset.

A financial liability is derecognized from the statement of financial position when the obligation specified in the agreement is fulfilled or otherwise extinguished. The same applies for a part of a financial liability.

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

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

*Classification and valuation of financial assets*

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the character of the asset's contractual cash flow.

The instruments are classified as:

- Amortized cost
- Fair value through other comprehensive income
- Fair value through profit and loss

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

Derivative instruments are classified at fair value in profit and loss, except where hedge accounting is applied, see also below. Fair value is determined according to the description in Note 36.

*Classification and valuation of financial liabilities*

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

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

*Reporting of derivative instruments and hedges*

Derivative instruments consist of forward exchange contracts that are used to reduce transaction exposure in foreign currencies. Derivative instruments are not used for speculative purposes. All derivative instruments are measured at fair value in the statement of financial position.

In the Group, derivatives that are used to hedge probable future commercial inflows in foreign currency, in other words, inflows from sales, and which meet the requirements for hedge accounting, are reported according to the rules for hedge accounting for cash flow hedges. The Group applies hedge accounting in accordance with IFRS 9. This means that the effective portion of fair value changes on derivative instruments is recognized in the hedge reserve in other comprehensive income. The profit and loss attributable to the ineffective portion is recognized immediately in the profit and loss account under other operating income/expenses. The fair value of derivatives is measured through current market prices of currency and interest rates on the closing date.

Amounts accumulated in other comprehensive income are transferred to net sales in the profit and loss account in the periods when the hedged item is reflected in profit and loss, i.e. upon revenue recognition. When a hedged instrument expires, is sold or no longer meets the hedge accounting criteria and the cumulative gains/losses are recognized in other comprehensive income, these gains/losses are retained in other comprehensive income, and are recognized in profit and loss when the forecast transaction is ultimately recognized in the profit and loss account. The effective portion is recognized in net sales when the hedged item affects profit and loss, while the ineffective portion is recognized in other operating income/expenses. When a forecast transaction is no longer expected to occur, the cumulative gains/losses recognized in other comprehensive income are immediately transferred to the profit and loss account among other operating income/expense.

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

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

**Inventories**

Inventories are valued at the lowest of acquisition cost or net realizable value. Inventories are carried out at cost calculated on a first-in, first-out basis and include all costs arising from the purchase of the inventory assets and costs incurred in bringing the goods to their existing location and condition. For manufactured goods and work in progress, the cost includes a reasonable share of indirect costs based on normal capacity. Deductions are made for internal profit arising from intra-group sales.

Net realizable value is the estimated selling price less the estimated costs for completion and selling costs in operating activities.

**Impairment**

*Impairment testing of tangible and intangible assets and participations in subsidiaries*

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

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

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

*Impairment of financial instruments*

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

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

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

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

**Assets held for sale**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are valued at the lower of their carrying amount and fair value less costs to sell and are not subject to amortization or depreciation. Certain criteria must be fulfilled to classify an asset as held for sale. The asset must be available for immediate sale in its present condition subject to usual and customary terms. Further, the sale must be highly probable within one year from the date of classification. The last-mentioned criterion means that a plan for the disposal must have been prepared and approved at the appropriate level of management, an active programme for the disposal must have been initiated, and the asset must be marketed for sale at a price that is reasonable in relation to its current fair value.

**Taxation**

Income tax consists of current tax and deferred tax. Income tax is reported in the profit and loss account for the year, except when underlying transactions were reported in other comprehensive income or in equity, whereby related tax effects are reported in other comprehensive income or in equity.

Current tax is the tax payable or refundable for the current year, with the tax rates enacted or substantively enacted by the closing date. Current tax also includes adjustment of current tax from previous periods.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the carrying amount of an asset or liability and its tax base. Temporary differences are not taken into consideration in consolidated goodwill. Also not observed are temporary differences for participations in subsidiaries that are not expected to be reclassified in the foreseeable future.

The valuation of deferred tax is based on how underlying assets or liabilities are expected to be recognized or paid. Deferred tax is calculated using the tax rates and tax regulations enacted or substantively enacted by the closing date.

Deferred tax assets for deductible temporary differences and tax loss 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 and other post-employment benefits*

Pension commitments are classified either as defined contribution or defined benefit pension plans. Pension commitments in the Group are mainly fulfilled through payment of premiums accord-

Continued note 2

ing to a defined contribution pension plan. A defined contribution pension plan is classified as the plans where a company's obligation is limited to the charges the company has undertaken to pay. In such cases, the size of the employee's pension is dependent on the charges paid by the company to the plan or to an insurance company and the capital return offered by the charges. Consequently, the employee carries the actuarial risk (that the compensation may be lower than expected) and the investment risk (that the invested assets will be insufficient to offer the expected compensation). The company's obligations regarding charges to defined contribution plans are charged to the profit and loss account for the period in which the employees render the related service to the company.

In the Japanese, Korean, French and Taiwanese subsidiaries, there are defined benefit commitments to employees for benefits after the end of employment. When employment ceases, through termination or retirement, the accumulated amount of benefit is paid out immediately. The commitment is valued in the Group in accordance with IAS 19. Defined benefit pension plans set forth an amount for the pension benefit that an employee will receive at retirement depending on factors such as age, period of service and salary. The liability on the balance sheet for defined benefit pension plans is the present value of the defined benefit commitment at the end of the reporting period less the fair value of the plan assets.

The defined benefit pension commitment is calculated annually by independent actuaries with the application of the projected unit credit method. Revaluation of defined benefit net liability is recognized in other comprehensive income. Other costs are recognized in operating profit.

*Termination benefits*

An expense is recognized on the termination of employees only when the company is demonstrably committed, without realistic possibility of withdrawal, by a detailed, formal plan to terminate an employee or group of employees before the normal retirement date. When termination benefits are provided as a result of an offer made to encourage voluntary redundancy, the expense is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

*Short-term employee benefits*

For short-term employee benefits, the undiscounted amount of benefits expected to be paid in respect of service rendered in a period are recognized in that period. A provision for the expected cost of profit sharing and bonus payments is recognized when the Group has a legal or informal obligation to make such payments in respect of service rendered by employees and a reliable estimate of the expected cost can be made.

*Long-term incentive programs*

Certain key staff, including executive management, in the Group receive remuneration in the form of share-based remuneration (LTIP), through which employees provide services in exchange for shares in Mycronic (share-based remuneration that is settled with equity instruments). Mycronic has no share-based remuneration settled in cash.

The cost of share-based remuneration is the fair value at the time of allocation, which is calculated using accepted measurement models. This cost is recognized as personnel costs together with a corresponding increase in equity during the period when the service, and where applicable, the performance conditions are met (the vesting period). The accumulated cost recognized for share-based remuneration at each reporting date until final vesting reflects the achieved percentage of the vesting period and the Group's best estimate of the number of equity instruments that will ultimately be vested. The impact on profit/loss for a period represents the change in the accumulated cost for the period.

Service- and non-market-related vesting conditions are not considered when determining the fair value on the allotment date, but the probability that the conditions will be met is part of the Group's best estimate of the number of equity instruments that will ultimately be vested. Any market-related vesting conditions are reflected in the fair value on the allotment date.

No cost is recognized for equity instruments that are not vested due to failure to comply with service and/or performance conditions that are not market-related.

**Provisions**

A provision is different from other liabilities because the payment time or the size of the payment is not clear. A provision is recognized in the statement of financial position when there is a legal or informal obligation as a result of an event occurring, and it is likely that an outflow of financial resources will be needed to meet the obligation and that this amount can be reliably estimated.

Provisions are made using the best estimate of what will be required to fulfill the existing obligation on the closing date.

*Warranties*

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical data regarding warranties and an overall review of potential outcomes in relation to the probabilities of such outcomes.

*Restructuring*

A provision for restructuring is recognized when there is an established, detailed and formal restructuring plan, and the restructuring has either been started or has been made public. No provisions are made for future operating costs.

**Revenue recognition**

The Group's net sales consist of revenue arising from the sale of goods (systems and system upgrades, spare parts and accessories) and services. Sales are denominated mainly in USD, EUR, JPY and CNY.

Revenue is recognized when a promised product or service is transferred to the customer, i.e., when the client has obtained control over it, which can happen over time or at a point in time. Revenue shall consist of the amount that the company expects to receive in exchange for the delivered goods or services. Revenue is reported net of any discounts.

Revenue related to sale of services, primarily linked to service agreements, is recognized upon provision of the service. Service agreements that are invoiced in advance are progressively recognized over the term of the agreement. Service contracts that are invoiced in arrears are reported as income over the course of the agreement. Costs for the provision of service are expensed as incurred. See Note 6 Revenue from Contracts with Customers.

**Financial income and expenses**

Financial income consist of interest income on invested assets, and dividends. Dividends are reported when the right to receive dividends has been established. Financial expenses consist mainly of interest expenses.

**Operating expenses**

The Group's expenses mainly refer to materials and supplies, personnel costs and other external expenses, primarily consisting of consulting fees. An assessment is made of costs incurred but not invoiced by suppliers for work performed during the financial year, and a corresponding provision is recognized in accrued expenses in the statement of financial position. Costs related to research are expensed as incurred. Costs for development projects that meet the criteria for capitalization are reported as intangible assets. The amortization of capitalized development costs is included in the acquisition cost of inventories, which by extension impacts the cost of goods sold in the Group.

**Earnings per share**

Earnings per share are calculated on consolidated profit for the year attributable to the Parent Company's owners and the weighted average number of outstanding common shares during the year. When calculating earnings per share after dilution, the weighted average number of outstanding common shares is adjusted for the dilution effect of all potential common shares.

## Note 3 Accounting policies of the Parent Company

The annual report of the Parent Company is presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities (January 2018). The Swedish Financial Reporting Board's statements for listed enterprises are also applied. RFR 2 means that in the report for the legal entity, the Parent Company shall apply all EU-approved IFRSs and statements as far as possible within the framework of the Annual Accounts Act, the law of safeguarding pension commitments and with respect to the connection between accounting and taxation. The recommendation indicates which exceptions and additions to IFRS that shall be made.

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

**Changes in accounting policies**

Unless otherwise specified below, the Parent Company's accounting policies in 2021 have been modified in accordance with what is specified above for the Group.

**Classification and disposition**

A profit and loss account, a statement of comprehensive income and a statement of cash flow are reported for the Parent Company and the Group. The Parent Company is using the title of balance sheet for the statement that in the Group is titled as statement of financial position. The 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 statement of cash flow are based on IAS 1 Presentation of Financial Statements and IAS 7 Consolidated Cash Flow Statements.

**Development expenses**

All costs, for both research and development, are expensed as incurred.

**Taxation**

In the Parent Company, untaxed reserves are reported in the balance sheet without being split into equity and deferred tax liability, unlike the Group reporting. Correspondingly, there is no split between appropriations and deferred tax costs in the profit and loss account in the Parent Company.

**Group contribution**

Group contributions, received and submitted, are reported as appropriations in the Parent Company.

**Leases**

The Parent Company utilizes the exemption set out in RFR 2 Accounting for Legal Entities and recognizes lease payments as a cost on a straight-line basis over the period of the lease. The right-of-use asset and the lease liability are thus not reported in the balance sheet. The property leasing charge, consisting of a fixed portion and an interest portion, is recognized as a lease expense in the profit and loss account. Variable charges are expensed in the period in which they are incurred.

**Subsidiaries**

In the Parent Company, participation in group companies are accounted for according to the cost method. This means that transaction expenses and contingent considerations are included in the carrying amount of holding in subsidiaries. Transaction expenses are recognized in the consolidated financial statements directly in profit and loss when these arise. Contingent considerations are measured in the Parent Company assuming the probability that a purchase consideration will be paid and any changes impact historical cost. The consolidated financial statements recognize contingent considerations at fair value with changes in value in profit and loss. The Parent Company recognizes the full amount of dividends received from subsidiaries as revenue in profit and loss for the year.

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

**Financial instruments and hedge accounting**

In view of the connection between accounting and taxation, the rules on financial instruments and hedge accounting in IFRS 9 are not applied by the Parent Company as a legal entity.

In the Parent Company, financial non-current assets are valued at cost, less any impairment and financial current assets at the lower of cost and net realizable value. In connection with impairment and recognition according to the lower of cost or net realizable value, impairment of the debt instrument is applied for expected credit losses in accordance with IFRS 9.

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

## Note 4 Critical accounting estimates and assumptions

The Executive Management and the Audit Committee discuss the development, selection and information regarding the Group's critical accounting policies and estimates, as well as the application of these policies and estimates.

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

The preparation of financial statements to conform with IFRS requires the management to make certain assumptions that affect the application of the company's accounting policies. When preparing the financial statements, the Executive 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 expenditure**

Development projects, where knowledge and understanding gained from research and practical experience are directed towards developing new products or processes, are recognized as intangible assets in the statement of financial position when they meet the criteria for capitalization. The carrying amount includes all directly attributable costs, such as those for materials and services as well as compensation to employees. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met.

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

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

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

Continued note 4

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

**Inventories**
Inventories are valued at the lowest of acquisition cost or net realizable value. For manufactured goods and work in progress, the acquisition cost includes a fair share of indirect costs based on normal production capacity. Incorrect assumptions in the company's inventory accounting model give an incorrect cost allocation which affects the book value of inventories and the reported cost of goods sold.

**Acquisitions and valuation of contingent considerations**
In connection with business combinations, acquired assets, liabilities and contingent considerations are valued at fair value. Contingent considerations are subsequently valued at fair value at each reporting period. The valuation model is based on assumptions about future financial performance of the acquired company. These estimates have a major impact on the valuation of acquired assets and liabilities as well as reported values of contingent considerations.

## Note 5 Capital management and proposal on appropriation of profit

The Board supervises the Group's capital structure and financial management, approves matters related to acquisitions, investments and financing and monitors the Group's exposure to financial risks. In early 2017, the Board and Executive Management decided on new financial goals:

**Growth**
Net sales including acquisitions shall reach SEK 5 billion at the end of the business plan period, 4 to 7 years.

**Profitability**
EBIT shall exceed 15 percent of net sales over a business cycle.

**Capital structure**
Net debt shall be less than 3 times average EBITDA (operating profit before interest, tax, depreciation and amortization). The average is calculated over 3 years.

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

| At the Annual General Meeting's disposal are the following amounts in SEK: | |
|---|---|
| Share premium reserve | 213,187,838 |
| Retained earnings | 1,575,192,151 |
| Profit for the year | 599,975,868 |
| **Total** | **2,388,355,857** |

| The Board of Directors proposes that the retained earnings and non-restricted equity be managed as follows: | |
|---|---|
| Dividend | 293,749,527 |
| Carried forward to new account | 2,094,606,330 |

**Proposal on dividend**
The Board of Directors proposes to the Annual General Meeting a dividend of SEK 3.00 per share, amounting to SEK 293.7 million. The dividend corresponds to 36 percent of the Group's net profit after tax.

## Note 6 Revenue from Contracts with Customers

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

| 2021 | Pattern Generators | High Flex | High Volume | Global Technologies | Inter-division sales | Group |
|---|---|---|---|---|---|---|
| **Geographical market** | | | | | | |
| EMEA | – | 572 | 33 | 70 | -33 | 642 |
| North and South America | 143 | 363 | 1 | 162 | 0 | 669 |
| Asia | 1,502 | 241 | 1,166 | 425 | -11 | 3,323 |
| **Total** | **1,645** | **1,176** | **1,200** | **657** | **-44** | **4,635** |
| **Type of good/service** | | | | | | |
| System | 1,037 | 747 | 1,103 | 498 | -44 | 3,340 |
| Aftermarket | 609 | 429 | 97 | 160 | – | 1,295 |
| **Total** | **1,645** | **1,176** | **1,200** | **657** | **-44** | **4,635** |
| **Timing of revenue recognition** | | | | | | |
| Goods transferred at a point in time | 1,000 | 1,051 | 1,194 | 617 | -44 | 3,817 |
| Service transferred over time | 645 | 126 | 7 | 40 | – | 818 |
| **Total** | **1,645** | **1,176** | **1,200** | **657** | **-44** | **4,635** |

| 2020 | Pattern Generators | High Flex | High Volume | Global Technologies | Inter-division sales | Group |
|---|---|---|---|---|---|---|
| **Geographical market** | | | | | | |
| EMEA | – | 527 | 30 | 53 | -30 | 580 |
| North and South America | 52 | 353 | 3 | 92 | -2 | 497 |
| Asia | 1,511 | 199 | 840 | 267 | -13 | 2,804 |
| **Total** | **1,563** | **1,079** | **873** | **412** | **-46** | **3,882** |
| | | | | | | |
| **Type of good/service** | | | | | | |
| System | 964 | 679 | 785 | 325 | -46 | 2,707 |
| Aftermarket | 599 | 400 | 88 | 87 | 0 | 1,174 |
| **Total** | **1,563** | **1,079** | **873** | **412** | **-46** | **3,882** |
| | | | | | | |
| **Timing of revenue recognition** | | | | | | |
| Goods transferred at a point in time | 953 | 957 | 858 | 400 | -46 | 3,122 |
| Service transferred over time | 610 | 123 | 15 | 12 | – | 760 |
| **Total** | **1,563** | **1,079** | **873** | **412** | **-46** | **3,882** |

Revenue from aftermarket sales consists primarily of service revenue from all divisions, upgrades from the Pattern Generators division and spare parts and accessories from the High Flex, High Volume and Global Technologies divisions.

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

| | Group | | Parent Company | |
|---|---|---|---|---|
| Contract balances | 2021 | 2020 | 2021 | 2020 |
| Non-current trade receivables | 6 | 8 | 2 | 8 |
| Trade receivables, see Note 27 | 658 | 601 | 126 | 235 |
| Contract assets | 117 | 75 | 77 | 54 |
| Contract liabilities | -481 | -639 | -189 | -372 |
| **Total** | **301** | **45** | **16** | **-74** |

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

Contract liabilities mainly consist of advance payments on orders received, unmet performance obligations related to system sales in the Pattern Generators division, and prepaid service revenue in all divisions. Of the SEK 639 million recognized as contract liabilities on the opening date, SEK 624 million was recognized as revenue as of December 31, 2021.

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

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

**Performance obligations**

*High Flex, High Volume and Global Technologies*

System sales in the High Flex, High Volume and Global Technologies divisions is normally divided into two separate performance obligations: system and installation. The system portion is recognized as income at a point in time while the installation is recognized over time. Aftermarket sales includes goods, such as spare parts and accessories, which are recognized as income at apoint in time and service revenue that is recognized over time.

*Pattern Generators*

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

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

*Remaining performance obligations*

Remaining performance obligations as per December 31, 2021 amounted to SEK 1,975 million, including advances and deferred income recognized as contract liabilities. The remaining performance obligations include 12 mask writers, of which 8 with planned delivery in 2022.

## Note 7 Segment reporting

The Group has four segments, which correspond to its four divisions. The Pattern Generators division develops, manufactures and markets mask writers and measuring machines for production of advanced photomasks for displays. Service agreements are a central part of the division's offering. The High Flex division develops, manufactures and markets surface mount technology (SMT) and inspection equipment, focusing on markets for flexible manufacture, primarily in Europe and the USA. The High Volume division develops, manufactures and markets equipment for dispensing and conformal coating of circuit boards, as well as automated screen printers, with a focus on high-volume markets in Asia. The Global Technologies division's offering includes advanced production solutions with high levels of differentiation.

The accounting principles of the segments are the same as for the Group, with the exception of IFRS 16 Leases. Net sales per geographical market are determined using the domicile of the customer. Consolidated net sales consist of revenue from sales of goods and services. Services mainly consist of service contracts, which normally include spare parts.

| Net sales and profit/loss before tax 2021 | Pattern Generators | High Flex | High Volume | Global Technologies | Group-wide[1] | Effects of IFRS 16 | Eliminations | Group |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 1,645 | 1,173 | 1,159 | 657 | – | – | | 4,635 |
| Internal revenue | | 3 | 41 | | – | – | -44 | 0 |
| **Total income** | **1,645** | **1,176** | **1,200** | **657** | **–** | **–** | **-44** | **4,635** |
| *of which 1 customer represents more than 10 percent of the Group's total sales* | *647* | | | | | | | *647* |
| Gross profit | 1,105 | 469 | 508 | 200 | – | 2 | 0 | 2,284 |
| Gross margin, % | 67 | 40 | 42 | 30 | – | – | – | 49 |
| **Operating expenses and EBIT** | | | | | | | | |
| R&D expenditure | -219 | -177 | -107 | -68 | – | 0 | 0 | -570 |
| Capitalized development expenditure | 17 | 29 | – | – | – | – | – | 46 |
| Amortization of acquired technology | – | -4 | -5 | -16 | – | – | – | -25 |
| Selling expenses | -55 | -168 | -156 | -94 | -53 | 1 | 0 | -526 |
| Administrative expenses | -25 | -44 | -40 | -25 | -110 | 1 | 0 | -243 |
| Other income and expenses | 9 | 30 | 31 | 0 | 12 | – | – | 82 |
| Financial income and expenses | – | – | – | – | 2 | -5 | – | -2 |
| **Profit before tax** | **832** | **136** | **231** | **-3** | **-149** | **-1** | **0** | **1,046** |
| **Assets** | | | | | | | | |
| Capitalized development expenditure | 72 | 54 | – | – | | | – | 126 |
| Inventories | 411 | 244 | 568 | 148 | | | -8 | 1,363 |
| Trade receivables | 182 | 240 | 117 | 118 | | | – | 658 |
| **Investments** | | | | | | | | |
| Capitalized development expenditure | 17 | 29 | – | – | | | – | 46 |

| Net sales and profit/loss before tax 2020 | Pattern Generators | High Flex | High Volume | Global Technologies | Group-wide[1] | Effects of IFRS 16 | Eliminations | Group |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 1,563 | 1,071 | 840 | 408 | – | – | | 3,882 |
| Internal revenue | – | 9 | 33 | 4 | – | – | -46 | 0 |
| **Total income** | **1,563** | **1,079** | **873** | **412** | – | – | **-46** | **3,882** |
| *of which 1 customer represents more than 10 percent of the Group's total sales* | *396* | | | | | | | *396* |
| Gross profit | 1,156 | 425 | 351 | 146 | – | 1 | 0 | 2,080 |
| Gross margin, % | 74 | 39 | 40 | 35 | – | – | – | 54 |
| **Operating expenses and EBIT** | | | | | | | | |
| R&D expenditure | -222 | -186 | -87 | -66 | – | 0 | – | -561 |
| Capitalized development expenditure | 60 | 25 | – | – | – | – | – | 85 |
| Amortization of acquired technology | – | -4 | -5 | -28 | – | – | – | -37 |
| Selling expenses | -62 | -172 | -87 | -91 | -24 | 0 | – | -435 |
| Administrative expenses | -28 | -45 | -20 | -47 | -96 | 0 | 0 | -236 |
| Other income and expenses | -15 | -11 | 29 | 0 | – | – | – | 3 |
| Financial income and expenses | – | – | – | – | -2 | -5 | – | -8 |
| **Profit before tax** | **889** | **33** | **181** | **-87** | **-122** | **-4** | **1** | **890** |
| **Assets** | | | | | | | | |
| Capitalized development expenditure | 69 | 47 | – | – | | | – | 116 |
| Inventories | 357 | 292 | 418 | 117 | | | -2 | 1,181 |
| Trade receivables | 247 | 213 | 89 | 52 | | | – | 601 |
| **Investments** | | | | | | | | |
| Capitalized development expenditure | 60 | 25 | – | – | | | – | 85 |

1) Includes costs for Group-wide functions, amortization of previously acquired intangible assets and financial items.

| Net sales per geographical market | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Sweden | 49 | 25 | 49 | 25 |
| Rest of Europe | 569 | 504 | 346 | 287 |
| USA | 601 | 468 | 369 | 299 |
| Other Americas | 69 | 30 | 22 | 6 |
| China | 2,116 | 1,325 | 669 | 271 |
| South Korea | 704 | 875 | 697 | 882 |
| Rest of Asia | 503 | 604 | 400 | 602 |
| Other countries | 25 | 51 | 4 | 9 |
| **Total** | **4,635** | **3,882** | **2,557** | **2,381** |
| of which, system sales | 3,340 | 2,707 | 1,708 | 1,542 |
| of which, aftermarket sales | 1,295 | 1,174 | 813 | 822 |
| of which, group-wide services | – | – | 36 | 18 |
| | **4,635** | **3,882** | **2,557** | **2,381** |

| Non-current assets per geographical market | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Sweden | 372 | 421 | 119 | 162 |
| Germany | 865 | 66 | | |
| Rest of Europe | 55 | 44 | | |
| USA | 530 | 596 | | |
| China | 876 | 555 | | |
| Rest of Asia | 27 | 36 | | |
| **Total** | **2,726** | **1,718** | **119** | **162** |

## Note 8 Transactions with related parties

**Intra-Group transactions**
Of the Parent Company's purchases during the year, SEK 433 million (354), was attributable to Group companies. Of the year's sales, SEK 1,172 million (1,041) was attributable to Group companies. All transactions are conducted on market terms.

**Transactions with persons in senior positions**
Except what is described in Note 14 "Employees, personnel costs and remuneration to the executive management", no transactions have taken place with closely related persons.

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

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| *Fees and compensation, auditing, etc.:* | | | | |
| Auditing assignments, EY | 12.4 | 7.8 | 5.5 | 2.5 |
| Auditing assignments, other | 0.2 | 0.3 | – | – |
| Audit-related services, EY | 1.0 | 0.6 | 1.0 | 0.6 |
| Tax consulting, EY | 1.0 | 1.1 | – | – |
| Other assignments, EY | 6.8 | 0.5 | 4.2 | 0.5 |
| | **21.4** | **10.3** | **10.7** | **3.6** |

Auditing assignments refer to the auditing of the consolidated financial statements, the accounts and the administration of the Board of Director's and the CEO, other tasks that befall on the company's auditor and advice or other assistance prompted by observations from such audits or the performance of such tasks. Other assignments mainly pertain to services in connection with business combinations and divestments. The 2021 Annual General Meeting re-elected Ernst & Young (EY) as auditor.

## Note 10 Other operating income/expenses

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Other operating income** | | | | |
| Exchange rate gains | 27 | – | 118 | – |
| Other | 58 | 55 | 5 | 6 |
| | **85** | **55** | **123** | **6** |
| **Other operating expenses** | | | | |
| Exchange rate losses | – | -34 | – | -159 |
| Other | -3 | -18 | – | – |
| | **-3** | **-52** | **–** | **-159** |
| of which, exchange rate differences on derivatives recognized in the profit and loss account at fair value | 8 | 14 | -5 | 6 |

Other operating income, excluding exchange rate gains, refers to such items as government grants. Other operating expenses, excluding exchange rate losses, pertain mainly to capital losses.

## Note 11 Research and development expenses

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| *R&D expenditure* | | | | |
| Pattern Generators | 219 | 222 | | |
| High Flex | 177 | 186 | | |
| High Volume | 107 | 87 | | |
| Global Technologies | 68 | 66 | | |
| | **570** | **561** | **377** | **374** |
| *Capitalized development* | | | | |
| Pattern Generators | -17 | -60 | | |
| High Flex | -29 | -25 | | |
| | **-46** | **-85** | **–** | **–** |
| *Amortization of acquired technology* | | | | |
| High Flex | 4 | 4 | | |
| High Volume | 5 | 5 | | |
| Global Technologies | 16 | 10 | | |
| | **25** | **19** | **–** | **–** |
| *Impairment of acquired technology* | | | | |
| Global Technologies | – | 18 | – | – |
| **Reported cost** | **548** | **514** | **377** | **374** |

## Note 12 Operating expenses

Functionalized expenses allocated by type of cost

| Group 2021 | Cost of goods sold | Research and Development | Selling expenses | Administrative expenses | Other operating expenses | Total |
|---|---|---|---|---|---|---|
| Material costs | 1,357 | -8 | 1 | 0 | – | 1,350 |
| Personnel costs | 558 | 332 | 275 | 208 | – | 1,373 |
| Depreciation/amortization and impairment of assets | 90 | 57 | 40 | 18 | – | 205 |
| Other external costs | 346 | 167 | 210 | 18 | 3 | 743 |
| | **2,351** | **548** | **526** | **243** | **3** | **3,671** |

| Group 2020 | Cost of goods sold | Research and Development | Selling expenses | Administrative expenses | Other operating expenses | Total |
|---|---|---|---|---|---|---|
| Material costs | 954 | – | – | – | – | 954 |
| Personnel costs | 443 | 331 | 221 | 206 | – | 1,201 |
| Depreciation/amortization and impairment of assets | 71 | 66 | 64 | 14 | – | 215 |
| Other external costs | 334 | 116 | 150 | 16 | 52 | 668 |
| | **1,802** | **514** | **435** | **236** | **52** | **3,039** |

## Note 13 Depreciation/amortization by function

| Group 2021 | Customer relationships | Brands | Business systems | Development expenses/ Technology | Tangible assets | Right-of-use assets | Total |
|---|---|---|---|---|---|---|---|
| Cost of goods sold | – | – | 3 | 36 | 19 | 33 | 90 |
| Research and development | – | – | 2 | 25 | 21 | 9 | 57 |
| Selling expenses | 19 | 2 | 0 | – | 7 | 13 | 40 |
| Administrative expenses | – | – | 2 | – | 8 | 7 | 18 |
| | **19** | **2** | **7** | **61** | **55** | **62** | **205** |
| **Group 2020** | | | | | | | |
| Cost of goods sold | – | – | 2 | 20 | 16 | 33 | 71 |
| Research and development | – | – | 2 | 37 | 14 | 12 | 66 |
| Selling expenses | 41 | 4 | 0 | – | 7 | 12 | 64 |
| Administrative expenses | – | – | 1 | – | 5 | 7 | 14 |
| | **41** | **4** | **5** | **57** | **42** | **65** | **214** |

| Parent Company 2021 | Customer relationships | Brands | Business systems | Development expenses/ Technology | Tangible assets | Right-of-use assets | Total |
|---|---|---|---|---|---|---|---|
| Cost of goods sold | – | – | 3 | – | 12 | – | 15 |
| Research and development | – | – | 1 | 3 | 18 | – | 23 |
| Selling expenses | – | – | 0 | – | 0 | – | 1 |
| Administrative expenses | – | – | 2 | – | 2 | – | 5 |
| | **–** | **–** | **6** | **3** | **33** | **–** | **42** |
| **Parent Company 2020** | | | | | | | |
| Cost of goods sold | – | – | 2 | – | 9 | – | 11 |
| Research and development | – | – | 2 | 3 | 11 | – | 16 |
| Selling expenses | – | – | 0 | – | 1 | – | 1 |
| Administrative expenses | – | – | 1 | – | 1 | – | 2 |
| | **–** | **–** | **4** | **3** | **22** | **–** | **30** |

## Note 14 Employees, personnel costs and remuneration to the executive management

**Remuneration to the Board of Directors and executive management – Guidelines applied during 2021**

The Chairman and the members of the Board are remunerated according to the Annual General Meeting decision. Members of the Board that are appointed by unions do not receive remuneration. No fees are paid to the Boards of the subsidiaries.

Guidelines for remuneration to CEO and members of the executive management are established by the Annual General Meeting. Proposal of remuneration guidelines are prepared by the Remuneration Committee of the Board. The Board thereafter resolves on the proposal, which is presented at the Annual General Meeting.

Reported remuneration refers to the CEO and the 8 members who constituted the executive management in 2021. The executive management changed during the year following certain employee turnover in connection with reorganization.

The total remuneration for the CEO and members of the executive management consists of base salary, variable pay, pension and certain benefits. Short-term variable pay may total a maximum of 110 percent of base salary, after fulfilment of performance targets. For 2021, short-term variable pay could amount to a maximum of SEK 17.2 million excluding social security expenses.

Long-term variable pay may consist of share- or share price related remuneration and other remuneration linked to continued employment.

The company's previous share- and share price related program ("LTI"), a long-term incentive program, is described in the 2020 Annual Report. The program expired in 2020 and was settled in 2021.

At the Annual General Meeting in 2019, it was decided to replace the above LTI program by a performance share program. The new program ("LTIP") addresses members of the executive management and certain key employees as a means of increasing and strengthening opportunities to recruit, retain and motivate employees, and to encourage personal, long-term ownership in Mycronic. Each participant is entitled, after the end of a qualification period, subject to the employee still being employed throughout the qualification period until allotment, and depending on the fulfilment of specific performance requirements linked to Mycronic's earnings per share, to receive an allotment of shares in Mycronic, referred to as performance shares.

At the Annual General Meeting in 2020 and 2021 respectively, it was resolved to introduce new editions of the program. Any allocation of performance shares within each respective program will be made during a limited period of time after the Annual General Meeting that takes place after the expiration of each program's three-year qualification period.

Pension and health insurance benefits are premium-based. The contractual retirement age is 65 years for members of the executive management employed in Sweden. For members in the executive management employed outside of Sweden, locally competitive pension plans and retirement ages are applied. Certain benefits may include, for example, car benefits and health care plans.

For the CEO, the notice period is twelve months in the event of termination by the company, with a twelve months' severance pay. During the notice period, base salary and associated benefits apply. For members of the executive management employed in Sweden, the mutual notice period is a maximum of six months. Upon termination by the company, a six months' severance pay applies. During the notice period, the current employment contract runs with associated benefits. For other members of the executive management who are locally employed outside of Sweden, employment or contractual agreements shall comply with mandatory rules applicable in the relevant jurisdiction or local practice, entailing that e.g. other term of the employment (or term of contract as the case may be), other notice periods and other agreements on severance pay may be applicable in the individual case.

**Total remuneration**

| | Group | | Parent Company | |
|---|---|---|---|---|
| Salaries and remuneration | 2021 | 2020 | 2021 | 2020 |
| Board and executive management | 47 | 38 | 29 | 26 |
| Other employees | 1,027 | 880 | 234 | 206 |
| **Total salaries and remuneration** | **1,074** | **918** | **263** | **232** |
| Social security expenses | 172 | 165 | 83 | 82 |
| Pension expenses | 88 | 75 | 47 | 46 |
| **Total expenses** | **1,334** | **1,157** | **393** | **360** |

The reported remuneration to employees includes variable pay for the Group of SEK 268 million (132) excluding social security expenses, of which SEK 29 million (10) refer to the Parent Company.

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| Remuneration to the Board | Board fees | Committee fees | Total | Board fees | Committee fees | Total |
| Patrik Tigerschiöld, Chairman of the Board and Chairman of the Remuneration Committee | 0.8 | 0.1 | 0.9 | 0.7 | 0.1 | 0.8 |
| Anna Belfrage, Chairman of the Audit Committee | 0.3 | 0.1 | 0.4 | 0.3 | 0.1 | 0.4 |
| Katarina Bonde | 0.3 | 0.1 | 0.4 | 0.3 | 0.1 | 0.3 |
| Robert Larsson | 0.3 | 0.0 | 0.4 | 0.3 | 0.0 | 0.3 |
| Staffan Dahlström | 0.3 | – | 0.3 | 0.3 | – | 0.3 |
| Arun Bansal | 0.3 | 0.0 | 0.4 | 0.3 | 0.0 | 0.3 |
| **Total remuneration to the Board** | **2.4** | **0.3** | **2.7** | **2.1** | **0.3** | **2.4** |

Continued note 14

| Remuneration to executive management 2021 | Base salary | Other remuneration | Short-term variable pay | Long-term variable pay | Pension expenses | Other benefits | Total |
|---|---|---|---|---|---|---|---|
| Anders Lindqvist, CEO | 5.6 | 0.1 | 5.5 | 0.0 | 2.0 | 0.1 | 13.4 |
| Other executive management (8 persons) | 17.9 | 4.9 | 9.6 | 0.6 | 4.3 | 0.3 | 37.7 |
| **Total remuneration** | **23.6** | **5.0** | **15.2** | **0.6** | **6.3** | **0.4** | **51.0** |

| Remuneration to executive management 2020 | Base salary | Other remuneration | Short-term variable pay | Long-term variable pay | Pension expenses | Other benefits | Total |
|---|---|---|---|---|---|---|---|
| Anders Lindqvist, CEO | 4.9 | 0.2 | 1.8 | 0.0 | 1.4 | 0.0 | 8.2 |
| Other executive management (8 persons) | 17.3 | 5.2 | 4.8 | 1.1 | 4.0 | 0.4 | 32.9 |
| **Total remuneration** | **22.3** | **5.4** | **6.5** | **1.1** | **5.4** | **0.4** | **41.1** |

Reported remuneration refers to members of the executive management.

**Base salary**
During 2021, the base salary for the CEO amounted to SEK 470 thousand per month.

**Other remuneration**
Other remuneration mainly consists of severance expenses and remuneration connected to continued employment. Severance expenses include paid and accrued remuneration in accordance with severance agreements entered into in 2021. The remuneration connected to continued employment pertains to agreements, with certain members of the executive management, that were entered into prior to them becoming members of the executive management. During 2021, SEK 9.0 million was expensed related to these agreements, of which SEK 2.3 million is reported as Other remuneration and pertains to amounts paid during the year.

**Short-term variable pay**
The short-term variable pay for the CEO during the year amounted to SEK 5.5 million, and for other members of the executive management to SEK 9.6 million. The outcome for 2021 reached 88 percent of maximum amount.

**Long-term variable pay**
Long-term variable pay refers to amounts paid during 2021, during the year SEK 0.6 million has been paid. The expensed amount during the year amounted to SEK 2.1 million.

**Pension expenses**
Pension benefits are premium-based. The pension premium for the CEO is limited to 35% of base salary.

**Other benefits**
Other benefits consist of car benefit and health insurance.

| | Group | | Parent Company | |
|---|---|---|---|---|
| % of women (average) | 2021 | 2020 | 2021 | 2020 |
| Board of Directors | 33 | 33 | 33 | 33 |
| Executive management | 35 | 33 | 35 | 33 |

The Board and the executive management of the Parent Company consisted of 17 (17) people during the year and were 16 (17) people at the end of the year. The proportion of women in the Parent Company's board is based on the members who are elected by the Annual General Meeting.

| | 2021 | | 2020 | |
|---|---|---|---|---|
| Average number of employees | Total | of which women | Total | of which women |
| *Parent Company* | | | | |
| Sweden | 348 | 77 | 349 | 81 |
| **Total in Parent Company** | **348** | **77** | **349** | **81** |
| France | 63 | 12 | 74 | 15 |
| Japan | 78 | 8 | 81 | 8 |
| China | 846 | 132 | 668 | 100 |
| Netherlands | 12 | 2 | 12 | 2 |
| Singapore | 6 | 1 | 6 | 1 |
| United Kingdom | 13 | 3 | 13 | 3 |
| South Korea | 40 | 6 | 39 | 7 |
| Germany | 91 | 20 | 56 | 8 |
| USA | 171 | 27 | 208 | 31 |
| Taiwan | 13 | 3 | 0 | 0 |
| Vietnam | 2 | 0 | 0 | 0 |
| **Total in subsidiaries** | **1,335** | **214** | **1,157** | **175** |
| **Total in Group** | **1,683** | **291** | **1,506** | **256** |

## Note 15 Net financial items

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Interest income from Group companies | – | – | 29 | 24 |
| Other interest income (loans and trade receivables) | 11 | 6 | 1 | 6 |
| **Total interest income in accordance with effective interest method**[1] | **11** | **6** | **31** | **30** |
| Dividend from Group companies | – | – | 164 | 140 |
| **Financial income/ Interest income and similar profit/loss items** | **11** | **6** | **194** | **169** |
| Interest expenses | –14 | –14 | –9 | –8 |
| **Total interest expenses in accordance with effective interest method** | **–14** | **–14** | **–9** | **–8** |
| Impairment of participations and receivables, Group companies[2] | – | – | –45 | –71 |
| **Financial expenses/ Interest expenses and similar profit/loss items** | **–14** | **–14** | **–54** | **–79** |
| **Financial net/Profit/ loss from financial investments** | **–2** | **–8** | **140** | **90** |

1) Financial instruments classified at amortized cost.
2) See Note 22 and 24.

## Note 16 Appropriations and untaxed reserves

| | Parent Company | |
|---|---|---|
| Appropriations | 2021 | 2020 |
| Changes in tax allocation reserve | –202 | –150 |
| Changes in depreciation exceeding plan | 3 | –7 |
| | **–199** | **–157** |
| **Untaxed reserves** | | |
| Allocation reserve | 1,252 | 1,050 |
| Accumulated additional depreciation | 23 | 26 |
| | **1,275** | **1,076** |
| **Allocation reserves that fall due within** | | |
| one year | 182 | 15 |
| one to five years | 853 | 885 |
| later than five years | 217 | 150 |
| | **1,252** | **1,050** |

## Note 17 Earnings per share

| | Group | |
|---|---|---|
| **Amount i SEK** | 2021 | 2020 |
| Earnings per share before dilution | 8.48 | 7.10 |
| Earnings per share after dilution | 8.48 | 7.10 |

The calculation of earnings per share is based on profits and number of shares detailed below.

| | Group | |
|---|---|---|
| | 2021 | 2020 |
| Profit attributable to the owners of the parent company, SEK million | 828 | 694 |
| Basic weighted average number of shares outstanding, thousand | 97,649 | 97,743 |
| Effect of share-based remuneration, number of shares thousand | 60 | 20 |
| Diluted weighted average number of shares outstanding, thousand | 97,709 | 97,763 |

## Note 18 Income tax

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| *Current tax* | | | | |
| The year's tax expense | –188 | –188 | –135 | –102 |
| | **–188** | **–188** | **–135** | **–102** |
| *Deferred tax* | | | | |
| Deferred tax on temporary differences | –31 | 1 | 0 | –1 |
| | **–31** | **1** | **0** | **–1** |
| **Total reported tax** | **–219** | **–187** | **–135** | **–103** |

| Reconciliation of effective tax | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Profit before tax | 1,046 | 890 | 735 | 537 |
| Tax according to tax rate in the Parent Company 20.6% (21.4%) | –216 | –190 | –151 | –115 |
| Effect of different tax rates in foreign subsidiaries | 8 | 1 | – | – |
| Non-deductible/ non-taxable items | 12 | 18 | 18 | 13 |
| Utilization/increase of loss carryforwards for which deferred tax is not recognized | –4 | –14 | – | – |
| Temporary differences for which deferred tax assets have not been accounted | –7 | –1 | – | – |
| Withholding tax on dividends | –9 | –5 | – | – |
| Other | –4 | 5 | –1 | –1 |
| **Reported effective tax** | **–219** | **–187** | **–135** | **–103** |

| Tax items recognized in other comprehensive income | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Actuarial profit/loss from defined benefits to employees | 0 | –1 | – | – |
| Cash flow hedges | 20 | 25 | – | – |
| Translation differences on foreign currency loans treated as net investments in subsidiaries | –18 | –16 | – | – |
| | **2** | **8** | **–** | **–** |

Continued note 18

| Recognized deferred tax assets and liabilities, Group | 2021 | | 2020 | |
|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Tangible assets incl. right-of-use assets | 5 | –3 | 0 | –2 |
| Intangible assets | 4 | –87 | 4 | –52 |
| Derivatives used as hedging instruments | 3 | — | — | –15 |
| Trade receivables | 37 | — | 33 | — |
| Inventories | 25 | — | 14 | — |
| Untaxed reserves | — | –275 | — | –234 |
| Provisions | 16 | — | 15 | — |
| Accrued expenses and deferred income | 17 | — | 11 | — |
| Other liabilities | 19 | — | 27 | — |
| Other | 16 | — | 15 | — |
| Loss carryforwards | 39 | — | 33 | — |
| **Tax assets/liabilities** | **181** | **–364** | **150** | **–303** |
| Set-off | –35 | 35 | –22 | 22 |
| **Net tax assets/liabilities** | **145** | **–329** | **128** | **–281** |

| Recognized deferred tax assets and liabilities, Parent Company | 2021 | | 2020 | |
|---|---|---|---|---|
| | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Trade receivables | 1 | — | 1 | — |
| Provisions | 5 | — | 4 | — |
| **Tax assets/liabilities** | **6** | **—** | **5** | **—** |

Set-off of tax assets and tax liabilities is carried out within the same tax entity. The Group's deferred tax liabilities net amounted to SEK 184 million (153). Of the change for the year of SEK 31 million, SEK 31 million (–1) was recognized in the profit and loss account, SEK –35 million (25) was recognized in other comprehensive income and SEK 35 million was added through business combinations. Tax assets regarding loss carryforwards are only recognized to the extent that they are probable to be used. At the end of the year, the Group's accumulated loss carryforwards amounted to SEK 552 million. Tax assets were recognized at an amount of SEK 39 million, corresponding to loss carryforwards of SEK 161 million. Loss carryforwards mainly refer to subsidiaries in France and the USA and can be utilized without a time limit.

## **Note 19** Intangible assets

| Group | Business systems 2021 | Business systems 2020 | Development expenses 2021 | Development expenses 2020 | Technology 2021 | Technology 2020 |
|---|---|---|---|---|---|---|
| *Accumulated cost* | | | | | | |
| Opening balance at January 1 | 56 | 50 | 935 | 850 | 168 | 175 |
| Investments during the year | 2 | 6 | 46 | 85 | — | — |
| Investments through business combinations | 0 | — | — | — | 193 | — |
| Historical cost sold/scrapped assets | –19 | — | — | — | — | — |
| Assets held for sale | — | — | — | — | –42 | — |
| Exchange rate differences for the year | 0 | 0 | 0 | — | 7 | –6 |
| **Closing balance, accumulated cost at Dec. 31** | **40** | **56** | **982** | **935** | **327** | **168** |
| *Accumulated amortization* | | | | | | |
| Opening balance at January 1 | –37 | –33 | –820 | –800 | –109 | –71 |
| Amortization sold/scrapped assets | 19 | — | — | — | — | — |
| Assets held for sale | — | — | — | — | 35 | — |
| Amortization and impairment for the year | –7 | –5 | –36 | –20 | –25 | –37 |
| **Closing balance, accumulated amortization at Dec. 31** | **–26** | **–37** | **–855** | **–820** | **–99** | **–109** |
| **Closing balance, residual value according to plan at Dec. 31** | **14** | **19** | **126** | **116** | **229** | **60** |

| Group | Customer relationships 2021 | Customer relationships 2020 | Brands 2021 | Brands 2020 | Goodwill 2021 | Goodwill 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|---|---|
| *Accumulated cost* | | | | | | | | |
| Opening balance at January 1 | 193 | 198 | 72 | 76 | 963 | 1,046 | 2,387 | 2,394 |
| Investments during the year | — | — | — | — | — | — | 48 | 91 |
| Investments through business combinations | 78 | — | 25 | — | 744 | — | 1,039 | — |
| Historical cost sold/scrapped assets | — | — | –2 | — | — | — | –20 | — |
| Assets held for sale | –85 | — | — | — | –84 | — | –211 | — |
| Exchange rate differences for the year | 5 | –4 | 7 | –4 | 117 | –84 | 137 | –98 |
| **Closing balance, accumulated cost at Dec. 31** | **191** | **193** | **102** | **72** | **1,740** | **963** | **3,381** | **2,387** |
| *Accumulated amortization* | | | | | | | | |
| Opening balance at January 1 | –151 | –110 | –18 | –14 | — | — | –1,135 | –1,028 |
| Amortization sold/scrapped assets | — | — | — | — | — | — | 19 | — |
| Assets held for sale | 85 | — | — | — | — | — | 120 | — |
| Amortization and impairment for the year | –19 | –41 | –2 | –4 | — | — | –89 | –107 |
| **Closing balance, accumulated amortization at Dec. 31** | **–85** | **–151** | **–20** | **–18** | **—** | **—** | **–1,085** | **–1,135** |
| **Closing balance, residual value according to plan at Dec. 31** | **106** | **42** | **82** | **54** | **1,740** | **963** | **2,296** | **1,253** |

| Parent Company | Business systems 2021 | Business systems 2020 | Technology 2021 | Technology 2020 | Total 2021 | Total 2020 |
|---|---|---|---|---|---|---|
| *Accumulated cost* | | | | | | |
| Opening balance at January 1 | 52 | 47 | 17 | 17 | 69 | 64 |
| Investments during the year | 0 | 5 | — | — | 0 | 5 |
| Cost, disposals | –19 | — | — | — | –19 | — |
| **Closing balance, accumulated cost at Dec. 31** | **34** | **52** | **17** | **17** | **51** | **69** |
| *Accumulated amortization* | | | | | | |
| Opening balance at January 1 | –36 | –31 | –7 | –3 | –42 | –35 |
| Disposals for the year | 19 | — | — | — | 19 | 0 |
| Amortization for the year | –6 | –4 | –3 | –3 | –10 | –8 |
| **Closing balance, accumulated amortization at Dec. 31** | **–24** | **–36** | **–10** | **–7** | **–34** | **–42** |
| **Closing balance, residual value according to plan at Dec. 31** | **11** | **17** | **7** | **10** | **17** | **27** |

Each development project is assessed individually to determine whether the criteria for capitalization in the statement of financial position have been met. Capitalized expenditure consists of internally produced assets. The estimated useful life is five years.

Other intangible assets mainly refer to business combinations.

In November 2021, intangible assets in the form of technology, customer relationships, brand and goodwill were added through the acquisition of HC Xin. Technology and customer relationships have estimated useful lives of seven years.

In June 2021, intangible assets in the form of technology, customer relationships, brand and goodwill were added through the acquisition of atg L&M. The estimated useful lives of technology and customer relationships are ten and seven years, respectively.

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

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

The acquisition of Axxon was carried out at the end of October 2016. In the purchase price allocation, assets in technology, customer relationships, brand and goodwill were identified. Technology and customer relationships have estimated useful lives of seven years.

Information about depreciation/amortization by function is provided in Note 13. The carrying amount of intangible assets with indefinite useful lives, excluding goodwill, is SEK 82 million (52) and refers to brands. Useful life has been defined as indefinite where the time period, during which an asset is deemed to contribute economic benefits, cannot be determined.

**Impairment testing of intangible assets**

The carrying amount of goodwill and brands with indefinite lives are annually assessed through impairment testing of the cash-generating unit based on the unit's value in use. The cash-generating units referred to are the acquired company atg L&M, division High Flex, division High Volume as well as division Global Technologies excluding atg L&M and AEi.

The carrying amount of goodwill in High Flex totals SEK 341 million (317). The carrying amount of goodwill and brands in High Volume totals SEK 519 million (371) and SEK 50 million (42), respectively. The carrying amount of goodwill and brands in Global Technologies, excluding atg L&M and AEi, totals SEK 211 million (275) and SEK 10 million (9), respectively. The carrying amount of goodwill and brands in atg L&M amounts to SEK 669 million and SEK 23 million, respectively. The value in use is based on cash flow forecasts, built on the Executive Management's and Board's business plan for the coming five years. After the business plan period, the expected growth rate is 2 percent (2).

The recoverable value of the estimated cash flows has been calculated using a discount factor of 14.9 percent (14.9) before tax and 12.0 percent (12.0) after tax for the High Flex division. For the High Volume division, a discount factor of 13.7 percent (15.3) before tax and 12.0 percent (12.0) after tax was applied. For the Global Technologies division, a discount factor of 15.2 percent (16.5) before tax and 12.0 percent (12.9) after tax was applied. A discount factor of 10.9 percent before tax and 8.3 percent after tax was used for atg L&M.

The most important assumptions in the five-year business plan relate to sales volumes, margins, operating profit, working capital, capital expenditure and discount factors. Since the recoverable value thus calculated exceeds the carrying amount, no indication of impairment has been reported. Impairment due to probable changes in important assumptions is not expected.

## **Note 20** Tangible assets

| | Improvements to leased property | | Machinery and equipment | | Construction in progress | | Total | |
|---|---|---|---|---|---|---|---|---|
| Group | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| *Accumulated cost* | | | | | | | | |
| Opening balance at January 1 | 60 | 71 | 421 | 384 | 69 | 11 | 550 | 466 |
| Investments during the year | 1 | 2 | 25 | 12 | 17 | 30 | 42 | 44 |
| Reclassifications to machinery and equipment | — | — | 77 | 37 | -77 | -37 | 0 | — |
| Reclassifications to/from inventory | — | — | -16 | — | — | 64 | -16 | 64 |
| Reclassifications other | — | — | -14 | 7 | — | — | -14 | 7 |
| Investments through business combinations | — | — | 4 | — | — | — | 4 | — |
| Historical cost sold/scrapped equipment | -1 | -6 | -19 | -15 | — | — | -19 | -21 |
| Assets held for sale | — | — | -6 | — | — | — | -6 | — |
| Exchange rate differences for the year | 5 | -7 | 4 | -4 | 0 | — | 9 | -11 |
| **Closing balance, accumulated cost at Dec. 31** | **65** | **60** | **475** | **421** | **9** | **69** | **549** | **550** |
| *Accumulated depreciation and impairment* | | | | | | | | |
| Opening balance at January 1 | -9 | -8 | -305 | -285 | — | — | -314 | -293 |
| Depreciation sold/scrapped equipment | 1 | 6 | 14 | 13 | — | — | 15 | 19 |
| Reclassifications other | — | 0 | 10 | 2 | — | — | 10 | 2 |
| Depreciation for the year | -8 | -7 | -47 | -35 | — | — | -55 | -42 |
| **Closing balance, accumulated depreciation and impairment at Dec. 31** | **-17** | **-9** | **-327** | **-305** | **0** | — | **-344** | **-314** |
| **Closing balance, residual value according to plan at Dec. 31** | **49** | **51** | **148** | **116** | **9** | **69** | **206** | **236** |

| | Machinery and equipment | | Construction in progress | | Total | |
|---|---|---|---|---|---|---|
| Parent Company | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| *Accumulated cost* | | | | | | |
| Opening balance at January 1 | 253 | 218 | 69 | 11 | 322 | 229 |
| Investments during the year | 0 | 0 | 13 | 30 | 13 | 31 |
| Reclassifications to machinery and equipment | 77 | 37 | -77 | -37 | 0 | 0 |
| Reclassifications to/from inventory | -16 | -1 | 0 | 64 | -16 | 63 |
| Reclassifications other | — | 0 | — | — | 0 | 0 |
| Historical cost sold/scrapped equipment | -7 | -1 | — | — | -7 | -1 |
| **Closing balance, accumulated cost at Dec. 31** | **306** | **253** | **5** | **69** | **312** | **322** |
| *Accumulated depreciation and impairment* | | | | | | |
| Opening balance at January 1 | -186 | -166 | — | — | -186 | -166 |
| Depreciation reclassifications to inventory | 2 | 0 | — | — | 2 | 0 |
| Depreciation sold/scrapped equipment | 7 | 1 | — | — | 7 | 1 |
| Depreciation for the year | -33 | -22 | — | — | -33 | -22 |
| **Closing balance, accumulated depreciation and impairment at Dec. 31** | **-210** | **-186** | **—** | **—** | **-210** | **-186** |
| **Closing balance, residual value according to plan at Dec. 31** | **96** | **67** | **5** | **69** | **102** | **135** |

Non-current tangible assets are depreciated on a straight-line basis over their expected useful life. Depreciation is started when the assets are available for use, as follows:

| | |
|---|---|
| Permanent equipment | 5–10 years |
| Machinery and equipment | 3–7 years |
| Computers | 3 years |
| Right-of-use assets | 1–10 years |

## Note 21 Leases

Right-of-use assets are presented separately in the following table.

**Right-of-use assets**

| | Rented premises | | Other | | Total | |
|---|---|---|---|---|---|---|
| Group | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| *Accumulated cost* | | | | | | |
| Opening balance at January 1 | 307 | 309 | 19 | 19 | 326 | 328 |
| Add-ons during the year | 25 | 37 | 7 | 3 | 32 | 40 |
| Add-ons through business combinations | 10 | — | 1 | — | 12 | — |
| Deductions during the year | -10 | -26 | -6 | -2 | -17 | -29 |
| Exchange rate differences for the year | 11 | -13 | 0 | 0 | 12 | -13 |
| **Closing balance, accumulated cost at Dec. 31** | **343** | **307** | **22** | **19** | **365** | **326** |
| *Accumulated depreciation and impairment* | | | | | | |
| Opening balance at January 1 | -86 | -48 | -11 | -6 | -97 | -54 |
| Deductions during the year | 10 | 21 | 6 | 2 | 16 | 22 |
| Depreciation for the year | -55 | -58 | -7 | -7 | -62 | -65 |
| **Closing balance, accumulated depreciation and impairment at Dec. 31** | **-130** | **-86** | **-11** | **-11** | **-142** | **-97** |
| **Closing balance, residual value according to plan at Dec. 31** | **213** | **221** | **10** | **8** | **223** | **230** |

Mycronic's material leases currently primarily comprise rented premises, but also vehicles and office equipment. Rented premises are presented as one class of underlying assets, and vehicles and office equipment are presented under Other, as they are not considered material individually. Rental premises have remaining lease terms for up to ten years. Future extension options have not been utilized. Leases where the underlying asset has low value and the contract for the lease period is less than twelve months are not included in the statement of financial position. The value of these lease contracts is not significant. This year's add-ons consist primarily of new premises in China, France and Germany and the extension of rental contracts in China. There are no significant lease commitments for lease contracts that have not yet started as at end of 2021. The total cash outflow for leasing agreements for the year 2021 amounted to SEK –63 million (–57). Interest expense for leasing liabilities amounted to SEK 5 million (5). Variable lease payments are not significant.

The Parent Company utilizes the exemption set out in RFR 2 Accounting for Legal Entities and recognizes lease payments as a cost on a straight-line basis over the period of the lease. The right-of-use asset and the lease liability are thus not reported in the balance sheet.

| | Parent Company | |
|---|---|---|
| | 2021 | 2020 |
| Expensed lease charges for the year | 17 | 20 |
| of which, variable fees | — | — |
| *Future payments under lease contracts (nominal)* | | |
| Within one year | 17 | 16 |
| Between one and five years | 61 | 68 |
| Later than five years | — | 9 |
| **Total** | **78** | **93** |

## Note 22 Participation in Group companies

| | Parent Company | |
|---|---|---|
| | 2021 | 2020 |
| Opening balance, historical cost | 1,073 | 1,073 |
| Acquisitions | 190 | — |
| Share-based incentive programs | 2 | 2 |
| Value changes contingent considerations | 0 | -1 |
| **Closing balance, accumulated cost** | **1,266** | **1,073** |
| Opening balance, impairment | -2 | -2 |
| Impairment | -45 | — |
| **Closing balance, accumulated impairment** | **-47** | **-2** |
| **Closing balance, carrying amount** | **1,218** | **1,071** |

Impairment for the year pertains to shares in VIT S.A.S.

Continued note 22

| Holdings of shares and participations in Group companies Directly owned subsidiaries | Corp. ID no. | Domicile/country | No. of shares | % of capital | Carrying amount |
|---|---|---|---|---|---|
| Mycronic Technologies Corp. | 2012401009633 | Japan | 200 | 100 | 4 |
| Mycronic Co., Ltd. | 80271004 | Taiwan | 1,600,000 | 100 | 4 |
| Mycronic Co., Ltd. | 134111-0136974 | South Korea | 810 | 100 | 13 |
| Mycronic (Shanghai) Co., Ltd. | 91310000560190439Y | China | – | 100 | 6 |
| Mycronic S.A.S. | 333 906 139 000 55 | France | 10,000 | 100 | 8 |
| Mycronic Ltd. | 2524693 | United Kingdom | 24,000 | 100 | 6 |
| Mycronic Inc. | 04-3219080 | USA | 10,000 | 100 | 41 |
| Mycronic Pte Ltd. | 199601416W | Singapore | 1,000 | 100 | 0 |
| Mycronic BV | 17131339 | Netherlands | 180 | 100 | 8 |
| Mycronic GmbH | HRB 53381 | Germany | 4 | 100 | 30 |
| Micronic Mydata AB | 556963-0360 | Stockholm | 50,000 | 100 | 0 |
| Mydata Automation AB | 556963-0329 | Stockholm | 50,000 | 100 | 0 |
| RoyoTech Digitalelektronik GmbH | HRB 92792 | Germany | 5 | 100 | 77 |
| Kognitec Vertrieb and Service GmbH | HRB 203153 | Germany | 4 | 100 | 5 |
| Shenzhen Axxon Automation Co. Ltd. | 91440300682020147E | China | – | 100 | 784 |
| VIT S.A.S. | 451 028 567 | France | 1,309,638 | 100 | 31 |
| Mycronic Fukuoka Co., Ltd. | 2 290 001 052 547 | Japan | 1,000 | 100 | 10 |
| Test Solutions (Suzhou ) Co., Ltd. | 91320594739577860M | Kina | – | 100 | 190 |
| | | | | | **1,218** |

| Indirectly owned Group companies | | |
|---|---|---|
| Automation Engineering, Inc. | USA | 100 |
| MRSI Systems, LLC | USA | 100 |
| Shenzhen Axxon Piezoelectric Technology Co., Ltd. | China | 100 |
| atg Luther & Maelzer GmbH | Germany | 100 |
| atg Luther & Maelzer Asia Ltd. | Taiwan | 100 |
| Axxon (Vietnam) Automation, Co., Ltd. | Vietnam | 100 |
| Shenzhen Huan Cheng Xin Precision Manufacture Co., Ltd. | China | 70 |

## **Note 23** Business combinations

| | atg L&M | HC Xin |
|---|---|---|
| | 2021 | 2021 |
| **Acquisition price** | | |
| Cash paid for the acquisitions | 1,063 | 92 |
| Deferred considerations for the acquisitions | – | – |
| **Total** | **1,063** | **92** |
| **Acquired assets and liabilities at fair value** | | |
| Intangible assets | 273 | 23 |
| Tangible assets | 15 | 0 |
| Long-term receivables | 7 | 0 |
| Inventories | 97 | 18 |
| Current receivables | 135 | 25 |
| Cash and cash equivalents | 36 | 5 |
| Non-current liabilities | –38 | -6 |
| Current liabilities | –117 | –22 |
| **Total** | **407** | **44** |
| Non-controlling interests | – | 40 |
| **Goodwill** | **656** | **87** |

| | atg L&M | HC Xin |
|---|---|---|
| | 2021 | 2021 |
| **Changes in consolidated cash and cash equivalents as of the acquisitions** | | |
| Cash paid for the acquisitions | 1,063 | 92 |
| Cash and cash equivalents in acquired subsidiaries | –36 | –5 |
| **Total** | **1,027** | **87** |

| | 2021 | 2020 |
|---|---|---|
| Paid deferred considerations for acquisitions in previous years | –3 | –4 |
| **Total** | **–3** | **–4** |

**Acquisition of atg L&M**

During the second quarter, 100 percent of the shares in atg Luther & Maelzer GmbH was acquired. Domiciled in Wertheim in Germany and with approximately 190 employees, atg L&M develops, produces and sells advanced equipment that tests, measures and verifies PCBs and substrates. Mycronic's acquisition of atg L&M encompasses the entire global operations of the company, including companies in Taiwan, Germany and China. Following the transaction, atg L&M becomes part of Mycronic's Global Technologies division. The acquisition broadens the Group's offering, strengthens Mycronic generally and underlines the Global Technologies division's focus on leading niche technologies, which have the potential to grow faster than the market as a whole. In 2020, atg L&M's sales amounted to approximately SEK 420 million, with an EBIT margin of about 22 percent.

The purchase consideration amounts to SEK 1,063 million, corresponding to USD 125 million on a cash and debt-free basis. The purchase price allocation was finalized in the fourth quarter without any material changes. According to the purchase price allocation, goodwill amounts to SEK 656 million. Goodwill is primarily attributable to the company's leading position as a supplier of advanced equipment for electrical testing of PCBs and substrates, as well as the collective expertise of its employees. Current receivables mainly consist of trade receivables. The gross amount does not significantly deviate from fair value. Transaction costs related to the acquisition amounted to SEK 20 million and are reported as selling expenses in EBIT.

The company was consolidated in the Mycronic Group as of June 25, 2021. The operations of atg L&M impacted consolidated net sales in the amount of SEK 259 million and contributed to consolidated EBIT in the amount of SEK 3 million from the acquisition date. Had the acquisition been completed at the beginning of the year, the Group's net sales would have been affected by approximately SEK 225 million and EBIT by about SEK 37 million.

**Acquisition of HC Xin**

During the fourth quarter, 70 percent of the shares in Shenzhen Huan Cheng Xin Precision Manufacture Co., Ltd (HC Xin) was acquired with an option to acquire the remaining 30 percent in 2025 based on a pre-defined earnings multiple. The value of the option is not deemed to be significant as per year-end. Shenzhen Huan Cheng Xin Precision Manufacture Co., Ltd. with around 120 employees, is headquartered in Shenzhen and produces automated screen printers and pick & place machines. China is the company's dominating market, accounting for 95 percent of sales. In 2020, sales in the acquired operation amounted to almost SEK 100 million. Following the transaction, HC Xin becomes part of Mycronic's High Volume division.

Work to assign values to acquired assets and liabilities is ongoing and the purchase price allocation is therefore still preliminary as of December 31. Goodwill amounts to SEK 87 million in the preliminary purchase price allocation. The full goodwill method has been applied. Goodwill is primarily attributable to the company's strong product portfolio and expertise which creates expanded business opportunities in combination with the High Volume division's existing product offering. Transaction costs related to the acquisition amounted to SEK 3 million and are reported as selling expenses in EBIT.

The company was consolidated in the Mycronic Group as of November 1, 2021. The impact of HC Xin's operations on consolidated net sales and EBIT from the acquisition date is not significant.

## Note 24 Non-current receivables from Group companies

| | Parent Company | |
|---|---|---|
| | 2021 | 2020 |
| Opening balance, carrying amount | 753 | 790 |
| Additions | 969 | 15 |
| Deductions | –49 | –52 |
| **Closing balance, carrying amount** | **1,674** | **753** |

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

## Note 25 Other non-current assets

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Opening balance, carrying amount | 40 | 50 | 13 | 27 |
| Additions | 22 | 13 | 11 | 4 |
| Deductions | –7 | –23 | –7 | –18 |
| **Closing balance, carrying amount** | **55** | **40** | **18** | **13** |

Assets mainly refer to deposits regarding lease of premises, non-current trade receivables, pension insurance premiums for employees in Japan and shares in business partners. Additional items primarily relate to the acquisition of shares in a South Korean business partner.

## Note 26 Inventories

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Components | 404 | 349 | 277 | 236 |
| Finished goods | 707 | 595 | 84 | 80 |
| Products in progress | 253 | 236 | 151 | 179 |
| | **1,363** | **1,181** | **512** | **494** |

Write-down of inventories amounted to SEK 16 million (15) in the Group and SEK 8 million (8) in the Parent Company.

## Note 27 Trade receivables, impairment, age analysis and other

| Group | 2021 Gross | 2021 Impairment | 2021 Loss given default | 2020 Gross | 2020 Impairment | 2020 Loss given default |
|---|---|---|---|---|---|---|
| Trade receivables not due | 543 | 11 | 2.0% | 509 | 3 | 0.6% |
| Trade receivables, overdue 0–30 days | 57 | 2 | 2.9% | 47 | 1 | 1.5% |
| Trade receivables, overdue >30–90 days | 46 | 2 | 4.2% | 25 | 1 | 4.3% |
| Trade receivables, overdue >90–180 days | 17 | 1 | 6.0% | 14 | 1 | 9.7% |
| Trade receivables, overdue >180–360 days | 9 | 2 | 19.6% | 16 | 6 | 38.0% |
| Trade receivables, overdue >360 days | 11 | 9 | 76.5% | 16 | 14 | 86.3% |
| | **684** | **26** | **3.8%** | **627** | **26** | **4.2%** |

Trade receivables overdue amount to 21 percent (19) of total gross trade receivables. In the High Flex, High Volume and Global Technologies divisions, sales are conducted to a large number of customers in several countries where payment terms differ from the company's standard terms. Part of the company's sales are conducted via distributors, which can also contribute to longer payment processes. Historically, credit losses are very limited. The company judges that the risk of credit losses in excess of the provisions already made is low. The maximum credit risk exposure refers to the carrying amount of trade receivables.

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

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

Five customers represent 28 percent (32) of trade receivables outstanding. For further information on the concentration and customer risk in trade receivables outstanding, see Note 35.

| Provision for expected credit losses | Group 2021 | Group 2020 |
|---|---|---|
| Opening balance, carrying amount | 26 | 32 |
| Additions | 5 | 6 |
| Additions through business combinations | 2 | – |
| Utilized during the year | -5 | -5 |
| Unutilized during the year | -2 | -7 |
| **Closing balance, carrying amount** | **26** | **26** |

## Note 28 Prepaid expenses and accrued income

| | Group 2021 | Group 2020 | Parent Company 2021 | Parent Company 2020 |
|---|---|---|---|---|
| Contract assets | 117 | 75 | 77 | 54 |
| Other accrued revenue | 18 | – | – | – |
| Other prepaid expenses | 45 | 42 | 32 | 34 |
| | **181** | **116** | **109** | **88** |

## Note 29 Assets held for sale

| | Group 2021 | Group 2020 |
|---|---|---|
| Intangible assets | 90 | – |
| Tangible assets | 6 | – |
| Inventories | 35 | – |
| Trade receivables | 36 | – |
| Other current receivables | 10 | – |
| Cash and cash equivalents | 9 | – |
| **Total assets** | **186** | **–** |
| | | |
| Trade payables | 10 | – |
| Other current liabilities | 16 | – |
| **Total liabilities** | **26** | **–** |

Assets held for sale as per 31 December 2021 refer to assets in Automation Engineering Inc. (AEi). The divestment was completed after the close of the period, at the beginning of February 2022.

## Note 30 Non-current provisions

| | Group 2021 | Group 2020 |
|---|---|---|
| Post employment benefits | 41 | 35 |
| Other non-current provisions | 7 | 7 |
| **Closing balance, carrying amount** | **48** | **41** |

**Post employment benefits**
In the Japanese and South Korean subsidiaries, provisions are made for long-term employee benefits. On certain conditions, a lump-sum payment is made to employees when their employment is terminated, either due to retirement or when the employee leaves the company for some other reason. The French and Taiwanese subsidiaries also have small obligations regarding post employment benefits. In Korea and Taiwan, payments are made to plan assets after decision by the employer. Other pension obligations are unfunded. Defined benefit obligations expose the Group for risks related to, for example, discount rates and salary increases. Plan assets mainly consist of cash and cash equivalents and are affected by changes in market values.

| | Group | |
|---|---|---|
| Pension expenses | 2021 | 2020 |
| **Amounts recognized in profit and loss account** | | |
| Current service cost | 6.7 | 8.1 |
| Net interest | 0.1 | 0.4 |
| **Expenses, defined benefit plans** | **6.8** | **8.5** |
| **Amounts recognized in other comprehensive income** | | |
| Remeasurement of pension obligations | –1.3 | –4.0 |
| Remeasurement of plan assets | 0.2 | 0.0 |
| **Expenses/(income) defined benefit plans** | **–1.1** | **–4.0** |
| **Total pension expenses, defined benefit plans** | **5.7** | **4.6** |
| **Amounts recognized in statement of financial position** | | |
| Present value of defined benefit obligation, funded plans | 43.7 | 37.7 |
| Fair value of plan assets | –33.2 | –31.2 |
| **Net liability, funded plan** | **10.5** | **6.4** |
| Present value of defined benefit obligation, unfunded plans | 30.7 | 28.2 |
| **Net liability recognized in statement of financial position** | **41.2** | **34.6** |
| **Change in present value of defined benefit obligation** | | |
| **Opening balance, defined benefit obligation** | **65.8** | **66.4** |
| Current service cost | 6.7 | 8.1 |
| Interest expenses | 0.8 | 0.8 |
| Remeasurement of pension obligations, | | |
| – demographic assumptions | 0.1 | –0.5 |
| – financial assumptions | 0.3 | –3.4 |
| – experience adjustments | –1.7 | –0.1 |
| Pension payments | –1.4 | –1.1 |
| Effect from acquired companies | 3.4 | — |
| Exchange rate difference | 0.4 | –4.4 |
| **Closing balance, defined benefit obligation** | **74.4** | **65.8** |
| **Change in fair value of plan assets** | | |
| **Opening balance, plan assets** | **31.2** | **21.7** |
| Interest income | 0.7 | 0.4 |
| Return excluding interest income | –0.2 | 0.0 |
| Employer's contribution | 0.2 | 11.3 |
| Pension payments from plan assets | –0.1 | –0.3 |
| Effect from acquired companies | 1.1 | — |
| Exchange rate difference | 0.3 | –1.9 |
| **Closing balance, plan assets** | **33.2** | **31.2** |

The sensitivity analysis is based on changes in a single actuarial assumption, while other assumptions remain unchanged. This method shows the obligation's sensitivity to a single assumption. This is a simplified method since the assumptions are usually correlated. Weighted duration for the defined benefit obligations are estimated to seven years.

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

Forecast pension payments to the plans for next year amount to SEK 4 million. Additional amounts can be paid to plan assets after decision of the employer.

| Significant actuarial assumptions | Japan | | South Korea | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Discount rate, % | 0.3 | 0.4 | 2.6 | 2.1 |
| Future salary increases, % | 2.4 | 2.2 | 4.5 | 5.0 |

| Sensitivity analysis discount rate | Change in assumption | Change in value, SEK million |
|---|---|---|
| **Assumption** | | |
| Discount rate, % | –0.50/+0.50 | +2.4/–2.2 |
| Future salary increases | –0.50/+0.50 | –2.6/+2.8 |

**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 2021 financial year, the company has not had access to information to be able to report its proportional share of the plan's obligations, plan assets and costs, making it impossible to report the plan as a defined benefit plan. The ITP 2 pension plan secured through insurance in Alecta is therefore reported as a defined contribution plan. The premium for the defined benefit retirement and family pension is individually calculated and depends on salary, previously vested pension and expected remaining period of service. Anticipated fees in 2022 for ITP 2 insurance taken out with Alecta amount to SEK 2 million. In 2021, the costs for premium based pension amounted to SEK 76 million (61).

| | Group | |
|---|---|---|
| Other non-current provisions | 2021 | 2020 |
| Opening balance, carrying amount | 7 | 6 |
| The year's provision | 1 | 1 |
| Utilized during the year | –1 | — |
| **Closing balance, carrying amount** | **7** | **7** |

## **Note 31** Accrued expenses and deferred income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Salaries and social expenses | 374 | 198 | 61 | 40 |
| Commissions | 16 | 9 | 4 | 0 |
| Deferred income | 117 | 109 | 96 | 80 |
| Other accrued expenses | 89 | 49 | 71 | 67 |
| | **596** | **364** | **232** | **187** |

Salaries and social expenses include, among other things, variable salaries.

## Note 32 Current provisions

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Opening balance, carrying amount | 62 | 50 | 10 | 13 |
| The year's provision | 70 | 55 | 7 | 3 |
| Utilized during the year | –23 | –24 | –6 | –6 |
| Unutilized during the year | –35 | –19 | – | – |
| **Closing balance, carrying amount** | **74** | **62** | **11** | **10** |

Current provisions mainly consist of warranty provisions. A provision for warranties is recognized when the underlying products are sold. The provision is based on historical data regarding warranties and an overall review of potential outcomes in relation to the probabilities of such outcomes.

## Note 33 Pledged assets

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Collateral provided for liability items in the balance sheet | | | | |
| *Credit institutions* | | | | |
| Chattel mortgages | – | 89 | – | 89 |
| Other | 3 | – | – | – |
| | **3** | **89** | **–** | **89** |

## Note 34 Contingent liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Commitment for billing by credit insurance through EKN | 2 | 1 | 2 | 1 |
| Parent Company guarantee | – | – | 213 | 262 |
| Other | 1 | 1 | – | – |
| | **3** | **1** | **214** | **263** |
| Of which, falling due: | | | | |
| within one year | 2 | 1 | 24 | 70 |
| between one and five years | 1 | 0 | 91 | 82 |
| later than five years | – | – | 99 | 111 |
| | **3** | **1** | **214** | **263** |

The Parent Company guarantees are attributable to subsidiaries in the USA, of which the largest portion refers to a rental guarantee.

## Note 35 Financial risks

Financial risks arise due to negative fluctuations in Mycronic's earnings and cash flow as a consequence of changes in exchange rates and interest rates, credit risks and financing risks. The single largest financial risk is exchange rate fluctuations. Financial risks are managed in accordance with the financial policy established by the Board.

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

Mycronic's sales are done almost exclusively in foreign currency. A large part of the Group's expenses are incurred in SEK. Sales within the High Flex division occur primarily in USD and EUR. All sales within the Pattern Generators division occur in foreign currency, primarily USD and JPY. Changes in exchange rates have a greater impact on income than on expenses. Mycronic has significant net currency exposure; see the following table. Currency hedging is undertaken in accordance with the established financial policy.

For sales of mask writers the company uses forward exchange contracts to hedge contracted cash flows, which consist of orders received. As the delivery date approaches, the lowest hedged portion of the respective contracted inflows increases, in accordance with the financial policy. Forecast inflows not covered by underlying orders are not hedged. Hedge accounting is used within the Pattern Generators division.

For sales of surface mount technology equipment, forward exchange contracts corresponding to at least 50 percent of the order backlog in EUR, USD and JPY are used. Hedge accounting is not used within the High Flex division.

**Effects from transaction exposure**
If sales for 2021 within the Pattern Generators division were translated at the average exchange rates for 2020, without considering forward exchange contracts, revenues would have been SEK 38 million higher. The majority derive from the appreciation of the SEK in 2021, primarily against the JPY. Sales were positively affected by forward exchange contracts in the amount of SEK 47 million, while EBIT was positively affected by SEK 45 million as a result of forward exchange contracts.

If sales for 2021 were translated at the average exchange rates for 2020, revenues would have been SEK 61 million higher for the High Flex division, SEK 6 million higher for the High Volume division and SEK 37 million higher for the Global Technologies division. EBIT for the High Flex division was positively impacted by forward exchange contracts in an amount of SEK 11 million. Based on 2021 sales volumes and expenses, without consideration of forward exchange contracts, the effect on consolidated EBIT of a 10-percent change in the exchange rate of the most significant currencies compared to SEK would be about SEK 203 million (184). Equity would be affected in the same amount after tax.

**Foreign exchange risk – translation exposure**
Translation exposure is the risk Mycronic is exposed to when translating the financial statements of subsidiaries to SEK.

**Effects from translation exposure**
Translation of the balance sheets of foreign subsidiaries to SEK generated a positive translation difference of SEK 191 million (–161) after deductions for tax. A change of 10 percent against those currencies where Mycronic has net investments in foreign subsidiaries would affect the Group's equity by SEK 270 million (185) after tax, without consideration of hedge accounting.

The impact on the Group's profit before tax due to changes in fair value of monetary assets and liabilities, including forward exchange contracts, in connection with a change of 10 percent in USD, EUR and JPY as of the closing date amounts to approximately SEK 52 million, of which USD and EUR account for SEK 25 million, respectively. Equity is impacted by about SEK 22 million before tax, of which EUR accounts for SEK 25 million.

**Interest risks**
Interest risk refers to the risk for changes in interest rate levels affecting consolidated earnings.

Mycronic's interest risk is limited. Investments in interest-bearing financial instruments or bank accounts with fixed interest are done in accordance with liquidity plans, meaning that investments, which may not exceed six months, are held to maturity. During 2021, no investments were made in interest-bearing financial instruments.

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

**Exposure to credit risks**
Mycronic sells only a few mask writers to a limited number of customers, which concentrates the credit risk. Customers are, however, major manufacturers of photomasks where the mask writers comprise a small portion of the equipment in a production facility. Customers are well-known and have good credit worthiness historically. In order to reduce customer credit risk, Mycronic strives to obtain advances from customers to the highest degree possible. Especially in business transactions with new customers or within new geographic areas, the credit risk is managed through Mycronic requiring letters of credit or other collateral. Sales in other divisions are spread over a large number of customers and exposure to credit risk linked to individual customers 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 658 million (601). The average credit period was 45 days (64) for the Pattern Generators division, 59 days for the High Flex, 29 days for High Volume and 40 days for the Global Technologies division. For information on the aging structure of trade receivables and provisions for doubtful trade receivables, see Note 27.

Mycronic's maximum financial credit exposure consists of the fair values of financial assets, see Note 36. At year-end 2021, the total financial credit exposure, excluding trade receivables, was SEK 683 million (1,388), of which SEK 683 million (1,303) was cash and cash equivalents. Cash and cash equivalents consisted only of bank balances, as was the case one year earlier. Cash and cash equivalents are to be invested in banks or other interest-bearing financial instruments with credit ratings of at least A1/P1/K1. For cash and cash equivalents and other financial instruments, Mycronic applies a rating-based method combined with other known information and forward-looking factors. No material increase in credit risk is deemed to exist on the balance-sheet date for any receivable or asset. Such assessment is based on whether payment is 30 days or more past due or if the rating changes materially, resulting in a rating below investment grade. In cases where the amount is not considered immaterial, a provision is recognized for expected credit losses even for these financial instruments.

**Liquidity risks**
Liquidity risk refers to the risk that the company may not be able to meet its payment obligations on the settlement date. Mycronic's net cash at the end of 2021 was SEK 440 million (1,039). 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**

| | 2021 | 2020 |
|---|---|---|
| Credit line | 2,005 | 2,000 |
| Cash and cash equivalents | 683 | 1,303 |
| **Total** | **2,688** | **3,303** |

**Exposure per currency**

| Currency | % of revenue | % of expenses | Average rate 2021 | Average rate 2020 | Closing rate 2021 | Closing rate 2020 |
|---|---|---|---|---|---|---|
| USD | 45 | 19 | 8.5815 | 9.2037 | 9.0437 | 8.1886 |
| EUR | 14 | 15 | 10.1449 | 10.4867 | 10.2269 | 10.0375 |
| JPY (100) | 6 | 5 | 7.8133 | 8.6177 | 7.8521 | 7.9248 |
| GBP | 2 | 0 | 11.8022 | 11.7981 | 12.1790 | 11.0873 |
| SEK | 1 | 29 | 1.0000 | 1.0000 | 1.0000 | 1.0000 |
| KRW (100) | 5 | 1 | 0.7492 | 0.7817 | 0.7604 | 0.7542 |
| CNY | 27 | 31 | 1.3307 | 1.3329 | 1.4186 | 1.2537 |

## Note 36 Financial assets and liabilities

The following table presents the Group's financial assets and liabilities, stated at book and fair value and classified in accordance with IFRS 9 categories.

**Risk management**
A description of the Group's financial risks and risk management is provided according to IFRS 7 in Note 35.

**Fair value and carrying amount**
IFRS 13 Fair Value Measurement includes a valuation hierarchy regarding data to be used in the valuation. This valuation hierarchy is divided into three levels:

Level 1: According to quoted prices in active markets for identical instruments.
Level 2: Based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
Level 3: Based on inputs that are not observable in market data.

Mycronic uses level 2 according to the valuation hierarchy when measuring forward exchange contracts at fair value through current market prices and current exchange rates on the closing day. At valuation of contingent considerations related to business combinations, Level 3 in the valuation hierarchy is applied.

**Financial assets and liabilities per valuation category**

| Group 2021 | Financial assets/liabilities measured at fair value in comprehensive income, hedge accounting | Financial assets/liabilities measured at fair value in profit and loss | Financial assets/liabilities measured at amortized cost | Total carrying amount | Total fair value |
|---|---|---|---|---|---|
| *Financial assets* | | | | | |
| Non-current trade receivables | | | 6 | 6 | 6 |
| Trade receivables | | | 658 | 658 | 658 |
| Forward exchange contracts | 0 | 0 | | 0 | 0 |
| Cash and cash equivalents | | | 683 | 683 | 683 |
| **Total financial assets** | **0** | **0** | **1,347** | **1,347** | **1,347** |
| *Financial liabilities* | | | | | |
| Contingent considerations | | 11 | | 11 | 11 |
| Lease liabilities | | | 235 | 235 | 235 |
| Factoring | | | 8 | 8 | 8 |
| Trade payables | | | 295 | 295 | 295 |
| Forward exchange contracts | 17 | 2 | | 19 | 19 |
| **Total financial liabilities** | **17** | **14** | **539** | **570** | **570** |
| **Recognized gain (change in value)** | | **8** | | | |

The Group's maximum credit risk in financial assets consists of the net amount in the table above. The fair value of the Parent Company's derivatives is equal to the fair value of the Group's derivatives. At year-end, the balance sheet item Cash and cash equivalents consisted solely of bank balances, as it did in the preceding year. Granted unutilized bank overdraft facilities amount to SEK 2,005 million (2,000).

| Group 2020 | Financial assets/liabilities measured at fair value in comprehensive income, hedge accounting | Financial assets/liabilities measured at fair value in profit and loss | Financial assets/liabilities measured at amortized cost | Total carrying amount | Total fair value |
|---|---|---|---|---|---|
| *Financial assets* | | | | | |
| Non-current trade receivables | | | 8 | 8 | 8 |
| Trade receivables | | | 601 | 601 | 601 |
| Forward exchange contracts | 79 | 6 | | 85 | 85 |
| Cash and cash equivalents | | | 1,303 | 1,303 | 1,303 |
| **Total financial assets** | **79** | **6** | **1,912** | **1,997** | **1,997** |
| *Financial liabilities* | | | | | |
| Contingent considerations | | 3 | | 3 | 3 |
| Lease liabilities | | | 238 | 238 | 238 |
| Factoring | | | 26 | 26 | 26 |
| Trade payables | | | 261 | 261 | 261 |
| Forward exchange contracts | – | 11 | | 11 | 11 |
| **Total financial liabilities** | **–** | **14** | **524** | **538** | **538** |
| **Recognized gain (change in value)** | | **14** | | | |

**Contingent considerations**

| | Group | |
|---|---|---|
| | 2021 | 2020 |
| Opening balance, carrying amount | 3 | 8 |
| Estimated liabilities related to acquisitions | 11 | — |
| Settled liabilities | –3 | –4 |
| Changes in value reported in profit and loss | 0 | –1 |
| **Closing balance, carrying amount** | **11** | **3** |

The balance sheet item consists of contingent considerations from the acquisition of the non-controlling interest in Axxon Piezoelectric Technology Co, Ltd. As per December 31, 2021, the maximum contingent consideration was estimated at SEK 11 million.

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

| Group, Dec. 31, 2021 | Amount in SEK | Within 3 months | 3 months –1 year | 1–5 years | >5 years |
|---|---|---|---|---|---|
| Contingent considerations | 11 | — | — | 11 | — |
| Lease liabilities | 253 | 15 | 43 | 144 | 50 |
| Invoice factoring | 9 | — | 9 | — | — |
| Trade payables | 295 | 274 | 21 | — | — |
| Forward exchange contracts | 22 | 6 | 13 | 3 | — |
| | **590** | **295** | **86** | **159** | **50** |

| Group, Dec. 31, 2020 | Amount in SEK | Within 3 months | 3 months –1 year | 1–5 years | >5 years |
|---|---|---|---|---|---|
| Contingent considerations | 3 | — | 3 | — | — |
| Lease liabilities | 271 | 15 | 43 | 150 | 63 |
| Invoice factoring | 28 | — | 19 | 9 | — |
| Trade payables | 261 | 244 | 17 | — | — |
| Forward exchange contracts | 10 | 1 | 10 | — | — |
| | **573** | **260** | **91** | **159** | **63** |

**Analysis of liabilities in financing activities**

| | Opening balance at January 1, 2021 | Cash flow | Addition/deduction lease contract | Exchange rate effects for the year | Other | Closing balance at December 31, 2021 |
|---|---|---|---|---|---|---|
| Current interest-bearing loan | 17 | –18 | | 1 | 8 | 8 |
| Current lease liabilities | 62 | –63 | | 4 | 51 | 54 |
| Non-current interest-bearing loan | 9 | | | 0 | –8 | 0 |
| Non-current lease liabilities | 176 | | 42 | 10 | –46 | 181 |
| | **264** | **–81** | **42** | **14** | **5** | **243** |

The category Other mainly consists of reclassifications from non-current to current liabilities.

Continued note 36

**Hedging instruments**
The Group's holdings of forward exchange contracts at December 31, 2021 and 2020, can be broken down into the following underlying amounts and maturities. The forward exchange contracts fall due at a time when the secured flows are expected to affect earnings. The tables shows the nominal amounts of the forward exchange contracts in SEK million.

| | Maturity | | | |
|---|---|---|---|---|
| Group 2021 | within 3 months | 3 months–1 year | 1–3 years | Total |
| **Hedging instruments — hedge accounting applied** | | | | |
| *Forward exchange contracts — cash flow hedge of currency risk, transaction exposure (contract sale)* | | | | |
| Sold JPY, bought SEK, nominal amounts | – | – | 5 | 5 |
| Average hedged forward contract rate, JPY/SEK | – | – | 0.0791 | 0.0791 |
| Sold USD, bought SEK, nominal amounts | 47 | 166 | 64 | 277 |
| Average hedged forward contract rate, USD/SEK | 8,7295 | 8.5241 | 8.5917 | 8.5877 |
| **Hedging instruments — non-hedge accounting** | | | | |
| *Forward exchange contracts — hedge of currency risk, transaction exposure (contract sale)* | | | | |
| Sold EUR, bought SEK, nominal amounts | 29 | 2 | 1 | 33 |
| Average hedged forward contract rate, EUR/SEK | 10.1041 | 10.1502 | 10.2487 | 10.1278 |
| Sold GBP, bought SEK, nominal amounts | 7 | – | – | 7 |
| Average hedged forward contract rate, GBP/SEK | 11.8336 | – | – | 11.8336 |
| Sold JPY, bought SEK, nominal amounts | 0 | – | – | 0 |
| Average hedged forward contract rate, JPY/SEK | 0.0791 | – | – | 0.0791 |
| Sold USD, bought SEK, nominal amounts | 124 | 0 | – | 124 |
| Average hedged forward contract rate, USD/SEK | 8.9359 | 9.0477 | – | 8.9498 |

| | Maturity | | | |
|---|---|---|---|---|
| Group 2020 | within 3 months | 3 months–1 year | 1–3 years | Total |
| **Hedging instruments — hedge accounting applied** | | | | |
| *Forward exchange contracts — cash flow hedge of currency risk, transaction exposure (contract sale)* | | | | |
| Sold JPY, bought SEK, nominal amounts | 24 | – | – | 24 |
| Average hedged forward contract rate, JPY/SEK | 0.0864 | – | – | 0.0864 |
| Sold USD, bought SEK, nominal amounts | 64 | 489 | 138 | 691 |
| Average hedged forward contract rate, USD/SEK | 9.2867 | 9.2867 | 8.9127 | 9.2165 |
| **Hedging instruments — non-hedge accounting** | | | | |
| *Forward exchange contracts — hedge of currency risk, transaction exposure (contract sale)* | | | | |
| Sold EUR, bought SEK, nominal amounts | 6 | 1 | – | 6 |
| Average hedged forward contract rate, EUR/SEK | 10.1618 | 10.1905 | – | 10.1659 |
| Sold USD, bought SEK, nominal amounts | 105 | -26 | – | 79 |
| Average hedged forward contract rate, USD/SEK | 8.4595 | 8.6491 | – | 8.4895 |

| | Hedging instruments identified in hedging relationship as of December 31, 2021 | | | Period — change in fair value for measurement of ineffectiveness | |
|---|---|---|---|---|---|
| **Effects of hedge accounting on financial position and earnings in 2021** | Nominal amount | Recognized value asset (+) liability (–) | Balance sheet item | Hedging instruments | Hedged item |
| *Cash flow hedge of currency risk, transaction exposure (contract sale)* | | | | | |
| Forward exchange contracts, Sold JPY, bought SEK | 65 | 0 | Other receivables | | |
| **Total Forward Exchange Contracts, JPY** | **65** | **0** | | **0** | **0** |
| Forward exchange contracts, Sold USD, bought SEK | 31 | 0 | Other receivables | | |
| Forward exchange contracts, Sold USD, bought SEK | 2 | –17 | Other liabilities | | |
| **Total Forward Exchange Contracts, USD** | **33** | **–17** | | **–49** | **49** |
| **Total** | | **–17** | | **–49** | **49** |
| *Currency hedging of net investment in foreign operations* | | | | | |
| Debt in foreign currency, EUR million | — | — | Other liabilities | –6 | 6 |

| | Hedging instruments identified in hedging relationship as of December 31, 2020 | | | Period — change in fair value for measurement of ineffectiveness | |
|---|---|---|---|---|---|
| **Effects of hedge accounting on financial position and earnings in 2020** | Nominal amount | Recognized value asset (+) liability (–) | Balance sheet item | Hedging instruments | Hedged item |
| *Cash flow hedge of currency risk, transaction exposure (contract sale)* | | | | | |
| Forward exchange contracts, Sold JPY, bought SEK | 283 | 2 | Other receivables | | |
| **Total Forward Exchange Contracts, JPY** | **283** | **2** | | **3** | **–3** |
| Forward exchange contracts, Sold USD, bought SEK | 75 | 77 | Other receivables | | |
| **Total Forward Exchange Contracts, USD** | **75** | **77** | | **84** | **–84** |
| **Total** | | **79** | | **87** | **–87** |

**Hedge accounting**

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

In 2021, the debt in EUR associated with a net investment in the foreign operations was amortized. The exchange rate effects remain in the translation reserve until such time as the net investment is divested.

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

## Note 37 Reconciliation alternative performance measures

The European Securities and Markets Authority (ESMA) has issued guidelines regarding alternative performance measures for listed companies. These relate to financial key figures used by management, to control and evaluate the Group's business, which cannot be directly inferred from the financial statements. Alternative performance measures are also considered to be of interest to external investors and analysts who monitor the company. For financial definitions, see page 130. Amounts below are stated in SEK million.

| | 2021 | 2020 |
|---|---|---|
| **Return on equity** | | |
| Profit for the year | 827 | 703 |
| Average equity | 3,687 | 3,178 |
| | **22.4%** | **22.1%** |
| **Return on capital employed** | | |
| Profit before tax | 1,046 | 890 |
| Financial expenses | 14 | 14 |
| *Profit before financial expenses* | 1,060 | 904 |
| Average balance sheet total | 5,728 | 5,059 |
| Average non-interest-bearing liabilities | 1,787 | 1,591 |
| *Average capital employed* | 3,941 | 3,469 |
| | **26.9%** | **26.1%** |
| **Capital turnover rate** | | |
| Net sales | 4,635 | 3,882 |
| Average balance sheet total | 5,728 | 5,059 |
| Average non-interest-bearing liabilities | 1,787 | 1,591 |
| *Average capital employed* | 3,941 | 3,469 |
| | **1.2** | **1.1** |
| **Book-to-bill** | | |
| Order intake | 4,506 | 3,687 |
| Net sales | 4,635 | 3,882 |
| | **1.0** | **0.9** |

| | 2021 | 2020 |
|---|---|---|
| **EBITDA** | | |
| EBIT | 1049 | 898 |
| Depreciation/Amortization | 205 | 214 |
| | **1,254** | **1,112** |
| **Underlying EBIT** | | |
| EBIT | 1,049 | 898 |
| *Acquisition-related costs* | | |
| Cost of goods sold | 30 | – |
| Operating expenses | 67 | 77 |
| | **1,146** | **975** |
| **Equity per share** | | |
| Equity at balance day | 3,997 | 3,378 |
| Number of outstanding shares at year-end, thousand | 97,635 | 97,685 |
| | **40.94** | **34.58** |
| **Earnings per share** | | |
| Profit/loss for the year attributable to owners of the Parent Company | 828 | 694 |
| Average number of outstanding shares before dilution, thousands | 97,649 | 97,743 |
| Average number of outstanding shares after dilution, thousands | 97,709 | 97,763 |
| | **8.48** | **7.10** |
| **Net cash** | | |
| Cash and cash equivalents | 683 | 1,303 |
| Interest-bearing liabilities | –243 | –264 |
| | **440** | **1,039** |

## Note 38 Events after year-end

At the beginning of February 2022, Mycronic's division Global Technologies finalized the divestment of AEi to Singapore-based ASM Pacific Technology. The effects of the divestment are not material for the Group's financial position and will be disclosed in the first quarter.

The direct impact on the Mycronic Group of the war in Ukraine is limited. Total exposure to Russia, Belarus and Ukraine represents less than 1 percent of net sales and Mycronic has equally limited exposure to suppliers from these countries. The indirect financial effects, through the conflict's impact on the world economy, are not possible to estimate at the time of publication of the Annual and Sustainability Report.

**Statement of assurance**

The Board of Directors and the CEO give their assurance that the annual report has been prepared in accordance with generally accepted accounting standards in Sweden and that the consolidated financial statements have been prepared in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, on the application of international accounting standards.

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

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

Täby, March 24, 2022

**Patrik Tigerschiöld**
Chairman of the Board

**Arun Bansal**
Board member

**Anna Belfrage**
Board member

**Katarina Bonde**
Board member

**Staffan Dahlström**
Board member

**Robert Larsson**
Board member

**Johan Densjö**
Board member
Appointed by Unionen

**Jörgen Lundberg**
Board member
Appointed by Akademikerna

**Anders Lindqvist**
CEO

Our Auditor's Report was submitted on March 31, 2022
Ernst & Young AB

**Erik Sandström**
Authorized Public Accountant

# Auditor's report

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

**REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS**

**Opinions**

We have audited the annual accounts and consolidated accounts of Mycronic AB (publ) except for the corporate governance statement on pages 58-63 for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 16-32, 46-57 and 64-105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 58-63. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

**Basis for Opinions**

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

**Key Audit Matters**

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**Valuation of finished goods and products in progress**

*Description*

As of December 31, 2021, Inventory of finished goods and products in progress amount to 960 MSEK. A detailed specification of the composition of the inventory is presented in note 26 of the annual report. Inventories are valued at the lower of cost and net realizable value. Finished goods and products in progress is recognized at production cost less any obsolescence. Production cost is calculated using a stock accounting model to allocate direct and indirect production related costs to the manufactured products. The allocation of costs is affected by management's estimates and assumptions and an incorrect allocation of costs affects the valuation of finished goods and products in progress as well as cost of goods sold. Thus, we have considered valuation of finished goods and products in progress as a key audit matter. A presentation of the applied accounting principles on valuation of finished goods and products in progress is described in the section of accounting principles in note 2 of the annual report. The estimates and assumptions associated with the valuation of inventory of finished goods and products in progress is described in note 4.

*How our audit addressed this key audit matter*

In our audit, we have evaluated the company's accounting procedures for determining the acquisition cost of finished goods and products in progress and evaluated whether applied accounting principles are in accordance with current regulations.

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

We have examined the information provided in the annual report.

**Valuation of goodwill**

*Description*

Goodwill amounts to 1 740 MSEK in the statement of financial position as of December 31, 2021. A presentation of the applied accounting principles on goodwill is described in the section of accounting principles in note 2 of the annual report. As described in note 2, the Company tests for impairment annually and when an indication of impairment of goodwill exists. The recoverable amounts are determined with a calculation of the value in use of each cash generating unit by calculating the present value of estimated future cash flows. Used forecasts of future cash flows are based on the forecast set for the following year, supplemented by an individual assessment of an additional four years.

Note 19 describes significant assumptions used in the calculation of the value in use. As the value in use is dependent upon these assumptions, we have assessed valuation of goodwill as a key audit matter.

*How our audit addressed this key audit matter*

In the audit for the financial year, we have evaluated the company's process for conducting impairment tests. Based on established criteria, we have examined how the company identifies cash-generating units. We have evaluated the valuation methods and calculation models used. We have assessed the reasonableness of assumptions, conducted sensitivity analysis, and compared historical outcomes to evaluate the reliability of previous forecasts. The reasonableness of the discount rate and long-term growth used for each unit has been evaluated through comparisons with other companies in the same industry.

We have examined the information disclosed in the annual report.

**Acqusition**

*Description*

In 2021, Mycronic acquired 100% of the shares in the German entity atg Luther & Maelzer GmbH. The total purchase price amounted to 1 063 MSEK.

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

*How our audit addressed this key audit matter*

In our audit for the financial year, we have examined the acquisition agreement. We have examined the balance sheet related to the acquired business that furthermore is used as the underlying information for the purchase price allocation related to the acquired business. Further, we have assessed the applied procedures to allocate the purchase price to the acquired assets and liabilities. We have engaged valuation specialists to assess the reasonableness of the applied valuation model and the assumptions made.

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

**Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–15, 33–45 and 110–133. The remuneration report for the financial year 2021 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

***Report on the audit of the administration and the proposed appropriations of the company's profit or loss***

**Opinions**
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Mycronic AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### *The auditor's examination of the ESEF report*

**Opinion**

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Mycronic AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #ac1d13106c7ed0af72f0c86b dca1766a3a9ef78aee44646d8ef1691c8ed85825 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

**Basis for opinion**

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Mycronic AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

### *The auditor's examination of the corporate governance statement*

The Board of Directors is responsible for that the corporate governance statement on pages 58-63 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Hamngatan 26, 111 47, Stockholm was appointed auditor of Mycronic AB by the general meeting of the shareholders on May 5 2021 and has been the company's auditor since the May 6, 2013.

Stockholm 31 March, 2022
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

# Sustainability notes

Mycronic aims to provide its key stakeholders with a transparent picture of its sustainability initiatives and results. This section presents additional information about our sustainability governance, our impact, our stakeholder dialogue, materiality analysis as well as sustainability data.

**About the Sustainability Report**

Mycronic's Sustainability Report for 2021 has been prepared in accordance with the GRI Standards: Core option. The disclosures focus on the sustainability topics that are considered to be the most material regarding Mycronic's economic, social and environmental performance. Mycronic applies the Precautionary Approach to reduce or to avoid negative impacts on the environment. The Sustainability Report is an integral part of Mycronic's Annual Report. Pages 33–45 and 110–129 in the Annual Report constitute Mycronic's statutory Sustainability Report, in accordance with the Swedish Annual Accounts Act. Mycronic reports sustainability performance on an annual basis. This report refers to the period January 1 to December 31, 2021, which corresponds to Mycronic's fiscal year. The most recent Sustainability Report, Mycronic Annual and Sustainability Report 2020, was published on April 8, 2021.

For more information about the Sustainability Report, please contact,

**Kristina Svanteson, Sustainability Manager**
**+46 73 352 71 13**
**kristina.svanteson@mycronic.com**

**Boundaries and changes**

Mycronic's non-financial data generally covers all Mycronic companies worldwide that are globally integrated into our financial reports. However, in this year's report, non-financial data for the two companies acquired in 2021 – atg L&M and Shenzhen Huan Cheng Xin Precision Manufacture Co. Ltd. (HC Xin) - has not been included, with the exception of employee data that has been included for HC Xin. These two companies are planned to be fully integrated in the 2022 Sustainability Report. Any other exception in boundary or scope is clearly indicated in connection to the reported data.

Information on the definitions and calculation methods applied are described in connection to the reported data. Changes have generally not been made to the information supplied in earlier reports. Only in a few cases, new information provided has led to adjustements in previous years' reporting. This is then clearly indicated.

# Sustainability governance

The responsibility for effective governance of sustainability topics lies with the CEO, together with Executive Management. Reporting to Sr VP Global Functions (member of Executive Management), the Sustainability Manager drives the sustainability agenda on a Group level. The division heads are responsible for setting targets, driving actions and reporting results for their respective organization.

In addition to this, designated members of Executive Management (CFO, Sr VP Global Functions and Sr VP Human Resources) have been tasked with leading working groups focusing on responsible business, environmental impact, social responsibility, and sustainable innovation. The working groups consist of field experts and representatives from each division and serve as a forum for collaboration and best practice sharing.

The Board of Directors receives an annual review of Mycronic's sustainability strategy and is otherwise informed if necessary. In 2021, Executive Management reviewed and adopted Mycronic's new sustainability strategy for 2030, which was approved by the Board in June. Executive Management and division heads participated in workshops to facilitate the integration of the sustainability strategy in the divisions. Senior managers have received presentations of the sustainability strategy, our carbon footprint and gender statistics.

**Policy and guidelines**

Management in the field of sustainability is guided by Mycronic's Code of Conduct and Mycronic's Guiding Principles, which comprise fundamental rules and guidelines for employees and external consultants. Mycronic requires regular signing of the main Group policies. In 2021, 84% of the employees worldwide read and signed the Code of Conduct. Most of the remaining employees had signed the Code in the beginning of 2022.

Further policies governing sustainability are the Codes of Conduct for suppliers and distributors, the Quality and Environmental Policy, the Diversity and Inclusion Policy, the Health and Safety Policy and the Anti-corruption policy. Mycronic's Ethics and Compliance Board (ECB) develops guidelines in ethics and compliance and sees to that Mycronic has clear processes for review and follow-up of compliance. The ECB meets monthly. It is led by the Group CFO and includes two other members of the executive management team as well as the General Counsel.

**Suspected violations of the Code of Conduct**

All employees are expected to report to the nearest manager, the manager's manager, or HR, any observed or suspected violation of law or Mycronic Code of Conduct. Violations of the Code of Conduct, other Group policies or the health and safety of individuals may be reported confidentially and anonymously through Mycronic's whistleblowing system, which is handled by an external law firm. Anyone who reports in good faith shall not be discriminated against or punished. The above is also described in Mycronic's Whistleblowing Policy. In 2021, one case was reported through the whistleblowing system. The investigation, conducted with the support of external experts, concluded that no infringement could been detected.

**Membership of associations**

Mycronic is a signatory of the UN Global Compact and is committed to acting in accordance with the ten principles on human rights, labor, the environment and anti-corruption. Mycronic's sustainability initiatives also have a clear link to the UN Sustainable Development Goals (UN SDGs) and contribute to the goals where the company has the greatest possibility of influencing development in a positive direction (for more information, see the materiality analysis on page 115). Mycronic contributes both through its own accountability and by offering sustainable production solutions to customers.

Mycronic has memberships in several business and sector associations, such as: the Confederation of Swedish Enterprises, The association of Swedish Engineering Industries, The Royal Academy of Engineering Sciences (IVA), The Swedish Association for Sustainable Business, Association Connecting Electronics Industries (IPC), Institute of Electrical and Electronics Engineers (IEEE), The international society for optics and photonics (SPIE), Society of Rheology (SoR), American Physical Society (APS), SMTA – Surface Mount Technology Association, IMAPS – International Microelectronics Assembly and Packaging Society, International Council on Systems Engineering (INCOSE), The International Electronics Manufacturing Initiative (iNEMI), Photonics Sweden and the Hermes Standard.

# Stakeholder dialogue and materiality analysis

### Stakeholder dialogue

In addition to our traditional channels for information exchange, Mycronic also conducts targeted stakeholder dialogues on sustainability. These are conducted at least every three years, with the purpose to deepen the understanding of our main stakeholders' expectations regarding our work with sustainability and to identify risks and opportunities at an early stage. The stakeholder dialogue informs the materiality analysis, which lays the foundation for Mycronic's continued work with sustainability.

Executive Management approves the sustainability materiality analysis. This year's review (see page 115) did not lead to any changes in the material topics.

### Identifying stakeholders

A stakeholder is defined as a person, group of persons or other entity, which is affected by the organization and its results or have interest in the organization. Both internal and external stakeholders are considered. Key stakeholders are defined through a process aiming at identifying those stakeholders with whom Mycronic wishes to engage. To be considered a key stakeholder, with whom Mycronic should conduct stakeholder dialogues, the three statements below must be true:

- The stakeholder has needs and expectations on Mycronic
- The stakeholder has a fundamental impact on Mycronic's performance
- Mycronic can easily identify the purpose of the engagement and the type of output the company can expect from a dialogue with the stakeholder

The primary stakeholders for Mycronic are investors, employees, customers and suppliers. Divisions at Mycronic may add other stakeholder groups to the list of relevant stakeholders if the process described above shows that this is relevant.

### Orginzation of the dialogues

Our dialogues on sustainability are held through surveys, interviews, face to face-discussions and workshops, depending on the targeted stakeholder. The sustainability manager coordinates the sustainability dialogue process. The divisions are responsible for rolling out the dialogue process with their customers and suppliers. The Corporate Office organizes the dialogues with investors and employees. The sustainability manager collects and analyses the results, which is presented to the executive management and the Board of Directors.

### Dialogues in 2021

In 2021, Mycronic conducted dedicated stakeholder dialogues on sustainability with customers, investors, employees and suppliers. The table below highlights the top three sustainability topics for Mycronic to address, according to each stakeholder group. In addition, more than 350 comments and ideas were collected.

| Stakeholder group | Communication channel | Most important topics |
|---|---|---|
| **Employees** | Employee survey | 1. Environmental innovation and design of products<br>2. Employee health and safety<br>3. Responsible sourcing |
| **Customers** | Customer survey, meetings | 1. Environmental innovation and design of products<br>2. Responsible sourcing<br>3. Climate impact from Mycronic's operations |
| **Investors** | Face to face-meetings | 1. Environmental innovation and design of products<br>2. Responsible sourcing<br>3. Climate impact from Mycronic's operations |
| **Suppliers** | Supplier survey | 1. Environmental innovation and design of products<br>2. Responsible sourcing<br>3. Employee health and safety |

**Summary of Mycronic's materiality analysis for 2021**

| Areas | Material topics | Main GRI Disclosures | Related UN Sustainable Development Goals and Targets |
|---|---|---|---|
| **Key area: Innovation for sustainability** | • Environmental impact from the use and disposal of products<br>• Use of materials | GRI 301: Materials<br>GRI 302: Energy | 7,3 Double the improvement in energy efficiency<br>9,5 Enhance research and upgrade industrial technologies<br>12,2 Sustainable management and efficient use of natural resources |
| **Key area: Future engineers through diversity** | • Non-discrimination, diversity and inclusion<br>• Community involvement | GRI 401: Employment<br>GRI 405: Diversity and Equal Opportunity<br>GRI 406: Non-discrimination<br>GRI 413: Local Communities | 4,4 Increase the number of people with relevant skills for employment<br>4,5 Eliminate gender disparities in education<br>5,1 End discrimination against women and girls<br>8,5 Full employment and decent work with equal pay |
| **Key area: Climate impact** | • Transports<br>• Internal energy use<br>• Business travel | GRI 302: Energy<br>GRI 305: Emissions | 7,3 Double the improvement in energy efficiency<br>12,2 Sustainable management and efficient use of natural resources |
| **Other areas** | • Responsible sourcing<br>• IT security<br>• Anti-corruption<br>• Anti-competitive practices<br>• Trade compliance<br>• Health and Safety<br>• Training and development<br>• Environmental management systems<br>• Waste<br>• Chemicals<br>• Respect of Human Rights<br>• Respect of Labor Rights | GRI 204: Procurement practices<br>GRI 205: Anticorruption<br>GRI 306: Effluents and waste<br>GRI 308: Supplier Environmental Assessment<br>GRI 403: Occupational Health and Safety<br>GRI 404: Training and Education<br>GRI 414: Supplier Social Assessment | 3,9 Reduce illness from hazardous chemicals and pollution<br>8,8 Protect labour rights and promote safe working environments<br>12,4 Responsible management of chemicals and waste<br>12,5 Substantially reduce waste generation<br>16,5 Substantially reduce corruption and bribery |

# Economic disclosures

## Suppliers

In 2021, Mycronic had about 1,500 suppliers worldwide, of which 46% in Asia, 37% in Europe and 17% in the USA. The proportion of spending on local suppliers was approximately 75% in 2021 on a Group level. A local supplier is defined as an organization "that provides a product or service to the reporting organization, and that is based in the same geographic market as the reporting organization (that is, no transnational payments are made to a local supplier)".

Environmental and social assessments

Suppliers shall sign Mycronic's Supplier Code of Conduct, which covers both environmental and social criteria.

Environmental and social topics are included in the evaluation of suppliers to the Swedish purchasing organization. In Sweden, the standard evaluation consists of a self-assessment and an on-site audit, and covers issues related to, for example, greenhouse gas emissions, water and electricity use, waste recycling, human rights, health and safety, and diversity. Due to COVID-19 pandemic restrictions, on-site audits of suppliers were postponed in 2020. In 2021, audits were partly reinstated but were conducted by distance through video. In 2021, 3 new suppliers were registered by the Swedish purchasing organization. These suppliers completed the Self-Assessment Checklist, which included environment and social criteria, and all declared processes in place to support the criteria. An online audit was conducted for one of the new suppliers and no major deviations were identified with regard to environmental and social criteria.

In our Chinese purchasing organization, new suppliers are assessed on their compliance with the Responsible Alliance Code of Conduct, which includes a number of social and environmental criteria. In 2021, 168 suppliers were also assessed on environmental criteria related to RoHS and REACH compliance.

## Anti-corruption

In 2021, 84% of the employees worldwide signed Mycronic's Anti-corruption policy. Most of the remaining employees had signed the policy in the beginning of 2022.

Mycronic has an established whistleblower service handled by an external law firm, which enables employees and external parties to report suspected breaches of the Code of Conduct or the Anti-corruption policy, including e.g. suspicions of corruption. Any reported case are thoroughly investigated with the help of external experts and corrective measures are taken should a violation have occurred. In 2021, no case that was related to potential fraud or corruption was reported to the whistleblower service.

# Environmental disclosures

Environmental management is based on Mycronic's Codes of Conduct, Quality and Environmental Policy, Group instructions and established goals. Mycronic has set a target to reduce own $CO_2$ emissions by 50% to 2030, compared to 2020. By own operations we refer to emissions from the energy consumption of our manufacturing facilities and offices; purchase of direct materials, packaging and office supplies; transport of goods and products; and business travel. Alltogether, this includes all emissions in scope 1 and 2 and some of the emissions in scope 3. The divisions set environmental goals in line with the Group strategy and identified significant environmental aspects. Divisions are responsible for their implementation and for reporting results, which is done mainly through our quality and environmental management system.

## Materials

Mycronic's products contain many materials with differing degrees of environmental impact, including metals (such as stainless steel, aluminium and titanium), rock (primarily diabase), plastic, glass, batteries and various types of electronic components. Work is ongoing in all divisions to reduce the environmental impact of bought materials and components.

Mycronic reports the weight of the main materials used to produce and package our primary products. The materials covered in the data are metals, composite and stone, plastic, and electronics.

Of the reported materials, metals represent approximately 70 percent. To merit inclusion, the material's weight needs to exceed 1 percent of the products' total weight. Total weight is calculated by estimating material proportion in products, known weight of the products and multiplied by the number of produced products during the year.

Material used by weight

| | Asia | | | Europe | | | USA | | | Group | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Tonne** | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Material consumption–products | 1,089 | 1,686 | 1,779 | 1,014 | 660 | 601 | 10 | 191 | 241 | 2,113 | 2,537 | 2,621 |
| Packaging materials, incl. paper, cardboard and plastics | 265 | 389 | 914 | 61 | 60 | 40 | 6 | 1 | 5 | 333 | 450 | 959 |
| **Total** | **1,354** | **2,075** | **2,693** | **1,075** | **720** | **641** | **16** | **192** | **246** | **2,446** | **2,987** | **3,580** |

*Data coverage*
Data for 2021 covers all operations, except the newly acquired companies atg L&M and HC Xin. Data in 2019 did not cover the acquired company MRSI (USA) and is therefore not comparable with data for following years.

*Omissions*
Due to the data being unavailable, Mycronic cannot report the data broken down by renewable and non-renewable materials.

*Methodology*
Collection and reporting of data for 2021 were done by representatives at each unit. The information was collected through an online platform (Our Impacts) and the quality assessed by an external organization (ZeroMission).

## Water

Water and effluents are not material topics for Mycronic. Water is not used in Mycronic's production processes. The consumption relates mainly to bathrooms and canteens. As a result, Mycronic uses and wastes only small amounts of water. Moreover, Mycronic does not have manufacturing sites or substantial presence in regions facing high water stress. Mycronic has nevertheless chosen to publish water consumption data starting from 2021, to respond to recent stakeholder requests.

Water consumption

| | 2021 |
|---|---|
| Total ($m^3$) | 13,093 |

*Data coverage and methodology*
Collection and reporting of data for 2021 were done by representatives at each production unit. The information was collected through an online platform (Our Impacts) and the quality assessed by an external organization (ZeroMission). Data covers all operations, except the newly acquired companies atg L&M and HC Xin.

## Energy

Efforts to reduce the $CO_2$ footprint from our manufacturing sites and offices can be summarised as reducing energy consumption and, where possible, switching to renewable electricity. Actions include optimization of isolation, ventilation and heating systems. In 2021, the renewable share of purchased energy was 47 percent.

Energy consumption inside the organization (MWh)

| | Electricity | | | Oil | | | Natural gas and LPG | | |
|---|---|---|---|---|---|---|---|---|---|
| **Energy consumption per type (MWh)** | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Asia | – | 1,478 | 3,438 | – | – | – | – | 91 | 139 |
| Europe | – | 5,349 | 5,155 | 10 | 117 | 256 | 26 | 25 | 10 |
| USA | – | 1,312 | 1,270 | – | – | – | 1,016 | 533 | 408 |
| **Total** | **8,323** | **8,139** | **9,863** | **10** | **117** | **256** | **1,042** | **649** | **557** |

| | Electricity | | |
|---|---|---|---|
| **Energy consumption from renewable sources (MWh)** | 2019 | 2020 | 2021 |
| Sweden | 5,273 | 5,126 | 4,953 |
| Germany (High Flex division) | 26 | 34 | 34 |

| **Total energy consumption within the organization (MWh)** | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Grand total** | **9,375** | **8,905** | **10,676** |

Energy consumption outside of the organization (MWh)

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| Asia | 14,924 | 26,250 | 39,200 |
| Europe | 111,147 | 116,296 | 114,483 |
| USA | 6,380 | 6,380 | 2,440 |
| **Total** | **132,452** | **148,926** | **156,123** |

Energy consumption within the organization
The Group's energy consumption increased between 2020 to 2021, which is mainly due to the expansion of the site area in China. About half of Mycronic's energy consumption occurs in Sweden, where the site has renewable electricity contracts. The electricity bought in Sweden comes from hydro power certified by Vattenfall. In Germany the electricity is a mix of wind and hydropower certified by Greenpeace. Between 2020 and 2021, natural gas consumption decreased while oil consumption increased. Oil consumption is related to heating of a facility in Germany as well as in Sweden where oil is used as a complement during periods of extreme cold weather. The use of natural gas in China is related to the kitchen consumption (meals for employees).

*Data coverage*
Data covers all operations, except the newly acquired companies atg L&M and HC Xin. Data before 2019 is not comparable with more recent data, due to changes in scope and in calculation methods. Following adjustments in the reporting of natural gas consumption in China, the energy consumption for 2020 was reduced with 457 MWh. Small adjustments have also been made to the 2019 data for oil and natural gas consumption.

*Omissions*
Cooling and steam consumption is minimal and is therefore not disclosed. Renewable energy is only disclosed when specifically reported by a unit, and supported by certificates or other evidence.

*Methodology*
Collection and reporting of data for 2021 were done by representatives at each unit. The information was collected through an online platform (Our Impacts) and the quality assessed by an external project manager (ZeroMission). Energy consumption was reported in two ways. Either as consumption of gas, electricity or other fuels, or by estimating energy demand based on facility floor area (m2) and conversion factors (kWh/m2). Emissions from renewable energy are calculated using EPD (Environmental Product Declarations) from Vattenfall.

Energy consumption outside of the organization
The energy consumption outside the organisation covers electricity consumption from the installed base at Mycronic's customers' sites (i.e. Mycronic's products used at customers' sites). The increase in energy consumption by sold products is primarily driven by the High Volume division in China (13,000 MWh increase). The decrease in USA is due to better measurement of product use in 2021 compared to 2019 and 2020.

*Data coverage*
Data covers all operations, except the newly acquired companies atg L&M and HC Xin. Data before 2019 is not comparable with more recent data, due to changes in scope and in calculation methods.

*Methodology*
Data collection and reporting for 2021 were done by representatives at each unit and collected through an online platform (Our Impacts). The quality is assessed by an external organization (ZeroMission). The data of consumed energy is an estimation based on:
- Number of installed units (installed base)
- Annual hours of operation at client site (both stand-by and full operation)
- Energy consumption of the sold units (based on technical specification)

Knowledge of hours in operation or stand-by is very fragmented and not equally applied across the Group. In most cases, Mycronic has no evidence of the type of energy purchased by their clients to operate the units. In 2021, the High Flex division has investigated the type of energy purchased by their clients to operate the units, which has lead to an improved data collection methodology within this division. The Global Technologies division in the US has also improved measurement.

## Emissions

Mycronic's largest climate impact occurs in our downstream scope 3 emissions, when the products are used by our customers.

**Scope 1 Greenhouse gas emissions, (metric tons $CO_2e$)**

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Total** | **595** | **458** | **474** |

**Scope 2 Greenhouse gas emissions, (metric tons $CO_2e$)**

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Total** | **1,222** | **1,437** | **2,646** |

**Scope 3 Greenhouse gas emissions, (metric tons $CO_2e$)**

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Total** | **95,967** | **109,216** | **131,933** |

*Data coverage (for scope 1–3)*
Data covers all operations, except the newly acquired companies atg L&M and HC Xin. Data before 2019 is not comparable with more recent data, due to changes in scope and in calculation methods.

*Omissions*
The carbon footprint does not cover the following Scope 3 categories:
- Capital goods
- Employee commuting
- Some upstream transports (partially included)
- Transportation of waste

*Methodology*
Mycronic reports its scope 1, 2 and 3 emissions in accordance with the recommendations of the Greenhouse Gas Protocol Corporate Standard ("GHG Protocol"). A carbon emissions calculation tool from an external provider (Our Impacts) is used for the calculations. This tool also provides the conversion factors. Climate consultant ZeroMission has performed a quality verification of the calculations. We use the operational control consolidation approach. The following gases are included in the calculation: $CO_2$, $CH_4$, $N_2O$, HFCs, PFCs, $SF_6$ and $NF_3$. Biogenic $CO_2$ emissions are included in the calculation and were 0.3 tons in 2021. The global warming potential (GWP, $AR_5$) rates used are: 1 for $CO_2$ and for $CO_2$eq, 28 for $CH_4$, 265 for $N_2O$ and 0 for biogenic $CO_2$.

Scope 2 emissions are reported according to the market-based method outlined by the GHG protocol Scope 2 Guidance.

**Scope 1: Direct GHG emissions**
Data included in scope 1
- Other energy: The production site in USA uses natural gas and propane; the production site in France uses natural gas (this production site was moved to Sweden in July 2021); the production site in China uses LPG for cooking, and the production site in Germany and (sometimes) Sweden uses oil.
- Company owned cars are included in the scope

**Scope 2: Indirect GHG emissions**
Scope 2 emissions increased between 2020 and 2021, mainly due to an expansion of the site area in China.

Data included in Scope 2
- Electricity consumption within the organisation.

**Scope 3: Other indirect GHG emissions**
Mycronic's scope 3 emissions represent the large majority of the Group's climate impact. A dominant part of scope 3 emissions, 83 percent or 109,700 metric tons $CO_2e$ for 2021, comes from the use of products by our customers (i.e. energy consumption outside of the corporation). The observed increase of Scope 3 emissions is due to three main factors: updates of emission factors, a larger scope of data collected, and increased sales. The $CO_2e$ value is calculated based on geographical location, but this could be further improved. In addition, more accurate data on operating hours would reduce uncertainty in calculations. Calculations of emissions from transports are complicated and complex. Mycronic continues to improve data quality in this area, but there is room for improvement, especially with regard to coverage of inbound transports and reports from expeditors.

Data included in scope 3
- Materials; products

Purchased materials are estimated based on typical unit material composition and the number of units produced during the year. Each site or business area has a unique material composition. The unit composition is based on the 2018–2019 model or otherwise more updated inventories. Scope 3 emissions from material increased in 2021. This is mostly due to updated emission factors, but also to a minor extent due to increased use of materials,

- Materials; packaging

Packaging materials have been reported by each site since 2020. Previous years are based on a model to estimate amounts.

- Materials; office material

Measured by purchased amount of print paper.

- Electricity; use of sold products

Energy consumption outside of the company, i.e. for products in use. The data covers electricity consumption from the installed base at the customers' sites (i.e. Mycronic's products used at customers' sites). The consumed energy is an estimation based on the number of installed units (installed base); annual hours of operation at client site (both stand-by and full operation); and the energy consumption of the sold units (based on technical specification).

- Business travel; road, air and rail

Reports from travel agencies and from internal accounting.

- Transports

Weight and distances have either been estimated based on sold products, or by requesting annual reports from expeditors and third-party delivery firms. Data was collected and reported by each site. Data covers outbound (sold units) deliveries to clients. Reporting on inbound transportation was introduced in 2021 and a major part of the sites reported on this, but not all.

- Waste

Emissions from treatment of landfill and hazardous waste are included.

## Sources of the emission factors used

**Scope 1**

- BEIS (2021). UK Government conversion factors for greenhouse gas reporting. Department for Business, Energy and Industrial Strategy, London
- $CO_2$ emissiefactoren (2021), http://co2emissiefactoren.nl/lijst-emissie-factoren/ accessed March 2021
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## Waste

According to the European Commission, waste from electronics and electronic equipment (WEEE) is one of the fastest-growing waste streams globally. Waste from Mycronic's operations and products is comparatively small, since few products are manufactured and these have a long service life. Our estimates show that about half of the total amount of waste is sent for recycling. Most of the remaining waste is sent for incineration with energy recovery. A minor portion of waste, half of which consists of the natural stone diabase, goes to landfill. The divisions are working continuously to improve waste disposal and recycling within the Group. Waste from operations increased in 2021, while waste from sold products decreased. The weight of materials reused through Mycronic's buyback program decreased in 2021, since fewer machines at their end of life were sent in to us by customers.

Waste generated, by type and disposal method

| Non-hazardous waste, amount (kg) | Asia | | | Europe | | | USA | | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2020 | 2021 |
| Recycling | 1,994 | 3,300 | 4,400 | 279,597 | 302,323 | 342,000 | – | 340 | 15,000 | 306,000 | 361,400 |
| Recovery, including energy recovery | 318 | – | – | 137,688 | 130,352 | 133,000 | – | – | – | 130,352 | 133,000 |
| Landfill | 310 | – | – | 130,550 | 153,136 | 158,000 | – | 83,473 | 26,000 | 236,609 | 184,000 |
| **Total** | **2,622** | **3,300** | **4,400** | **547,835** | **585,811** | **633,000** | **–** | **83,813** | **41,000** | **672,961** | **678,400** |

| Hazardous waste, amount (kg) | Sweden | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Recycling | 9,978 | – | – |
| Recovery, including energy recovery | 6,209 | – | – |
| Combustion, without energy recovery | | 18,841 | 19,000 |
| **Total** | **16,187** | **18,841** | **19,000** |

| Summary per GHG category, amount (kg) rounded figures | Group | |
|---|---|---|
| | 2020 | 2021 |
| Waste in operations | 144,000 | 177,000 |
| Waste from sold products | 548,000 | 520,000 |
| **Total** | **692,000** | **697,000** |

| | Sweden | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Reuse (kg) | 68,344 | 24,373 | 5,900 |

*Data coverage*
Since 2020, figures for non-hazardous waste include all production sites worldwide, except the newly acquired companies atg L&M and HC Xin. Data in 2019 did not include operations in the USA. Data includes all types of waste, including product end-of-life disposal. We assume that all materials that can be recycled have been recycled at the end of life of products. To calculate amounts, we have used information provided by the waste disposal contractor, and, for recycling at end-of-life of products, known product content, combined with an estimated number of units recycled. Reuse refers to materials reused through Mycronic's buyback program. The majority of total waste is reported as end-of-life disposal of products.

*Omissions*
Waste generated at sales offices are not included. These are assumed to be negligible compared to waste from end-of-life of products and from production sites. Data for hazardous waste is currently unavailable for all units outside Sweden.

*Methodology*
Collection and reporting of data were done by representatives at each unit. The information was collected through an online platform (Our Impacts) and the quality assessed by an organization (ZeroMission). Since 2020, all hazardous waste is assumed to be treated by incineration without energy recovery. This does not impact the actual weights reported, but the GHG emissions do change.

Chemicals
Mycronic handles certain chemicals that are hazardous to health or the environment. These include chemicals that are necessary in the manufacturing process, such as adhesives and fats, and chemicals that are included in products. Mycronic commits to compliance to the RoHS and REACH Directives for products sold on the European market, as well as to the China RoHS regulation. Mycronic requires that all chemicals used in products and operations are controlled to minimize negative effects on the environment and human health. Such controls include, but are not limited to:

- process for the introduction of a new chemical, including risk assessments and evaluation of compliance with legal requirements,
- correct labelling, use, storage, delivery and transportation,
- instructions and other suitable precautions to prevent misuse
- availability of Personal Protection Equipment, (PPE), and spill containment apparatus,
- training of employees,
- process for the identification, evaluation, and elimination of chemicals containing substances hazardous to the environment and human health, (i.e., substances on the REACH Candidate list, CMR (Carcinogenic, mutagenic and reprotoxic) substances, allergy inducing substances and substances banned by legislation), If harmful substances have to be used, a sound motivation shall be provided and approval by the relevant authority received.

Relevant employees are trained in handling chemicals. The Pattern Generators and the High Flex divisions' operations do not use products that contain chemicals that are CRM-classified (Cancer, Reproduction, Mutagen). Exceptions are made for solder paste containing lead, but only when this type of solder paste is mandatory, which sometimes is the case in for example the aerospace sector. In Sweden, yearly goals are set to phase out specific chemicals, and risk assessments and audits of chemicals are performed regularly by an independent external partner.

# Social disclosures

## Employees

Mycronic's employees are crucial to the company's value creation, profitability and growth. At Mycronic, we want to offer an attractive, inclusive and healthy workplace. Being an attractive employer means being a responsible employer and promoting a dynamic employee culture.

### Information on employees and other workers

| | Asia | | | Europe | | | USA | | | **Group** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Per region** | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| Women | 91 | 122 | 172 | 123 | 110 | 107 | 31 | 30 | 30 | 245 | 262 | 309 |
| Men | 591 | 709 | 936 | 428 | 397 | 387 | 174 | 157 | 139 | 1,193 | 1,263 | 1462 |
| **Total** | **682** | **831** | **1,108** | **551** | **507** | **494** | **205** | **187** | **169** | **1,438** | **1,525** | **1,771** |
| Share of employees globally, % | 48 | 55 | 63 | 39 | 33 | 28 | 15 | 12 | 10 | 100 | 100 | 100 |
| Share women, % | 13 | 15 | 16 | 29 | 22 | 22 | 15 | 16 | 18 | 17 | 17 | 17 |

| | High Volume | | Global Technologies | | High Flex | | Pattern Generators | | Corporate Office | | **Group** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Per division** | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Women, % | 14 | 15 | 14 | 16 | 20 | 20 | 17 | 16 | 55 | 57 | 17 | 17 |
| Men, % | 86 | 85 | 86 | 84 | 80 | 80 | 83 | 84 | 45 | 43 | 83 | 83 |
| **Share of employees globally, %** | **43** | **52** | **8** | **8** | **26** | **21** | **20** | **17** | **3** | **2** | **100** | **100** |

*Data coverage*
Data covers all operations, except the newly acquired company atg L&M. Data for the other company acquired in 2021, HC Xin, is included. Employee data is compiled through the global Human capital management (HCM) system, on December 31, 2021.

*Omissions*
Homogenized and consolidated group data regarding the type of employment contract (Permanent/ Temporary or Full time/Part time) is not available on a Group wide basis.

### New employee hires and employee turnover

| | 2021 – Group | | | 2021 – Sweden | | |
|---|---|---|---|---|---|---|
| **Employees** | Female | Male | Total | Female | Male | Total |
| under 30 years | 33 | 154 | 187 | 1 | 10 | 11 |
| 30 – 50 years | 32 | 111 | 143 | 7 | 14 | 21 |
| over 50 years | 5 | 9 | 14 | 3 | 5 | 8 |
| **Total, Number** | **70** | **274** | **344** | **11** | **29** | **40** |

| **Employee turnover rate** | Total (Group) | Total (Sweden) |
|---|---|---|
| Total, % | 14 | 12 |

*Data coverage*
Data covers all operations, except the newly acquired company atg L&M. Data for the other company acquired in 2021, HC Xin, is included. Data refers to December 31, 2021.

Definition employee turnover rate: (Number of employees who left the company / average number of employees) * 100

## Employment

Mycronic commits to diversity, equality, fair working conditions and freedom of association for employees, including the right to join trade union associations. HR audits are conducted to identify the Group's strengths, risks and areas for improvement.

In 2021, all employees in Sweden and in the subsidiaries in France, which equals 24 percent of Mycronic's employees, were covered by collective bargaining agreements.

## Training and development

Training and learning on the job are essential for Mycronic to stay on the cutting edge of technological development. We therefore work in a structured way with knowledge-sharing and technology transfers within and across functions in all divisions. We also launched a new digital learning platform in 2021. It offers a wide variety of courses on a range of different subjects and is available to all employees even outside of work.

All managers hold annual performance reviews with their staff. These are called My Performance and Growth and include an evaluation of each employee's annual performance and a discussion to set new development goals for the next year.

Mycronic conducts annual employee surveys. 86 percent of the employees responded to the survey in 2021. Results showed that employees particularly appreciated their relations with managers and colleagues and their possibilities to influence. Identified areas for improvement include training and development, which Mycronic strives to improve.

Percentage of employees receiving regular performance and career development reviews.

| | 2019 | | 2020 | | 2021 | |
|---|---|---|---|---|---|---|
| **Employees** | Male | Female | Male | Female | Male | Female |
| Group, % | 95 | 95 | 95 | 95 | 95 | 95 |

*Data coverage*
Data covers all operations, except the newly acquired companies atg L&M and HC Xin. Data refers to December 31, 2021.

*Omissions*
Performance and Growth data divided per employee category is currently not available.

## Occupational health and safety

Mycronic is committed to providing a safe and healthy workplace. Our work in occupational health and safety focuses on reducing and preventing physical, ergonomic and psychosocial risks.

### Policy and guidelines

Mycronic's commitment to Health and safety is outlined in the Health and Safety Policy and the Code of Conduct. Health and safety is addressed in accordance with local laws and regulations in each country. Detailed requirements on how suppliers should address health and safety are found in Mycronic's specific Code of Conduct for suppliers, which all suppliers must sign. In Sweden, an employee representative is member of the Swedish Health and Safety Committee. The company currently has no global management system for health and safety.

### COVID-19

In 2020 and 2021, Mycronic carried out a number of initiatives to ensure the well-being and health of its employees during the COVID-19 pandemic. To monitor and work efficiently with ergonomic and mental health during the pandemic, employees in every country were given the opportunity to respond anonymously to surveys every three months about how they were coping both work-related and privately. Employees have been in close contact with their immediate supervisors, been provided with recommendations and tips on efficient ways to work from home that safeguard health, and in some countries were allowed to purchase ergonomic office furniture for their homes.

### Training and other health and safety initiatives

Mycronic continually trains employees to reduce and prevent physical, ergonomic and psychosocial risks. For roles that are exposed to specific risks, such as chemicals or lasers, we provide special safety training. All employees receive basic information and participate in exercises regarding how to act in the event of a fire or accidents. For relevant positions, health and safety are included in employees' introduction.

A number of targeted initiatives to prevent stress have been implemented over the last two years. Managers in Sweden and in China have participated in training on preventing work related stress, and other employees have participated in an e-learning. High Volume in China offers training with a psychologist twice a year, as well as monthly individual consultations with a psychologist, for those who wish to do so.

### Promoting health

In Sweden, all employees are covered by health and accident insurance and have access to occupational health care. They also have access to naprapaths in the workplace, and receive grants for health-promoting activities (for example sports). In other countries, the scope of access to insurance and occupational health care varies. The health care services are in most cases provided by external companies that guarantee the employees' data confidentiality in accordance with current local legislation.

### Work-related injuries

Incidents, work-related injuries and illness are reported according to local routines and definitions, which means that consolidated data at Group level is currently not available. However, work to consolidate practices and reporting throughout the Group was initiated in 2021. In 2021, minor incidents included for example allergic reactions from packages. One accident included a fall inside the production area.

| **Work-related injuries** | Number | | Rate | |
|---|---|---|---|---|
| | 2020 | 2021 | 2020 | 2021 |
| **Number and rate of fatalities as a result of work-related injury** | | | | |
| Group | 0 | 0 | 0 | 0 |
| **Number and rate of high-consequence work-related injuries (excluding fatalities)** | | | | |
| Sweden | 0 | 0 | 0 | 0 |
| **Number and rate of recordable work-related injuries** | | | | |
| Sweden | 7 | 5 | 2.8 | 1.7 |
| **Number of hours worked** | | | | |
| Sweden | 500,303 | 579,532 | | |
| Group | | 4,281,226 | | |

*Data coverage*
Number of hours worked: Data covers all operations, except atg L&M (acquired in 2021). Data for the other company acquired in 2021, HC Xin, is included.

Work related injuries: Data covers Swedish operations.

*Omissions*
Consolidated group data regarding injuries is not yet fully available and therefore not disclosed.

*Methodology*
Since 2019, Mycronic uses the GRI definitions for the mentioned disclosures, i.e.:

- (Number of fatalities as a result of work-related injury/Number of hours worked) X 200,000 hours worked
- (Number of high consequence work-related injuries excluding fatalities/Number of hours worked) X 200,000 hours worked
- (Number of recordable work-related injuries/Number of hours worked) X 200,000 hours worked

## Non-discrimination

Mycronic is committed to provide a workplace that is free from any type of discrimination and to promote diversity and equality. We monitor this issue through the annual employee survey and encourage employees to report incidents to their closest manager or through the whistle blower system. No discrimination cases were reported within the Mycronic Group in 2021, neither through the whistleblowing system nor through internal reporting channels. Data covers all operations worldwide.

## Diversity and inclusion

Mycronic works in different ways to prevent discrimination and foster diversity and inclusion, supported by its Code of Conduct as well as its Diversity and Inclusion Policy. Group wide goals are set in this area and the divisions set targets and actions pertaining to their specific challenges. Workshops on “unconscious bias” for HR managers and Executive Management have been held during the past two years, as has a digital training for employees. Read more about our work with diversity and equal opportunities on pages 40-41.

Diversity of governance bodies and employees

| | 2019 | | | 2020 | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Board of Directors** | Total | Female | Male | Total | Female | Male | Total | Female | Male |
| under 30 years, number | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30–50 years, number | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| over 50 years, number | 6 | 3 | 3 | 6 | 2 | 4 | 6 | 2 | 4 |
| **Total, number** | **6** | **3** | **3** | **6** | **2** | **4** | **6** | **2** | **4** |
| Share, % | 100 | 50 | 50 | 100 | 33 | 67 | 100 | 33 | 67 |

| | 2019 | | | 2020 | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Executive Management** | Total | Female | Male | Total | Female | Male | Total | Female | Male |
| under 30 years, number | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30–50 years, number | 2 | 0 | 2 | 1 | 0 | 1 | 3 | 1 | 2 |
| over 50 years, number | 7 | 3 | 4 | 8 | 3 | 5 | 5 | 2 | 3 |
| **Total, number** | **9** | **3** | **6** | **9** | **3** | **6** | **8** | **3** | **5** |
| Share, % | 100 | 33 | 67 | 100 | 33 | 67 | 100 | 37.5 | 62.5 |

| **Employees in management positions** | 2019 Total | 2019 Female | 2019 Male | 2020 Total | 2020 Female | 2020 Male | 2021 Total | 2021 Female | 2021 Male |
|---|---|---|---|---|---|---|---|---|---|
| **Total, Number** | **155** | **34** | **121** | **215** | **39** | **176** | **265** | **40** | **225** |
| Total, Share, % | 100 | 22 | 78 | 100 | 18 | 82 | 100 | 15 | 85 |

| **Employees** | 2019 Total | 2019 Female | 2019 Male | 2020 Total | 2020 Female | 2020 Male | 2021 Total | 2021 Female | 2021 Male |
|---|---|---|---|---|---|---|---|---|---|
| under 30 years, % | 24 | – | – | 24 | 3 | 20 | 29 | 4 | 25 |
| 30–50 years, % | 47 | – | – | 52 | 9 | 43 | 52 | 9 | 43 |
| over 50 years, % | 29 | – | – | 24 | 5 | 20 | 19 | 4 | 15 |
| **Total, %** | **100** | **17** | **83** | **100** | **17** | **83** | **100** | **17** | **83** |

*Data coverage*
The tables show data from December 31, 2021, for the total number of employees, employees in management positions, Executive Management and the Board of Directors, excluding employee representatives, when available broken down by age and gender. Data for the Board of Directors have been adjusted to align with Mycronic's financial reporting practices and therefore now excludes employee representatives. As a consequence, trade union elected members of the Board are no longer included in the data.

*Methodology*
Definition used for management position = Line Managers.

## Local communities

In addition to creating job opportunities, Mycronic participates in a number of initiatives aimed at strengthening the local community. Since 2020, Mycronic has a global strategy for local community involvement in which the company encourages initiatives that promote: education (especially in technical science and engineering); women in technology; innovation; and environmental gains. These types of initiatives also strengthen employees' commitment and, over the long term, can contribute to the company's skills supply.

In 2021, Mycronic's three major sites conducted initiatives to support local communities. These are the headquarters in Sweden, the Global Technologies Division in the USA, and the High Volume Division in China. See pages 40-41 for key initiatives conducted in 2021. Other initiatives include: Mycronic US coordinated a Food Drive in which employees donated over 423 pounds of food in time for Thanksgiving. Employees in China provided food to disadvantaged families so that they could celebrate the mid-autumn festival. Since 2020 the ability to continue to engage and expand local community initiatives have in some cases been negatively impacted by the COVID-19 pandemic.

## Innovation capacity

Mycronic encourages new ideas and close collaboration with customers. Internal cooperation across division borders is essential to optimize the use of the skills and technological expertise available throughout the Group. Mycronic's own laboratories and simulators, as well as a number of smaller innovation laboratories for rapid development and testing of new ideas, are facilitating the route from idea to concept. Partnerships with customers play a crucial role in monitoring and understanding future customer needs. In addition, collaboration with academia offers an insight into the latest research that may serve as a basis for solutions for future products.

Mycronic has a history of innovations that spans more than 40 years and that has resulted in more than 500 patents.

Number of granted patents during the year

| | 2019 | 2020 | 2021 |
|---|---|---|---|
| Group | 37 | 24 | 31 |

## Education in IT security

In the past two years, Mycronic's employees have received training in information security through a series of online mini courses. These take 3–4 minutes to complete and consist of brief reading materials followed by a few control questions. There are 12 modules, and a new course was sent out every two weeks until the end of 2021. New employees and employees in newly acquired companies will attend the courses in the coming year. Attendance is regularly followed up by the IT department.

*Data included*
Data covers all operations.

Participation in online IT security training session

| | 2021 |
|---|---|
| Employee participation in information security training (%) | 82 |

# **Auditor's report** on the statutory sustainability statement

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

**Engagement and responsibility**
It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2021 on pages 33–45 and 110–129, and that it has been prepared in accordance with the Annual Accounts Act.

**The scope of the audit**
Our examination has been conducted in accordance with FAR's auditing standard RevR 12. *The auditor's opinion regarding the statutory sustainability statement*. This means that our examination of the statutory sustainability statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

**Opinions**
A statutory sustainability statement has been prepared.

Täby, March 31, 2022
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

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# Definitions

**Acquisition-related costs**
Acquisition-related costs include expensing of acquired inventories at fair value, amortization and impairment of acquired intangible assets, changes in value and revaluation of contingent considerations and transaction costs.

**Book-to-bill**
Order intake in relation to net sales. Used to show future expected net sales development.

**Capital employed**
Total assets reduced by non-interest bearing liabilities. Used to show the ability to meet capital needs from operations.

**Capital turnover rate**
Net sales divided by average capital employed. Used to show how much capital operations use.

**Cash flow from financing activities**
Payments of dividends, increase and amortization of loans, etc.

**Cash flow from investing activities**
Net capital investments in subsidiaries and other business combinations, building, machinery and equipment, capitalized development and financial non-current assets.

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

**Earnings per share**
Profit attributable to the owners of the Parent Company divided by the average number of outstanding shares before and after dilution. Used to set the value of the company's earnings per share.

**EBIT**
Profit from operations, before financial items and tax.

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

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

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

**Equity/assets ratio**
Equity as a percentage of total assets. Used to show how much of assets are financed by equity.

**Gross margin**
Gross profit as a percentage of net sales. Used to show profitability from sales of goods and services.

**Gross profit**
Net sales less costs for goods sold. Used to show profitability from sales of goods and services.

**Net debt/net cash**
Interest-bearing liabilities less cash and cash equivalents. Used to show ability to repay all debts at expiry date.

**Order backlog**
Remaining orders for goods, valued at balance day exchange rate. Used to show secured future net sales of goods.

**Order intake**
Orders received for goods and services, valued at average exchange rates. The order intake also includes revaluation of the order backlog at closing exchange rate. Used to show orders received.

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

**P/E ratio per share**
Share price at December 31 divided by earnings per share.

**R&D costs**
Costs attributable to R&D activities including costs of personnel engaged in R&D. Reduced by capitalized development costs.

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

**Return on equity**
Net profit as a percentage of average equity. Used to show return on shareholders capital over time.

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

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

# Glossary

**AMOLED**
Active-Matrix Organic Light-Emitting Diode. In an AMOLED display, each pixel is its own light source. This enables the production of thinner, more energy-efficient displays.

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

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

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

**Dispensing**
Dispensing is used in the manufacturing of electronics to apply adhesives, solder paste or other mounting fluids onto circuit boards. This also includes conformal coating of circuit boards

**Electronic packaging**
The manufacturing step that packages a semiconductor chip so that it is protected and can be connected to other electronics components in electronic products.

**Internet of Things**
A collective term for when machines, vehicles, goods, household appliances, clothing and other items are equipped with built-in sensors. Units can communicate and in this way behavior adapted to the situation is created.

**Jet printing**
A technology for non-contact application of solder paste on circuit boards.

**LCD**
LCD (Liquid Crystal Display) is a technology for the manufacturing of displays. LCD is based on liquid crystal material, an electrically active fluid. There are two main LCD technologies: active (TFT-LCD) and passive (PM-LCD or TN/STN LCD).

**LiDAR**
Light detection and ranging. LiDAR is an optical measuring instrument that measures properties of reflected light to find the distance and/or other properties of a distant object.

**Mask writer**
Exposure equipment used for the manufacture of photomasks.

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

**Photomask**
A photomask can be compared to a photo negative. A pattern is written with a Mycronic mask writer and transferred to the end product by a lithographic process. The photomask consists of a transparent substrate of glass or quartz that is covered with a thin layer of chrome and a layer of photoresist. Photoresist is a light-sensitive material that can be developed and then washed away after exposure to light. After writing, the photoresist is developed and the pattern is transferred to the chrome layer by etching.

**Pick and Place**
A term for robots that pick and place electronic components on a circuit board.

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

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

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

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

# Ten-year overview

| SEK million | 2021 | 2020 | 2019 | 2018 | 2017[1] | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Order intake | 4,506 | 3,687 | 4,567 | 3,642 | 3,567 | 2,455 | 2,179 | 2,028 | 1,053 | 1,280 |
| Order backlog | 1,975 | 1,969 | 2,164 | 1,904 | 1,963 | 1,342 | 1,066 | 702 | 149 | 90 |
| **Profit and Loss Accounts** | | | | | | | | | | |
| Net sales | 4,635 | 3,882 | 4,307 | 3,781 | 3,000 | 2,319 | 1,815 | 1,475 | 997 | 1,354 |
| Gross profit | 2,284 | 2,080 | 2,399 | 2,098 | 1,716 | 1,410 | 1,076 | 712 | 446 | 612 |
| EBITDA | 1,254 | 1,112 | 1,307 | 1,094 | 919 | 724 | 566 | 301 | 60 | 95 |
| EBIT | 1,049 | 898 | 1,124 | 1,020 | 844 | 691 | 540 | 277 | 32 | –21 |
| Profit/loss before tax | 1,046 | 890 | 1,122 | 1,011 | 836 | 689 | 540 | 278 | 36 | –15 |
| Tax | –219 | –187 | –263 | –219 | –212 | –163 | –98 | –12 | –22 | –29 |
| **Profit/loss for the year** | **827** | **703** | **859** | **792** | **623** | **526** | **442** | **266** | **14** | **–44** |
| **Balance Sheet** | | | | | | | | | | |
| Non-current assets | 2,926 | 1,886 | 1,960 | 1,592 | 1,192 | 1,225 | 242 | 286 | 282 | 284 |
| Inventories | 1,363 | 1,181 | 1,109 | 868 | 589 | 575 | 276 | 233 | 324 | 329 |
| Other current assets | 978 | 949 | 1,075 | 910 | 651 | 747 | 327 | 420 | 309 | 278 |
| Cash and cash equivalents | 683 | 1,303 | 655 | 829 | 813 | 209 | 898 | 661 | 487 | 581 |
| Assets held for sale | 186 | — | — | — | — | — | — | — | — | — |
| **Total assets** | **6,136** | **5,319** | **4,800** | **4,199** | **3,244** | **2,755** | **1,742** | **1,600** | **1,402** | **1,472** |
| Equity | 3,997 | 3,378 | 2,978 | 2,379 | 1,780 | 1,412 | 1,268 | 1,207 | 1,165 | 1,168 |
| Interest-bearing liabilities | 243 | 264 | 318 | 1 | 13 | 11 | — | — | — | 2 |
| Other liabilities | 1,870 | 1,678 | 1,504 | 1,819 | 1,452 | 1,333 | 474 | 393 | 236 | 301 |
| Liabilities directly associated with assets held for sale | 26 | — | — | — | — | — | — | — | — | — |
| **Total equity and liabilities** | **6,136** | **5,319** | **4,800** | **4,199** | **3,244** | **2,755** | **1,742** | **1,600** | **1,402** | **1,472** |
| Capital employed | 4,240 | 3,641 | 3,296 | 2,380 | 1,793 | 1,422 | 1,268 | 1,207 | 1,165 | 1,171 |
| Net debt | –440 | –1,039 | –337 | –827 | –800 | –198 | –898 | –661 | –487 | –579 |
| **Cash flow** | | | | | | | | | | |
| Cash flow from operating activities | 998 | 1,126 | 545 | 702 | 984 | 462 | 661 | 418 | –47 | 70 |
| Cash flow from investing activities | –1,223 | –150 | –399 | –440 | –181 | –768 | –37 | –18 | –36 | –5 |
| Cash flow from financing activities | –437 | –288 | –326 | –258 | –194 | –392 | –392 | –245 | –2 | –4 |
| **Cash flow for the year** | **–662** | **689** | **–180** | **4** | **609** | **–699** | **233** | **154** | **–85** | **61** |
| **Key ratios** | | | | | | | | | | |
| Book-to-bill | 1.0 | 0.9 | 1.1 | 1.0 | 1.2 | 1.1 | 1.2 | 1.4 | 1.1 | 0.9 |
| Gross margin, % | 49.3 | 53.6 | 55.7 | 55.5 | 57.2 | 60.8 | 59.3 | 48.3 | 44.8 | 45.2 |
| EBIT margin, % | 22.6 | 23.1 | 26.1 | 27.0 | 28.1 | 29.8 | 29.8 | 18.7 | 3.2 | –1.6 |
| Underlying EBIT margin, % | 24.7 | 25.1 | 27.1 | 28.5 | 31.7 | 31.7 | — | — | — | — |
| Equity/assets ratio, % | 65.1 | 63.5 | 62.1 | 56.7 | 54.9 | 51.2 | 72.8 | 75.5 | 83.2 | 79.4 |
| Return on equity, % | 22.4 | 22.1 | 32.1 | 38.1 | 39.1 | 39.3 | 35.8 | 22.4 | 1.2 | –3.7 |
| Return on capital employed, % | 26.9 | 26.1 | 39.9 | 49.0 | 52.6 | 51.4 | 43.7 | 23.5 | 3.1 | –1.1 |
| Capital turnover, multiple | 1.2 | 1.1 | 1.5 | 1.8 | 1.9 | 1.7 | 1.5 | 1.2 | 0.9 | 1.1 |
| **Research and development, R&D** | | | | | | | | | | |
| R&D costs | 548 | 514 | 559 | 476 | 348 | 348 | 267 | 198 | 183 | 290 |
| R&D costs/net sales, % | 11.8 | 13.2 | 13.0 | 12.6 | 11.6 | 15.0 | 14.7 | 13.4 | 18.4 | 21.4 |
| **Data per share** | | | | | | | | | | |
| Number of outstanding shares at year-end, million | 97.6 | 97.7 | 97.8 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 |
| Average number of outstanding shares before dilution, millions | 97.6 | 97.7 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 |
| Average number of outstanding shares after dilution, millions | 97.7 | 97.8 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 | 97.9 |
| Share price at December 31, SEK | 211.00 | 245.40 | 185.10 | 118.10 | 85.00 | 98.00 | 82.25 | 24.80 | 12.40 | 10.25 |
| Proposed dividend per share | 3.00 | 3.00 | 2.00 | 3.00 | 2.50 | 2.00 | 1.50 | 0.80 | — | — |
| Proposed extra dividend | — | — | — | — | — | — | 2.50 | 3.20 | 2.50 | — |
| Earnings per share (average number of share before/after dilution) | 8.48 | 7.10 | 8.74 | 8.09 | 6.37 | 5.38 | 4.52 | 2.72 | 0.14 | –0.45 |
| Equity per share (number of shares at year-end) | 40.94 | 34.58 | 30.46 | 24.30 | 18.18 | 14.42 | 12.95 | 12.33 | 11.90 | 11.93 |
| P/E ratio (calculated using average number of shares) | 25 | 35 | 21 | 15 | 13 | 18 | 18 | 9 | 88 | neg |

1) Restated for comparability

# Shareholder information

**FINANCIAL REPORTING FINANCIAL YEAR 2022**
Interim Report January–March, April 21, 2022
Interim Report January–June, July 14, 2022
Interim Report January–September, October 20, 2022
Year-End Report 2022, February 10, 2023

**FINANCIAL INFORMATION**
The 2021 Annual and Sustainability Report will be published on the website and through a press release on April 4, 2022.

Financial reports and press releases are available on the website. Through a subscription service on the investor pages of the website, it is possible to register to obtain reports and press releases.

**DISTRIBUTION OF THE ANNUAL AND SUSTAINABILITY REPORT 2021**
A printed Annual and Sustainability Report is distributed to those who request it. The Annual and Sustainability Report is also available at Mycronic's website, www.mycronic.com.

**ANNUAL GENERAL MEETING 2022**
The Annual General Meeting of Mycronic will be held on Thursday, May 5, 2022, at 5:00 p.m. at Posthuset, Vasagatan 28 in Stockholm. The entrance will open at 4:00 p.m.

**Right to participate in the Annual General Meeting**
Shareholders who wish to participate in the Annual General Meeting must be recorded in the share register kept by Euroclear Sweden AB on Wednesday, April 27, 2022 and give notice of their intention to participate in the meeting. Shareholders whose shares are registered through a bank or other nominee must also re-register the shares in their own name. A request for re-registration must be submitted in good time to the nominee so that the registration is completed no later than Friday, April 29, 2022.

**Exercise of voting rights**
The board has decided that shareholders will be able to exercise their voting rights at the Annual General Meeting by either presence at the meeting, through a proxy or through postal voting

**Postal voting**
A special form must be used for the postal vote. The postal voting form is available on the company's website, www.mycronic.com. The completed and signed postal voting form can be mailed to Computershare AB, "Mycronics årsstämma", Box 5267, 102 46 Stockholm, Sweden or e-mailed to proxy@computershare.se. The completed form must have been received by Computershare not later than Friday, April 29, 2022.

Shareholders who are natural persons may also submit postal votes electronically through verification using the BankID security app via Computershare's website via www.mycronic.com. Such electronic votes must be submitted not later than Friday, April 29, 2022. Shareholders may not include special instructions or conditions in the postal vote. If this occurs, the entire vote will be rendered invalid. Further information and conditions can be found on the postal voting form and on www.mycronic.com.

If shareholders submit postal votes through a proxy, a power of attorney expressed in writing, dated and signed by the shareholder must be attached to the postal voting form. Proxy forms are available on the company's website, www.mycronic.com. If shareholders are legal entities, a registration certificate or equivalent authorization document must be attached to the form.

**Re-registration of nominee shares**
To be entitled to participate in the Annual General Meeting, the following applies for shareholders whose shares are registered through a bank or other nominee: In addition to giving notification of participation, such shareholders must request that their shares be re-registered in their own name so the shareholder is registered in the shareholders' register kept by Euroclear Sweden AB by Wednesday, April 27, 2022. Such re-registration may be temporary (voting rights registration). Shareholders who wish to register their shares in their own name must, in line with the procedures of each nominee, request such registration from the nominee. Voting rights registration requested in good time so the registration has been submitted by the nominee not later than Friday, April 29, 2022, will be taken into account when preparing the shareholders' register.

**Notification of participation**
Notification of participation must be received by the company no later than Friday, April 29, 2022 at 12:00 p.m. Notification of participation is made with Computershare AB and can be done:

- On the website www.mycronic.com
- By telephone +46 8 518 01 551
- By mail to Computershare AB, "Mycronic's Annual General Meeting", P.O. Box 5267, 102 46 Stockholm, Sweden
- By e-mail to proxy@computershare.se

The notification shall state name, personal ID number or corporate registration number, address and telephone number, number of shares held and names of any advisors.

Shareholders who are represented by a proxy should include in the notification of participation the written proxy and, for shareholders that are legal entities, a copy of the registration certificate or an equivalent document which shows who is authorized to sign for the shareholder. Proxy forms can be found on the website, www.mycronic.com.

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