Annual and Sustainability Report **2020**

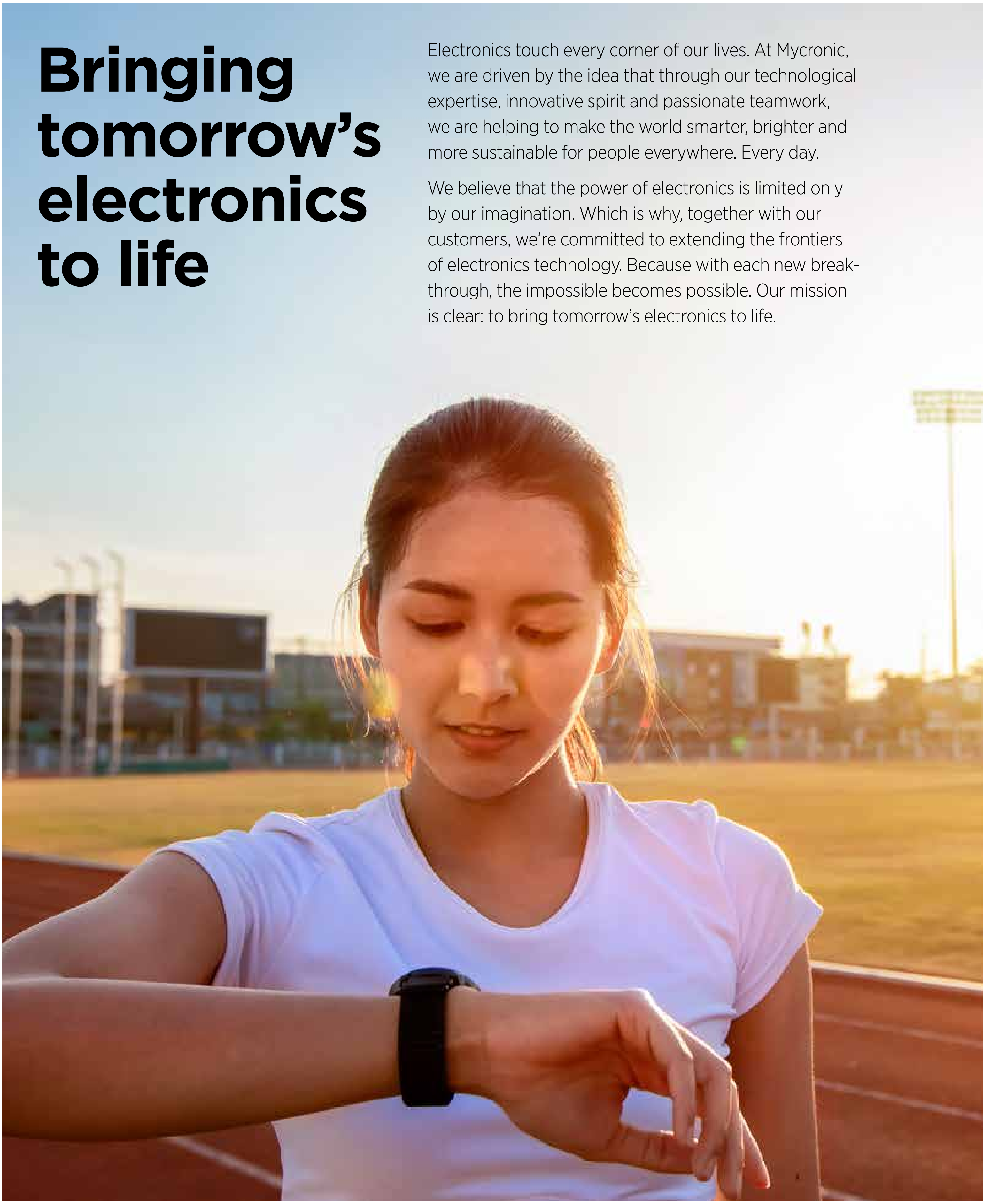
MYCRONIC

Bringing tomorrow's electronics to life

Bringing tomorrow's electronics to life

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 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.



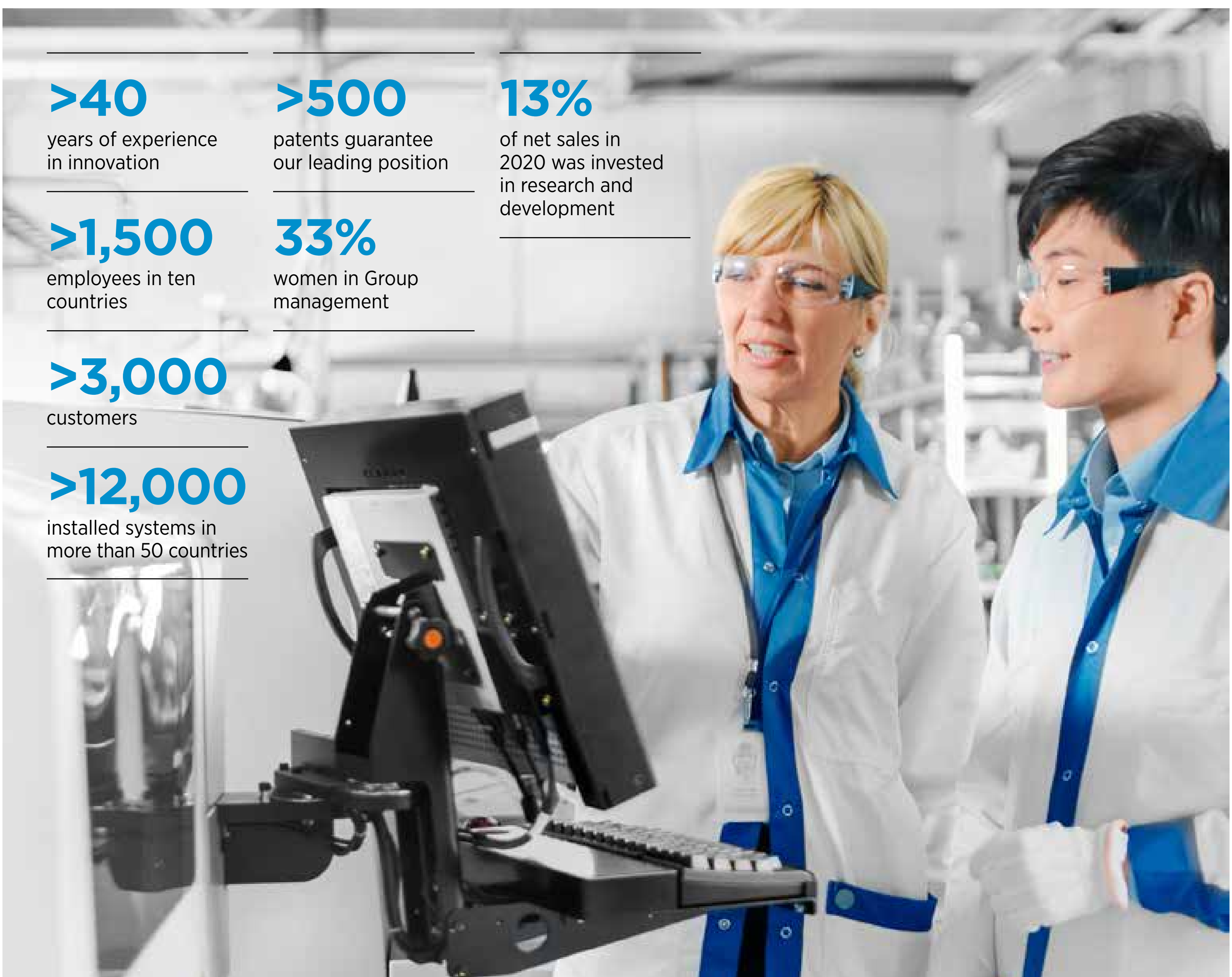
Content

Pages 23–35 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, 2020.

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

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. We are a company driven by innovation, dating back to the 1970s, with approximately 1,500 employees in ten countries. Mycronic's customer-centric operations with subsidiaries, agents and distributors support leading companies in more than 50 countries. With our advanced production solutions, we help our customers to realize their goals while we enable the transition to a more sustainable electronics industry.

Mycronic is listed on Nasdaq Stockholm, Large Cap.



>40
years of experience in innovation

>500
patents guarantee our leading position

13%
of net sales in 2020 was invested in research and development

>1,500
employees in ten countries

33%
women in Group management

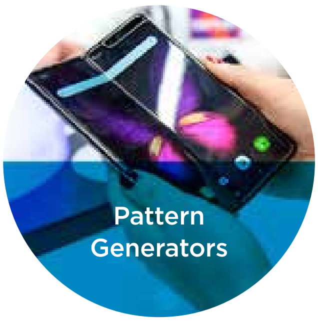
>3,000
customers

>12,000
installed systems in more than 50 countries

Our divisions

With a leading position in our divisions, we constantly strive to further develop solutions for the electronics of today and tomorrow. Through close dialogue with our customers, we utilize insights and pursue development initiatives from the customer's perspective.

Our aftermarket and service offering comprises an important part of our offering in which we assist with servicing and spare parts, as well as upgrades to production equipment. This way, we ensure stability in our customers' production and their productivity.



Pattern Generators has a unique position as the world's foremost supplier of mask writers for manufacturing advanced photomasks for displays, as well as photomasks for semiconductors and the multi-purpose segment. Measuring machines that provide quality assurance for photomasks also form part of the product portfolio. A majority of the customers are mainly in Asia, but also in the USA.

Percentage of net sales
40%
of which aftermarket
38%
EBIT margin
57%

High Flex offers full-line solutions to electronics manufacturers in need of flexible production controlled by customer orders, with rapid conversion and a high utilization rate. The offering includes surface mount technology (SMT) and inspection solutions, focusing on markets primarily in Europe and the USA. Mycronic is a market leader for customers with low or medium-size production volumes.

Percentage of net sales
27%
of which aftermarket
37%
EBIT margin
3%

High Volume focuses on high-volume markets in Asia. The offering includes both dispensing and conformal coating of circuit boards. Mycronic is the leader in China and the fourth largest globally in the high-volume segment.

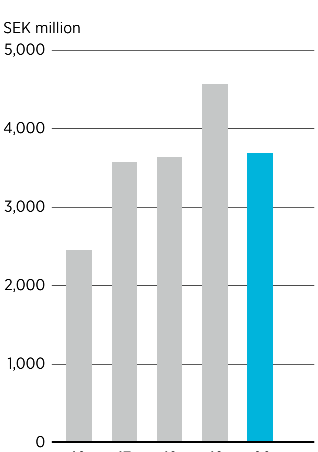
Percentage of net sales
22%
of which aftermarket
10%
EBIT margin
21%

Global Technologies focuses on advanced production solutions with high levels of differentiation. Mycronic holds a leading position in the microelectronics and optoelectronics segments, and in the assembly of camera modules, with a focus on markets mainly the USA and China.

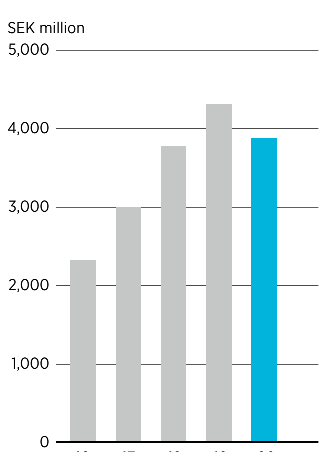
Percentage of net sales
11%
of which aftermarket
21%
EBIT margin
–21%

Mycronic by the numbers

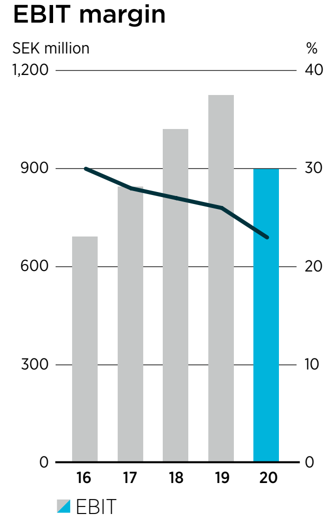
Order intake



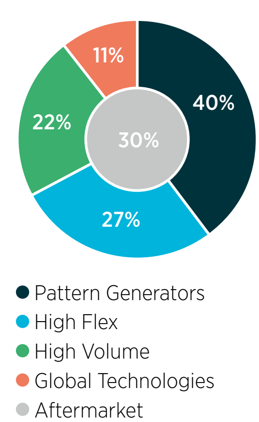
Net sales



EBIT and EBIT margin



Revenue distribution



Focus on the customer **drives growth and profitability**

2020 was a year like no other, in which the COVID-19 pandemic impacted a large part of our day-to-day operations. The structural change of the company that was carried out early in the year has begun to bear fruit, and we are now leaving a year of transformation and adaptation behind us. Mycronic stands well equipped for entering our next phase, in which we will further strengthen our divisions and create the best conditions for helping our customers realize their goals.

I am pleased with what we achieved in 2020. Not least considering the challenging year we have all faced as a result of the pandemic. In the spring, we began a major change process at Mycronic. The result is that our operation is now separated into four decentralized divisions. We are close to our customers, we have short decision-making paths, and we can react to market changes and adapt our business in a significantly more efficient manner. We have a stable foundation for our operation and its continued growth.

The change has contributed to increased resilience, with a healthy diversification of risk across various segments and geographies, which has enabled us to manage the effects of the COVID-19 pandemic and contributed to an operating profit of nearly SEK 900 million and a margin of 23 percent. The aggregate results reflect a mixed performance in our divisions.

Performance in the Pattern Generators division for the year was stable. It was also the first year that the new laser based mask writer for the semiconductor industry was available in the market. Interest was — and remains — strong with eight orders, which indicates that this was the right decision and time to develop and launch a mask writer for the semiconductor industry. We will continue to invest in technology leadership to consolidate our leading position in mask writers for displays while also taking a leading role in laser based mask writers for the semiconductor segment.

Despite the impact of lockdowns in Europe and the USA, changes implemented in the High Flex division have meant that we could maintain profitability levels despite lower volumes by adjusting our cost base. High Flex also continued to strengthen its offering in full-line solutions, which resulted in a few major orders during the year. The division will continue to develop its offering in full-line solutions while keeping a clear focus on working close to customers and developing its offering in the core markets in Europe and the USA.

In the High Volume division, which is a leader in the Chinese market, performance was very strong despite the pandemic, with growing volumes and strengthened margins. During the year, the division further consolidated its position and continued its efforts to also broaden its offering to new geographies and segments. For example, the offering was expanded to the semiconductor and automotive industries in parallel with the establishment of a presence in Vietnam.

Performance in the Global Technologies division was mixed. Optoelectronics and microelectronics continued their strong development owing to the build-out of data centers and 5G. The challenge for the division during the year was the weak performance in camera modules to the automotive industry, an industry that was further weakened by the COVID-19 pandemic. We are, however, conducting a number of activities to turn the division around, and we are continuing to work to strengthen our position and also to invest in leading niche technologies and segments.

Combined, these measures are laying the foundation for increased profitability in the former Assembly Solutions business area. I am extremely satisfied with how quickly and efficiently the organization implemented this new, more scalable structure, which gives each division the tools they need to realize their potential.

Attractive market

Looking ahead, we see that the global electronics industry is expected to have healthy, stable growth in the coming years. The industry is facing a major transformation. Regionalization is under way, with several separate value chains stretching across various geographical areas, which imposes new requirements on presence, flexibility and delivery capacity. The rapid developments with 5G, the Internet of Things (IoT) and electrification open the door to new possibilities in the market. Moreover, the ongoing digitalization and shift to automated production systems are changing the conditions for our customers and the industry. For us, this means opportunities for growth, and we are working to expand ourselves into the niches and segments that are growing faster than the market as a whole.

"Our new way of doing business, closer to the customer, creates better conditions for remaining at the forefront with high-quality, efficient production solutions."

Responsible business is profitable

While more efficient manufacturing processes are being demanded, the requirements for a more sustainable electronics industry are intensifying. We are seeing a shift among our customers, in which the choice of materials and use of resources and energy — as well as end-of-life treatment — are of significance in their business. By staying one step ahead and anticipating demands and requests, we can take these challenges into account even in the development stage. We regard this as a long-term competitive advantage in which we are working to achieve a good position and by contributing where we can make a difference.

Mycronic supports the ten principles of the UN Global Compact, and we are continuing the work on integrating sustainability initiatives into all parts of the Group, which is an exhaustive effort in an organization experiencing robust growth. A clearer sustainability strategy with long-term goals was developed during the year and will be implemented in 2021. This is part of the goal of fully integrating and implementing sustainability topics into our strategy and all operations by 2024. Our ambition is, in partnership with our customers, to promote the transition toward a more sustainable electronics industry. It is a question of assuming our own responsibility and of offering our customers sustainable production solutions.

Being a responsible employer is important for ensuring our long-term skills supply. Mycronic aims to offer an attractive, inclusive and healthy workplace built on a dynamic employee culture in which everyone has the opportunity to develop. I am convinced that responsible business will strengthen our profitability and our long-term competitiveness, thus rendering our business future-proof.

Stable foundation for growth

With our new way of doing business, we are creating better conditions for remaining at the forefront with high-quality, efficient production solutions. Our strong position is based not only on our attractive product portfolio in combination with a strong aftermarket offering. We are also present in attractive customer segments, in strategically important markets. This creates conditions for close development collaborations in partnership with our customers and our suppliers.

In addition, we have a strong financial position that enables the completion of more acquisitions, alongside a scalable structure for continued growth. We will continue to invest in research and development, and — as a natural part of our portfolio initiatives — work continually on evaluating potential acquisitions in areas of interest to supplement and expand our current offering.

It is through close dialogue with our customers that our employees, in combination with commitment and capacity for innovation, have laid the foundation for today's long-term customer relationships and strong position. I would therefore like to take this opportunity to extend my warmest thanks to all our employees who, under the year's challenging circumstances, worked methodically, flexibly and quickly to help our customers become even better. There can be no doubt that in our dynamic, innovative culture there is strength and courage that motivates us to continue staying one step ahead and pursue change.

Together, we are now building an even stronger Mycronic, a high-tech company on the leading edge, that I am proud to be a part of. I look forward to continuing to lead and develop this fantastic company. Together, we are shaping the future of electronics, and we are setting the bar for what will be possible in the future.

Anders Lindqvist
President and CEO

Global drivers create growth opportunities

The market for production equipment for the electronics industry is influenced by several robust underlying trends that push development forward.

Mycronic develops and delivers production equipment to the electronics industry, a market that is influenced by both global and regional, as well as technology-specific, trends. These are trends that are complex, move quickly, and influence one another.

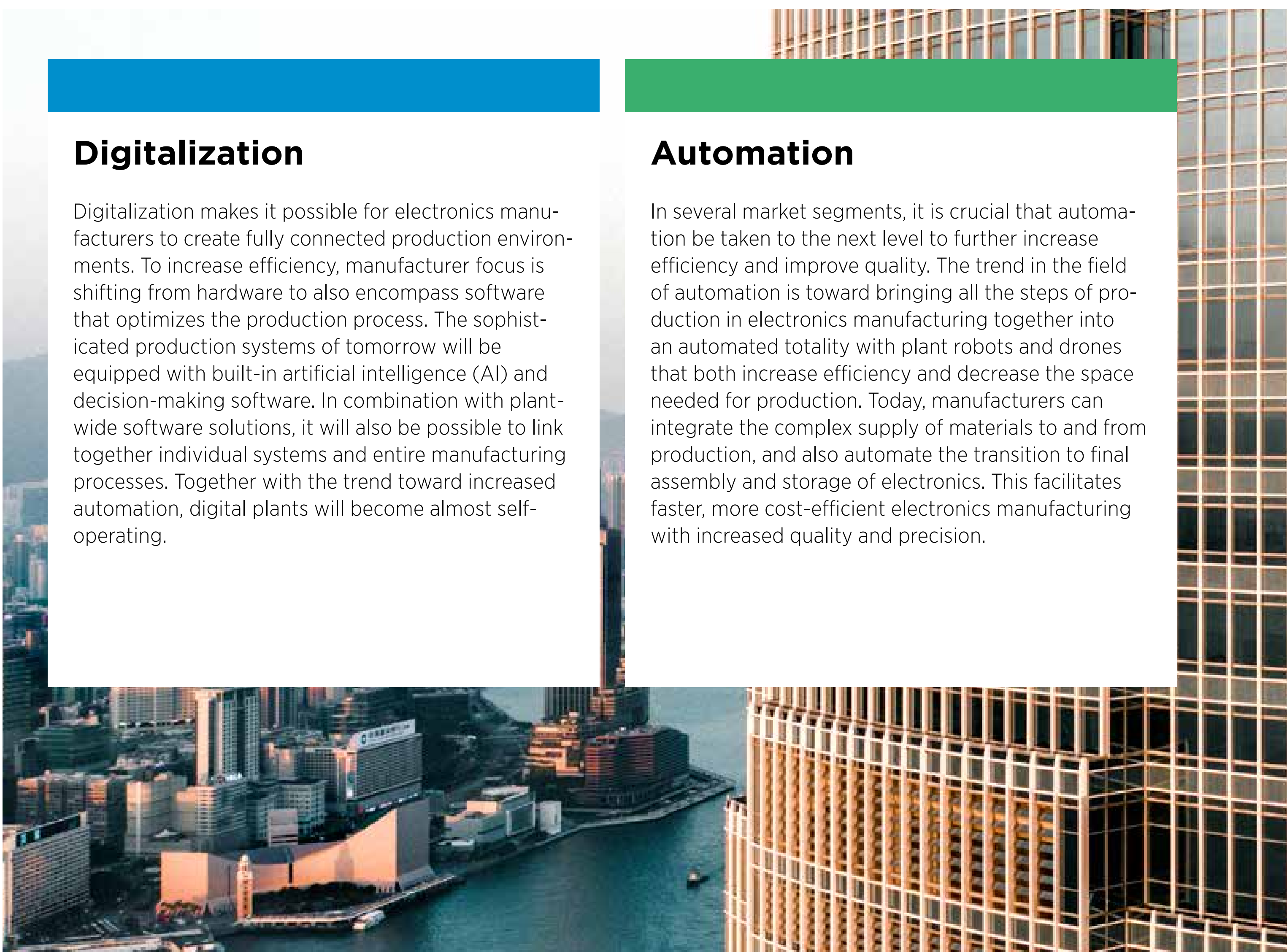
The global electronics industry, which comprises more than 3 percent of the total global economy, continues to undergo revolutionary changes. The market is regionalizing, which comprehensively impacts value chains in the industry and thereby imposes new demands on presence, flexibility and delivery capacity.

Digitalization

Digitalization makes it possible for electronics manufacturers to create fully connected production environments. To increase efficiency, manufacturer focus is shifting from hardware to also encompass software that optimizes the production process. The sophisticated production systems of tomorrow will be equipped with built-in artificial intelligence (AI) and decision-making software. In combination with plant-wide software solutions, it will also be possible to link together individual systems and entire manufacturing processes. Together with the trend toward increased automation, digital plants will become almost self-operating.

Automation

In several market segments, it is crucial that automation be taken to the next level to further increase efficiency and improve quality. The trend in the field of automation is toward bringing all the steps of production in electronics manufacturing together into an automated totality with plant robots and drones that both increase efficiency and decrease the space needed for production. Today, manufacturers can integrate the complex supply of materials to and from production, and also automate the transition to final assembly and storage of electronics. This facilitates faster, more cost-efficient electronics manufacturing with increased quality and precision.



The rapid developments with 5G, the Internet of Things (IoT) and electrification will change the playing field for many of Mycronic's customers. The increasing digitalization and shift to automated production systems is on the way toward realizing the potential in Industry 4.0.

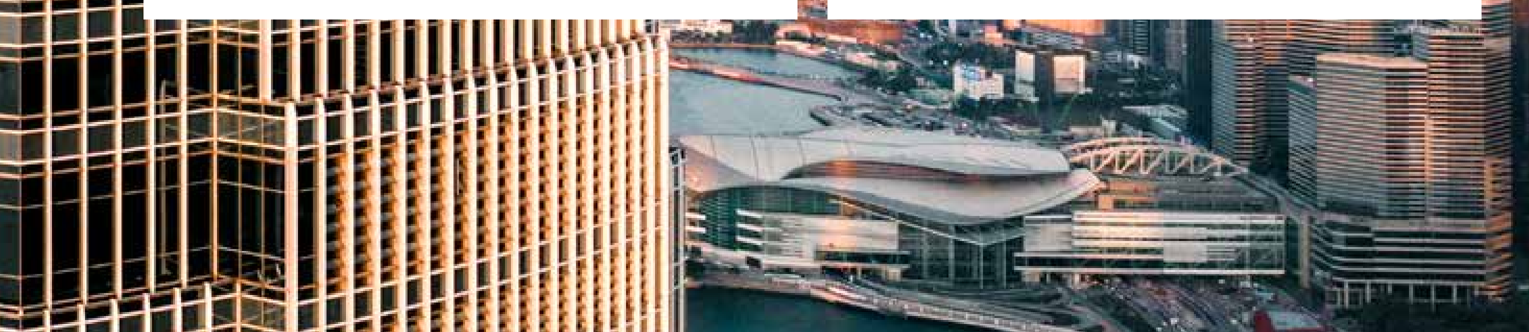
While more efficient manufacturing processes are being demanded, the requirements for a more sustainable electronics industry are intensifying. Leading manufacturers of electronic consumer products are integrating sustainability topics such as choice of materials, use of resources and energy, and end-of-life treatment in their business to an increasingly clear extent.

Regionalization

The market dynamic of the electronics industry is undergoing changes. China and other countries in Asia are investing heavily in domestic production capacity. This encompasses the entire value chain, from component manufacturers to equipment suppliers and electronics manufacturers. In practice, this means increased regionalization of the market, with a number of separate value chains spanning different geographical areas, such as Asia, Western Europe and North America. Intensification of trade conflicts, regional political interests and the strategic ambitions of both China and the USA are accelerating this regionalization. At the same time, the Covid-19 pandemic has clarified the vulnerability of global value chains, which has contributed to further increasing the pace of change.

Sustainability

The demand for a more sustainable electronics industry is growing. With a constantly increasing level of technological content and high demand for new products, all links in the value chain are important for transitioning to a more sustainable electronics industry. Suppliers of production equipment for manufacturing electronics can promote the development of equipment that facilitates a decrease in greenhouse gas emissions from customers' manufacturing processes, for example through reduced energy consumption or reduced use of certain materials and chemicals. Developers and suppliers of production equipment can also promote a more circular approach in the electronics industry through intensified focus on maintenance and upgrades to extend the useful life of the equipment, as well as by facilitating dismantling that simplifies recycling.



Clear strategy for sustainable, profitable growth

Over the last several years, Mycronic has implemented initiatives for change that have promoted robust development. Our strategy stands firm, while we are working constantly to become stronger in our niches. The operations currently consist of four divisions with clearly defined strategies for achieving long-term, profitable growth while ensuring responsible value creation.

Mycronic strives to be a strategic partner for the manufacturers of tomorrow's electronics. This has helped the company to develop well in recent years.

Essentially, this strategy is based on Mycronic's conviction that humans, technical innovation and professionalism all interact. While the main focus of the strategy remains the same and the company's financial goals are intact, Mycronic is working to continue to develop the business. A decision was made in January 2020 regarding a new organizational structure to increase proximity to customers. The structure will also improve the conditions for consolidating our strong position within Pattern Generators and for increasing or maintaining profitability levels within the High Flex, High Volume and Global Technologies divisions. Our operations currently consist of four decentralized divisions with clearly defined strategies for how Mycronic will achieve continued sustainable and profitable growth, both organically and through acquisitions.

Properly equipped for continued strong performance

Mycronic is standing on a stable platform that forms the foundation for high-quality, efficient production solutions for tomorrow's electronics. The new organizational structure now permits us to have a *customer-centric, scalable, decentralized organization* with shorter decision-making paths and decentralized responsibility for research and development. With clearly defined market segments and a decisionmaking process that is close to customers, our organization is faster, more efficient and more customer-centric. This means we can act quickly based on changed local market conditions, which reinforces the conditions for meeting our customers' needs. Mycronic has a strong presence in strategically important markets. This creates conditions for close collaboration with our customers and our suppliers, regardless of their location around the world. Our lengthy experience and local presence provide us with in-depth technical expertise and an understanding of the market. Our innovation is customer-centric, which means that development initiatives are carried out in partnership with our customers.

Mycronic has a *dynamic, innovative and responsible corporate culture*. Our employees' high degree of commitment and innovative power lays the foundation for the company's strong position. Long-term business relations are created through a proactive, customer-oriented approach. Mycronic is dedicated to integrating sustainability into our operations and everything we do. By raising ambitions concerning the climate impact of our own operations and products and working proactively with gender equality and equal treatment, Mycronic will run a responsible business that thereby also actively contributes to our customers' sustainability work.

Mycronic intends to grow through *a combination of organic and acquisition-driven growth*. We will continue to invest in R&D and carry out acquisitions in areas of interest to supplement and expand our current offering.

We have a *competitive product portfolio* with leading, high-quality, profitable and sustainable production solutions for electronics production in combination with a strong aftermarket offering.

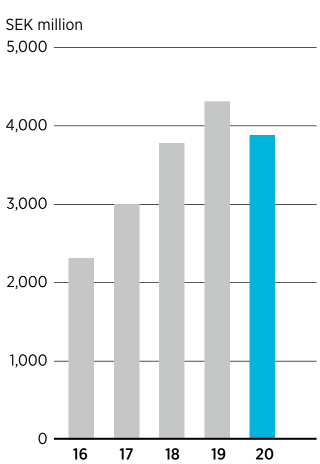
Long-term goals and outcomes

Mycronic has a strong platform for achieving its long-term goal of SEK 5 billion in net sales not later than 2023. Despite 2020 being a challenging year, EBIT totalled SEK 898 million and the EBIT margin was 23 percent. Mycronic's stable balance sheet is a strength that facilitates the Group's continued investments in innovation and management of growth opportunities in the market.

During the year, Mycronic developed a clearer strategy for sustainability, and in 2021 three long-term Group-wide sustainability goals will be defined. These new sustainability goals concern the environmental impact of our products, the climate footprint of our own operations, and increasing diversity and equality among our employees and in the communities where we operate.

Growth
SEK 5 bn

Net sales



Net sales

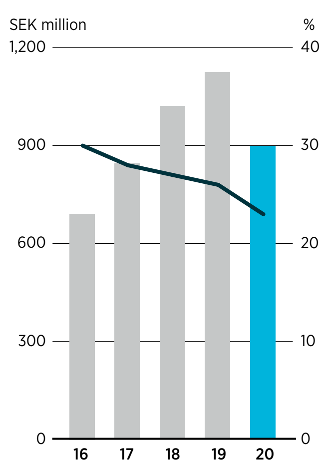
The long-term goal of achieving net sales of SEK 5 billion no later than 2023 still holds firm.

The net sales target will be reached through a combination of organic growth and acquisitions.

Net sales in 2020 were SEK 3,882 million.

Profitability
>15%

EBIT and EBIT margin



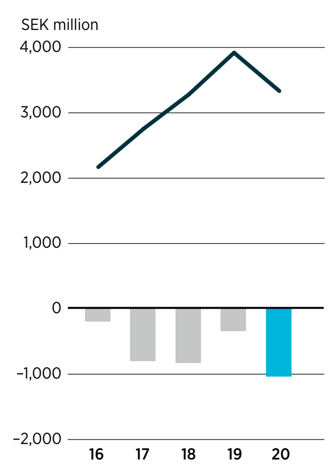
EBIT
EBIT margin

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

The EBIT margin for the year was 23 percent.

Capital structure
<3x

Net debt



Net debt
3 times EBITDA

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

The possibility to take on debt allows the Group to expand further to achieve long-term growth and profitability goals.

Stable foundation for **long-term value creation**

As a global supplier of production equipment for the electronics industry, Mycronic plays an important role in the shift the industry needs to make to realize the potential in digitalization and automation, at the same time as a more sustainable and circular value chain needs to be created.

Stakeholder expectations

Customers Our customers expect a strategic partner with an in-depth understanding of the challenges associated with production of tomorrow's electronics. Our customers' needs push our business development forward.

Employees Not only do our employees turn Mycronic's groundbreaking innovations into reality, they also build and enhance our relationships with our customers. Commitment, expertise and their constant development are important success factors for our operations. In turn, they expect positive working conditions and an inclusive and healthy workplace where there is the possibility of developing.

Shareholders Shareholders' capital is a foundation for conducting our operations. Mycronic's owners expect a competitive and stable return on their capital, and expect the company to have a good ethical compass, effective risk management and a strategy for value creation that is sustainable in the long term.

Suppliers Innovation, constant process improvements, a responsible view of business and cooperation with other stakeholders that is built on transparency and mutual understanding are needed to allow Mycronic to retain and further reinforce its position in the market. Our suppliers expect stable, secure business relationships that strengthen their role in the supplier stage.

Society As a global leading supplier of production equipment, Mycronic as a company is expected to assume responsibility for its actions, so that the electronics industry – and, ultimately, society – can continue to develop sustainably.

Clear strategy for sustainable, profitable growth

Mycronic is a high-tech company on the leading edge, with a stable platform that forms the foundation for high-quality, efficient production solutions for tomorrow's electronics.

Customer-centric, scalable and decentralized organization
- Clearly defined market segments
- Strong presence in strategically important markets
- Customer-centric innovation
- Flexible, scalable structure for future growth

Dynamic, innovative and responsible corporate culture
- Innovative power and high degree of commitment among our employees
- Proactive, customer-oriented approach
- Long-term business relations
- Sustainable and responsible business

Combination of organic and acquisition-driven growth
- Continued investments in R&D
- Acquisitions in areas of interest

Competitive product portfolio
- Leading production solutions and services
- Strong aftermarket business

Vision

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

Pattern Generators
Offers mask writers for manufacturing advanced photomasks for displays, as well as photomasks for semiconductors and the multi-purpose segment

High Flex
Offers surface mount technology (SMT) and inspection solutions, focusing on markets for flexible manufacturing, primarily in Europe and the USA

High Volume
Offers solutions for dispensing adhesives, mounting fluids and coatings used in the production of modern electronics, with a focus on high-volume manufacturing in Asia

Global Technologies
Offers advanced manufacturing solutions for micro- and opto-electronics, as well as for mounting and testing camera modules with high precision

Value created

Customers

- Proactive dialogue and long-term partnership
- Products and services that facilitate efficient, profitable and sustainable production

Employees

- Innovation-driven, global employer
- Learning and continuing development
- Focus on diversity and inclusiveness initiatives

Shareholders

- Dividend and long-term financial value creation
- Business model with high degree of diversification and resilience

Suppliers

- Long-term relations

Society

- Activities for expanding recruitment base and diversity
- Long-term climate targets for own operations and product use

Impact

Mycronic drives change throughout the value chain. We focus on sustainability topics that are strategically important for the company's long-term competitiveness, where Mycronic can make a difference by promoting a number of the UN's Sustainable Development Goals.

Accountability permeates the efforts of both the company and our partners, and is a precondition for continuing to create value. Actively working to reduce the environmental and climate impact caused by our operation and our products is an important part of this, as is striving continually for equality and equal treatment.

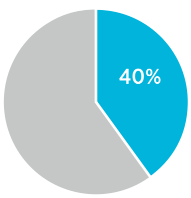
Our operations are conducted **in four divisions**

To facilitate continued profitable growth, Mycronic introduced a new organizational structure on April 1, 2020, with four divisions. The objective is to achieve a more scalable structure that facilitates an improved ability to adapt local operations to individual market needs, with quicker decisions close to our customers.

Pattern Generators

Unique position in the market

Percentage of net sales



Net sales

SEK 1,563 M

of which aftermarket

38%

EBIT

SEK 889 M

EBIT margin

57%

Mycronic's Pattern Generators division has a unique position as the world's foremost supplier of mask writers for manufacturing advanced photomasks for displays. We also deliver mask writers for manufacturing photomasks for semiconductors as well as manufacturing photomasks for the multi-purpose segment. Measuring machines that provide quality assurance for photomasks are also featured in the product portfolio.

Mycronic's expertise and technology have been built up over decades in close partnership with our customers, who are primarily found in Asia but also in the USA. One major element in the offering comprises service agreements, which are key to allowing our customers' mask writers to be used efficiently, with a high degree of availability, throughout the entire service life of the equipment.

Strategic focus

Pattern Generators will develop and consolidate its extremely strong position in the mask writer segment for photomasks for displays, and over time also take a leading position in laser-based mask writers for the semiconductor segment.

Driving forces and trends

Demand for photomasks for the display industry is driven primarily by technological shifts, such as the transition from LCD to AMOLED to meet the increasing demands of, for example better image quality. Another strong trend is a greater demand for larger displays, and displays in new applications.

The semiconductor industry needs to increase production capacity for component manufacture for both the most advanced electronics applications and more firmly established solutions. Photomasks drawn with laser-based mask writers are used primarily in established technological solutions, such as the electrification of the transportation sector. They are also important in the design and manufacture of the most advanced products in the market.

Market performance

Important factors impacting Mycronic is the robust technological development in displays and a continued capacity build-out, above all in China.

With a large installed base, the aftermarket is also significant. The trend is gradually moving toward an increased degree of data-based analysis and connected support. At the same time, local presence and a high degree of competence that has been built over time, close to our customers, is of high importance.

Achieved in 2020

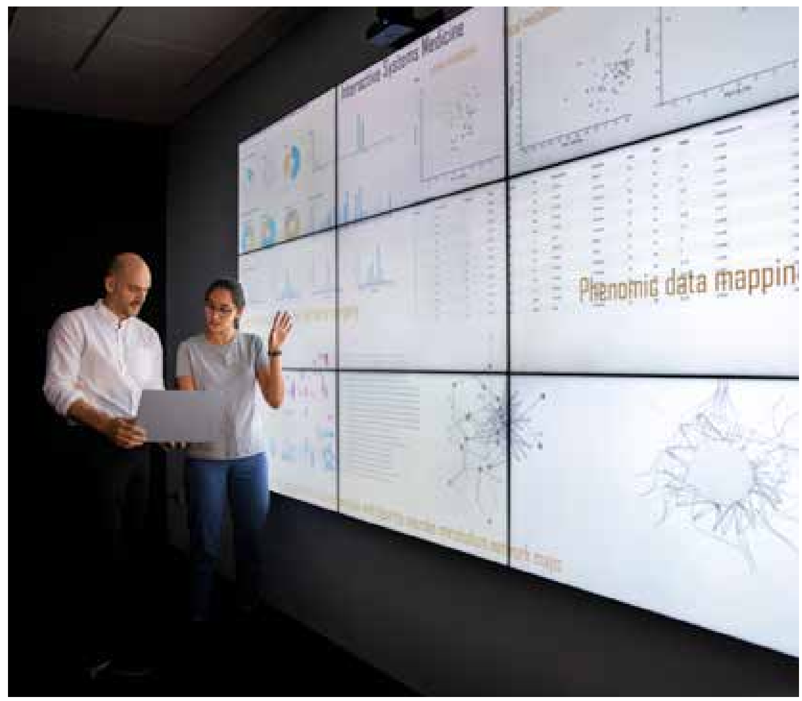
In late 2019, the SLX – a new mask writer for the semiconductor industry – was launched, which addresses a growing market that also has a significant need for replacement and modernization. In 2020, the SLX achieved significant success with orders for a total of eight systems. The first SLX system was also delivered to a customer in Asia just before the end of the year. During the year, orders for a Prexision 800 Evo and a Prexision Lite 8 Evo were also received. They are both built on the newly-launched Evo control platform, which helped to create a shared future-proof platform for all new mask writers.

In 2020, in addition to the first SLX system, Mycronic also delivered three FPS systems, a Prexision 10 and a Prexision 8 Evo. In addition, one Prexision 8 system underwent a major upgrade.

2020 was marked by efforts to maintain an unchanged degree of availability for the installed base of systems and to ensure customer commitments linked to new system deliveries. Meeting customers' needs for new products and advanced service during the pandemic was a challenge. Owing to a global organization with strong local presence and close partnerships with our customers, Pattern Generators successfully maintained a high level of quality in both deliveries and service commitments.

"Together with our customers and strategic partners, we will continue to create solutions that meet the electronics industry's highly exacting requirements for laser-based mask writers."

Charlott Samuelsson
Sr VP Pattern Generators



Focus for 2021

Our focus will be on helping our customers by delivering on the commitments Pattern Generators has as regards service and support as well as system deliveries. We will continue to invest in product and solution development in order to meet the needs and highly exacting requirements of the display and semiconductor industries. In this respect, the recent investments in SLX and the Evo control platform will create positive conditions for developing the product program efficiently and sustainably. Our products will be harmonized through the joint Evo platform. This will promote a more efficient development and production flow, which in turn will create conditions for a strong, modern customer offering.

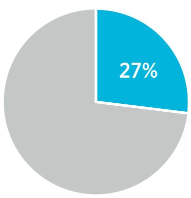
To meet the highly exacting requirements for new displays, we offer Prexision 800 Evo, which has established a new standard for photomask production. For customers who need cost-efficient production of less advanced photomasks, Mycronic has developed the Prexision Lite 8 Evo.

SLX, a new and modern mask writer for the semiconductor industry based on the same technology as mask writers for displays, was launched in late 2019. The new mask writer addresses a growing market that also has a significant need for replacement and modernization, achieved significant success in 2020 with orders for a total of eight systems.

High Flex

Connected and flexible full-line solutions for circuit board assembly

Percentage of net sales



Net sales

SEK 1,079 M

of which aftermarket

37%

EBIT

SEK 33 M

EBIT margin

3%

Mycronic's High Flex division offers surface mount technology (SMT) equipment and solutions to electronics manufacturers with a requirement for quick changeovers in production while retaining high rates of utilization.

We provide systems for circuit board assembly, both full-line solutions and individual systems for specific process steps, as well as advanced software for assembly process management and factory connectivity. This enables our customers to achieve versatile and flexible manufacturing for just-in-time electronics production. Mycronic has a leading position in this segment in both Europe, the Americas and selected markets in Asia, among customers operating at low to medium production volumes. Customers include manufacturers of complex electronics with high levels of added value for industrial applications, aerospace, defense, automotive, energy, medical, IT and telecommunications.

Mycronic also caters to customers only able to invest in one or two process steps, interested in the ability to scale production capabilities over time.

Strategic focus

High Flex aims to strengthen its presence in core markets and in growing market segments while further developing our full-line solutions business.

Drivers and trends

High Flex benefits from several megatrends. Electrification, automation, 5G, connectivity and Industry 4.0 developments are all contributing to a shift in industry dynamics. Demand remains strong for products produced to a higher quality – robust electronics with zero defects. In turn, this drives demand for high-quality dispensing and coating equipment, supported by sophisticated inspection solutions.

Market development

The ongoing regionalization and reshoring of supply chains continues to affect market development as it is changing the production set-up and focal point of High Flex's customers, spurring demand in several important industry segments such as defense, medical and industrial applications.

While market fundamentals are robust, it is critical to retain a high degree of service and support in times of uncertainty. In doing so, we ensure High Flex's aftermarket offering remains strong. Although the market is quickly adapting to new ways of working, with increasing digitalization in terms of meeting and supporting customers, it is important to have an established and knowledgeable local presence.

Achievements 2020

Mycronic's MYPro Line solution is experiencing strong interest from customers. The offering is designed for smart factory connectivity and reflects the development of customer demand. High Flex delivers full-line solutions including the latest jet printing technology, versatile pick-and-place equipment, high-accuracy 3D inspection systems, intelligent storage solutions and software tools for process control. The sophisticated inspection equipment and process software enhance first-pass yield, which contributes to minimizing waste and improving profitability for customers.

Our efforts to ensure customers benefit from our extensive research using artificial intelligence is starting to materialize in our integrated offering. Recently, new functionality based on machine learning was released for our range of 3D AOI systems, providing advanced inspection that stops production defects at their source.

"We optimize our customer's manufacturing capacities by modernizing their equipment and production lines, connecting machines and, thus making them more flexible, while improving factory yield and output. In the end, this means increased quality of the final product as well as higher productivity."

Clemens Jargon
Sr VP High Flex

Focus 2021

High Flex will help customers to develop and extend their production capabilities, supporting such trends as 5G and digitilization of the factory floor. Full-line solutions remain strategically important to us and our customers.

Within research and development, the focus is on new products for the full-line solution, improving software capabilities and enhancing machine connectivity and our line solutions' connectivity to the factory.

Throughout 2021, High Flex is deploying incremental improvements to our equipment to ensure that customers can improve production efficiency.

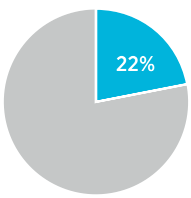
Our fully automated line solutions are in high demand among leading industry-segments. With its seamlessly connected set-up, improvements are continuously made for the benefit of the customer's production environment.

Mycronic 4.0 – our complete, agile and automated manufacturing solution – is being further developed to enhance the efficiency of process steps in specific systems, delivering seamless factory-wide connectivity.

High Volume

Intelligent systems **for dispensing and conformal coating**

Percentage of net sales



Net sales

SEK 873 M

of which aftermarket

10%

EBIT

SEK 181 M

EBIT margin

21%

With emphasis on high-volume markets in Asia, Mycronic's High Volume division is a leader in intelligent systems for dispensing and conformal coating. We offer systems to premium high-quality producers of mobile telephones, computers and other consumer electronics. The offering encompasses production systems with dispensing and coating robots and a broad range of applications to dispense adhesives, mounting fluids and coatings used in the production of modern electronics. This is used in waterproofing, for dust and temperature protection and other features that secure the functionality of electronics over time. Our customers are mainly large contract manufacturers of consumer electronics with a strong demand for cost-effective automated production.

Strategic focus

High Volume will strengthen its top position in the domestic Chinese dispensing and coating market with advanced products and solutions. In addition, we aim to expand the scope and addressable market geographically and into new industry segments.

Drivers and trends

The main driving force is the continued and growing demand for advanced and robust wearable consumer electronics. These electronics comprise of increasingly complex microchips and therefore need more advanced machines to produce them. As durability, quality, and longevity of consumer electronics becomes the new normal, the demand for high-precision conformal coating solutions grows.

Market development

High Volume's market segments remain fundamentally stable, with China as its largest market. Here, High Volume holds a leading market position and is considered a preferred partner for conformal coating solutions. A token of recognition is the fact that High Volume provides a significant number of systems that produce market-leading smart phones for the global leader in this segment. Through the breadth of Mycronic's qualitative customer base, we are able to leverage our market position, thereby facilitating sales to other electronics manufacturers.

The global COVID-19 pandemic has had limited impact on High Volume's operations and subsequently has not changed the market dynamics.

Achievements 2020

During 2020, the new SMT PCB full-line assembly solution was introduced. This has consolidated the strong position of High Volume in the increasingly competitive Chinese market for PCB assembling solutions, and it was well received by our existing customers.

Focus 2021

High Volume will maintain continuous healthy growth by working closely with customers that value our innovative solutions. In addition, we will continue to meet our customers increasing demands for technical response and field service. At the same time, our core technology will focus on semiconductor and automotive industry development.

"We offer a comprehensive range of production equipment for dispensing and conformal coating of circuit boards, meeting the strong demand for cost-effective automated production while securing the functionality of electronics over time."

Ivan Li
Sr VP High Volume

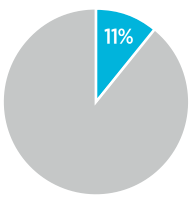
Dispensing of adhesives and conformal coating of circuit boards play an important role in securing the functionality of electronics over time.

Mycronic offers a comprehensive range of production for dispensing and coating, which can combine, connect and protect the product, make them smaller, reliable and safer. Above, one of our products from the MYC/MYD serie.

Global Technologies

Advanced solutions for **die bonding and camera module assembly**

Percentage of net sales



Net sales

SEK 412 M

of which aftermarket

21%

EBIT

SEK –87 M

EBIT margin

–21%

Mycronic Global Technologies develops advanced manufacturing solutions with high levels of differentiation for customers with a specific niche technology supported by favorable long-term trends.

Global Technologies has leading market positions in the microelectronics and optoelectronics segments and the assembly of camera modules for the automative industry. In terms of production of microelectronics and optoelectronics we provide die bonding assembly automation systems used in the data and telecommunications, aerospace & defense and other industries. For the automative industry, we provide CMAT (Camera Module Assembly and Test) high-precision production systems for mounting and testing sensor camera modules for automotive electronics. We provide advanced solutions that optimize the performance of the entire production process at customers' manufacturing, increasing yield, throughput and uptime.

Strategic focus

Our ambition is to become the top supplier in core high-precision die bonding markets and to strengthen a leading position in automotive CMAT. In addition, we aim to add new businesses and partnerships in high-growth market segments as well as continuing to invest in leading niche technologies.

Drivers and trends

Increasing miniaturization and the need for high precision in the assembly of electronic components and optics has gradually forced progress in the assembly automation field, with automated robots picking and placing components with extreme precision and faster speeds.

The die bonding segment is benefiting from the escalating demand for data communication, as it is integral for the expansion of 5G and data centers, enabling the evolution of smart societies. At the same time, political instability is driving die bonding demand from the aerospace, defense and satellite segments. There is also an emerging demand for LiDAR (Light Detection and Ranging) devices, which are used to measure variable distances in the automotive sector.

The demand for CMAT systems is driven by more and higher resolution sensing cameras built into cars for safety and autonomy. However, the adoption rate of cameras has been slower than previous market forecasts. There are additional opportunities in adjacent market areas, such as security and drones.

Increased Chinese investments in domestic supply chains as well as companies mitigating risk by establishing production outside of China are additional strong market driving forces.

Market development

Global Technologies is experiencing varying market conditions. Die bonding faces significant demand, while demand for CMAT systems is limited in the short-term perspective. However, the aftermarket for CMAT production systems remains healthy, delivering spare parts and prototype batches.

Achievements 2020

During 2020, two extensions of the die bonding product line for different industry segments were introduced. A new high-volume configuration of the MRSI-705 system significantly increases speed and throughput, lowering the customer's manufacturing costs. It can be used for a wide range of applications. The other extension is a new high-speed flexible submicron die bonder. It is used in silicon photonics, co-packaging electronic and photonic chips, and wafer-level packaging.

Camera module machines have also been improved with increased quality, speed and throughput, thereby increasing the customer's competitiveness.

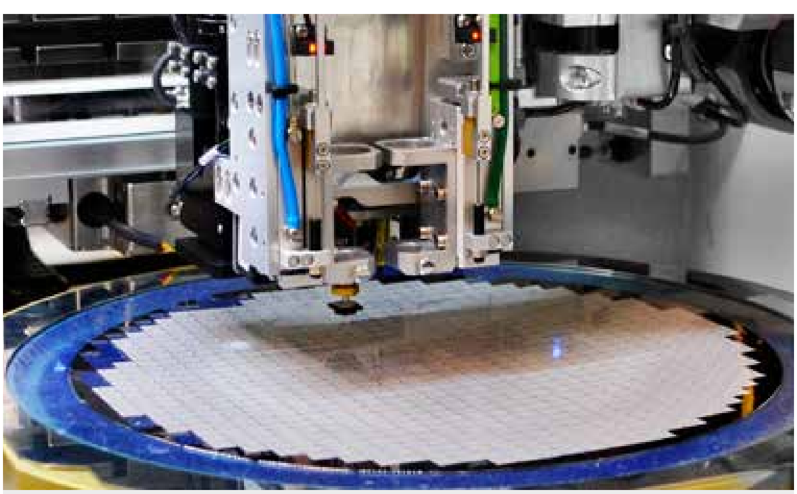
"Based on our solid process engineering background, we offer systems that improve our customers' production performance every day."

Michael Chalsen
Sr VP Global Technologies

Focus 2021

Demand for die bonding is expected to remain strong. Focus will be on finding ways to follow the supply chain's move out of China to South East Asia, Korea and Taiwan. New market segments for lens attachment for laser, advanced sensors and wearable electronics will also be explored, and the new sub-micron machine provides opportunities for Mycronic to expand in silicon photonics.

While automotive is expected to recover, the adoption rate is forecast to be modest in 2021, though LiDAR will continue to grow in automotive. Extending the market for camera assembly technology to adjacent markets remains a priority.



Wafer-level packaging is critical for process efficiency for some applications. Our new MRSI-S-HVM system provides the submicron placement accuracy on 12 inch wafer built on the popular MRSI-HVM platform. This is the industry first system that can provide dual accuracy mode (0.5 and 1.5 micron) in one machine.

Our new product, MRSI-S-HVM, will help our customers with better total throughput and higher capital efficiency in high volume manufacturing for emerging applications in silicon photonics, co-packaging, advanced sensors, and general wafer-level packaging.

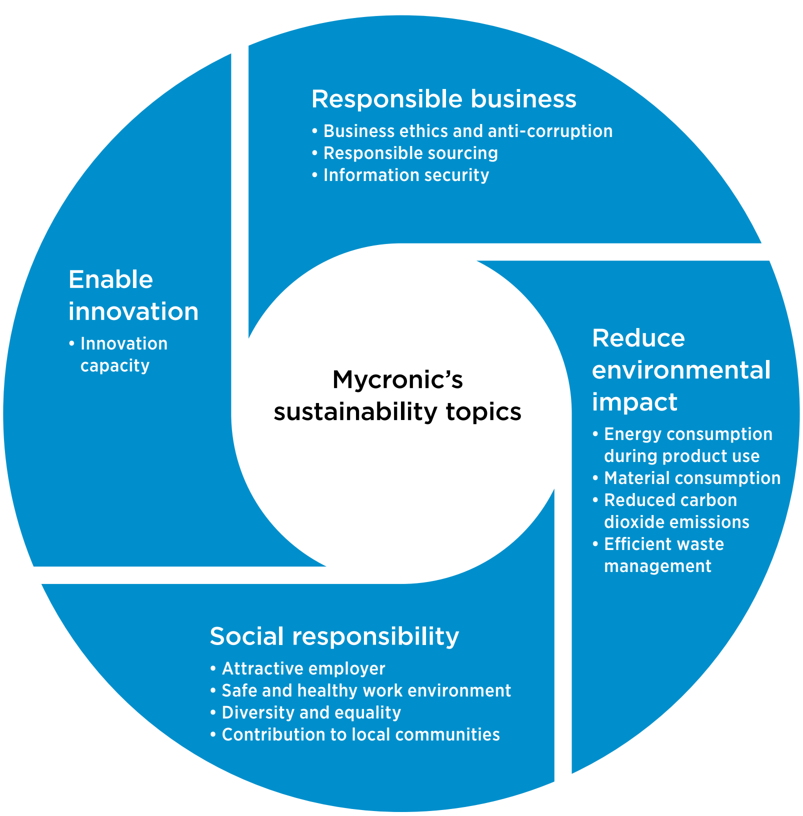
Our sustainability initiatives **focus on issues where we can make a difference**

Mycronic is dedicated to integrating sustainability into all parts of our operations and business. Our sustainability initiatives focus on the areas where Mycronic can make the greatest difference. This way, we can contribute to the transition to a more sustainable electronics sector and future-proof our business. Efforts began during the year to establish a clearer sustainability strategy, with long-term Group-wide sustainability goals.

Toward a more sustainable **electronics industry**

By helping our customers reduce the environmental impact from manufacturing processes, raising our ambitions concerning the climate footprint of our own operations, and working for diversity and inclusion, Mycronic can promote the transition to a more sustainable electronics industry.

During the autumn, Mycronic began work to develop a clearer long-term sustainability strategy. This is part of our goal of fully integrating and implementing sustainability into our operations by 2024, which is a comprehensive task in a global organization that has experienced extensive growth in recent years. The new strategy will focus on our highest priority sustainability topics, and concerns raising our ambitions around the environmental impact of our products, the climate footprint of our own operations, and increasing diversity and equality among our employees and in the communities where we operate.



Mycronic's sustainability commitment

As a global supplier of production equipment to the electronics industry, Mycronic's ambition is to act responsibly throughout the value chain. In February 2020, we joined the UN Global Compact initiative with the objective of clarifying our commitment 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. Mycronic contributes both through its own accountability and by offering sustainable production solutions to customers.

The sustainability initiatives are organized into four focus areas where the company believes it can make the greatest difference, and all of which are a precondition for our long-term competitiveness. Each focus area has an established plan with goals and annual activities.

Clear guidelines

The Code of Conduct and Mycronic's values comprise fundamental guidelines for employees and external consultants. For suppliers and distributors, there are specific Codes of Conduct that elucidate the company's expectations. Mycronic reports in accordance with the GRI Standards to provide the company's key stakeholders with a transparent picture of its sustainability initiatives and results. The sustainability notes on pages 99–112 provide KPIs, as well as descriptions on Mycronic's work with materiality analyses and stakeholder dialogues to identify requirements and expectations in the sustainability area. The Corporate Governance report on page 50 decribes how sustainability is managed at Mycronic.

Sustainability goals and activities

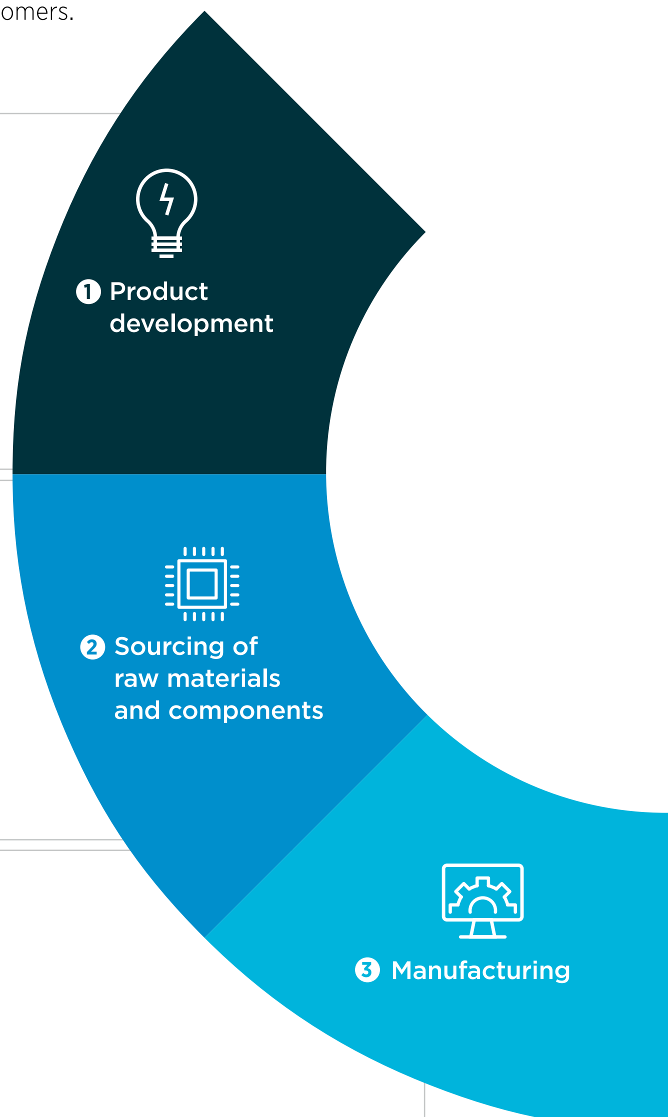
Focus areas	Goals 2020–2021	Completed in 2020	UN SDGs
Enable innovation	• Innovation capacity for continued business success • Engage youth and universities to secure innovation capacity • Design for reduced environmental impact • Offer solutions enabling a future with sustainable electronics production	• 14 innovation disclosures were reported • Three divisions have integrated environmental impact into their design development process • One life cycle analysis was conducted as a pilot project with the intent of developing a Group-wide method for life cycle analysis • The divisions worked on preparing local collaboration strategies with universities, innovation incubators, and others	9 Industry, innovation and infrastructure
Reduce environ-mental impact	• Reduce energy and material consumption during the product life cycle • Reduced carbon dioxide emissions • Efficient waste management	• Three divisions introduced energy and materials consumption requirements in their standard procedures for product development • Two divisions conducted energy audits • Two divisions implemented measures to reduce the environmental impact from freight transport • Three divisions have implemented initiatives to reduce waste or improve waste management	12 Responsible consumption and production 13 Climate action
Social responsi-bility	• Be an attractive employer • Zero major incidents through efficient health and safety management • Increase diversity and equality • Contribute to sustainable local communities	• Global e-learnings on "unconscious bias" and on occupational health and safety were held • Workshops for HR managers and Group manage-ment on the theme "unconscious bias" were held • One division held workshops on preventing work-related stress for all managers • New global guidelines for how Mycronic contrib-utes to local communities	5 Gender equality 8 Decent work and economic growth
Responsible business	• Integrity in business through clear principles • Zero tolerance for corruption • Responsible sourcing • High standards in information security	• All divisions have implemented local initiatives in order to increase employee awareness of Codes of Conduct and guidelines • At year end, 96 percent of the company's strategic suppliers had signed the Code of Conduct • Four mandatory short training courses in IT secu-rity were held for all of the company's IT users	8 Decent work and economic growth 16 Peace, justice and strong institutions

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

Mycronic wants to drive change toward sustainable development throughout the value chain. The company has the greatest possibility to exert an influence in product development, manufacturing and sales.

Mycronic's ambition is to contribute, in partnership with our customers, to the transition toward a more sustainable electronics industry. We see various opportunities to achieve impact in the different parts of the value chain.

Our responsibility extends beyond our own operations and includes indirect impact that we bring about through business relationships with, for example, suppliers, distributors and customers.



1

Key topics and value creation

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.

Primary risks

- Product development that does not meet customer expectations or legal requirements.

Ability to influence

High

2

Key topics and value creation

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.

Primary risks

- Suppliers that fail to meet Mycronic's requirements with regard to human rights, labor rights and environmental impact.

Ability to influence

Medium

3

Key topics and value creation

Through sustainable manufacturing, we reduce our environmental impact. Our efficiency increases 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.

Primary risks

- Production processes that do not meet requirements for health, safety, environmental impact or legal compliance.

Ability to influence

High

“In January 2021, the EU’s new law on conflict minerals entered into force, which will further increase pressure on players in the electronics industry to control their supply chains. Mycronic undertakes to perform due diligence as regards conflict minerals.”

Torbjörn Wingårdh
CFO and Head of the Focus Group Responsible Business

7

Key topics and value creation

By using smaller amounts of more sustainable materials 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.

Primary risks

- Products that do not meet customer expectations or legal requirements as regards recycling or circularity.

Ability to influence

Low

6

Key topics and value creation

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

Primary risks

- Products that do not meet customer expectations or legal requirements.

Ability to influence

Medium

5

Key topics and value creation

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

Primary risks

- Risk of infringement of laws and export guidelines.
- Corruption and other illegal or unethical behavior.

Ability to influence

High

4

Key topics and value creation

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

Primary risks

- Logistics that fail to meet our own, or our customers’, environmental requirements.

Ability to influence

Medium

Focus area: Enable innovation

Innovation driven in partnership with our customers

13%

of net sales in 2020 was invested in research and development

>500

patents at Mycronic, of which 24 new patents were granted in 2020

By identifying new solutions and reducing the impact of delivered products, Mycronic aims to support customers in their efforts to minmize the environmental footprint from manufacturing.

Investments in the next generation of Mycronic's solutions are mainly driven by market demand for feature-rich electronic products, enabling flexible use and meeting the demands of the fast-moving electronics industry. Sustainability is increasingly becoming an integral part of discussions with customers and compliance with stricter environmental regulations and other legal requirements is high on the agenda. In addition, Mycronic expects increasing demands to extend product lifetimes through easier maintenance and repair, as well as smarter decommissioning, dismantling and recycling possibilities.

Innovation and development initiatives at Mycronic are driven in close partnership with our customers. As part of this, Mycronic is committed to contributing, within our sphere of influence, to a more sustainable electronics industry. We therefore aim to decrease the environmental impact from the use of our products in customer operations.

Development of sustainable electronics of the future

Mycronic's products contain a large number of components, materials and advanced electronics. Three divisions have clarified their product design guidelines to ensure that sustainability issues are taken into account when products are designed.

Several projects are on-going that will reduce the impact of products, or create opportunities for customers to mitigate climate change. Developing more energy-efficient mask writers is one area where Mycronic is already active (see the case below). In the US, the Global Technologies division has started to establish baselines for power and compressed air usage

Energy-efficient mask writers reduce CO_2 emissions

Customer use of our mask writers accounts for one of Mycronic's largest sources of CO_2 emissions, because the lasers in the writers are energy intensive. In 2020, the Pattern Generators division delivered its first SLX mask writer, which is based on solid laser technology and saves up to 99 percent of the power used for lasers. This will drastically reduce the total energy consumption of the mask writer, helping to reduce emissions and ensure a more cost-efficient production. Pattern Generators will continue this development effort in the years ahead with the aim of enabling the use of this technology in Mycronic's other mask writer models.

Improving water quality monitoring

Together with partners in the EU-financed project SOMIRO, Mycronic will develop a swimming soft milli-robot that improves water quality monitoring – while reducing the environmental footprint of agriculture. The ultimate goal is to develop technology that contributes to a more efficient and resource-friendly agriculture that reduces the environmental impact in terms of carbon footprint, eutrophication, and excessive use of pesticides and feed. Mycronic works with the development of the robots and the design of the manufacturing process, for instance.

"I see a great potential in this technology because the robots can collaborate, cover a larger area than stationary systems, and can be rapidly deployed. This is very useful when the monitoring conditions require small and self-propelled tools", says Gustaf Mårtensson, expert in complex fluids at Mycronic.

on the latest generation of products, with the aim of reducing overall power and air usage for the products built today, and setting targets for new products. Another example is the High Flex division's project to co-develop solder pastes with a lower melting point, enabling production line energy consumption to be reduced.

To further clarify how to best reduce the environmental impact of our products, Mycronic will define a Life Cycle Analysis (LCA) method that can be applied on a broader scale within the company. As a first step, a LCA was conducted on one of Mycronic's products in 2020, the MY700 Jet Printer. Moreover, Mycronic is actively working to enhance in-house awareness of and interest in the environmental impact of our products.

Managing innovation across three continents

Mycronic has a history of innovations that spans more than 40 years and that has resulted in more than 500 patents. At the end of December 2020, some 450 employees and consultants were part of Mycronic's R&D organisation. The annual R&D budget amounted to 13 percent of net sales.

The electronics industry is a fast-moving sector with continuously changing customer needs. To preserve and develop its innovative culture, Mycronic encourages new ideas and close collaboration with customers. Internal cooperation across division borders is also 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.

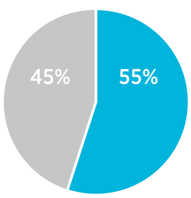
Securing our innovation edge

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. Together with experts in strategic fields, Mycronic has the opportunity to participate in projects where basic technology is applied to new areas, or where completely new technologies will be explored. One example of a strategic partnership is the Center for Deep Learning in electronics (CDLe) in San Jose in the USA, which has led to new opportunities to quickly build Deep Learning expertise.

Focus area: Reduce environmental impact

Climate goal will **reduce emissions**

Internal energy consumption from renewable sources



Renewable
Non-renewable

80%

of Mycronic's total carbon dioxide emissions stem from customers' use of products

Mycronic wants to do its share to reduce the climate impact of the manufacturing industry and therefore pledges to drastically reduce greenhouse gas emissions from its own operations. A climate goal for the company will be established in 2021.

The manufacturing industry accounts for 17 gigatons of CO_2e emissions every year, which represents 32 percent of all global emissions.[1)] To achieve the goals of the Paris Agreement, the world's carbon dioxide emissions must at least be halved by 2030 and near zero by 2050 at the latest. This means a change to the way of producing and consuming, which affects all industries.

As a supplier of production equipment to electronics manufacturers, Mycronic intends to make a difference both by reducing its own direct impact and by developing equipment that facilitates its customers' transition to more environmentally friendly manufacturing processes.

1) Exponential Roadmap 2030

Mycronic's total carbon dioxide emissions for the year was 111,410 (97,800) metric tons of CO_2e. The increase compared to 2019 was due primarly to higher energy consumption reported from customers' use of products from the divisions Pattern Generators and High Volume.

Environmental guidance is based on Mycronic's Code of Conduct, Quality and Environmental Policy, Supplier and Distributor Codes of Conduct and established goals. Environmental goals are reviewed annually and focus, in 2020 and 2021, on energy consumption during product use, use of materials, CO_2 emissions and waste management. Policies and environmental goals are mainly implemented within our quality and environmental management system.

Climate impact during product use

Mycronic's greatest climate impact occurs downstream in the value chain during customers'

More than 53 million metric tons of electronic waste was generated globally in 2019, according to the UN. Mycronic renovates and upgrades certain types of equipment, which are then re-sold. This both reduces waste and saves on natural resources.

Identified carbon footprint 2020: 111,410 metric tons (97,800) CO_2e

Mycronic's greatest climate impact occurs downstream in the value chain (Scope 3) during customers' use of its products.

Direct emissions
Scope 1: 1%

Production of heating in own facilities

Fuel consumption by own vehicles

Direct emissions (energy)
Scope 2: 1%

Purchase of electricity and heating for own use

Indirect emissions (other)
Scope 3: 98%

Purchase of direct materials, packaging and office supplies

Transportation

Business travel

Use of products

Waste

use of its products. Of the company's total identified carbon dioxide emissions in 2020, 80 percent stemmed from energy consumption during product use.

The laser in a mask writer is especially energy-intensive. This is why since 2017, the Pattern Generators division has been pursuing a project that aims to replace the current lasers in Mycronic's mask writers with a significantly more energy-efficient type of laser. Read more about Mycronic's contribution to a sustainable electronics industry on pages 28–29.

Efficient use of materials and chemicals

Mycronic's products include several types of materials with differing degrees of environmental and climate impact, including metals (such as stainless steel, aluminum and titanium), rock (primarily diabase), plastic, glass, batteries and various types of electronic components. The divisions are working in different ways to optimize their use of materials. For example, Global Technologies, in the US, has begun to turn away from conventional manufacturing methods toward commercial 3D printing to achieve better material efficiency, lower costs and a lower product weight. In China, High Volume reduced the number of writing errors during the design process by 50 percent compared with the preceding year, which reduces the need for re-working and thus saves on material.

Mycronic handles certain chemicals that are classified as hazardous to health or the environment. These include process chemicals that are necessary in the manufacturing process and chemicals that are included in products, such as adhesives and fats. With an efficient use of chemicals, Mycronic can help reduce carbon dioxide emissions, produce less waste and decrease the risk of emissions from incorrect handling. Mycronic commits to compliance with the RoHS and REACH Directives for products sold on the European market. Relevant employees are continuously trained in handling and reportinging chemicals. Read more about how Mycronic handles chemicals on page 109.

Impact from production facilities and transportation

Mycronic is working on reducing carbon dioxide emissions from its production facilities. Four of Mycronic's five production entities are certified against the environmental and quality management systems ISO 14001 and ISO 9001, which ensures that efficient working methods are in place for environmental and quality management.

The head office in Täby, which is one of the Group's largest production units, uses climate-compensated electricity and has installed LED lighting and oil-free compressors to reduce energy consumption.

Transports also impact the carbon footprint. In several divisions, there are projects under way intended to eventually reduce impact, for example through optimized logistical routes.

Waste management

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 produced 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.

Our environmental initiatives also include finding circular solutions for customers who make such requests. Mycronic renovates and upgrades certain types of equipment, which are then re-sold through a buyback program. Buybacks corresponded to 24,373 (68,344) metric tons of material in 2020.

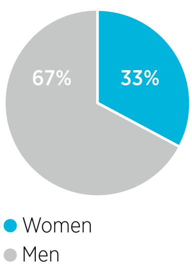
New facility yields reduced climate impact

In 2020, Mycronic's three subsidiaries in the USA – AEi, MRSI (which today forms the division Global Technologies) and Mycronic USA – moved to a new shared facility outside Boston, Massachusetts. The property operation in this facility was designed with a green agenda in mind, which, among other things, has resulted in reduced consumption of natural gas. The use of natural gas was cut by half, from 104,400 m^3 in 2019 for the three facilities, to 49,460 m^3 in 2020 in the new common facility. Total consumption of electricity decreased from 1,470 Mwh to 1,320 Mwh. Emissions from transport also decreased sharply, from 2,265 tCO_2e in 2019 to 1,239 tCO_2e in 2020, after the new division optimized the logistics of incoming and outgoing freight.

Focus area: Social responsibility

Initiatives in diversity **and inclusion**

Share of women Group management



17%

of our employees were women end 2020. By 2023, the goal is that 20% of all employees and 25% of all managers will be women

The high degree of commitment among our employees is at the heart of Mycronic's success. We want to offer an attractive, inclusive and healthy workplace.

Mycronic's employees are crucial to the company's value creation, profitability and growth. Being an attractive employer means being a responsible employer and promoting a dynamic employee culture.

The work on establishing Mycronic's Employer Value Proposition (EVP) was initiated in 2020. 100 employees took part in discussions, where it emerged that the Group's innovative power and the possibilities to work globally best explain why employees choose Mycronic.

Mycronic commits to diversity, equality, fair working conditions and freedom of association for employees, including the right to join trade union associations. In addition, the company is to offer a safe and healthy workplace. HR audits are conducted every other year to identify the Group's strengths, risks and areas for improvement. One measure taken after the 2019 audits was GDPR training for HR managers.

Innovation and partnerships attract talents

During the year, Mycronic was once again named one of Sweden's Career Companies (Karriärföretag). This award is a recognition that the company is on the right path and we continue to work to become even better, for example through the Employer Value Proposition project.

Our partnerships with customers, and collaboration projects with the world of academia, attract employees and enable our capacity for innovation. To secure future skills supply and attract talents, Mycronic is working to increase young people's interest in technology and IT. This includes the company's regular participation in student fairs and offers of internships, for example through the Swedish Jobbsprånget and Tekniksprånget programs, which continued in digital form in 2020 owing to the pandemic.

Skills development and employee dialogue

Most of Mycronic's skills development takes place through internal knowledge transfer. Activities to broadly implement our extensive offering of online training programs and courses are progressing. During the year, some of the divisions implemented "career paths" that clarify the steps in development for engineers.

All managers hold annual performance interviews with their staff, and these are used to establish individual development plans. Mycronic also conducts annual employee surveys. 90 percent of the employees responded to this year's survey, the results of which showed that employees particularly appreciated their relations with managers and colleagues and their possibilities to influence. Areas for improvement that were identified include training and development, which Mycronic will strive to improve.

Diversity and inclusion

Mycronic works in different ways to foster diversity and inclusion, supported by its Code of Conduct as well as its Diversity and Inclusion Policy. Workshops on "unconscious bias" for HR managers and Group management were held during the year, as was a digital training for employees. This was the kickoff for a more comprehensive effort to further improve the conditions for an open, inclusive work climate where everyone's opinions are heard and no one is discriminated against.

Mycronic is also working on becoming a workplace with more even distribution of men and women. By 2023, the target is that 25 percent of all managers and 20 percent of all employees are women. In 2020, the percentage of women managers and employees was

Local community initiatives

To support health services and inspire others to take action during the COVID-19 pandemic, High Volume in China donated medical necessities to a hospital in Shenzhen, China. The division, which serves several meals a day to its employees, also participated in a program to reduce food waste, and employees took part in a tree-planting program. Mycronic Sweden donated powerful UV lasers for research to two partner universities. These initiatives from 2020 are just a few of the many examples of partnership and support for local communities and for research in the countries where we operate.

18 percent (22) and 17 percent (17), respectively. High Volume in China hired several production managers and employees during the year. This affected the outcome with regard to gender as it was a challenge to find women applicants for these positions, which most often entails residing at the workplace for weeks at a time. There are, however, good conditions for equality at division management level, since the High Volume management group consists of 50 percent women.

A safe and healthy workplace

Mycronic focuses its occupational health and safety work on reducing and preventing physical, ergonomic and psychosocial risks. Employees are continually trained in this area. Adjustments are made to improve the ergonomics in both production and office work. An e-learning on health and safety was also held during the year for all employees in the Group. A health and safety committee is in place in Sweden.

Work-related stress affects both the health of individuals and the well-being and efficiency of the organization. A number of targeted initiatives to prevent stress have been implemented over the last two years. These include managers in Sweden and in China that participated in training on preventing work related stress. In 2020, High Volume in China launched a program to help all its employees manage stress. The initiative focuses on both personal stress management skills and on risk factors in the work environment that could affect stress. High Volume offers training with a psychologist twice a year, as well as monthly individual consultations with a psychologist, for those who wish to do so.

In other respects, 2020 was marked by the global COVID-19 pandemic. In addition to measures to reduce the spread of infection, such as working remotely and adaptation of premises, Mycronic carried out a number of initiatives to ensure the well-being and health of its employees. To monitor, and work effeciently, with ergonomic and mental health during the pandemic, employees in every country were given the opportunity to respond anonymously to several surveys about how they were coping. 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 certain countries were allowed to purchase ergonomic office furniture for their homes. A webinar for everyone on this new situation and its consequences was also arranged with an external expert. Experiences acquired during the year will be put to use in Mycronic's future work on health and safety for employees.

Partnerships and support to local communities

Mycronic's ambition is to serve as an example in promoting diversity, equality and inclusiveness in the communities where the company operates. In addition to creating job opportunities, Mycronic participates in a number of initiatives aimed at strengthening the local community (see examples above). During the year, Mycronic established a global strategy for local community involvement in which the company encourages initiatives that promote education (especially in technical science and technology), 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.

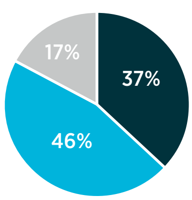
Focus area: Responsible business

Ethics and responsibility at all stages

96%

of Mycronic's strategic suppliers have signed the Code of Conduct for suppliers

Geographical distribution of suppliers[1]



- Europe
- Asia
- USA

1) 2019 data

For Mycronic, responsible business means acting ethically and in accordance with the law in all parts of its operations, which is also crucial for our continued success.

The electronics industry faces several social and environmental challenges in its value chain. For example, protection of human and labor rights may be weak in certain parts of the raw materials chain. The industry therefore needs to impose requirements on its suppliers, for example to avoid the use of conflict minerals, which are associated with human rights violations.

Control of the supply chain, compliance with trade regulations (such as export controls) and anti-corruption are central topics in business ethics, on which Mycronic is working actively. Information security is also a priority area, as risks are increasing with the digitalization of work methods and production equipment.

Ethics committee and whistleblower function

Mycronic's Ethics and Compliance Board (ECB) prepares guidelines on ethics and compliance and ensures that Mycronic has clear procedures for reviewing and monitoring compliance. The ECB consists of Mycronic's General Counsel and three members of Group management. Mycronic has an independent whistleblower function; in 2020, one case was reported. Read more on page 105.

Responsible sales

Through its subsidiaries, agents and distributors, Mycronic is active in some 50 countries. Transparency International considers the risk of corruption to be high in a number of them. Mycronic has an anti-corruption policy, and all employees underwent digital anti-corruption training in late 2019 and early 2020.

The customer risk assessment includes business ethics, social and environmental aspects through requirements relating to documentation and approval, for example, in order to permit sales to customers in certain countries. Clear processes are in place to address export controls.

Control of the supply chain

Mycronic has around 1,500 suppliers globally. About half of the purchase value pertains to direct materials including metals, composites, stone, plastic and electronics. Mycronic requires that new strategic suppliers of direct materials are certified in accordance with ISO 9001, and environmental and social issues are included in the standard evaluation of new suppliers to the Swedish purchasing organization. However, the global COVID-19 pandemic obstructed possibilites for conducting on-site audits in 2020, which are normally part of the standard process.

In its Code of Conduct, Mycronic undertakes to perform due diligence as regards conflict minerals. A tool from the Responsible Minerals Initiative is used for reporting. Supplier assessments are conducted in line with the IPC-1755 standard. Direct suppliers must also sign Mycronic's Supplier Code of Conduct, which requires due diligence in accordance with the OECD Guidelines or comparable initiatives.

Information security

In 2020, a number of audits and analyses of Mycronic's digital risks were conducted by an external partner. A digital security program has been initiated that entails technological solutions, security checks, proactive analysis and training. Four short courses in IT security were held during the year for all IT users. The COVID-19 pandemic has entailed additional demands on technological solutions that are safe but not too complex for the user. With improved solutions, we have created a solid platform that enables a mobile approach to work.

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 2020 on pages 23–35 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.

Stockholm 19 March 2021
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

The Mycronic share

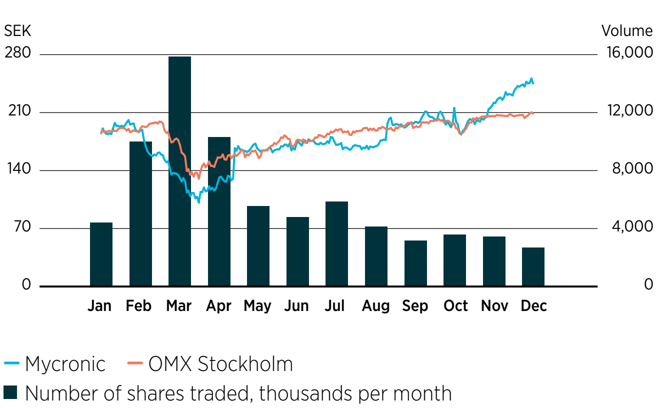
The share
Mycronic's share is listed on Nasdaq Stockholm, Large Cap. In 2020, the total turnover of Mycronic shares on Nasdaq Stockholm amounted to 73.7 million (67.3) shares, corresponding to 75 percent (69) of the total number of shares.

Shareholders
At the end of the year, Mycronic had 14,758 (13,854) shareholders. 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. The largest shareholder, Bure Equity, owned 27.9 percent at year-end. The ten largest owners held 67 percent (66) of the total number of shares. Board members and Group management held a total of 0.4 percent (0.4). At the end of 2020, Swedish ownership was 78 percent (74).

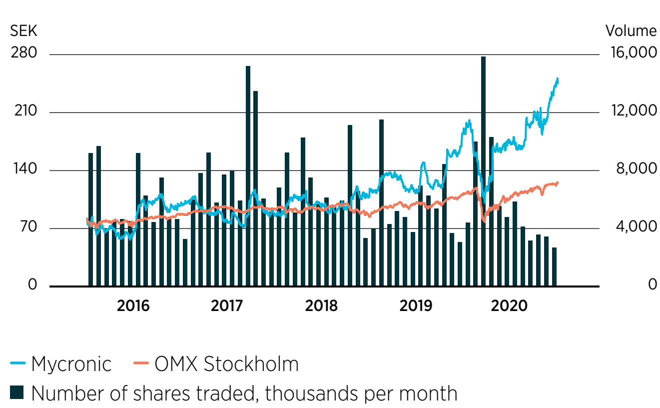
Price trend
Mycronic's market capitalization increased 33 percent in 2020 to SEK 24,029 million, from SEK 18,124 million at the end of 2019. The highest closing rate was recorded on December 29 at SEK 251.40 and the lowest closing rate on March 23 at SEK 101.40. OMX Stockholm PI increased during the year by 12.9 percent, and OMX Stockholm Technology PI rose by 57.4 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 2020, the Board of Directors is proposing, in accordance with the company's dividend policy, a dividend of SEK 3.00 (2.00) per share. The dividend corresponds to a total of approximately SEK 294 million (196) and 42 percent (23) of net profit for the year. The Board of Directors intends to propose to the 2021 Annual General Meeting a renewed authorization for the Board of Directors to buy back shares in Mycronic AB. 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 AB.

Share price trend 2020



Share price trend 2016–2020



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, 2020

Holding by size	No. of shareholders	No. of shares	%
1–500	11,993	1,350,542	1.4
501–1,000	1,287	1,042,092	1.1
1,001–5,000	1,127	2,559,865	2.6
5,001–10,000	137	1,031,080	1.1
10,001–50,000	128	2,776,610	2.8
50,001–100,000	24	1,817,067	1.9
100,001–	62	84,665,516	86.5
Anonymous		2,673,737	2.7
Total	**14,758**	**97,916,509**	**100.0**

Analysts that monitor Mycronic

Company	Analyst
Carnegie	Mikael Laséen
Danske Bank	Fredrik Lithell
Handelsbanken	Daniel Djurberg
Redeye	Viktor Westman

Data per share

	2020	2019
No. of shares	97,916,509	97,916,509
Share price at year-end, SEK	245.40	185.10
Equity per share, SEK	34.58	30.46
Market value/equity ratio	7.11	6.08
Earnings per share, SEK	7.10	8.74
P/E ratio	35	21
Dividend	3.00[1]	2.00

1) Proposed dividend.

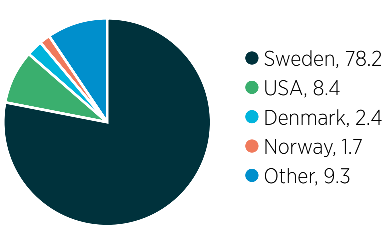
Largest shareholders, December 31, 2020

Shareholder	No. of shares	Holding, %
Bure Equity	27,317,163	27.90
SEB Fonder	10,158,819	10.37
The Fourth Swedish National Pension Fund	8,985,811	9.18
Swedbank Robur Fonder	4,815,268	4.92
Handelsbanken Fonder	3,888,706	3.97
Lannebo Fonder	3,292,006	3.36
C WorldWide Asset Management	2,031,272	2.07
Vanguard	1,850,718	1.89
Norges Bank	1,589,423	1.62
Didner & Gerge Fonder	1,493,725	1.53
Ten largest shareholders	65,422,911	66.81
Others	32,493,598	33.19
Total	**97,916,509**	**100.00**

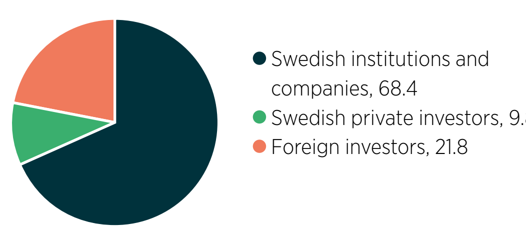
Share capital development

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, %



Ownership structure by category, %



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

Annual and consolidated accounts

Report of the Directors

The Board and CEO for Mycronic AB (publ.), corporate identification no. 556351-2374, hereby submit the annual report and consolidated financial statements for the financial year January 1 to December 31, 2020.

Mycronic's operations

Mycronic has developed innovative solutions for advanced electronics production since the 1970s. In the same spirit, the company continues today to help its customers to create world-leading production solutions for electronics manufacturing with rigorous demands on precision and flexibility. Operations are conducted in four divisions: Pattern Generators, High Flex, High Volume and Global Technologies.

Pattern Generators holds a unique position as the only supplier of mask writers to produce advanced photomasks for displays that are used when manufacturing products such as cell phones, tablets, TVs and computer displays. The division also delivers mask writers for manufacturing photomasks for semiconductors as well as manufacturing photomasks for the multi-purpose segment.

High Flex holds a leading position within systems for electronics production with a complete offering for surface mount technology (SMT) and inspection solutions for customers with small or medium production volumes.

High Volume offers a comprehensive range of production equipment for dispensing and conformal coating of circuit boards, with a focus on high-volume markets in Asia.

Within the field of assembly automation, Global Technologies is a leader in assembly equipment for manufacturing camera modules to the automotive industry and in die-bonding systems for manufacturing optoelectronics and microelectronics.

A large share of Mycronic's net sales is derived from aftermarket business, where service is provided to in excess of 3,000 customers in more than 50 countries with over 12,000 installed systems.

Group structure

The Group consists of the Parent Company Mycronic AB and wholly owned subsidiaries in France, Japan, China, the Netherlands, Singapore, the UK, South Korea, Germany, and the USA, as well as a dormant company in Taiwan.

After an acquisition in 2018, Mycronic owns 100 percent of MRSI Systems in the USA and 100 percent of Mycronic Fukuoka in Japan (of which 30 percent was acquired in 2020). In 2017, Mycronic acquired 100 percent of Vi TECHNOLOGY in France. As a result of acquisitions in 2016, Mycronic owns 100 percent of Kognitec and RoyoTech (of which 25 percent was acquired in 2017) in Germany, 100 percent of AEi in the USA, 100 percent of the Chinese company Axxon (of which 20 percent was acquired in 2019) and 70 percent of the Chinese company Axxon Piezoelectric. All acquisitions are consolidated from the date of acquisition.

Sustainability Report

In accordance with the Swedish Annual Accounts Act, Chapter 6, paragraph 11, Mycronic has chosen to prepare the statutory Sustainability Report separately from the Report of the Directors. The Sustainability Report can be found on pages 23–35 with an accompanying statement from the auditor on page 36.

Personnel

At the end of the year, the Group had 1,525 (1,450) employees.

The average number of full-time employees in the Group in 2020 was 1,506 (1,349), of which 349 (357) were employed in Sweden. Women accounted for 17 percent (17) of the average number of Group employees. Refer to Note 14.

Long-term financial goals

The Group's long-term financial goals were published in February 2017.

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.

Significant events during the year

Mycronic's operations in 2020 were impacted by the COVID-19 pandemic, and the company has complied with all of the government's instructions while monitoring the developments around COVID-19. The company took a structured approach to reducing the risks for personnel and operations while measures were implemented to also secure scope for action in the future. Health and safety were the priority in these efforts. Mycronic has a strong financial position, combined with its operations being well distributed over different industry segments and geographies, which is why the impact of COVID-19 on the Group differed substantially between the various parts. The virus has also impacted the electronics industry and created uncertainty in the market, which is why forecasts and long-term effects have been difficult to assess.

A new organizational structure, based on four divisions, was introduced during the year. The former Assembly Solutions business area has been replaced with the High Flex, High Volume and Global Technologies divisions. The fourth division comprises the former Pattern Generators business area.

Mycronic has solid resilience and risk spread through operations that are well diversified over various industry segments and geographies. The organization is continually being adapted in relation to the business climate; through the new divisional structure, operations have been decentralized with focus on acting locally and in close partnership with customers. In this connection, areas of improvement for efficiency have been identified, and several initiatives have been launched.

In 2020, the new SLX mask writer for production of photomasks for semiconductors was established in the market, together with the new Evo control platform as a new shared standard for all mask writers. In die bonding, the production line has been extended with two new system configurations that have markedly increased efficiency and throughput, and lowered costs for customers.

As a result of Mycronic's offering making it possible for customers to transition to more sustainable electronics production while Mycronic continues its efforts to improve its climate footprint, Mycronic was approved as a member of the UN Global Compact early in the year.

Comments on financial performance

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

Order intake and order backlog

Order intake, including system and aftermarket sales for the four divisions, amounted to SEK 3,687 million (4,567) in 2020. The order backlog at year-end was SEK 1,969 million (2,164). The order backlog includes 13 mask writers, of which 11 with planned delivery in 2021.

Net sales

Performance among the divisions varies, but on the whole, the effects of the pandemic contributed to a 10 percent decline in the Group's net sales for 2020 to SEK 3,882 million (4,307) and by 8 percent based on the exchange rates prevalent in 2019.

Net sales comprised delivery of 7 (8) mask writers and one major upgrade in the Pattern Generators division. Of net sales for the year, the Pattern Generators division accounted for SEK 1,563 million (1,844), High Flex for SEK 1,079 million (1,403), High Volume for SEK 873 million (599) and Global Technologies for SEK 412 million (489).

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

Gross profit and gross margin

Consolidated gross profit amounted to SEK 2,080 million (2,399). The low gross profit for the year is attributable to lower sales volumes and a less favorable product mix. Gross margin amounted to 54 percent (56).

Research and development

Consolidated research and development expenses in 2020 amounted to SEK 514 million (559). In 2020, SEK 85 million (29) was capitalized in the balance sheet, of which the Pattern Generators division accounts for SEK 60 million (12) and the High Flex division for SEK 25 million (17). Development costs for 2020 include SEK 18 million pertaining to the impairment of acquired technology in Global Technologies.

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 670 million (778) in 2020. The cost decrease is attributable primarily to lower sales costs, linked to factors including a decline in net sales. Sales costs for the year include SEK 24 million (36) pertaining to impairment of acquired customer relations in the Global Technologies division.

EBIT

Consolidated EBIT for 2020 amounted to SEK 898 million (1,124), a decline of 20 percent. EBIT margin amounted to 23 percent (26).

EBIT for the Pattern Generators division decreased 18 percent to SEK 889 million (1,089), corresponding to an EBIT margin of 57 percent (59).

EBIT for the High Flex division decreased 65 percent to SEK 33 million (92). The EBIT margin amounted to 3 percent (7).

EBIT for the High Volume division increased 75 percent to SEK 181 million (104), corresponding to an EBIT margin of 21 percent (17).

EBIT for the Global Technologies division totaled SEK -87 million (-9), including impairment of acquired intangible assets of SEK 42 million (36). The EBIT margin amounted to -21 percent (-2).

Costs for Group-wide functions of SEK 116 million (144) were charged to EBIT.

The underlying EBIT amounted to SEK 975 million (1,169), with an underlying EBIT margin of 25 percent (27). The difference between EBIT and the underlying EBIT consists of acquisition-related costs. These amounted to SEK 77 million (45) in 2020 and are primarily attributable to amortization and impairment of acquired intangible assets. EBIT was charged with acquisition-related costs of SEK 59 million for the Global Technologies division, while the High Volume and High Flex divisions were charged with SEK 14 million and SEK 4 million, respectively.

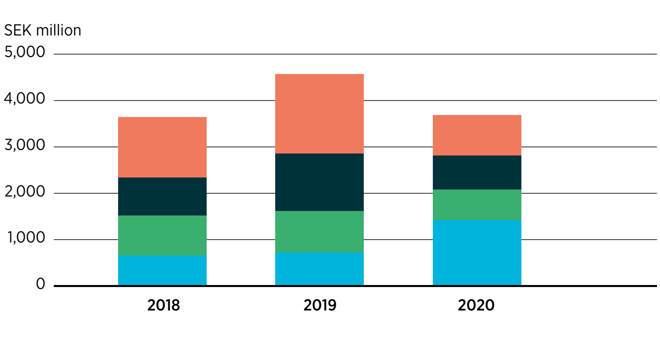
Tax

Consolidated profit before tax for 2020 totaled SEK 890 million (1,122). Consolidated tax expenses amounted to SEK 187 million (263), corresponding to an effective tax rate of 21 percent (23) in relation to profit before tax.

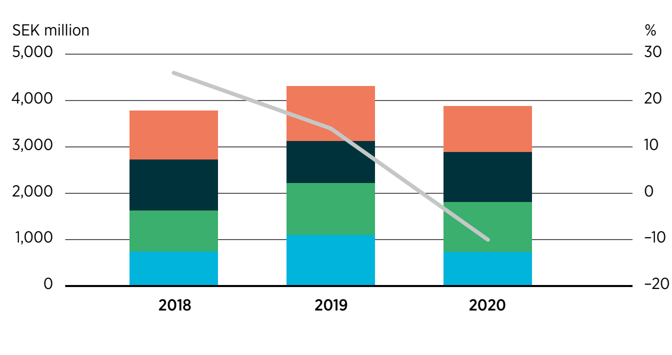
Profit for the year and earnings per share

Consolidated profit after tax for full-year 2020 amounted to SEK 703 million (859), of which SEK 694 million (855) is attributable to the

Order intake per quarter



Net sales per quarter



Parent Company's owners. This corresponds to earnings per share, before and after dilution, of SEK 7.10 (8.74).

Comments on financial position

The Group's total assets at year-end 2020 amounted to SEK 5,319 million, compared with SEK 4,800 million at the end of 2019.

Non-current assets amounted to SEK 1,886 million (1,960). Intangible assets amounted to SEK 1,253 million (1,366), of which SEK 1,119 million (1,299) consisted of acquisition-related assets in the form of goodwill, customer relationships, technology and brands.

Capitalized development expenditure amounted to SEK 116 million (51). During 2020, development projects were capitalized in the amount of SEK 85 million (29). Amortization of previously capitalized development amounted to SEK 20 million (11). 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 at least once per year.

During 2020, inventory increased from SEK 1,109 million to SEK 1,181 million, while trade receivables decreased from SEK 826 million to SEK 601 million. Cash and cash equivalents in 2020 increased from SEK 655 million to SEK 1,303 million.

Current liabilities amounted to SEK 1,355 million (1,224). Trade payables decreased from SEK 288 million to SEK 261 million. Advance payments from customers amounted to SEK 559 million (336). 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 264 million (318) while net cash was SEK 1,039 million (337). Interest-bearing liabilities consist primarily of lease liabilities.

Equity

Consolidated equity on December 31, 2020, was SEK 3,378 million (2,978). The number of outstanding shares at year-end was 97,684,509.

The equity/assets ratio, the percentage of equity of the total assets, was 64 percent (62). At year-end, Mycronic's market capitalization was SEK 24,029 million (18,124).

Comments on cash flow and investments

Consolidated cash and cash equivalents at year-end amounted to SEK 1,303 million (655). Cash flow for the period was SEK 689 million (-180).

Cash flow from operating activities after changes in working capital generated SEK 1,126 million (545). Working capital tied up decreased by SEK 218 million during the year, driven primarily by advances from customers, compared with an increase of SEK 498 million in the preceding year.

Investments amounted to SEK 150 million (399), of which capitalization of product development accounted for SEK 85 million (29). Investments in tangible assets totaled SEK 44 million (109).

Financing activities claimed SEK 288 million (326), of which dividends to shareholders accounted for SEK 196 million (294).

Events after year-end

No events took place after year-end that had a significant impact on the Group's earnings or financial position.

Approved guidelines for remuneration

For guidelines for remuneration to senior executives resolved on by the 2020 Annual General Meeting, see Note 14.

Remuneration guidelines 2021

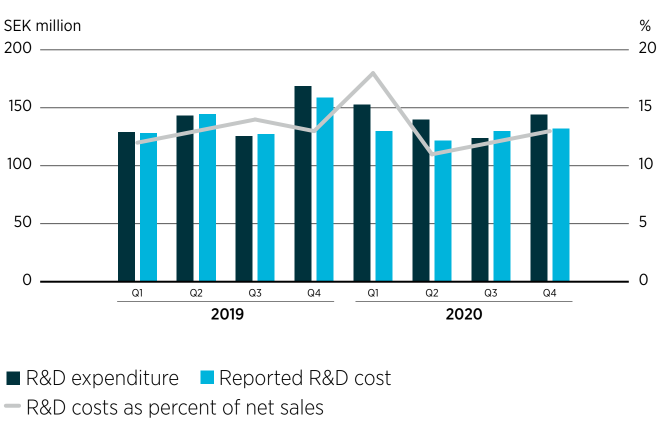
The following guidelines for remuneration to senior executives are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the 2021 Annual General Meeting. The guidelines encompass remuneration to the Board of Directors, the CEO, the deputy CEO and other senior executives (the Executive Management), however, these guidelines do not apply to any remuneration decided or approved by the 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 and sustainability 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 2021 Annual General Meeting. An issue regarding departure from the guidelines shall be prepared by the remuneration committee and decided by the Board of Directors.

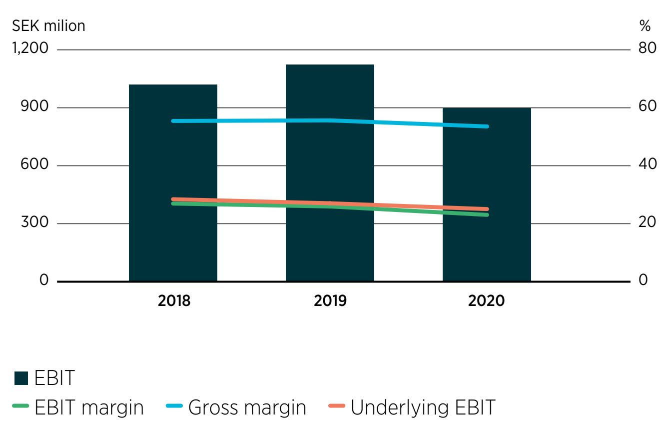
The guidelines' promotion of the company's business strategy, long-term interest and sustainability

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 has three priorities within the framework of the company's long-term strategy. These are: consolidating the company's strong position within the Pattern Generators division; increasing or retaining profitability in

Quarterly R&D expenses



Financial performance



the High Flex, High Volume and Global Technologies divisions; and increasing the company's proximity to customers. The strategy also includes creating value through a focus on sustainability.

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, including its sustainability, that the company is able to recruit and retain senior executives with the competence and capacity to achieve specified goals. To this end, it is necessary that the company can offer competitive remuneration to motivate senior executives to do their utmost. Variable cash remuneration covered by these guidelines shall be based on criteria that aim at promoting the company's business strategy and long-term interests, including its sustainability, 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 senior executives shall be based on market terms. The total remuneration may consist of fixed and variable remuneration, pension and other benefits.

Fixed remuneration

In establishing the fixed base salary for the CEO and senior executives, the impact on total remuneration is taken into account. The level is dependent on the scope and complexity of the position in question and the individual's performance from year to year. Senior executives salaries are, like the other components of remuneration, subject to annual review by the Remuneration Committee, which takes external salary statistics into account to ensure that the salary levels remain competitive. The fixed salary constitutes a maximum of 65 percent of the total remuneration in the event of a full outcome of short-term variable remuneration, excluding long-term variable remuneration.

Short-term variable remuneration

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

Long-term variable remuneration

Senior executives can be offered incentive programs, which mainly must 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 a General Meeting and are therefore not covered by these guidelines. There may be already existing agreements on variable remuneration linked to continued employment for additional persons in Group management. In addition, the General Meeting may – regardless of these guidelines – resolve on share-related or share price-related remuneration.

Other benefits

Pension

Senior executives employed in Sweden as of 2012 are normally covered by the contribution-based plan under ITP1. A supplementary pension plan is applied in addition to the ITP plan. The retirement age for senior executives is normally 65 years. For senior executives not employed in Sweden, locally competitive pension plans and retirement ages are applied.

Certain other benefits

Certain other benefits (e.g. company cars and health care plans) are established based on their being competitive in the local market.

Other benefits constitute a maximum of 40 percent of the total remuneration in the event of a full outcome of short-term variable remuneration, excluding long-term variable remuneration.

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 senior executives' employment or contractual agreements shall be valid until further notice or for a specified period of time. In the event of termination by the company, the notice period is twelve months for the CEO and is entitled to twelve months severance pay. For senior executives that are locally employed in Sweden, the mutual notice period is a maximum of six months. Upon termination by the company, a period of notice of six months and six months' severance pay apply. During 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 senior executives that are locally employed outside of Sweden, other notice periods and agreements on severance pay exist.

Salary and terms of employment for employees

In preparing the Board of Directors' proposal for guidelines on remuneration to senior executives, the salaries and terms of employment for the company's employees have been taken into account. Information about employees' 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 chair the Remuneration Committee. In order to manage conflicts of interest, other members of the Remuneration Committee who are elected by the General Meeting must be independent in relation to the company and Group management.

The Remuneration Committee shall, inter alia, monitor and evaluate the application of the guidelines for remuneration to senior executives 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 Group 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 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 senior executives were reviewed ahead of the 2021 Annual General Meeting, and the review resulted in certain editorial changes as well as some minor adjustments to aspects such as the remuneration elements relative proportion of the total remuneration. The changes are not expected to entail any significant change in the remuneration paid in accordance with the current guidelines.

Long-term incentive program (LTIP)

The Board of Directors proposes that the Annual General Meeting resolves to introduce a long-term incentive program for 2021 (LTIP 2021).

LTIP addresses senior executives 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, and depending on the fulfillment of specific performance requirements linked to Mycronic's earnings per share, to receive an allotment of common shares in Mycronic, referred to as performance shares.

The allotment of performance shares to participants will be free of charge. The allotment of performance shares within LTIP 2021 will take place during a limited time period following the 2024 Annual General Meeting. The period up until this time constitutes the qualification period.

One prerequisite for the participant to be entitled to allotment of performance shares is that the participant continues to be employed by Mycronic throughout the qualification period until allotment. In addition, allotment of performance shares requires the fulfillment of performance requirements linked to Mycronic's earnings per share. The number of shares is limited to a maximum of 7,300 for the CEO, 2,800 for senior executives, and 1,100 for other key personnel. In the event of a maximum allotment and participation, the program will encompass maximum 100,200 shares.

The Mycronic share

Mycronic's share is listed on Nasdaq Stockholm, Large Cap. The company was listed in March, 2000.

Share capital amounts to SEK 98 million. The number of shares is 97,916,509, issued in one class. Every share grants the right to one vote.

The largest shareholder is Bure Equity, who at the end of 2020 had holdings of 27,317,163 shares, or 27.9 percent of the capital and votes. SEB Fu had an aggregate ownership of 10,158,819 shares, corresponding to 10.4 percent of capital and votes. No other shareholder had, either directly or indirectly, more than 10 percent of the company's shares.

Mycronic does not have any limitations in terms of the transferability of shares due to provisions in the Articles of Association. To the company's knowledge, there are no agreements between shareholders that result in limitations to the right to transfer shares. Furthermore, the company is not party to any agreement that will have effect, be altered, or cease to apply if control over the company should change as a result of a public tender offer. The Group has no contractual obligations between the company and Board members or between the company and employees other than those reported in the section on remuneration.

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 2020, there were 358 persons (374) employed by the Parent Company.

The Parent Company's net sales amounted to SEK 2,381 million (2,833) and included 7 (8) mask writers. EBIT was SEK 604 million (1,028). Cash and cash equivalents at year-end amounted to SEK 719 million (246).

Outlook for 2021

It is the Board of Directors' opinion that consolidated net sales for 2021 will be at a level of SEK 3.9 billion, based on exchange rates at the end of 2020.

Significant risks and risk management

Mycronic is an international group with subsidiaries all over the world and thus exposed to risks of various kinds. The company can influence these risks to varying degrees. Risks may have a large or small impact on the Group, the Parent Company or subsidiaries within the Group. The significant risks that can affect Mycronic are described below.

Risks and their costs are limited through development of processes and systematic risk management and the Group's insurance solutions. Risk management is handled on a general level by the Board of Directors and at the Group level by Group management. With the new organization that was introduced in April 2020, the allocation of responsibilities between the divisions and the Corporate Office was clarified; each are responsible within their respective areas of responsibility for identifying, assessing and systematically managing risks.

Financial risk management and currency hedging are centralized in the finance department of the Corporate Office, as is handling of insurance. Financial risks are managed in accordance with the financial policy established by the Board.

Market-related risks

The Group's sales are related to investments within the electronics industry. Sales and profitability are affected by overall economic trends in terms of sales volumes, price trends and customers' financing options. Through continuous investment in product development and acquisitions, Mycronic addresses several application areas and customer segments, which diversifies risk. Furthermore, the Group's aftermarket business contributes to reducing dependence on system sales.

The bulk of Mycronic's operations are in North America, Europe and Asia. The market is regionalizing, which thereby imposes new demands on presence, flexibility and delivery capacity. The Group complies with local laws and regulations concerning, for example, legal, tax and financial reporting; export controls; product requirements; environmental requirements and security regulations. The Group is thereby exposed to country-specific risks such as political decisions or overall changes to regulatory frameworks. Through local establishment, knowledge in each market increases, which strengthens the possibility of managing risks.

Like other global companies in the electronics industry, Mycronic is exposed to risks concerning human and trade union rights as well as corruption, fraud and bribery. Mycronic's Code of Conduct thus sets clear requirements for employees, suppliers, distributors and agents to comply with laws and ethical regulations.

If Mycronic cannot deliver products and services according to customers' requirements, or if customers do not fulfill their payment obligations, the Group's financial position and earnings may be affected.

The Pattern Generators division has a customer base of around 30 companies. Dependency on individual customers is high, which concentrates customer risk. Sales are distributed over a few, high-value machines and sales processes are long. Low sales to one of these customers can, in the short term, have a major impact on earnings and financial position. Earnings for a reporting period (e.g. a quarter) can also be affected significantly by delays in the delivery of individual mask writers. There are few competitors and customer relationships are long-lasting.

The High Flex division operates in a market with many actors and hence significant competition. Consolidation among companies in the market can result in a stronger financial situation for some competitors. The division has more than 3,000 customers globally, which lowers dependency on individual customers. Sales are distributed over a large number of systems within different application areas. In general, customer relationships are stable and long-lasting.

The High Volume division has a customer base with many major customers who provide the majority of the division's revenue. The sales process can be affected by delays in customer approval. There are several local competitors with competitive strategies, which could impact the gross margin.

The Global Technologies division has a customer base of around 50–100 companies, including a small base and addressable market for business regarding the assembly of camera modules. A majority of the division's revenue is based on sales to the Chinese market. The continuing trade war between China and the USA is creating an elevated level of risk. Earnings for a quarter could be affected by delays in delivery. Global Technologies has a diverse mix of competitors that varies among market segments and regions. In general, its customer relationships are strong.

Technological development within the electronics industry is rapid, which exposes the Group to development risk where development activities do not lead to profitable new business opportunities, a product launch or delivery does not occur on time, or where the cost of developing new products is difficult to estimate.

Consumption of electronics products is increasing worldwide, which is one of the key drivers of the Group's activities. Mycronic's development projects are based on thorough feasibility studies, which combine market studies, technical studies and project preparations. These are important to reduce business risk in product development projects. Development activity is carried out in close cooperation with customers and the sales organization.

Changes in price and lead times for components used in the equipment that the company manufactures can impact Group earnings. Certain components are manufactured by a limited number of suppliers. Mycronic evaluates alternative suppliers of critical components and works to ensure competitive prices and lead times.

Through the Group's products and global sales, Mycronic assumes product liability. Product liability covers damages arising from utilization of the Group's products. Mycronic has taken out liability insurance for this risk. There is also a risk that design-, manufacturing- and quality-related defects can lead to costs for product withdrawal or corrective actions. Besides financial consequences, this could entail a negative impact on the company's brand.

Business-related risks

Mycronic has production facilities around the world. Natural catastrophes such as earthquakes, floods and other climate-related changes as well as loss events such as fire, power failure and water damage can result in production disruptions and delivery problems which can affect the Group's earnings and financial position. Other risks that could impact the company's delivery capacity include, for example, pandemics and measures to manage them. The Group takes preventative steps against risk and damage to ensure the continuity of operations. This work involves regular maintenance and fire safety training for personnel. The company has contingency plans for acting quickly and limiting damages. The Group has the usual insurances, such as property and business interruption insurance.

The ongoing pandemic has presented increased risks for the Group. The necessary measures have been taken in operations to ensure the safety and health of staff. The Group has also modified its work methods for machine deliveries and service commitments, and measures taken include a higher degree of digitalization. Delivery plans have been adapted continuously in consultation with customers. The pandemic also prompted a stricter evaluation of credit risks. The overall assessment is that there were no specific financial risks in the consolidated balance sheet associated with the pandemic at the end of the fiscal year.

Increasing digitalization leads to greater risks related to information security. Mycronic invests continuously in technology and training to identify and prevent risks. These risks are minimized through structured security initiatives and good internal control. Mycronic hires external IT security experts for regular reviews and benchmarking to ensure proactive management of the risks in Mycronic's digital environment.

The Group's earnings in the long term are dependent on its abilities to protect strategically important technology. The Group works purposefully to identify and protect new technology in early stages through patents and held more than 500 patents at year-end 2020.

Employees and customers together form the largest asset, and talented and motivated employees and managers are a prerequisite for achieving established goals as well as safeguarding product development and customer deliveries. This is why Mycronic works continually on looking after and developing the company's brand, in order to be an attractive employer. Internally, Mycronic works to engage and motivate its employees through systematic competence development. The health and safety of its employees is also an area on which Mycronic places great importance. To attract new competence, the Group cooperates with universities; this is a high-priority area for ensuring recruitment opportunities.

Mycronic's brand is impacted by customer experience of the products supplied and how company representatives behave. An incident or damage within the areas described in this section can affect the brand and lead to diminished confidence. Mycronic works actively with brand-building measures and manages the risk of brand damage by clearly communicating its vision and values through ethical regulations and other policies.

Financial risks

Through its global operations, the Group is exposed to the risk of negative changes in earnings and cash flow through currency, credit and financing risks. The single largest financial risk is exchange rate fluctuations. Interest rate risk is limited. Financial risks are described in more detail in Note 33.

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 Group 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 2020, 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 authorization 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 2020, Mycronic had 14,758 shareholders (13,854). Bure Equity AB was the largest shareholder with 27.9 percent of capital and votes at the end of the year. More information on Mycronic's share and shareholders can be found in The Mycronic share section of this report on pages 38–39.

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

2020 Annual General Meeting

The AGM was held in Stockholm on June 25, 2020. The AGM was attended by shareholders representing 59.3 percent of the share capital and votes.

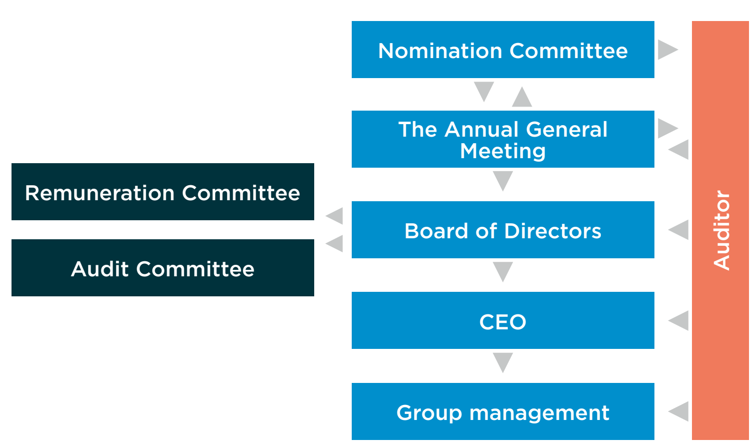
The AGM took decisions in accordance with the Board's and the Nomination Committee's proposals on:

- Chairman of the Meeting
- Adoption of the balance sheet and profit and loss accounts
- Disposal of earnings through a dividend of SEK 2.00 per share
- Discharge of Board members and the CEO from liability to the company
- There should be six elected Board members with no deputy Board members
- Selection of a registered public auditing firm
- Board fees totaling SEK 2,430,000 (unchanged), of which SEK 700,000 for the Chairman and SEK 275,000 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
- Resolved that the auditor will receive a fee in accordance with routine and approved invoicing
- Anna Belfrage, Katarina Bonde, Staffan Dahlström, Robert Larsson and Patrik Tigerschiöld were re-elected to the Board. Arun Bansal was newly elected. Patrik Tigerschiöld was re-elected Chair of the Board. Ulla-Britt Fräjdin Hellqvist declined re-election. In addition to the elected members, two union representatives were appointed from the Unionen and Akademikerna trade unions to represent employees.
- The auditing firm Ernst & Young was appointed auditor with authorized public accountant Erik Sandström as auditor-in-charge.
- 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 2020 AGM.

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 Group management, with committees and collaborative bodies within specific areas.

Control is exercised by the external auditor and through internal control activities.



- 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 LTIP 2020 long-term incentive program and to implement hedging measures pertaining to LTIP 2020 by entering a share swap agreement with third parties.
- Resolution on changes to the Articles of Association.

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

2021 Annual General Meeting

The Annual General Meeting will be held on May 5, 2021.

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 Chair 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 known owners as of August 31 and the Chair 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 52–53. Additional information is available in the Nomination Committee's reasoned statement regarding its proposal to the 2021 AGM.

The Nomination Committee for the 2021 AGM consists of Henrik Blomquist (Bure Equity), Per Trygg (SEB Funds), Thomas Ehlin (Fourth Swedish National Pension Fund) and Patrik Tigerschiöld (Chair of the Board).

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 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 authorization 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 senior executives, and proposes guidelines for remuneration for consideration by the AGM.

The Chair of the Board leads the work of the Board and also represents the company on ownership issues.

Board meetings are prepared by the Chair 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 thirteen meetings in 2020. In addition, the Board convened during a strategy meeting.

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.

Board activity in 2020

During 2020, the Board held thirteen meetings, of which one was the statutory meeting, three were by circulation and three were telephone meetings. The opportunity to participate digitally was offered in the second half of the year.

Fourth quarter
- Budget for 2021 established
- Interim Report January–September

Third quarter
- Interim Report January–June.

First quarter
- Interim Report for the fourth quarter and full-year 2019, proposal on dividend
- 2019 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

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 senior executives and the directors of subsidiaries, and proposals for incentive programs. The Remuneration Committee ensures compliance with established guidelines for remuneration of senior executives.

Since the 2020 AGM, the Remuneration Committee has consisted of Patrik Tigerschiöld (Chair), Arun Bansal and Robert Larsson. The Remuneration Committee held three meetings in 2020.

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.

Since the 2020 AGM, the Audit Committee has consisted of Anna Belfrage (Chair) and Katarina Bonde. In 2020, 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 Chair of the Board is responsible for the evaluation.

CEO and Group management

Group management consists of nine persons, including the CEO, see pages 54–55.

The CEO leads the work of Group management, which meets once a month. Issues addressed include financial performance, development projects, leadership and skills provision and other strategic issues. The CEO is responsible for keeping the Board informed of the company's development. Two global management meetings were organized in 2020 to strengthen unified communication and control throughout the Group. In addition to Group 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. Group 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 2020, 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 10 for information on auditor remuneration.

Governance of sustainability initiatives
The Board receives an annual presentation of Mycronic's sustainability strategy and is otherwise kept informed as necessary. It is the responsibility of the CEO, together with Group management, to ensure that Mycronic governs sustainability topics effectively. Members appointed from Group management (CFO, Sr VP Global Functions, Sr VP Human Resources and Sr VP Global Technologies) are responsible for each of the four focus areas (Responsible business, Environment, Social Sustainability and Innovation); each leads a work group in which experts in the field and every division are represented. The groups are responsible for reporting regularly on sustainability initiatives; they enable an exchange of experiences and serve as a forum where sustainability topics can be illuminated from the perspectives of the various operations. The Head of Sustainability, who coordinates and pursues sustainability initiatives globally, reports to a member of Group management (Sr VP Global Functions). The divisions have the responsibility of steering efforts towards Group-wide goals in their operations, and of integrating sustainability into business and operating strategies.

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 report and sustainability report and press releases in conjunction with significant events.

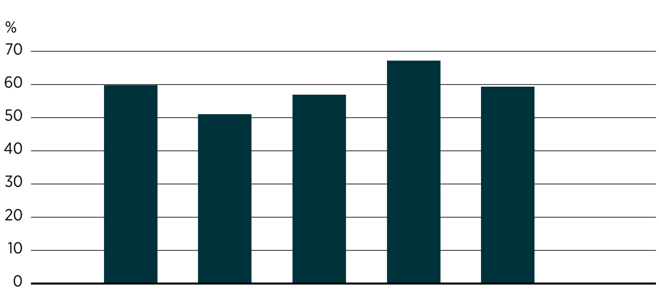
In conjunction with interim reports, presentations are held for financial analysts, institutional investors, and the media. Company management and Director Investor Relations meet analysts and institutional investors at other external and internal arrangements. Representatives from Mycronic also participate 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 Group management. These persons are obliged to report all transactions in Mycronic securities to Finansinspektionen (Sweden's financial supervisory authority) 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 lim-

Attendance at most recent AGMs



Nomination Committee

Name	Representing	Holdings (%), August 31, 2020
Henrik Blomquist	Bure Equity	27.9
Per Trygg	SEB Funds	10.3
Thomas Ehlin	Fourth Swedish National Pension Fund	9.4
Patrik Tigerschiöld	Chair of the Board of Mycronic AB	

ited 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 authorization 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 2020, 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 Group 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 follow up of the internal control occurs through self-assessment. Self-assessment entails employee involvement, which increases understanding of the importance of internal control. Evaluation of internal control follows a plan approved by the Audit Committee. Risk for material misstatements or deficiencies in the financial reporting are reported. Self-assessment of critical processes is complemented by external evaluation or statements of opinion.

In 2020, Mycronic continued to develop an overall procedure for reporting units in which the effectiveness of key controls is established. Under this process, a self-assessment of the effectiveness of key controls must be performed for each reporting unit. The results are followed up and compiled at the Group level and presented to the Audit Committee, which in turn reports the results to the Board. In 2020, the company strengthened its system support for internal control.

Representatives of the central finance and controller department regularly visit the subsidiaries to review and evaluate internal controls. One of the visits to subsidiaries in 2020 was carried out using a digital solution together with representatives from Ernst & Young. The reviews focused on inventories, trade receivables and authorization procedures. Experiences are continuously shared among representatives from the Group's finance and HR departments, for example, through 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. In 2020, Mycronic evaluated the establishment of a review function in the form of internal audit.

Attendance at meetings in 2020 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, Chair	2009	No	235,170	13/13		3/3	700,000		75,000
Katarina Bonde	2010	Yes	2,000	13/13	5/5		275,000	50,000	
Ulla-Britt Fräjdin-Hellqvist[2]	2012	Yes	10,000	8/9	2/2	1/1			
Anna Belfrage	2018	Yes	–	13/13	5/5		275,000	100,000	
Robert Larsson	2018	Yes	–	13/13		3/3	275,000		40,000
Staffan Dahlström	2019	Yes	8,000	13/13			275,000		
Arun Bansal	2020	Yes	–	4/4		2/2	275,000		40,000

1) According to the Swedish Code of Corporate Governance, in relation to the company's largest shareholders.
2) Replaced at the 2020 AGM by Arun Bansal.

Board of Directors and auditor

Patrik Tigerschiöld
Chair of Board since 2012 and
Board member since 2009

Born: 1964

Dependent Board member

Education: MSc Business and Economics

Other Board assignments: Chair of Board of Bure Equity AB, Cavotec SA, the Association for Generally Accepted Principles in the Securities Market and the Swedish Association for Listed Companies. Board member of Ovzon AB, the Center for Business and Policy Studies (SNS), 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: Chair 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

Other Board assignments: Board member of OPCOM Cables Sdn Bhd, Malaysia

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, Serneke AB, Isofol Medical AB, Ellevio AB and Cint AB

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: –

Shareholding as of March 11, 2021.

Katarina Bonde
Board member since 2010

Born: 1958

Independent Board member

President of Kubi LLC

Education: MSc, Engineering Physics

Other Board assignments: Chair of Board of Mentimeter AB, Flatfrog Laboratories AB, Stratsys AB, JoneDeTech AB and Reason Studios AB. Board Member of Stillfront Group AB and Nepa 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

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: 8,000

Robert Larsson
Board member since 2018

Born: 1967

Independent Board member

EVP and Head of Industrial & Digital Solutions at ÅF Pöyry 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: –

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

Senior Program Manager, Full line/I4.0, High Flex

Education: MSc, Mechanical Engineering

Shareholding in Mycronic: 100

Erik Sandström
Auditor-in-Charge, Ernst & Young AB

Born: 1975

Authorized Public Accountant and member of FAR

Other assignments: Atlas Copco, Autoliv, Gränges and Ratos

Group 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: Chair of Board of Dafo Vehicle Fire Protection AB. Board member of Norican ApS

Shareholding in Mycronic: 20,000

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 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: 2,834

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: -

Anette Mullis
Sr VP, Human Resources

Employed since 2018

Born: 1965

Education: BSc in Social Work, Lund University

Previous positions: Various senior global and regional positions as HR Director in the USA and Europe in Ericsson, CSL Behring, Wyeth Pharmaceuticals (now Pfizer) and IKEA

Shareholding in Mycronic: 1,309

Shareholding as of March 11, 2021.

Niklas Edling
Sr VP Corporate Development and Vice CEO

Employed since 2011

Born: 1963

Education: MSc, Mechanical Engineering and MSc in Economics and Business Administration

Previous positions: VP Supply Chain & Manufacturing Laerdal Medical and VP Operations Hudson RCI

Board assignments: Board member of Cavotec SA and HMS Networks AB

Shareholding in Mycronic: 31,000

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-Cell, Infineon, Siemens and T-Mobile

Shareholding in Mycronic: 3,365

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 business development in the Mycronic Group

Board assignments: Board member of Invisio AB

Shareholding in Mycronic: 22,480

Torbjörn Wingårdh
CFO

Employed since 2016

Born: 1964

Education: MSc in Economics and Business Administration

Previous positions: CFO Business area Saab SDS and senior positions at Investor AB in Sweden and the USA

Shareholding in Mycronic: 26,500

Ten-year overview

SEK million	2020	2019	2018	2017[1]	2016	2015	2014	2013	2012	2011
Order intake	3,687	4,567	3,642	3,567	2,455	2,179	2,028	1,053	1,280	1,214
Order backlog	1,969	2,164	1,904	1,963	1,342	1,066	702	149	90	176
Profit and Loss Accounts										
Net sales	3,882	4,307	3,781	3,000	2,319	1,815	1,475	997	1,354	1,198
Gross profit	2,080	2,399	2,098	1,716	1,410	1,076	712	446	612	488
EBITDA	1,112	1,307	1,094	919	724	566	301	60	95	2
EBIT	898	1,124	1,020	844	691	540	277	32	-21	-66
Profit/loss before tax	890	1,122	1,011	836	689	540	278	36	-15	-57
Tax	-187	-263	-219	-212	-163	-98	-12	-22	-29	-32
Profit/loss for the year	**703**	**859**	**792**	**623**	**526**	**442**	**266**	**14**	**-44**	**-89**
Balance Sheet										
Non-current assets	1,886	1,960	1,592	1,192	1,225	242	286	282	284	409
Inventories	1,181	1,109	868	589	575	276	233	324	329	357
Other current assets	949	1,075	910	651	747	327	420	309	278	284
Cash and cash equivalents	1,303	655	829	813	209	898	661	487	581	536
Total assets	**5,319**	**4,800**	**4,199**	**3,244**	**2,755**	**1,742**	**1,600**	**1,402**	**1,472**	**1,587**
Equity	3,378	2,978	2,379	1,780	1,412	1,268	1,207	1,165	1,168	1,232
Interest-bearing liabilities	264	318	1	13	11	–	–	–	2	7
Other liabilities	1,678	1,504	1,819	1,452	1,333	474	393	236	301	348
Total equity and liabilities	**5,319**	**4,800**	**4,199**	**3,244**	**2,755**	**1,742**	**1,600**	**1,402**	**1,472**	**1,587**
Capital employed	3,641	3,296	2,380	1,793	1,422	1,268	1,207	1,165	1,171	1,239
Net debt	-1,039	-337	-827	-800	-198	-898	-661	-487	-579	-529
Cash flow										
Cash flow from operating activities	1,126	545	702	984	462	661	418	-47	70	-15
Cash flow from investing activities	-150	-399	-440	-181	-768	-37	-18	-36	-5	-31
Cash flow from financing activities	-288	-326	-258	-194	-392	-392	-245	-2	-4	-6
Cash flow for the year	**689**	**-180**	**4**	**609**	**-699**	**233**	**154**	**-85**	**61**	**-52**
Key ratios										
Book-to-bill	0.9	1.1	1.0	1.2	1.1	1.2	1.4	1.1	0.9	1.0
Gross margin, %	53.6	55.7	55.5	57.2	60.8	59.3	48.3	44.8	45.2	40.8
EBIT margin, %	23.1	26.1	27.0	28.1	29.8	29.8	18.7	3.2	-1.6	-5.5
Underlying EBIT margin, %	25.1	27.1	28.5	31.7	31.7	–	–	–	–	–
Equity/assets ratio, %	63.5	62.1	56.7	54.9	51.2	72.8	75.5	83.2	79.4	77.6
Return on equity, %	22.1	32.1	38.1	39.1	39.3	35.8	22.4	1.2	-3.7	-7.0
Return on capital employed, %	26.1	39.9	49.0	52.6	51.4	43.7	23.5	3.1	-1.1	-4.4
Capital turnover, multiple	1.1	1.5	1.8	1.9	1.7	1.5	1.2	0.9	1.1	0.9
Research and development, R&D										
R&D costs	514	559	476	348	348	267	198	183	290	289
R&D costs/net sales, %	13.2	13.0	12.6	11.6	15.0	14.7	13.4	18.4	21.4	24.1
Data per share										
Number of outstanding shares at year-end, million	97.7	97.8	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9
Average number of outstanding shares before dilution, millions	97.7	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9
Average number of outstanding shares after dilution, millions	97.8	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9	97.9
Share price at December 31, SEK	245.40	185.10	118.10	85.00	98.00	82.25	24.80	12.40	10.25	11.95
Proposed dividend per share	3.00	2.00	3.00	2.50	2.00	1.5	0.8	–	–	–
Proposed extra dividend	–	–	–	–	–	2.50	3.2	2.5	–	–
Earnings per share (average number of shares before/after dilution)	7.10	8.74	8.09	6.37	5.38	4.52	2.72	0.14	-0.45	-0.91
Equity per share (number of shares at year-end)	34.58	30.46	24.30	18.18	14.42	12.95	12.33	11.90	11.93	12.58
P/E ratio (calculated using average number of shares)	35	21	15	13	18	18	9	88	neg	neg

1) Restated for comparability

Proposal on appropriation of profit

At the Annual General Meeting's disposal are the following amounts in SEK:	
Share premium reserve	207,651,699
Retained earnings	1,448,345,661
Profit for the year	433,641,715
Total	**2,089,639,075**

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	1,795,889,548
Total	**2,089,639,075**

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 42 percent of the Group's net profit after tax.

Approval and adoption

As stated below, the annual report and consolidated financial statements were approved for publication on March 11, 2021. 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, 2021.

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 11, 2021

Patrik Tigerschiöld
Chair 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 19, 2021

Ernst & Young AB

Erik Sandström
Authorized Public Accountant


Financial
statements

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Group

PROFIT AND LOSS ACCOUNTS

SEK million	Notes	2020	2019
Net sales	6, 7	3,882	4,307
Cost of goods sold	12	-1,802	-1,908
Gross profit		**2,080**	**2,399**
Research and Development	11, 12	-514	-559
Selling expenses	12	-435	-541
Administrative expenses	9, 12	-236	-237
Other operating income	10	55	70
Other operating expenses	10, 12	-52	-8
EBIT		**898**	**1,124**
Financial income		6	9
Financial expenses		-14	-11
Net financial items	15	**-8**	**-2**
Profit before tax		**890**	**1,122**
Tax	17	-187	-263
Profit for the year		**703**	**859**
Earnings per share, before and after dilution, SEK		7.10	8.74
Average number of outstanding shares before dilution, thousands		97,743	97,893
Average number of outstanding shares after dilution, thousands		97,763	97,895
Profit attributable to owners of the Parent Company		694	855
Profit attributable to non-controlling interests		10	4
		703	**859**

STATEMENTS OF COMPREHENSIVE INCOME

SEK million	Notes	2020	2019
Profit for the year		703	859
Other comprehensive income			
Items not to be reclassified to profit and loss			
Actuarial profit/loss from defined benefits to employees	28	4	-2
Tax relating to actuarial results		-1	1
Total of items not to be reclassified to profit and loss		**3**	**-2**
Items to be reclassified to profit and loss			
Translation differences upon translating foreign entities	33	-186	61
Tax relating to translation differences	33	25	-5
Hedge of net investment	34	–	-13
The year’s changes in fair value on cash flow hedges	34	87	-27
Cash flow hedges transferred to profit and loss	33	-11	51
Tax relating to cash flow hedges		-16	-5
Total of items that may be reclassified to profit and loss		**-100**	**62**
Total other comprehensive income		**-97**	**60**
Total comprehensive income for the year		**606**	**919**
Total comprehensive income attributable to owners of the Parent Company		597	915
Total comprehensive income attributable to non-controlling interests		9	4
		606	**919**

STATEMENTS OF FINANCIAL POSITION

SEK million	Notes	Dec 31, 2020	Dec 31, 2019
ASSETS			
Intangible assets	18	1253	1,366
Tangible assets	19	465	447
Non-current receivables	6, 24, 34	40	50
Deferred tax assets	17	128	97
Total non-current assets		**1,886**	**1,960**
Inventories	25	1,181	1,109
Tax receivables		95	52
Trade receivables	6, 26, 34	601	826
Prepaid expenses and accrued income	27	116	122
Other receivables		137	76
Cash and cash equivalents	33, 34	1,303	655
Total current assets		**3,433**	**2,839**
TOTAL ASSETS		**5,319**	**4,800**
EQUITY AND LIABILITIES			
Equity			
Share capital		98	98
Other contributed capital		1,343	1,338
Reserves		-15	84
Retained earnings including profit/loss for the year		1,938	1,453
Equity attributable to owners of the Parent Company		**3,364**	**2,972**
Holdings of non-controlling interests		14	6
Total equity		**3,378**	**2,978**
Liabilities			
Non-current interest-bearing liabilities	34	185	252
Non-current provisions	28	41	50
Deferred tax liabilities	17	281	226
Other non-current liabilities	34	–	4
Total non-current liabilities		**507**	**532**
Current interest-bearing liabilities	34	79	66
Advance payments from customers	6	559	336
Trade payables	34	261	288
Tax liabilities		14	72
Other liabilities		94	138
Accrued expenses and deferred income	6, 29	364	340
Current provisions	30	62	50
Total current liabilities		**1,434**	**1,289**
Total liabilities		**1,941**	**1,822**
TOTAL EQUITY AND LIABILITIES		**5,319**	**4,800**

STATEMENTS OF CASH FLOWS

SEK million	Notes	2020	2019
Operating activities			
Profit before tax		890	1,122
Adjustments for non-cash items and other			
Depreciation/amortization and impairment of assets	18, 19	214	182
Capital gain/loss on the sale of non-current assets		0	0
Unrealized foreign exchange differences		19	11
Provisions for employee benefits		-3	2
Other provisions		17	1
Write-down of inventories		15	20
Revaluation of contingent considerations		-1	-37
Other non-cash items		8	-43
Income tax paid		-251	-215
Cash flow from operating activities before changes in working capital		**908**	**1,043**
Cash flow from changes in working capital			
Inventories		-213	-237
Trade receivables		191	-128
Other receivables		-15	2
Trade payables		-15	53
Other liabilities		270	-187
Cash flow from operating activities		**1,126**	**545**
Investing activities			
Investments in subsidiaries	22	-4	-248
Investments in intangible assets	18	-91	-43
Investments in tangible assets	19	-44	-109
Sale of tangible assets		0	0
Increase in non-current receivables	24	-15	-4
Decrease in non-current receivables	24	4	4
Cash flow from investing activities		**-150**	**-399**
Financing activities			
Dividends paid to Parent Company shareholders		-196	-294
Dividends to non-controlling interests		-1	-6
Swap contract for own shares		-15	-21
Borrowings	34	–	49
Repayment of loans and lease liabilities	34	-76	-54
Cash flow from financing activities		**-288**	**-326**
Cash flow for the year		**689**	**-180**
Cash and cash equivalents at beginning of year		655	829
Exchange rate differences in cash and cash equivalents		-41	6
Cash and cash equivalents at end of year		**1,303**	**655**
Interest received and paid			
Interest received		6	4
Interest paid		-14	-11
		-8	**-8**

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.

			Reserves					
SEK million	Share capital	Other contributed capital	Hedge reserve[1]	Translation reserve	Retained earnings	Total	Holdings of non-controlling interests	Total equity
Equity, January 1, 2019	**98**	**1,337**	**-17**	**39**	**919**	**2,376**	**3**	**2,379**
Profit for the year					855	855	4	859
Other comprehensive income								
Items not to be reclassified to profit and loss								
Actuarial profit/loss from defined benefits to employees					-2	-2		-2
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				61		61	0	61
Tax relating to translation differences				-5		-5		-5
Hedging of net investments in subsidiaries				-13		-13		-13
The year's changes in fair value on cash flow hedges			-27			-27		-27
Cash flow hedges transferred to profit and loss			51			51		51
Tax attributable to hedge accounting			-5			-5		-5
Total other comprehensive income			**19**	**43**	**-2**	**60**	**0**	**60**
Total comprehensive income for the year			**19**	**43**	**854**	**915**	**4**	**919**
Transactions with owners, etc.								
Dividends paid					-294	-294		-294
Dividends to non-controlling interests					-5	-5	-1	-6
Swap contract for own shares					-21	-21		-21
Share-based remuneration		1				1		1
Total transactions with owners	**0**	**1**	**0**	**0**	**-320**	**-319**	**-1**	**-320**
Closing equity December 31, 2019/ Opening 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	**98**	**1,343**	**63**	**-78**	**1,938**	**3,364**	**14**	**3,378**

1) The hedge reserve pertains to cash flow hedges of currency risk in contracted flows. Transfers to profit and loss were recognized in net sales and were entirely due to the impact the hedge item had on profit and loss.

Parent Company

PROFIT AND LOSS ACCOUNTS

SEK million	Notes	2020	2019
Net sales	6, 7	2,381	2,833
Cost of goods sold		-970	-1,097
Gross profit		**1,411**	**1,736**
Research and Development	11	-374	-406
Selling expenses		-155	-202
Administrative expenses		-124	-133
Other operating income	10	6	33
Other operating expenses	10	-159	0
EBIT		**604**	**1,028**
Profit from financial investments			
Interest income and similar items	15	169	59
Interest expenses and similar items	15	-79	-8
Profit after financial items		**694**	**1,079**
Appropriations	16	-157	-273
Profit before tax		**537**	**806**
Tax	17	-103	-169
Profit for the year		**434**	**637**

STATEMENTS OF COMPREHENSIVE INCOME

SEK million	2020	2019
Profit for the year	**434**	**637**
Other comprehensive income	–	–
Total comprehensive income for the year	**434**	**637**

BALANCE SHEETS

SEK million	Notes	Dec 31, 2020	Dec 31, 2019
ASSETS			
Non-current assets			
Intangible assets	18	27	29
Tangible assets	19	135	63
Financial assets			
Participations in Group companies	21	1,071	1,071
Receivables from Group companies	23	753	790
Other non-current receivables	24	13	27
Deferred tax assets	17	5	6
Total financial assets		**1,842**	**1,893**
Total non-current assets		**2,005**	**1,985**
Current assets			
Inventories	25	494	463
Current receivables			
Trade receivables		235	233
Receivables from Group companies		319	518
Other receivables		81	43
Prepaid expenses and accrued income	27	88	78
Total current receivables		**722**	**871**
Cash and cash equivalents		719	246
Total current assets		**1,936**	**1,580**
TOTAL ASSETS		**3,941**	**3,565**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		98	98
Statutory reserve		0	0
		98	**98**
Non-restricted equity			
Share premium reserve		208	202
Retained earnings		1,448	1,022
Profit for the year		434	637
		2,090	**1,862**
Total equity		**2,188**	**1,960**
Untaxed reserves	16	**1,076**	**919**
Non-current liabilities			
Non-current interest-bearing liabilities		9	28
Non-current provisions		1	1
Other non-current liabilities		0	4
Total non-current liabilities		**10**	**32**
Current liabilities			
Current interest-bearing liabilities		17	19
Advance payments from customers		292	172
Trade payables		90	118
Liabilities to Group companies		16	47
Current tax liability		0	50
Other liabilities		55	71
Accrued expenses and deferred income	6, 29	187	164
Current provisions	30	10	13
Total current liabilities		**667**	**654**
Total liabilities		**677**	**686**
TOTAL EQUITY AND LIABILITIES		**3,941**	**3,565**

STATEMENTS OF CASH FLOW

SEK million	Notes	2020	2019
Operating activities			
Profit after financial items		694	1,079
Adjustments for non-cash items			
Depreciation/amortization and impairment of assets		30	22
Capital gain/loss on the sale of non-current assets		0	0
Unrealized foreign exchange differences		128	-10
Provisions		-2	1
Write-down of inventories		8	15
Share-based remuneration		3	1
Interests not received		-7	-8
Other non-cash items		71	-46
Paid income tax		-186	-165
Cash flow from operating activities before changes in working capital		**738**	**889**
Changes in working capital			
Inventories		-103	-26
Trade receivables		4	-92
Other receivables		47	-130
Trade payables		-28	-44
Other liabilities		123	-262
Cash flow from operating activities		**781**	**335**
Investing activities			
Investments in subsidiaries	22	-4	-248
Investments in intangible assets	18	-5	-30
Investments in tangible assets	19	-31	-33
Increase in non-current receivables	23, 24	-41	-50
Decrease in non-current receivables	23, 24	2	0
Cash flow from investing activities		**-78**	**-361**
Financing activities			
Dividends paid to Parent Company shareholders		-196	-294
Swap contract for own shares		-15	-21
Borrowings		–	49
Repayment of loans		-19	–
Cash flow from financing activities		**-229**	**-266**
Cash flow for the year		**474**	**-292**
Cash and cash equivalents at beginning of year		246	538
Cash and cash equivalents at end of year		**719**	**246**
Additional information			
Interest received and paid			
Interest received		22	23
Interest paid		-8	-8
		14	**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, 2019	**98**	**0**	**202**	**1,336**	**1,636**
Profit for the year				637	637
Total comprehensive income for the year				**637**	**637**
Transactions with owners, etc.					
Dividends to shareholders				-294	-294
Swap contract for own shares				-21	-21
Share-based remuneration			1		1
Closing equity, December 31, 2019	**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**

Notes

Note 1 Accounting policies, general information

Mycronic AB (publ) 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 France, Japan, China, the Netherlands, Singapore, the UK, South Korea, Germany, and the USA, and one dormant company in Taiwan. In addition, there are a large number of distributors and agents around the world.

The Parent Company is listed on Nasdaq, Stockholm, in the category Large Cap.

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

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, 2020 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 and USD.

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 corresponded to the former business areas of the Group, Assembly Solutions and Pattern Generators. At the beginning of April 2020, a new organization was implemented according to which the Assembly Solutions business area was divided between the three divisions of High Flex, High Volume and Global Technologies, while Pattern Generators formed the fourth division. As a result of this reorganization, the company identified the four divisions as segments in accordance with IFRS 8. Comparative figures for 2019 have been restated in this annual report.

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 and are recognized in the profit and loss account among other operating income/expenses. 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.

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 19. Right-of-use assets are presented as tangible assets, and 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 34.

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.

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 according to a defined contribution pension plan. A defined contribution pension plan is classified as the plans where a company's obligation is limited to the charges the company has undertaken to pay. In such cases, the size of the employee's pension is dependent on the charges paid by the company to the plan or to an insurance company and the capital return offered by the charges. Consequently, the employee carries the actuarial risk (that the compensation may be lower than expected) and the investment risk (that the invested assets will be insufficient to offer the expected compensation). The company's obligations regarding 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 and French 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

The cost of long-term incentives (LTI) are recognized in the period when the vesting conditions are met, until the date on which the relevant employees become fully entitled to the compensation.

Certain key staff, including senior executives, 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 2020 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 Group 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 Group 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 Group 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.

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 works 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 Group 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	207,651,699
Retained earnings	1,448,345,661
Profit for the year	433,641,715
Total	**2,089,639,075**

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	1,795,889,548

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 42 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.

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						
Products 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**

2019	Pattern Generators	High Flex	High Volume	Global Technologies	Inter-division sales	Group
Geographical market						
EMEA	–	659	22	84	-22	743
North and South America	398	489	1	118	-1	1,005
Asia	1,445	255	577	287	-6	2,559
Total	**1,844**	**1,403**	**599**	**489**	**-28**	**4,307**
Type of good/service						
System	1,233	970	535	389	-28	3,099
Aftermarket	611	433	64	100	0	1,208
Total	**1,844**	**1,403**	**599**	**489**	**-28**	**4,307**
Timing of revenue recognition						
Products transferred at a point in time	1,224	1,272	593	472	-28	3,533
Service transferred over time	620	131	6	17	–	774
Total	**1,844**	**1,403**	**599**	**489**	**-28**	**4,307**

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	2020	2019	2020	2019
Non-current trade receivables	8	27	8	26
Trade receivables, see Note 26	601	826	235	233
Contract assets	75	64	54	32
Contract liabilities	-639	-420	-372	-226
Total	**45**	**498**	**-74**	**65**

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 in the Pattern Generators division, unmet performance obligations related to system sales in the Pattern Generators division, and prepaid service revenue in all divisions. Of the SEK 420 million recognized as contract liabilities on the opening date, SEK 368 million was recognized as revenue as of December 31, 2020.

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 33 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 a point 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, 2020 amounted to SEK 1,969 million, including advances and deferred income recognized as contract liabilities. The remaining performance obligations include 13 mask writers, of which 11 with planned delivery in 2021.

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, 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.

2020 **Net sales and profit/loss before taxes**	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

2019 **Net sales and profit/loss before taxes**	Pattern Generators	High Flex	High Volume	Global Technologies	Group-wide[1]	Effects of IFRS 16	Eliminations	Group
Revenue from external customers	1,844	1,398	577	489	–	–		4,307
Internal revenue	–	6	23	–	–	–	-28	0
Total income	**1,844**	**1,403**	**599**	**489**	**–**	**–**	**-28**	**4,307**
of which 2 customers represent more than 10 percent of the Group's total sales	*944*							*944*
Gross profit	1,389	586	260	167	–	-1	-2	2,399
Gross margin, %	75	42	43	34	–	–	–	56
Operating expenses and EBIT								
R&D expenditure	-227	-229	-60	-51	–	0	–	-567
Capitalized development expenditure	12	17	–	–	–	–	–	29
Amortization of acquired technology		-4	-5	-11	–	–	–	-20
Selling expenses	-60	-236	-89	-116	-39	0	–	-541
Administrative expenses	-27	-43	-19	-39	-109	0	–	-237
Other income and expenses	2	2	16	41	–	–	–	62
Financial income and expenses	–	–	–	–	0	-2	–	-2
Profit before tax	**1,089**	**92**	**104**	**-9**	**-148**	**-4**	**-2**	**1,122**
Assets								
Capitalized development expenditure	12	38	–	–			–	51
Inventories	331	278	362	141			-3	1,109
Trade receivables	304	320	94	108			–	826
Investments								
Capitalized development expenditure	12	17	–	–			–	29

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

Net sales per geographical market	Group		Parent Company	
	2020	2019	2020	2019
Sweden	25	36	25	36
Europe outside Sweden	504	695	287	398
USA	468	953	299	700
Other Americas	30	52	6	–
China	1,325	1,294	271	509
Rest of Asia	1,479	1,265	1,484	1,187
Other countries	51	12	9	4
Total	**3,882**	**4,307**	**2,381**	**2,833**
of which, system sales	2,707	3,099	1,560	1,949
of which, aftermarket sales	1,174	1,208	822	884
	3,882	**4,307**	**2,381**	**2,833**

Non-current assets per geographical market	Group		Parent Company	
	2020	2019	2020	2019
Sweden	421	303	162	92
Europe outside Sweden	110	136		
USA	596	753		
China	555	593		
Rest of Asia	36	29		
Total	**1,718**	**1,813**	**162**	**92**

Note 8 Transactions with related parties

Intra-Group transactions
Of the Parent Company's purchases during the year, SEK 354 million (382) was attributable to Group companies. Of the year's sales, SEK 1,041 million (1,216) 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 senior executives", no transactions have taken place with closely related persons.

Note 9 Fees for auditing and non-auditing services

	Group		Parent Company	
	2020	2019	2020	2019
Fees and compensation, auditing, etc.:				
Auditing assignments, EY	7.8	8.1	2.5	2.3
Auditing assignments, other	0.3	0.3	–	–
Non-auditing assignments, EY	0.6	0.6	0.6	0.4
Tax consulting, EY	1.1	1.2	–	–
Other assignments, EY	0.5	2.1	0.5	2.1
	10.3	**12.3**	**3.6**	**4.9**

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. All other work is classified as other assignments. The 2020 Annual General Meeting re-elected Ernst & Young (EY) as auditor.

Note 10 Other operating income/expenses

	Group		Parent Company	
	2020	2019	2020	2019
Other operating income				
Exchange rate gains	–	–	–	22
Other	55	70	6	11
	55	**70**	**6**	**33**
Other operating expenses				
Exchange rate losses	-34	-8	-159	–
Other	-18	–	0	–
	-52	**-8**	**-159**	**–**
of which, exchange rate differences on derivatives recognized in the profit and loss account at fair value	14	-22	6	-24

Other operating income, excluding exchange rate gains, refers to such items as research and development grants. Other operating expenses, excluding exchange rate losses, pertain mainly to a restructuring reserve in a subsidiary in France.

Note 11 Research and development expenses

	Group		Parent Company	
	2020	2019	2020	2019
R&D expenditure				
Pattern Generators	222	227		
High Flex	186	229		
High Volume	87	60		
Global Technologies	66	51		
	561	**567**	**374**	**406**
Capitalized development				
Pattern Generators	-60	-12		
High Flex	-25	-17		
	-85	**-29**	**–**	**–**
Amortization of acquired technology				
High Flex	4	4		
High Volume	5	5		
Global Technologies	10	11		
	19	**20**	**–**	**–**
Impairment of acquired technology				
Global Technologies	18	–	–	–
Reported cost	**514**	**559**	**374**	**406**

Note 12 Operating expenses

Functionalized expenses allocated by type of cost.

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**

Group 2019	Cost of goods sold	Research and Development	Selling expenses	Administrative expenses	Other operating expenses	Total
Material costs	1,042	–	–	–	–	1,042
Personnel costs	428	332	214	153	–	1,128
Depreciation/amortization and impairment of assets	49	48	73	13	–	182
Other external costs	389	179	254	71	8	901
	1,908	**559**	**541**	**237**	**8**	**3,253**

Note 13 Depreciation/amortization by function

	2020						2019					
Group	Customer relation-ships	Brands	Business systems	Devel-opment expenses	Tangible assets	Total	Customer relation-ships	Brands	Business systems	Devel-opment expenses	Tangible assets	Total
Cost of goods sold	–	–	2	20	49	71	–	–	0	11	38	49
Research and Development	–	–	2	37	26	66	–	–	1	20	26	48
Selling expenses	41	4	0	–	19	64	57	4	0	–	11	73
Administrative expenses	–	–	1	–	13	14	–	–	1	–	13	13
	41	**4**	**5**	**57**	**107**	**214**	**57**	**4**	**2**	**31**	**88**	**182**
Parent Company												
Cost of goods sold	–	–	2	–	9	11	–	–	0	–	6	6
Research and Development	–	–	2	3	11	16	–	–	0	–	9	9
Selling expenses	–	–	0	–	1	1	–	–	0	3	0	4
Administrative expenses	–	–	1	–	1	2	–	–	1	–	2	3
	–	**–**	**4**	**3**	**22**	**30**	**–**	**–**	**2**	**3**	**17**	**22**

Note 14 Employees, personnel costs and remuneration to senior executives

Remuneration to the Board and senior executives
Principles applied in 2020
The Chair and the members of the Board are remunerated according to 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.

Other senior executives refer to the eight individuals who together with the CEO made up the Group management team in 2020. Reported remuneration refers to the senior executives who were part of Group management in 2020. Changes were made to Group management during the year in conjunction with a reorganization.

Remuneration to the CEO and other senior executives consists of a fixed basic salary, short-term incentive (STI) program, long-term incentive (LTI and LTIP) programs, pension, and other benefits.

STI is paid according to the fulfillment of Group targets and may total a maximum of 100 percent of the basic salary. For 2020, STI could reach a maximum of SEK 16.2 million, excluding social security expenses.

The company has for some time had an annual recurring share-based incentive program (LTI), with one remaining year outstanding in 2020. LTI is to encourage the acquisition of shares in Mycronic. If a senior executive buys shares in Mycronic, the company matches the amount by cash payment of the same amount. The matching amount shall be used to acquire shares in the company. The shares are to be held for a minimum of four years. LTI is maximized to SEK 50 thousand after tax for other senior executives. The current CEO is not covered by the earlier LTI program. If certain requirements are met after three years, the company shall make an additional payment corresponding to a maximum of 150 percent of the matching amount. This matching amount must also be used to acquire shares in the company, and these shares must be held for at least one year. The final LTI program expired in 2020 and will be settled in 2021.

The 2019 Annual General Meeting resolved to replace the program with a new program (LTIP). LTIP targets senior executives and other key personnel 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 the qualification period, subject to the employee still being employed, and dependent on the fulfillment of specific performance requirements linked to Mycronic's earnings per share, to an allotment of common shares in Mycronic, referred to as performance shares. The allotment of performance shares within LTIP 2019 will take place during a limited period following the 2022 Annual General Meeting. The 2020 Annual General Meeting approved a new year of the program. The allotment of performance shares within LTIP 2020 will take place during a limited period following the 2023 Annual General Meeting.

Other benefits include company car and health insurance. Pension and health insurance benefits are premium-based.

The principles for remuneration to the CEO and other senior executives are approved by the Annual General Meeting. The proposed principles are prepared by the Board's Remuneration Committee. The Board passes a decision on the proposed principles, which is then put to the Annual General Meeting for approval.

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

Total remuneration

	Group		Parent Company	
Salaries and remuneration	2020	2019	2020	2019
Board and senior executives	38	32	26	32
Other employees	880	812	206	222
Total salaries and remuneration	**918**	**844**	**232**	**254**
Social security expenses	165	179	82	85
Pension expenses	75	65	46	40
Total expenses	**1,157**	**1,088**	**360**	**378**

The reported remuneration to employees includes variable salary for the Group of SEK 132 million (121) excluding social security expenses, of which SEK 10 million (21) refer to the Parent Company. The STI program covers all employees in Sweden.

	2020			2019		
Remuneration to the Board	Board fees	Committee fees	Total	Board fees	Committee fees	Total
Patrik Tigerschiöld, Chair of the Board and Chair of the Remuneration Committee	0.7	0.1	0.8	0.7	0.1	0.8
Anna Belfrage, Chair of the Audit Committee	0.3	0.1	0.4	0.3	0.1	0.4
Katarina Bonde	0.3	0.1	0.3	0.3	0.1	0.3
Ulla-Britt Fräjdin-Hellqvist	–	–	–	0.3	0.1	0.4
Robert Larsson	0.3	0.0	0.3	0.3	0.0	0.3
Staffan Dahlström	0.3	–	0.3	0.3	–	0.3
Arun Bansal	0.3	0.0	0.3	–	–	–
Total remuneration to the Board	**2.1**	**0.3**	**2.4**	**2.1**	**0.4**	**2.4**

Remuneration to the CEO and other senior executives in 2020	Basic salary	Other remuneration	STI	LTI	Other benefits	Pension expenses	Total
Anders Lindqvist, CEO	4.9	0.2	1.8	0.0	0.0	1.4	8.2
Other senior executives (8 persons)	17.3	5.2	4.8	1.1	0.4	4.0	32.9
Total remuneration	**22.3**	**5.4**	**6.5**	**1.1**	**0.4**	**5.4**	**41.1**

Reported remuneration refers to the senior executives who were part of Group management in 2020. Changes were made to Group management during the year in conjunction with a reorganization. Severance pay to departing senior executives is included in Other remuneration. One person in Group management is subject to a three-year bonus program that was entered into prior to him becoming a member of the management group. After he became senior executive, SEK 5.7 million related to the bonus program was expensed, of which SEK 1.7 million is recognized as Other remuneration and pertains to amounts paid for 2020. The LTI remuneration refers to the year's payments. Expensed amounts for long-term incentive (LTI) programs amounted to SEK 2,440 thousand, of which SEK 1,968 thousand refers to the new program (LTIP).

Remuneration to the CEO and other senior executives in 2019	Basic salary	Other remuneration	STI	LTI	Other benefits	Pension expenses	Total
Anders Lindqvist, CEO from May 16, 2019	3.2	0.0	2.2	0.0	0.0	1.2	6.6
Lena Olving, CEO until May 15, 2019	3.3	1.2	0.9	0.3	0.4	1.1	7.3
Other senior executives (8 persons)	13.7	0.3	3.6	0.8	0.4	6.1	24.8
Total remuneration	**20.2**	**1.5**	**6.7**	**1.1**	**0.8**	**8.4**	**38.6**

In 2020, the following principles for remuneration to the CEO and other senior executives were applied. The Group management team consists of 9 (9) persons.

Fixed salary
The fixed basic salary for the CEO amounted to SEK 410,000 per month in 2020.

Short-term incentive (STI) program
STI is paid according to the fulfillment of Group targets and may amount to a maximum of 100 percent of the basic salary. For 2020, STI to the CEO amounts to SEK 1,775 thousand and to other senior executives SEK 4,752 thousand. The outcome of STI for 2020 reached 40 percent of the maximum amount.

Long-term incentive programs, LTI and LTIP
The company has for some time had an annual recurring share-based incentive program (LTI), with one remaining year outstanding in 2020 (see page 78). The amount paid was SEK 1,149 thousand in 2020.

The 2019 Annual General Meeting resolved to replace the LTI program with a new program, LTIP. The program gives each senior executive the right, after the end of the qualification period, subject to the employee still being employed and dependent on the fulfillment of specific performance requirements linked to Mycronic's earnings per share, to receive an allotment of common shares in Mycronic, referred to as performance shares (see page 78). The cost for the LTIP program amounted to SEK 1,968 thousand in 2020.

Other benefits
Other benefits consist of company car and free health care insurance.

Pension
Pension and health insurance benefits are premium-based. The contractual retirement age is 65 for the CEO and other senior executives. There are no other pension benefits other than paid pension premiums.

Employment terms and severance
The employment contract with the CEO specifies a notice period of twelve months in the event of dismissal by the company. The CEO is entitled to fixed salary and other benefits during the notice period. No benefits are payable after this period. After the notice period, the CEO is entitled to termination benefits corresponding to twelve months' salary.

For other senior executives, a period of notice of six months and six months' severance pay apply upon termination by the company. The employment contract, with related benefits, is valid during the notice period.

	Group		Parent Company	
% of women	2020	2019	2020	2019
Board of Directors	33	50	33	50
Other senior executives	33	33	33	33

Board and senior executives in the Parent Company consist of 17 (17) persons. The proportion of women in the Parent Company's Board is based on the members who are elected by the Annual General Meeting.

	2020		2019	
Average number of employees	Total	of which women	Total	of which women
Parent Company				
Sweden	349	81	357	81
Total in Parent Company	**349**	**81**	**357**	**81**
France	74	15	81	18
Japan	81	8	80	10
China	668	100	488	64
Netherlands	12	2	13	2
Singapore	6	1	11	1
United Kingdom	13	3	14	3
South Korea	39	7	39	8
Germany	56	8	54	7
USA	208	31	213	30
Total in subsidiaries	**1,157**	**175**	**993**	**143**
Total in Group	**1,506**	**256**	**1,349**	**224**

Note 15 Net financial items

	Group		Parent Company	
	2020	2019	2020	2019
Interest income from Group companies	–	–	24	24
Other interest income (loans and trade receivables)	6	9	6	7
Total interest income in accordance with effective interest method[1]	**6**	**9**	**30**	**31**
Dividend from Group companies	–	–	140	29
Financial income/Interest income and similar profit/loss items	**6**	**9**	**169**	**59**
Interest expenses	-14	-11	-8	-8
Total interest expenses in accordance with effective interest method	**-14**	**-11**	**-8**	**-8**
Impairment of receivables, Group companies[2]	–	–	-71	–
Financial expenses/ Interest expenses and similar profit/loss items	**-14**	**-11**	**-79**	**-8**
Financial net/Profit/loss from financial investments	**-8**	**-2**	**90**	**51**

1) Financial instruments classified at amortized cost.
2) See Note 23.

Note 16 Appropriations and untaxed reserves

	Parent Company	
Appropriations	2020	2019
Changes in tax allocation reserve	-150	-264
Changes in depreciation exceeding plan	-7	-9
	-157	**-273**
Untaxed reserves		
Allocation reserve	1,050	900
Accumulated additional depreciation	26	19
	1,076	**919**
Allocation reserves that fall due within		
one year	15	15
one to five years	885	621
later than five years	150	264
	1,050	**900**

Note 17 Income tax

	Group		Parent Company	
	2020	2019	2020	2019
Current tax				
The year's tax expense	-188	-217	-102	-170
	-188	**-217**	**-102**	**-170**
Deferred tax				
Deferred tax on temporary differences	1	-45	-1	2
	1	**-45**	**-1**	**2**
Total reported tax	**-187**	**-263**	**-103**	**-169**

Tax items recognized in other comprehensive income	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Actuarial profit/loss from defined benefits to employees	-1	1	–	–
Cash flow hedges	25	-5	–	–
Translation differences on foreign currency loans treated as net investments in subsidiaries	-16	-5	–	–
	8	**-10**	**–**	**–**

	Group		Parent Company	
Reconciliation of effective tax rate	2020	2019	2020	2019
Profit before tax	890	1,122	537	806
Tax according to tax rate in the Parent Company 21.4% (21.4%)	-190	-240	-115	-172
Effect of different tax rates in foreign subsidiaries	1	0	–	–
Non-deductible/non-taxable items	18	-1	13	5
Utilization/increase of loss carryforwards for which deferred tax is not recognized	-14	-11	–	–
Temporary differences for which deferred tax assets have not been accounted	-1	-1	–	–
Other	-1	-9	-1	-1
Reported effective tax	**-187**	**-263**	**-103**	**-169**

	2020		2019	
Recognized deferred tax assets and liabilities, Group	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tangible assets	0	-2	1	-6
Intangible assets	4	-52	5	-51
Derivatives used as hedging instruments	–	-15	–	-1
Trade receivables	33	–	28	–
Inventories	14	–	21	–
Untaxed reserves	–	-234	–	-200
Provisions	15	–	17	–
Accrued expenses and deferred income	11	–	8	–
Other liabilities	27	–	16	–
Other	15	–	11	-1
Loss carryforwards	33	–	21	–
Tax assets/liabilities	**150**	**-303**	**130**	**-259**
Set-off	-22	22	-33	33
Net tax assets/liabilities	**128**	**-281**	**97**	**-226**

	2020		2019	
Recognized deferred tax assets and liabilities, Parent Company	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Trade receivables	1	–	3	–
Provisions	4	–	3	–
Accrued expenses and deferred income	–	–	0	–
Tax assets/liabilities	**5**	**–**	**6**	**–**

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 153 million (129). Of the change for the year of SEK 24 million, SEK -1 million (45) was recognized in the profit and loss account and SEK 25 million (4) was recognized in other comprehensive income. Tax assets regarding loss carryforwards are only recognized to the extent that they are expected to be used. At the end of the year, the Group's accumulated loss carryforwards amounted to SEK 487 million. Tax assets were recognized at an amount of SEK 33 million, corresponding to loss carryforwards of SEK 138 million. Loss carryforwards mainly refer to subsidiaries in France and the USA and can be utilized without a time limit.

Note 18 Intangible assets

	Business systems		Development expenses		Technology		License	
Group	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated cost								
Opening balance at January 1	50	36	850	821	175	171	0	17
Investments during the year	6	14	85	29	–	–	–	–
Historical cost sold/scrapped assets	–	0	–	–	–	–	–	-17
Exchange rate differences for the year	0	1	–	–	-6	3	–	–
Closing balance, accumulated cost at December 31	**56**	**50**	**935**	**850**	**168**	**175**	**0**	**0**
Accumulated amortization								
Opening balance at January 1	-33	-31	-800	-789	-71	-51	0	-17
Amortization sold/scrapped assets	–	0	–	–	–	–	–	17
Amortization and impairment for the year	-5	-2	-20	-11	-37	-20	–	–
Closing balance, accumulated amortization at December 31	**-37**	**-33**	**-820**	**-800**	**-109**	**-71**	**0**	**0**
Closing balance, residual value according to plan at December 31	**19**	**17**	**116**	**51**	**60**	**103**	**0**	**0**

	Customer relationships		Brands		Goodwill		Total	
Group	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated cost								
Opening balance at January 1	198	192	76	74	1,046	1,020	2,394	2,332
Investments during the year	–	–	–	–	–	–	91	43
Historical cost sold/scrapped assets	–	–	–	–	–	–	–	-17
Exchange rate differences for the year	-4	5	-4	1	-84	27	-98	37
Closing balance, accumulated cost at December 31	**193**	**198**	**72**	**76**	**963**	**1,046**	**2,387**	**2,394**
Accumulated amortization								
Opening balance at January 1	-110	-53	-14	-10	–	–	-1,028	-951
Amortization sold/scrapped assets	–	–	–	–	–	–	–	18
Amortization and impairment for the year	-41	-57	-4	-4	–	–	-107	-94
Closing balance, accumulated amortization at December 31	**-151**	**-110**	**-18**	**-14**	**–**	**–**	**-1,135**	**-1,028**
Closing balance, residual value according to plan at December 31	**42**	**87**	**54**	**62**	**963**	**1,046**	**1,253**	**1,366**

	Business systems		Technology		License		Total	
Parent Company	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated cost								
Opening balance at January 1	47	34	17	–	0	17	64	51
Investments during the year	5	14	–	17	–	–	5	30
Cost, disposals	–	0	–	–	–	-17	–	-18
Closing balance, accumulated cost at December 31	**52**	**47**	**17**	**17**	**0**	**0**	**69**	**64**
Accumulated amortization								
Opening balance at January 1	-31	-30	-3	–	0	-17	-35	-47
Disposals for the year	–	0	–	–	–	17	0	18
Amortization for the year	-4	-2	-3	-3	–	–	-8	-5
Closing balance, accumulated amortization at December 31	**-36**	**-31**	**-7**	**-3**	**0**	**0**	**-42**	**-35**
Closing balance, residual value according to plan at December 31	**17**	**16**	**10**	**13**	**0**	**0**	**27**	**29**

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 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.

In conjunction with the acquisition of AEi in November 2016, intangible assets in the form of customer relationships, technology and goodwill were added. The estimated useful life of technology and customer relationships is ten years. In the third quarter of 2020, a write-down of technology and customer relationships in AEi of SEK 18 million and SEK 24 million (36), respectively, was recognized.

The acquisition of Axxon was carried out at the end of October 2016. In the acquisition analysis, 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 52 million (56) 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. Cash-generating units correspond to the High Flex, High Volume and Global Technologies divisions. The carrying amount of goodwill in High Flex totals SEK 317 million. The carrying amount of goodwill and brands in High

Volume totals SEK 371 million and SEK 42 million, respectively. The carrying amount of goodwill and brands in Global Technologies totals SEK 275 million and SEK 9 million, respectively. The value in use is based on cash flow forecasts, built on the Group 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 before tax and 12.0 percent after tax for the High Flex division. For the High Volume division, a discount factor of 15.3 percent before tax and 12.0 percent after tax was applied. For the Global Technologies division, a discount factor of 16.5 percent before tax and 12.9 percent after tax was applied. 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 19 Tangible assets

	Rented premises and improvements to leased property		Machinery and equipment		Construction in progress		Total	
Group	2020	2019	2020	2019	2020	2019	2020	2019
Accumulated cost								
Opening balance at January 1	379	6	403	424	11	16	793	446
IFRS 16 adjustment, January 1	–	168	–	11	–	–	–	179
Purchases/add-ons during the year	39	199	15	26	30	29	84	254
Reclassifications to machinery and equipment	–	–	37	34	-37	-34	0	0
Reclassifications to inventory	–	–	–	-13	–	–	–	-13
Reclassifications from inventory	–	–	–	–	64	–	64	–
Reclassifications other	–	4	7	-1	–	–	7	3
Historical cost sold/scrapped equipment	-32	0	-17	-80	–	–	-50	-80
Exchange rate differences for the year	-19	1	-4	2	–	–	-24	4
Closing balance, accumulated cost at December 31	**367**	**379**	**440**	**403**	**69**	**11**	**876**	**793**
Accumulated depreciation and impairment								
Opening balance at January 1	-56	-1	-291	-339	–	–	-346	-340
Depreciation reclassifications to inventory	–	–	–	1	–	–	–	1
Depreciation sold/scrapped equipment	26	–	14	80	–	–	41	80
Reclassifications other	0	-4	2	4	–	–	2	0
Depreciation for the year	-65	-51	-42	-38	–	–	-107	-88
Closing balance, accumulated depreciation and impairment at December 31	**-94**	**-56**	**-317**	**-291**	**–**	**–**	**-410**	**-346**
Closing balance, residual value according to plan at December 31	**272**	**324**	**124**	**112**	**69**	**11**	**465**	**447**

Tangible assets in the Group include right-of-use assets as of January 1, 2019, as a result of the transition to IFRS 16 Leases, see Note 2.

	Machinery and equipment		Construction in progress		Total	
Parent Company	2020	2019	2020	2019	2020	2019
Accumulated cost						
Opening balance at January 1	218	261	11	16	229	278
Investments during the year	0	4	30	29	31	33
Reclassifications to machinery and equipment	37	34	-37	-34	0	0
Reclassifications to inventory	-1	-6	–	–	-1	-6
Reclassifications from inventory	0	–	64	–	64	0
Reclassifications other	0	–	–	–	0	–
Historical cost sold/scrapped equipment	-1	-76	–	–	-1	-76
Closing balance, accumulated cost at December 31	**253**	**218**	**69**	**11**	**322**	**229**
Accumulated depreciation and impairment						
Opening balance at January 1	-166	-226	–	–	-166	-226
Depreciation reclassifications to inventory	0	1	–	–	0	1
Depreciation sold/scrapped equipment	1	76	–	–	1	76
Depreciation for the year	-22	-17	–	–	-22	-17
Closing balance, accumulated depreciation and impairment at December 31	**-186**	**-166**	–	–	**-186**	**-166**
Closing balance, residual value according to plan at December 31	**67**	**52**	**69**	**11**	**135**	**63**

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	3–5 years
Computers	3 years
Right-of-use assets	1–10 years

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

	Rented premises		Other		Total	
Group	2020	2019	2020	2019	2020	2019
Accumulated cost						
Opening balance at January 1	309	–	19	–	328	–
IFRS 16 adjustment, January 1, See Note 2	–	168	–	11	–	179
Add-ons during the year	37	138	3	8	40	146
Deductions during the year	-26	–	-2	–	-29	–
Exchange rate differences for the year	-13	2	0	0	-13	3
Closing balance, accumulated cost at December 31	**307**	**309**	**19**	**19**	**326**	**328**
Accumulated depreciation and impairment						
Opening balance at January 1	-48	–	-6	–	-54	–
Deductions during the year	21	–	2	–	22	–
Depreciation for the year	-58	-48	-7	-6	-65	-54
Closing balance, accumulated depreciation and impairment at December 31	**-86**	**-48**	**-11**	**-6**	**-97**	**-54**
Closing balance, residual value according to plan at December 31	**221**	**260**	**8**	**13**	**230**	**273**

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 leases with a lease term of 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-on consists primarily of new premises in Japan and the extension of rental contracts in China and Japan. There are no significant lease commitments for lease contracts that have not yet started as at end of 2020.

Note 20 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.

	Parent Company	
	2020	2019
Expensed lease charges for the year	20	20
of which, variable fees	–	–
Future payments under lease contracts (nominal)		
Within one year	16	16
Between one and five years	68	67
Later than five years	9	26
Total	**93**	**109**

The major part of the Parent Company's lease charges refers to rental of premises.

Note 21 Participation in Group companies

	Parent Company	
	2020	2019
Opening balance, historical cost	1,073	1,051
Share-based incentive programs	2	0
Value changes contingent considerations	-1	22
Closing balance, accumulated cost	**1,073**	**1,073**
Opening balance, impairment	-2	-2
Closing balance, accumulated impairment	**-2**	**-2**
Closing balance, carrying amount	**1,071**	**1,071**

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.	607215	Japan	200	100	4.0
Mycronic Co., Ltd.	80271004	Taiwan	1,600,000	100	4.3
Mycronic Co., Ltd.	134111-0136974	South Korea	810	100	13.0
Mycronic (Shanghai) Co., Ltd.	310 000 400 631 000	China	–	100	6.1
Mycronic S.A.S.	333 906 139 000 355	France	10,000	100	8.2
Mycronic Ltd.	2524693	United Kingdom	24,000	100	5.8
Mycronic Inc.	04-3219080	USA	10,000	100	40.2
Mycronic Pte Ltd.	199601416W	Singapore	1,000	100	0.5
Mycronic BV	17131339	Netherlands	180	100	8.3
Mycronic GmbH	HRB 53381	Germany	4	100	29.8
Micronic Mydata AB	556963-0360	Stockholm	50,000	100	0.1
Mydata Automation AB	556963-0329	Stockholm	50,000	100	0.1
RoyoTech Digitalelektronik GmbH	HRB 92792	Germany	5	100	76.7
Kognitec Vertrieb and Service GmbH	HRB 203153	Germany	4	100	5.1
Shenzhen Axxon Automation Co. Ltd.	91440300682020147E	China	–	100	783.3
VIT S.A.S.	451 028 567	France	1,309,638	100	75.4
Mycronic Fukuoka Co., Ltd.	2 290 001 052 547	Japan	700	100	10.1
					1,070.9
Indirectly owned Group companies					
Automation Engineering, Inc.		USA		100	
MRSI Systems, LLC		USA		100	
Vision Inspection Technology Asia Pte Ltd.		Singapore		100	
Shenzhen Axxon Piezoelectric Technology Co., Ltd.		China		70	

Note 22 Business combinations

Changes in cash and cash equivalents from acquisitions	2020	2019
Paid deferred considerations for acquisitions in previous years	-4	-248
Total	**-4**	**-248**

No acquisitions were made in 2020.

Paid deferred considerations for acquisitions in previous years
In 2018, 70 percent of shares were acquired in a Japanese development partner, Mycronic Fukuoka Co., Ltd, including an option to acquire the remaining 30 percent of shares not later than three years from the acquisition date. The consideration paid in 2020 consists of an installment for the remaining 30 percent of the shares.

The consideration paid in 2019 relates to the acquisition of the remaining 20 percent of the shares in Shenzhen Axxon Automation Co., Ltd.

Note 23 Non-current receivables from Group companies

	Parent Company	
	2020	2019
Opening balance, carrying amount	790	712
Additions	15	78
Deductions	-52	–
Closing balance, carrying amount	**753**	**790**

The Parent Company applies similar impairment as the Group for expected credit losses for current and non-current receivables from Group companies. Due to an assessed increased credit risk, the Parent Company has impaired a receivable from the subsidiary VIT S.A.S corresponding to SEK 71 million (see Note 15). The assessment is that other expected credit losses are not material and no further provision has therefore been recognized.

Note 24 Other non-current receivables

	Group		Parent Company	
	2020	2019	2020	2019
Opening balance, carrying amount	50	22	27	1
Additions	13	31	4	26
Deductions	-23	-3	-18	0
Closing balance, carrying amount	**40**	**50**	**13**	**27**

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

Note 25 Inventories

	Group		Parent Company	
	2020	2019	2020	2019
Components	349	399	236	227
Finished goods	595	483	80	94
Products in progress	236	227	179	142
	1,181	**1,109**	**494**	**463**

Write-down of inventories amounted to SEK 15 million (20) in the Group and SEK 8 million (15) in the Parent Company.

Note 26 Trade receivables, impairment, age analysis and other

	2020			2019		
Group	Gross	Impairment	Loss given default	Gross	Impairment	Loss given default
Trade receivables not due	509	3	0.6%	666	1	0.2%
Trade receivables, overdue 0–30 days	47	1	1.5%	66	1	0.8%
Trade receivables, overdue >30–90 days	25	1	4.3%	54	2	3.1%
Trade receivables, overdue >90–180 days	14	1	9.7%	20	3	16.1%
Trade receivables, overdue >180–360 days	16	6	38.0%	33	15	45.1%
Trade receivables, overdue >360 days	16	14	86.3%	19	10	51.2%
	627	**26**	**4.2%**	**857**	**32**	**3.7%**

Trade receivables overdue amount to 19 percent (22) 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.

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 32 percent (27) of trade receivables outstanding. For further information on the concentration and customer risk in trade receivables outstanding, see Note 33.

	Group	
Provision for expected credit losses	2020	2019
Opening balance, carrying amount	32	18
Additions	6	19
Utilized during the year	-5	-2
Unutilized during the year	-7	-3
Closing balance, carrying amount	**26**	**32**

Note 27 Prepaid expenses and accrued income

	Group		Parent Company	
	2020	2019	2020	2019
Contract assets	75	64	54	32
Other prepaid expenses	42	57	34	45
	116	**122**	**88**	**78**

Note 28 Non-current provisions

	Group	
	2020	2019
Post employment benefits	35	45
Other non-current provisions	7	6
Closing balance, carrying amount	**41**	**50**

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 subsidiaries also have small obligations regarding post employment benefits. In Korea, 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 are affected by changes in market values.

	Group	
Pension expenses	2020	2019
Amounts recognized in profit and loss account		
Current service cost	8.1	6.7
Net interest	0.4	0.5
Expenses, defined benefit plans	**8.5**	**7.2**
Amounts recognized in other comprehensive income		
Remeasurement of pension obligations	-4.0	2.3
Remeasurement of plan assets	0.0	0.0
Expenses/(income) defined benefit plans	**-4.0**	**2.4**
Total pension expenses, defined benefit plans	**4.6**	**9.6**

Amounts recognized in statement of financial position	2020	2019
Present value of defined benefit obligation, funded plans	37.7	39.3
Fair value of plan assets	-31.2	-21.7
Net liability, funded plan	**6.4**	**17.6**
Present value of defined benefit obligation, unfunded plans	28.2	27.1
Net liability recognized in statement of financial position	**34.6**	**44.6**

Change in present value of defined benefit obligation	2020	2019
Opening balance, defined benefit obligation	66.4	58.0
Current service cost	8.1	6.7
Interest expenses	0.8	0.9
Remeasurement of pension obligations		
– demographic assumptions	-0.5	1.6
– financial assumptions	-3.4	0.3
– experience adjustments	-0.1	0.4
Pension payments	-1.1	-2.7
Exchange rate difference	-4.4	1.2
Closing balance, defined benefit obligation	**65.8**	**66.4**

Change in fair value of plan assets	2020	2019
Opening balance, plan assets	21.7	18.2
Interest income	0.4	0.4
Return excluding interest income	0.0	0.0
Employer's contribution	11.3	4.7
Pension payments from plan assets	-0.3	-1.7
Exchange rate difference	-1.9	0.1
Closing balance, plan assets	**31.2**	**21.7**

Significant actuarial assumptions	Japan		South Korea	
	2020	2019	2020	2019
Discount rate, %	0.4	0.3	2.1	2.1
Future salary increases, %	2.2	1.9	5.0	5.0

Sensitivity analysis discount rate	Change in assumption	Change in value, SEK million
Assumption		
Discount rate, %	-0.50/+0.50	+2.1/-1.9
Future salary increases, %	-0.50/+0.50	-2.3/+2.5

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 5 million. Additional amounts can be paid to plan assets after decision of the employer.

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 2020 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 2021 for ITP 2 insurance taken out with Alecta amount to SEK 2 million. In 2020, the costs for premium based pension amounted to SEK 61 million (54).

	Group	
Other non-current provisions	2020	2019
Opening balance, carrying amount	6	8
The year's provision	1	-2
Closing balance, carrying amount	**7**	**6**

Note 29 Accrued expenses and deferred income

	Group		Parent Company	
	2020	2019	2020	2019
Salaries and social expenses	198	176	40	53
Commissions	9	13	0	0
Deferred income	109	84	80	54
Other accrued expenses	49	67	67	57
	364	**340**	**187**	**164**

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

Note 30 Current provisions

	Group		Parent Company	
	2020	2019	2020	2019
Opening balance, carrying amount	50	46	13	11
The year's provision	55	46	3	11
Utilized during the year	-24	-28	-6	-10
Unutilized during the year	-19	-14	–	–
Closing balance, carrying amount	**62**	**50**	**10**	**13**

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 31 Pledged assets

	Group		Parent Company	
	2020	2019	2020	2019
Collateral provided for liability items in the balance sheet				
Credit institutions				
Chattel mortgages	89	89	89	89
	89	**89**	**89**	**89**

Note 32 Contingent liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Commitment for billing by credit insurance through EKN	1	1	1	1
Parent Company guarantee	–	–	262	321
Other	1	–	–	–
	1	**1**	**263**	**323**
Of which, falling due:				
within one year	1	1	70	24
between one and five years	0	0	82	150
later than five years	–	–	111	149
	1	**1**	**263**	**323**

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

Note 33 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 Swedish kronor. 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 2020 within the Pattern Generators division were translated at the average exchange rates for 2019, without considering forward exchange contracts, revenues would have been SEK 39 million higher. The majority derive from the appreciation of the SEK in 2020, primarily against the USD. Sales were positively affected by forward exchange contracts in the amount of SEK 11 million, while EBIT was positively affected by SEK 26 million as a result of forward exchange contracts.

If sales for 2020 were translated at the average exchange rates for 2019, revenues would have been SEK 24 million higher for the High Flex division, SEK 22 million higher for the High Volume division and SEK 11 million higher for the Global Technologies division. EBIT for the High Flex division was negatively impacted by forward exchange contracts in an amount of SEK 2 million. Based on 2020 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 184 million (220). 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 negative translation difference of SEK 161 million (+43) 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 185 million 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 24 million, of which USD accounts for SEK 19 million. Equity is impacted by about SEK 40 million before tax, of which USD accounts for SEK 43 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 2020, 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 601 million (826). The average credit period for the High Flex, High Volume and Global Technologies divisions was 69 days (76) and 64 days (46) for the Pattern Generators division. For information on the aging structure of trade receivables and provisions for doubtful trade receivables, see Note 26.

Mycronic's maximum financial credit exposure consists of the fair values of financial assets, see Note 34. At year-end 2020, the total financial credit exposure, excluding trade receivables, was SEK 1,388 million (670), of which SEK 1,303 million (655) 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 2020 was SEK 1,039 million (337). 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

	2020	2019
Credit line	2,000	2,053
Cash and cash equivalents	1,303	655
Total	**3,303**	**2,708**

Exposure per currency

Currency	% of revenue	% of expenses	Average rate 2020	Average rate 2019	Closing rate 2020	Closing rate 2019
USD	54	26	9.2037	9.4604	8.1886	9.3171
EUR	10	11	10.4867	10.5892	10.0375	10.4336
JPY (100)	7	5	8.6177	8.6839	7.9248	8.5320
GBP	1	0	11.7981	12.0658	11.0873	12.2145
SEK	1	33	1.0000	1.0000	1.0000	1.0000
KRW (100)	7	2	0.7817	0.8115	0.7542	0.8102
CNY	20	23	1.3329	1.3691	1.2537	1.3333

Note 34 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 33.

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 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 loss (change in value)		**14**			

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 2,000 million (2,053).

Group 2019	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			27	27	27
Trade receivables			826	826	826
Forward exchange contracts	11	4		15	15
Cash and cash equivalents			655	655	655
Total financial assets	**11**	**4**	**1,508**	**1,523**	**1,523**
Financial liabilities					
Contingent considerations		8		8	8
Lease liabilities			271	271	271
Factoring			46	46	46
Trade payables			288	288	288
Forward exchange contracts	7	19		26	26
Total financial liabilities	**7**	**27**	**606**	**640**	**640**
Recognized loss (change in value)		**-22**			

Contingent considerations	Group	
	2020	2019
Opening balance, carrying amount	8	277
Settled liabilities	-4	-248
Changes in value reported in profit and loss	-1	-37
Exchange rate differences recognized in other comprehensive income.	–	15
Closing balance, carrying amount	**3**	**8**

The balance sheet item consists of contingent considerations from the acquisition of a Japanese development partner. The consideration paid in 2020 consists of an installment for the remaining 30 percent of the shares. As per December 31, 2020, the maximum contingent consideration was estimated at SEK 3 million.

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

Group, December 31, 2020	Nom. 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**

Group, December 31, 2019	Nom. amount in SEK	Within 3 months	3 months–1 year	1–5 years	>5 years
Contingent considerations	9	–	4	4	–
Lease liabilities	298	13	38	153	94
Invoice factoring	47	–	19	28	–
Trade payables	288	162	123	3	–
Forward exchange contracts	29	11	17	1	–
	671	**186**	**201**	**190**	**94**

The total cash flow for leases amounted to SEK 57 million in 2020. Reported interest expense on lease liabilities amounted to SEK 5 million.

Hedging instruments, December 31, 2020

The Group's holdings of forward exchange contracts and debt in foreign currency at December 31, 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 table shows the nominal amounts of the forward exchange contracts in SEK million.

	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, December 31, 2019

The Group's holdings of forward exchange contracts and debt in foreign currency at December 31, 2019, 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 table shows the nominal amounts of the forward exchange contracts in SEK million.

	Maturity			
Group 2019	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	7	–	–	7
Average hedged forward contract rate, JPY/SEK	0.0861	–	–	0.0861
Sold USD, bought SEK, nominal amounts	56	558	179	793
Average hedged forward contract rate, USD/SEK	9.1976	9.0616	9.3099	9.1557
Debt in foreign currency — currency hedging of net investment in foreign operations				
CNY debt, nominal amount (value on balance-sheet date)	–	–	–	–
Hedging instruments – non-hedge accounting				
Forward exchange contracts — hedge of currency risk, transaction exposure (contract sale)				
Sold EUR, bought SEK, nominal amounts	60	1	–	61
Average hedged forward contract rate, EUR/SEK	10.6031	10.4454	–	10.5888
Sold JPY, bought SEK, nominal amounts	1	–	–	1
Average hedged forward contract rate, JPY/SEK	0.0873	–	–	0.0873
Sold USD, bought SEK, nominal amounts	42	172	-78	136
Average hedged forward contract rate, USD/SEK	9.3745	8.9782	9.3388	9.2845

Effects of hedge accounting on financial position and earnings in 2020	Hedging instruments identified in hedging relationship as of December 31, 2020			Period – change in fair value for measurement of ineffectiveness	
	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**

Effects of hedge accounting on financial position and earnings in 2019	Hedging instruments identified in hedging relationship as of December 31, 2019			Period – change in fair value for measurement of ineffectiveness	
	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	83	0	Other receivables		
Total Forward Exchange Contracts, JPY	**83**	**0**		**-9**	**9**
Forward exchange contracts, Sold USD, bought SEK	51	11	Other receivables		
Forward exchange contracts, Sold USD, bought SEK	35	-7	Other liabilities		
Total Forward Exchange Contracts, USD	**86**	**4**		**-18**	**18**
Total		**4**		**-27**	**27**
Currency hedging of net investment in foreign operations					
Debt in foreign currency, CNY thousands	–	–	Other liabilities	-13	13

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 2019, the debt in CNY 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.

Analysis of liabilities in financing activities

	Opening balance at January 1, 2020	Cash flow	Addition/deduction lease contract	Exchange rate effects for the year	Other	Closing balance at December 31, 2020
Current interest-bearing loan	19	-19	–	-1	19	17
Current lease liabilities	47	-57	–	-3	75	62
Non-current interest-bearing loan	28	–	–	-1	-18	9
Non-current lease liabilities	225	–	33	-12	-70	176
	318	**-76**	**33**	**-17**	**6**	**264**

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

Note 35 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 96. Amounts below are stated in SEK million.

Return on equity	2020	2019
Profit for the year	703	859
Average equity	3,178	2,679
	22.1%	**32.1%**
Return on capital employed		
Profit before tax	890	1,122
Financial expenses	14	11
Profit before financial expenses	904	1,133
Average balance sheet total	5,059	4,500
Average non-interest-bearing liabilities	1,591	1,661
Average capital employed	3,469	2,838
	26.1%	**39.9%**
Capital turnover rate		
Net sales	3,882	4,307
Average balance sheet total	5,059	4,500
Average non-interest-bearing liabilities	1,591	1,661
Average capital employed	3,469	2,838
	1.1	**1.5**
Book-to-bill		
Order intake	3,687	4,567
Net sales	3,882	4,307
	0.9	**1.1**
EBITDA		
EBIT	898	1,124
Depreciation/Amortization	214	182
	1,112	**1,307**
Underlying EBIT		
EBIT	898	1,124
Acquisition-related costs		
Cost of goods sold	-	-
Operating expenses	77	45
	975	**1,169**
Equity per share		
Equity at balance day	3,378	2,978
Number of outstanding shares at year-end, thousand	97,685	97,775
	34.58	**30.46**
Earnings per share		
Profit/loss for the year attributable to owners of the Parent Company	694	855
Average number of outstanding shares before dilution, thousands	97,743	97,893
Average number of outstanding shares after dilution, thousands	97,763	97,895
	7.10	**8.74**
Net cash		
Cash and cash equivalents	1,303	655
Interest-bearing liabilities	-264	-318
	1,039	**337**

Note 36 Events after year-end

No events took place after year-end that had a significant impact on the Group's earnings or financial position.

Auditor's report

To the general meeting of the shareholders of Mycronic AB (publ), 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 48–55 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 41–92 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 2020 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 2020 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 48–55. 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 statements and statements of financial position for the group and income statements and balance sheets for the parent company.

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, 2020, Inventory of finished goods and products in progress amount to 831 MSEK. A detailed specification of the composition of the inventory is presented in note 25 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 evaluated used calculations by comparing outputs to historical data as well as estimated forecasts of future 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 disclosed in the annual report.

VALUATION OF GOODWILL

Description

Goodwill amounts to 963 MSEK in the statement of financial position as of December 31, 2020. 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 18 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 provided in the annual report.

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 1–39. The remuneration report for the financial year 2020 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, related safeguards.

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

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 AB (publ) for the year 2020 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 corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 48–55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 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, Jakobsbergsgatan 24, 111 44 Stockholm, was appointed auditor of Mycronic AB (publ) by the general meeting of the shareholders on the June 25, 2020 and has been the company's auditor since the May 6, 2013.

Stockholm 19 March 2021
Ernst & Young AB

Erik Sandström
Authorized Public Accountant

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.

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 profit 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.

Multi-purpose market
A broad market segment for many different application areas. Examples include electronic packaging and touch screen applications.

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.

Shareholder information

FINANCIAL REPORTING FINANCIAL YEAR 2021
Interim Report January–March, April 22, 2021
Interim Report January–June, July 15, 2021
Interim Report January–September, October 21, 2021
Year-End Report 2021, February 9, 2022

FINANCIAL INFORMATION
The 2020 annual and sustainability report will be published on the website and through a press release on April 8, 2021.

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 2020
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 2021
The Annual General Meeting of Mycronic will be held on Wednesday, May 5, 2021. Due to the coronavirus, the Board has decided that the Annual General Meeting will be held without the physical attendance of shareholders, proxies and external parties and that shareholders will be given an opportunity to exercise their voting rights solely through postal voting prior to the meeting. Information about the resolutions passed at the Annual General Meeting will be published on May 5, 2021, as soon as the outcome of the postal vote has been finalized.

Right to participate in the Annual General Meeting
Shareholders who wish to participate in the Annual General Meeting through postal voting, must be listed in the shareholders' register kept by Euroclear Sweden AB by Tuesday, April 27, 2021, and must register by submitting their postal vote in accordance with the instructions in the official notification not later than Tuesday, May 4, 2021, so the postal vote has been received by Computershare by that date. Please note that registration to the Annual General Meeting can only be made through postal voting.

Postal voting
The Board of Directors has resolved that shareholders may exercise their voting rights solely through postal voting pursuant to Section 22 of the Swedish Act on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations (2020:198). A special form must be completed for postal voting. 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 mycronic@computershare.se. The completed form must have been received by Computershare not later than May 4, 2021. 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 May 4, 2021. 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.

Power of attorney
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 by submitting their postal vote, 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 Tuesday, April 27, 2021. 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 Thursday, April 29, 2021, will be taken into account when preparing the shareholders' register.


Sustainability notes
– GRI Appendix

About the GRI Appendix

Mycronic's Sustainability Report for 2020 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. The Sustainability Report is an integral part of Mycronic's Annual Report. Pages 23–35 in the Annual Report constitutes Mycronic's statutory Sustainability Report, in accordance with the Swedish Annual Accounts Act.

This GRI Appendix is a supplement to the statutory Sustainability Report and provides, inter alia, the reporting principles and in-depth GRI information and data. Mycronic reports sustainability performance on an annual basis. This report refers to the period January 1 to December 31, 2020, which corresponds to Mycronic's fiscal year. The non-financial data provided in this report cover all Mycronic companies worldwide that are globally integrated into our financial reports. Any exception in boundary or scope is clearly indicated in each disclosure presented in this GRI appendix. Further limitations in scope, as well as omission statements according to the GRI standard, are included where relevant. Information on the definitions and calculation methods applied are described in connection to each disclosure presented in this GRI appendix. Mycronic applies the Precautionary Approach to reduce or to avoid negative impacts on the environment. The most recent Sustainability Report, "Mycronic Annual and Sustainability Report 2019", was published on April 6, 2020. Changes have generally not been made to the information supplied in earlier reports. When necessary, data has been rearranged into the new company structure. In a few cases, reporting errors have been identified and corrected. This is clearly indicated. Data for AEi, Axxon and ViT, acquired in 2016 and 2017, is included since 2018, and data from MRSI, acquired in 2018, is included since 2019.

Mapping of Mycronic's material sustainability topics 2020–2021, against the UN Sustainable Development Goals

Material sustainability topics 2020-2021	UN Sustainable Development Goals	UN Sustainable Development Goals – Targets
Responsible business • Business ethics and anti-corruption • Responsible sourcing • Information security	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment 16.5 Substantially reduce corruption and bribery in all their forms
Reduce environmental impact • Energy consumption during product use • Material consumption • Reduced carbon dioxide emissions • Efficient waste management	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	7.3 By 2030, double the global rate of improvement in energy efficiency 12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Social responsibility • Attractive employer • Safe and healthy work environment • Diversity and equality • Positive contribution to local communities	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination 5.1 End all forms of discrimination against all women and girls everywhere 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
Enable innovation • Innovation capacity	4 QUALITY EDUCATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending

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GRI 103: Management approach 2016 GRI 103-1, 103-2, 103-3 Management approach	24, 35, 50	Information security
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GRI 102: GENERAL DISCLOSURES

GRI 102-8 Information on employees and other workers

	Asia			Europe			USA			**Group (total)**		
Per region	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Women		91	122		123	110		31	30		245	262
Men		591	709		428	397		174	157		1,193	1,263
Total	**554**	**682**	**831**	**497**	**551**	**507**	**203**	**205**	**187**	**1,254**	**1,438**	**1,525**
Share of nr of employees globally, %	44	48	55	40	39	33	16	15	12	100	100	100
Share women, %	12	13	15	21	29	22	16	15	16	16	17	17

	High Volume	Global Technologies	High Flex	Pattern Generators	Corporate Office	**Total**
Per division	2020	2020	2020	2020	2020	2020
Women, %	14	14	20	17	55	17
Men, %	86	86	80	83	45	83
Share of nr of employees globally, %	**43**	**8**	**26**	**20**	**3**	**100**

COMMENTS

Data was compiled through Mycronic's global Human capital management (HCM) system, which was fully implemented throughout the group in 2019. Homogenized and consolidated group data regarding the type of employment contract (Permanent/Temporary or Full time/Part time) is however not yet available and therefore not disclosed.

Employee data from the company MRSI, acquired in 2018, has been included since 2018 to allow the comparison of data.

GRI 102-13 Membership of associations

Mycronic have 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), 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.

GRI 102-17 Mechanisms for advice and concerns about ethics

Mycronic's Ethics and Compliance Board (ECB) develops guidelines in ethics and compliance and see to that Mycronic has clear processes for review and follow-up of compliance. The Board consists of Mycronic's General Councel and three members from Group management. The Board is chaired by the CFO.

Mechanisms for reporting concerns about ethics
All employees are expected to report to the nearest manager any observed or suspected violation of law or Mycronic Code of Conduct. Or, when appropriate, report to the manager's manager and/or HR. In case of violations concerning accounting and financial reporting, insider trading, corruption or other areas of vital importance to Mycronic's business or the health and safety of individuals, violations may be reported confidentially and anonymously through Mycronic's whistleblowing system. The whistleblower service is handled by an external law firm. Anyone who seeks guidance, or report in good faith, on ethical or compliance issues related to law or the Code of Conduct shall not be discriminated against or punished. In 2020, one case was reported to the whistleblower service. The investigation, conducted with the support of external experts, led to the conclusions that no violation of the Code of Conduct was detected.

GRI 102-29 Identifying and managing economic, environmental, and social impacts
GRI 102-31 Review of economic, environmental, and social topics

Identifying and managing economic, environmental, and social impacts
Sustainability priorities are reviewed annually in conjunction with Mycronic's strategy planning. Prior to this review, a materiality analysis is conducted, using input from the stakeholder dialogues, in order to identify the most material sustainability issues for the company. Group management approves the analysis.

Review of economic, environmental, and social topics
The Board receives an annual review of Mycronic's sustainability strategy and is otherwise informed if necessary. Group Management approves the sustainability materiality analysis yearly. Responsibility for each of the four sustainability focus areas (Responsible Business, Environment, Social Responsibility, and Innovation) is delegated to designated members of Group management; The CFO, Sr VP Global Functions, Sr VP Human Resources and Senior VP Global Technologies. These receive information and follow-up on performance at least every quarter.

In 2020, Group Management, division heads and the members of the focus areas' working groups participated in two webinars on sustainability. These addressed sustainable value creation, trends, stakeholder expectations, and sustainability-related risks and opportunities.

GRI 102-41 Collective bargaining agreements

In 2020, all employees in Sweden and in the subsidaries in France (ViT + SAS), which equals 29 percent of Mycronic's employees, are covered by collective bargaining agreements.

GRI 102-42 Identifying and selecting stakeholders

Each division is responsible for identifying its stakeholders and for defining its key stakeholders. 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 in a typical corporation, including for Mycronic, are its investors, employees, customers and suppliers. Regular stakeholder dialogues are therefore mandatory with these groups. Divisions or local units at Mycronic may add other stakeholder groups to the list of relevant stakeholders if the process described above shows that this is relevant.

Definition of stakeholder: 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.

GRI 102-43 Approach to stakeholder engagement

In order to understand how Mycronic fundamentally impacts individuals, society and the environment, and to identify risks and opportunities at an early stage, targeted stakeholder dialogues on sustainability are conducted every three years. Dialogues are held with customers, investors, employees and suppliers. The dialogues are held through surveys, interviews, face to face-discussions and workshops, depending on the targeted stakeholder.

The sustainability manager coordinates the sustainability dialogue process with stakeholders. The divisions are responsible for rolling out the dialogue process with their customers, suppliers and employees. The Corporate Office organises the dialogues with investors. The sustainability manager collects and analyses the results, which is presented to the executive management. The results lay the foundation for Mycronic's materiality analysis and continued work with sustainability.

GRI 102-44 Stakeholder engagement: Key topics and concerns raised

In 2020, Mycronic held stakeholder dialogues with employees, clients and investors. Sustainability was most often integrated as one of several topics in the discussions. As a complement to the dialogues held in 2020, dedicated sustainability stakeholder dialogues with customers, investors, employees and suppliers are planned for 2021.

Description of and key topics raised during the 2020 stakeholder dialogues:

Employees: During the year, several workshops with employees, one workshop with senior management and one group wide employee survey were conducted. Sustainability was one of several topics addressed. The employee survey showed that employees overall believe that Mycronic contributes to a sustainable future and that the company actively works to reduce its environmental impact. In the workshops, employees and managers expressed, among others, expectations of a progressive employer with values, a purpose and position to be proud of, highlighting sustainability as part of this.

Clients: Several interviews with clients were organised in 2020. Sustainability was one of several topics covered. In addition, discussions regarding sustainability was part of regular meetings and exchanges with clients. Clients most often raised sustainability compliance related questions. Results from the interviews show that sustainability is rarely top-of mind for the customer. However, interviewed clients note that sustainability is of interest to investors.

Investors: During 2020, dialogues with investors on sustainability included meetings and email exchanges. Key topics raised included a wish to see measurable sustainability goals, in particular with regard to climate change.

Results and key topics raised during the sustainability stakeholder dialogues held in 2017 and 2018 are described in the 2018 and 2019 Sustainability Reports.

GRI 205: ANTI-CORRUPTION

GRI 205-3 Confirmed incidents of corruption and actions taken

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, including e.g. suspicions of corruption (see also the disclosure GRI 102-17). In 2020, one case related to potential fraud was reported to the whistleblower service. The case was thoroughly investigated with the help of external experts. The result from the investigation led to the conclusions that no violation of the Code of Conduct could be detected.

GRI 301: MATERIALS

GRI 301-1 Material used by weight

	Asia			Europe			USA			Group		
Tonne	2018	2019	2020	2018	2019	2020	2018	2019*	2020	2018*	2019*	2020
Material consumption – products		1,089	1,686	886	1,014	660		10	191	886	2,113	2,537
Packaging materials, incl. paper, cardboard and plastics		265	389	65	61	60		6	1	65	333	450
Total	**–**	**1,354**	**2,075**	**951**	**1,075**	**720**	**–**	**16**	**192**	**951**	**2,446**	**2,987**

COMMENTS

Methodology 2020:

Collection and reporting of data for 2020 was 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). Previous years the internal project manager at Mycronic has summarized and reported this data.

The table above shows the weight of main materials that are used to produce and package Mycronic's primary products. The data include materials whose weight exceeds 1 percent of the product's 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.

The materials covered in the data are metals, composite and stone, plastic, and electronics. Of the reported materials, metals represent more than 70 percent. The second most significant material is composite and stone, accounting for 15 precent of the total weight of materials.

Reporting structure:

Data for 2020 covers the whole Group. Historical data is not comparable due to changes in scope. *Data in 2019 did not cover the acquired company MRSI (USA). Data in 2018 and before only covered Swedish operations.

Observations:

The Group figure for "Material consumption – products" was in 2019 falsely reported as 20,113 metric tons. The correct figure is 2,113 metric tons. This has been corrected in the table above.

GRI 302: ENERGY

GRI 302-1 Energy consumption within the organization

Energy consumption per type (MWh)	Electricity 2018	Electricity 2019	Electricity 2020	Burning oil 2018	Burning oil 2019	Burning oil 2020	Natural gas 2018	Natural gas 2019	Natural gas 2020
Asia			1,478						548
Europe			5,349	26	8	117			25
USA			1,312						533
Total	**7,448**	**8,323**	**8,139**	**26**	**8**	**117**	**793**	**1,013**	**1,106**

Total energy consumption within the organization (MWh)	2018	2019	2020
GRAND TOTAL	**8,267**	**9,344**	**9,362**

Energy consumption from renewable sources (MWh)	Electricity 2018	Electricity 2019	Electricity 2020
Sweden (High Flex Sweden + Pattern Generators Sweden)	5,231	5,273	5,126
High Flex Germany (Royotech)			34

COMMENTS

Methodology 2020:
Collection and reporting of data for 2020 was 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). Previous years, the internal project manager at Mycronic has summarized and reported this data.

Energy consumption within the organization:
Energy consumption was reported in two ways. Either as consumption of gas, electricity or other fuels, or otherwise by estimating energy demand based on facility floor area (m^2) and conversion factors (kWh/m^2).

Reporting structure:
Since 2019, figures include all production sites and sales offices globally. Data before 2019 is not comparable with more recent data, due to changes in scope and in calculation methods. Data before 2019 did not include the company MRSI (USA) and some of the emission factors used for the calculations were different. A slight reporting error was detected in the electricity consumption for year 2019. This figure has been corrected in this report. In 2020, some of the results were impacted by an improved data collection.

Observations:
The total energy consumption (in MWh) of the Group remains overall stable. Electricity consumption decreased between 2019 and 2020. The total consumption was 8,139 MWh, of which the bulk is consumed in Sweden (5,126 MWh), with renewable electricity contracts. Burning oil and natural gas consumption increased between 2019 and 2020, which is a result of improved data collection with regard to natural gas consumption in our Chinese production site and burning oil consumption in our German production site. Burning oil in HF Germany (Royotech) is related to heating of the facilities. Natural Gas in High Volume China is related to the kitchen consumption (meals for employees).

Renewable energy:
The electricity bought in Sweden comes from hydro power certified by Vattenfall and in Germany the electricity is a mix of wind and hydropower certified by Greenpeace. Emissions are calculated using EPD (Environmental Product Declarations) from Vattenfall.

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.

GRI 302-2 Energy consumption outside of the organization

Energy consumption outside of the organization (MWh)	2018	2019	2020
Asia	10,492	14,924	26,250
Europe	108,262	111,147	116,296
USA	603	6,380	6,380
Total	**119,357**	**132,452**	**148,926**

COMMENTS

Methodology 2020:
Collection and reporting of data for 2020 was 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). Previous years the internal project manager at Mycronic has summarized and reported this data.

Energy consumption outside the organization:
The data covers electricity consumption from the installed base at customers' sites (i.e. Mycronic's products used at customers' sites). The 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)

Reporting structure:
Since 2019, figures are Group wide. Data before 2019 is not comparable with more recent data, due to changes in scope. Data before 2019 did not include the company MRSI (USA).

Observations:
The increase in energy consumption by sold products is primarily driven by the High Volume division in China (12,000 MWh increase) and the Pattern Generators division in Sweden (4,000 MWh increase). All reporting sites report increasing energy consumption from sold products, which appears to be mainly resulting from improved data collection.

Improvements can be made regarding actual energy consumption of the installed base. Knowledge of hours in operation or stand-by is very fragmented and not equally applied across the Group. Mycronic has no evidence of the type of energy purchased by their clients to operate the units.

GRI 305: EMISSIONS

GRI 305-1 Direct GHG emissions (Scope 1)

Scope 1 Greenhouse gas emissions, (metric tons CO_2e)	2018	2019	2020
Total	**469**	**595**	**562**

COMMENTS

Methodology 2020:

Mycronic reports carbon emissions in accordance with the recommendations of the Greenhouse Gas Protocol Corporate Standard ("GHG Protocol"). We use a carbon emissions calculation tool from an external provider (Our Impacts), which 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 2 tons in 2020. The global warming potential (GWP, AR5) rates used: 1 for CO_2 and for CO_2eq, 28 for CH_4, 265 for N_2O and 0 for biogenic CO_2.

Data included:

- Other energy: The production site in USA uses natural gas and propane; the production site in France uses natural gas; the production site in China uses LPG for cooking, and the production site in Germany uses burning oil.
- Company owned cars are included in the data.

Reporting structure:

Since 2019, figures are Group wide. Data before 2019 is not comparable with more recent data, due to changes in scope. Data before 2019 did not include the company MRSI (USA) and some of the emissions factors used for the calculations were different. In 2020, some results were impacted by an improved data collection.

Sources of the emission factors used:

- Department for Business, Energy and Industrial Strategy (2019). 2019 Government GHG Conversion Factors for Company Reporting.
- EPA (2018). GHG Emission Factors Hub. Center for Corporate Climate Leadership. March 2018. https://www.epa.gov/sites/production/files/2018-03/documents/emission-factors_mar_2018_0.pdf
- EPA (2019). Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2017. United States Environmental Protection Agency. Online: https://www.epa.gov/ghgemissions/inventory-us-greenhouse-gas-emissions-and-sinks-1990-2017
- GIO, CGER, NIES (2019), National Greenhouse Gas Inventory of Japan. Greenhouse Gas Inventory Office of Japan (GIO), Center for Global Environmental Research (CGER), National Institute for Environmental Studies (NIES).
- SEPA (2019). Emissionsfaktorer och värmevärden 2019. Swedish Environmental Protection Agency.

GRI 305-2 Energy indirect GHG emissions (Scope 2)

Scope 2 Greenhouse gas emissions, (metric tons CO_2e)	2018	2019	2020
Total	**908**	**1,222**	**1,437**

COMMENTS

Methodology 2020:

Mycronic reports carbon emissions in accordance with the recommendations of the Greenhouse Gas Protocol Corporate Standard ("GHG Protocol"). We use a carbon emissions calculation tool from an external provider (Our Impacts), which also provides 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 tons in 2020. The global warming potential (GWP, AR5) rates used: 1 for CO_2 and for CO_2eq, 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.

Reporting structure:

Since 2019, figures include all production sites and sales offices globally. Data before 2019 is not comparable with more recent data, due to changes in scope and in calculation methods. Data before 2019 did not include the company MRSI (USA) and some of the emission factors used for the calculations were different. In 2020, some of the results were impacted by an improved data collection.

Data included:

- Electricity consumption within the organisation

Observations:

Group electricity consumption decreased between 2019 and 2020. The bulk is consumed in Sweden (5,126 MWh), with renewable electricity contracts. The increase in Scope 2 emissions is thus not linked to an increasing electricity consumption at the Group, but rather to changes in conversion factors.

Sources of the emissions factors used:

- AIB (2020). European Residual Mixes 2019. Version 1.0, 2020-05-29. Association of Issuing Bodies.
- IEA (2019). Statistics. http://www.iea.org/stats/index.asp.# IPCC (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge.
- EPA (2020). eGrid2018v2. Release : 3/9/2020. Online: https://www.epa.gov/energy/emissions-generation-resource-integrated-database-egrid. Accessed March 11, 2020.
- WBCSD/WRI (2014). Emissions Factors from Cross Sector Tools.
- Market-based instrument emission factor provided by the electricity supplier: Vattenfall vattenkraft 2019–2022
- Market-based instrument emission factor provided by the electricity supplier: Greenpeace Ökostrom 2020

GRI 305-3 Other indirect (Scope 3) GHG emissions

Scope 3 Greenhouse gas emissions, (metric tons CO_2e)	2018	2019	2020
Total	**70,753**	**95,967**	**109,411**

COMMENTS

Methodology 2020:
Mycronic reports carbon emissions in accordance with the recommendations of the Greenhouse Gas Protocol Corporate Standard ("GHG Protocol"). We use a carbon emissions calculation tool from an external provider (Our Impacts), which 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 tons in 2020. The global warming potential (GWP, AR5) rates used: 1 for CO_2 and for CO_2eq, 28 for CH_4, 265 for N_2O and 0 for biogenic CO_2.

Reporting structure:
Since 2019, figures include all production sites and sales offices globally. Data before 2019 is not comparable with more recent data, due to changes in scope and in calculation methods. Data before 2019 did not include the company MRSI (USA) and some of the emission factors used for the calculations were different.

In 2020, some of the results were impacted by an improved data collection.

Data included:
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.

Materials – packaging:
Packaging materials has ben reported by each site in 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:
– 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)

Business travel - road, air and rail:
Reports from travel agencies and 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 primarily outbound (sold units) deliveries to clients.

Observations:
A dominant part of scope 3 emissions, 80 percent or approximately 88,000 metric tons CO_2e for 2020, 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 mainly driven by an the increased energy consumption from sold products, which in turn appears to be mainly resulting from improved data collection.

The CO_2e value is calculated based on geographical location, but this could be improved. Also, more accurate data on operating hours would reduce uncertainty in calculations.

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.

Omissions:
The carbon footprint does not cover the following Scope 3 categories:
– Capital goods
– Employee commuting
– Upstream transportation (partially included).

Sources of the emissions factors used:

– Department for Business, Energy and Industrial Strategy (2020). 2020 Government GHG Conversion Factors for Company Reporting.
– IEA (2019). Statistics. http://www.iea.org/stats/index.asp.# IPCC (2006). Revised IPCC Guidelines for National Greenhouse Gas Inventories: Reference Manual. Intergovernmental Panel on Climate Change. Cambridge University Press, Cambridge.
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– AIB (2020). European Residual Mixes 2019. Version 1.0, 2020-05-29. Association of Issuing Bodies.
– Client-supplied market-based instrument emission factor
– GIO, CGER, NIES (2020), National Greenhouse Gas Inventory of Japan. Greenhouse Gas Inventory Office of Japan (GIO), Center for Global Environmental Research (CGER), National Institute for Environmental Studies (NIES).
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GRI 306: EFFLUENTS AND WASTE

GRI 306-2 Waste by type and disposal method

	Group	
Overview per GHG category, amount (kg)	2019	2020
Waste in operations	177,000	232,000
Waste from sold products	389,000	549,000
Total	**566,000**	**781,000**

	Asia			Europe			USA			Group	
Non-hazardous waste, amount (kg)	2018	2019	2020	2018	2019	2020	2018	2019	2020	2019	2020
Recycling		1,994	91,878	492,313	279,597	302,323			340	281,591	394,541
Recovery, including energy recovery		318		135,624	137,688	130,352				138,006	130,352
Landfill		310		19,650	130,550	153,136			83,473	130,860	236,609
Total	**–**	**2,622**	**91,878**	**647,587**	**547,835**	**585,811**	**–**	**–**	**83,813**	**550,457**	**761,502**

	Sweden		
Hazardous waste, amount (kg)	2018	2019	2020
Recycling	4,753	9,978	
Recovery, including energy recovery	10,256	6,209	
Combustion, without energy recovery			18,841
Total	**15,009**	**16,187**	**18,841**

	Sweden		
	2018	2019	2020
Reuse (kg)	14,700	68,344	24,373

COMMENTS

Methodology 2020:

Collection and reporting of data for 2020 was 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). Previous years, the internal project manager at Mycronic has summarized and reported this data.

All hazardous waste is assumed to be treated by incineration without energy recovery. This is a change compared to earlier years. This does not impact the actual weights reported above, but the GHG emissions do change.

Data included:

Data includes all types of waste, including product end-of-life disposal. Our assumption is 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 to materials reused through Mycronic's buyback program (see page 32 in the Sustainability Report for further information).

Reporting structure:

Since 2020, figures for non-hazardous waste include all production sites worldwide. Historical data is not comparable, due to changes in scope. Data in 2019 did not include operations in the USA. Before 2019, data only covered Swedish operations. Data for hazardous waste covers Swedish operations only.

Observations:

The majority of the increase of non-hazardous waste in 2020 compared to 2019 is related to improved reporting from all sites.

The majority of all waste (426 ton) is reported as end-of-life disposal of products sold by the divisions High Flex and Pattern Generators in Sweden.

Omissions:

Waste generated at sales offices are not included. These are assumed to be negligeble 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.

Additional information – Management of Chemicals:

The production phase at Mycronic requires the use of a number of chemicals that are classified as hazardous to health or the environment. These include process chemicals that are necessary in the manufacturing process and chemicals that are included in products, such as adhesives and fats. Mycronic commits to compliance to the RoHS and REACH Directives for products sold on the European market. Relevant employees are continuously trained in handling and reporting chemicals. The Pattern Generators division, as well as the High Flex division's operations in Sweden and France, 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.

GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 308-1 New suppliers that were screened using environmental criteria

Environmental and social topics are included in the standard evaluation of new suppliers to the Swedish purchasing organization. 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. In 2020, two new suppliers were registred, both located in Sweden. These two suppliers completed the Self Assessment Checklist, which included the environment and social criteria, and both declared processes in place to support the criteria. The on site audits, which are part of the standard process, were postponed to 2021 due to the COVID-19 pandemic. In 2019, 100 percent of the new critical suppliers – three suppliers, including two in Sweden and one in Japan – were screened through this process and thus underwent self-assessments and on-site audits covering environmental criteria. In 2020, 96 percent of our strategic suppliers worldwide had also signed our Supplier Code of Conduct, which covers both environmental and social criteria. Strategic suppliers are those responsible for 80 percent of the total purchase value of direct materials.

COMMENTS
Data regarding the evaluation of new suppliers covers Swedish operations. Similar supplier evaluations might be integrated in other countries of operation in coming years, following evaluation of the process implemented in Sweden since 2019.

Strategic suppliers are those accounting for 80 percent of the total purchase value of direct materials.

GRI 401: EMPLOYMENT

GRI 401-1 New employee hires and employee turnover

	2019			2020		
Number of new employee hires	Total	Female	Male	Total	Female	Male
under 30 years	11	2	9	28	13	15
30 – 50 years	21	10	11	10	2	8
over 50 years	13	5	8	1	0	1
Total, Sweden	**45**	**17**	**28**	**39**	**15**	**24**

Employee turnover rate	2019	2020
Sweden, %	5.30	12.04

COMMENTS
Definition employee turnover rate: (Number of employees who left the company / average number of employees) * 100

Omissions:
The data provided covers Swedish operations. Consolidated group data regarding the above mentioned disclosures are not yet available and therefore not disclosed.

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

Mycronic's Group-wide Code of Conduct covers health and safety. Health and safety are addressed in accordance with local laws and regulations in each country. The local rules cover all employees and all production facilities. The company currently has no global management system for health and safety. In Sweden, an employee representative is member of the Swedish Health and Safety Committee.

Incidents, work-related injuries and illness are reported according to local routines and definitions in each country, which means that consolidated data at Group level is currently not available. In Sweden, all employees are covered by health and accident insurance and have access to occupational health care. In Sweden, employees 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.

Health and safety are included in new employees' introduction. The company also offers web-based courses with a focus on health and safety. In addition to basic information and training, employees who have work assignments that require it, receive training in specific areas (eg handling of chemicals, electrical equipment, etc.). In addition, all employees also receive basic information and participate in exercises regarding how to act in the event of a fire or other unforeseen accidents.

Detailed requirements on how suppliers should address health and safety are found in Mycronic's specific Code of Conduct for suppliers, which all suppliers of direct materials must sign.

GRI 403-9 Work-related injuries

	Number		Rate	
	2019	2020	2019	2020
Number and rate of fatalities as a result of work-related injury				
Sweden	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	6	7	2.4	2.8
Number of hours worked				
Sweden	495,959	500,303		

COMMENTS
The data provided covers Swedish operations.

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 workrelated 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

The main types of work-related injury in 2020 related to material handling in the production and when performing test of equipment or machines.

A reporting error was identified in the rate of recordable work-related injuries for year 2019. This has been corrected in this report.

Omissions:
The data provided covers Swedish operations. Consolidated group data regarding these disclosures not yet available and therefore not disclosed.

GRI 404: TRAINING AND EDUCATION

GRI 404-3 Percentage of employees receiving regular performance and career development reviews

Have completed my Performance and Growth[1]	2018 Male	2018 Female	2019 Male	2019 Female	2020 Male	2020 Female
Group, %	95	95	95	95	95	95

1) my Performance and Growth = Employee Development Process

COMMENTS
My Performance and Growth is an evaluation of each employee's annual performance and a process to set new development goals for the next year. The data covers all operations world wide.

Omissions
The above mentioned data divided per employee category is currently not available.

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

GRI 405-1 Diversity of governance bodies and employees

	2018			2019			2020		
Employees	Total	Female	Male	Total	Female	Male	Total	Female	Male
under 30 years, %	–	–	–	24	–	–	24	3	20
30 – 50 years, %	–	–	–	47	–	–	52	9	43
over 50 years, %	–	–	–	29	–	–	24	5	20
Total, %	**100**	**16**	**84**	**100**	**17**	**83**	**100**	**17**	**83**

	2018			2019			2020		
Women in management positions	Total	Female	Male	Total	Female	Male	Total	Female	Male
Total, number	**–**	**–**	**–**	**155**	**34**	**121**	**215**	**39**	**176**
Share, %	–	–	–	100	22	78	100	18	82

	2018			2019			2020		
Group 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	2	0	2	1	0	1
over 50 years, number	7	4	3	7	3	4	8	3	3
Total, number	**9**	**4**	**5**	**9**	**3**	**6**	**9**	**3**	**6**
Share, %	100	44	56	100	33	67	100	33	67

	2018			2019			2020		
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	1	0	1	1	0	1	1	0	1
over 50 years, number	7	3	4	7	3	4	7	2	5
Total, number	**8**	**3**	**5**	**8**	**3**	**5**	**8**	**2**	**6**
Share, %	100	38	63	100	38	63	100	25	75

COMMENTS
The tables show end of year data for the total number of employees, employees in management positions, Group management and the Board of Directors, including employee representatives, when available broken down by age and gender.

Women in management position:
Definition used for management position = Line Managers

GRI 406: NON-DISCRIMINATION

GRI 406-1 Incidents of discrimination and corrective actions taken

No discrimination cases were reported within the Mycronic Group in 2020, neither through the whistleblowing system nor through internal reporting channels. Activities in 2020: Updated Mycronic Group Diversity and Inclusion Policy, Global un-conscious bias elearning launched for all employees, Diversity and Inclusion workshop for the Group Management team, Diversity and Inclusion workshop for HR Managers.

COMMENTS
Data covers all operations world wide.

GRI 413: LOCAL COMMUNITIES

GRI 413-1 Operations with local community engagement, impact assessments, and development programs

Four of of Mycronic's five major sites currently conduct initiatives to support local communities. These are the headquarter in Sweden, the Global Technologies Division in the USA, the High Volume Division in China, and the High Flex Division in France. Read about a few examples of initiatives during 2020 on page 33 and 34.

GRI 414: SUPPLIER SOCIAL ASSESSMENT

GRI 414-1 New suppliers that were screened using social criteria

Environmental and social topics are included in the standard evaluation of new suppliers to the Swedish purchasing organization. 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. In 2020, two new suppliers were registred, both located in Sweden. These two suppliers completed the Self Assessment Checklist, which included the environment and social criteria and both declared processes in place to support the criteria. The on site audits, which are part of the standard process, were postponed to 2021 due to the COVID-19 pandemic. In 2019, 100 percent of the new critical suppliers – three suppliers, including two in Sweden and one in Japan - were screened through this process and thus underwent self-assessments and on-site audits covering environmental criteria.

In 2020, 96 percent of our strategic suppliers worldwide had also signed our Supplier Code of Conduct, which covers both environmental and social criteria. Strategic suppliers are those responsible for 80 percent of the total purchase value of direct materials.

COMMENTS
Data regarding the evaluation of new suppliers covers Swedish operations. Similar supplier evaluations might be integrated in other countries of operation in coming years, following evaluation of the process implemented in Sweden since 2019.

Strategic suppliers are those accounting for 80 percent of the total purchase value of direct materials.

MATERIAL TOPIC: ENABLE INNOVATION

Company specific indicator: Number of granted patents

Number of granted patents during the year	2018	2019	2020
Group	46	37	24

MATERIAL TOPIC: INFORMATION SECURITY

Company specific indicator: participation in online information security training session

Group	2020
Employee participation in information security training (%)	68

COMMENTS
The data covers all operations world wide.

For more information about this GRI Appendix, please contact:

Kristina Svanteson
Sustainability Manager
+46 73 352 71 13
kristina.svanteson@mycronic.com

Mycronic AB
Box 3141
Nytorpsvägen 9
183 03 Täby
Sweden

Production: Mycronic and Springtime-Intellecta
Photo: Mycronic, Amazing Aerial Agency, Magnus Elgqvist, Blend Images, Maskot, Jasmin Merdan, Monty Rakusen, Skynesher, Sol Stock Ltd, Thomas Tolstrup, Qi Yang/Getty Images, Shutterstock and Unsplash.
Print: Taberg Media Group, Stockholm 2021

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MYCRONIC

SWEDEN
Mycronic AB
Box 3141
Nytorpsvägen 9
183 03 Täby
Sweden

CHINA
Mycronic Co, Ltd
Unit 106, E Block
Lane 168, Da Duhe Road
Putuo District, 200062
Shanghai
China

Shenzhen Axxon Automation Co, Ltd
A14 Building, Silicon Valley Power
Automotive Innovation Park
Guanlan Guiyue Road No 334
Long Hua district, Shenzhen, 518110
China

FRANCE
Mycronic S.A.S
1 Rue de Traversière
94150 Rungis Cedex 1
France

Vi TECHNOLOGY
8 Rue de Rochepleine
38120 Saint Egrève
France

GERMANY
Mycronic GmbH
Biberger Straße 93
82008 Unterhaching bei München
Germany

RoyoTech Digitalelektronik GmbH
Wächterhofstraße 50
85635 Höhenkirchen
Germany

JAPAN
Mycronic Technologies Corporation
KDX Chofu Building
1-18-1 Chofugaoka, Chofu-shi
Tokyo 182-0021
Japan

Mycronic Fukuoka **Co, Ltd**
1-9-25, Enokida, Hakata-ku,
Fukuoka-shi
Fukuoka, 812-0004
Japan

NETHERLANDS
Mycronic B.V
High Tech Campus 10
5656 AE Eindhoven
Netherlands

SINGAPORE
Mycronic Pte Ltd
9 Tagore Lane, #02-08/09
9@Tagore
Singapore 787472

SOUTH KOREA
Mycronic Corporation Ltd
3rd floor Jungsan bldg 163
LS-road Gunpo-si
Gyeonggi do, 15808
South Korea

UNITED KINGDOM
Mycronic Ltd
Unit 2, Concept Park
Innovation Close
Poole, Dorset, BH12 4QT
United Kingdom

USA
Mycronic Inc, MRSI Systems and
Automation Engineering, Inc
554 Clark Road
Tewksbury, MA 01876
USA

www.mycronic.com