Note 1

Accounting policies

(A) General information

Beijer Electronics Group AB and its subsidiaries form a multinational group that develops, markets and sells products and solutions in industrial automation and data communication. Beijer Electronics Group AB is registered in Sweden and has its registered office in Malmö. The address of the head office is Box 426, Stora Varvsgatan 13 A, 201 24 Malmö, Sweden. The company is listed on Nasdaq Stockholm Main Market's Mid Cap List.

The most important accounting policies applied when preparing these Consolidated Accounts are stated below. These policies have been applied consistently for all years presented, unless otherwise stated.

Basis of preparation of the financial statements

The Consolidated Accounts have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Regulations for Groups and IFRS (International Financial Reporting Standards), as well as IFRIC interpretations as endorsed by the EU. The Consolidated Accounts have been prepared in accordance with the cost method with the exception of financial assets and liabilities measured at fair value through profit or loss.

Introduction of new and revised accounting policies

(i) New and amended standards

No new standards, amendments and interpretations that come into effect for the financial year beginning 1 January 2021 have had any material impact on the consolidated financial statements.

(ii) New and amended standards not yet applied by the Group

A number of new standards and interpretations come into effect for financial years beginning after 1 January 2022 or later, and have not been applied in the preparation of these financial statements. These new standards and interpretations are not expected to have any material impact on the consolidated financial statements in current or future periods, nor on future transactions.

(B) Basis of preparation of the parent company and consolidated accounts

The parent company's functional currency is Swedish krona (SEK), which is also the presentation currency of the parent company and the Group. This implies that the financial statements are presented in SEK. All amounts, unless otherwise indicated, have been rounded to the nearest SEK 000.

The Group's accounting policies outlined below have been applied consistently to all periods presented in the Consolidated Accounts, unless otherwise indicated below. The Group's accounting policies have been applied consistently to reporting and the consolidation of the parent company, subsidiaries and associated companies. The Annual Accounts and Consolidated Accounts were approved for issuance by the Board of Directors on 24 March 2022. The Consolidated Income Statement and Balance Sheet and the Parent Company Income Statement and Balance Sheet will be subject to adoption at the Annual General Meeting (AGM) on 10 May 2022.

(C) Estimates and judgements

Preparing the financial statements in accordance with IFRS requires that the company management makes judgments and estimates as well as assumptions that influence the application of the accounting policies and the reported amounts of assets, liabilities, revenue and expenses. The estimates and assumptions are based on historical experiences and a number of other factors that appear reasonable in the prevailing circumstances. The result of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that would otherwise not be clearly apparent from other sources. Actual outcomes may differ from these estimates and judgments.

The estimates and assumptions are reviewed regularly. Changes to estimates are reported in the period the change was made if the change affects this period only, or in the period the change is made and future periods if the change affects both the relevant period and future periods.

The estimates and assumptions that imply a material risk of material restatements of carrying amounts of assets and liabilities in the following financial year are summarized below.

(i) Impairment tests of goodwill

The Group tests annually whether goodwill is impaired in accordance with the accounting policy reviewed in the section (L) Intangible assets (i) Goodwill. The recoverable amount of cash-generating units has been measured by computing value in use. These calculations require the use of estimates. (Note 13).

(ii) Taxes

The Group is subject to income and other taxes in several jurisdictions. Significant judgment is required in measuring the worldwide provision for income taxes. There are many transactions and computations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences impact the current and deferred tax assets and liabilities in the period in which such measurement is conducted.

(iii) Pension obligations

The present value of pension obligations is dependent on a number of factors that are measured on an actuarial basis with the aid of a number of assumptions. The assumptions used when determining the net cost (revenue) of pensions include the discount rate. Any changes in these assumptions will impact the carrying amounts of pension obligations.

The Group determines the applicable discount rate at the end of each reporting period. This is the interest rate applied to determine

the present value of estimated future payments that are expected to be required to settle the Group's pension obligations. When determining an appropriate discount rate for the Group's Swedish pension obligations, the Group obtains a yield curve based on average mortgage bonds on Nasdaq and the duration of obligations from PRI Pensionsgaranti. The Group computes the discount rate from this information. For defined benefit plans in Taiwan, the yield on an investment grade corporate bond has been applied. For more information and a sensitivity analysis, see note 20 Provisions for pensions and similar obligations.

(D) Segment reporting

Operating segments are reported in a manner that is consistent with internal reporting as submitted to the chief operating decision-maker. The chief operating decision-maker is the function that is responsible for allocating resources and assessing the results of operating segments. In the Group, this function has been identified as the management team.

(E) Classification, etc.

Essentially, parent company and consolidated fixed assets and long-term liabilities are amounts expected to be recovered or paid after more than 12 months from the reporting date only. Essentially, parent company and consolidated current assets and current liabilities are amounts expected to be recovered or paid within 12 months of the reporting date only.

(F) Principles of consolidation

(i) Subsidiaries

Subsidiaries are companies that Beijer Electronics Group AB exerts a controlling influence over. The Group has a controlling influence over a company when it is exposed, or entitled, to variable returns on its holdings in the company and can in-fluence these returns through its controlling influence over the company.

Subsidiaries are reported in accordance with acquisition accounting, which means that the acquisition of a subsidiary is treated as a transaction whereby the Group indirectly acquires a subsidiary's assets and takes over its liabilities and contingent liabilities. The consolidated cost is determined through an acquisition analysis related to the acquisition. This analysis partly determines the cost of the shares or operation, partly the fair value of the acquired identifiable assets at the acquisition date, and liabilities and contingent liabilities taken over. Non-controlling interests in the acquired company are recognized at fair value.

The cost of the subsidiary shares and operations is the fair value at the transfer date of assets, liabilities that have arisen or have been taken over, and issued equity instruments submitted as payment in exchange for the acquired net assets. Transaction expenses are recognized in profit or loss. For business combinations where the cost exceeds the net value of the acquired assets and liabilities taken over and contingent liabilities, the difference is reported as goodwill. The Group applies the full goodwill valuation method for the reporting of goodwill. When negative, the difference is recognized directly in profit or loss.

In step acquisitions, the previous equity participations in the acquired entity are restated at fair value on acquisition. Any profit or loss resulting from the restatement is recognized in profit or loss. Contingent considerations may be conditional on future sales or earnings targets. An assessment of whether these future targets will be achieved is made at the acquisition date. Contingent consideration is measured at fair value and included in cost, and recognized as a financial liability pursuant to IFRS. Long-term contingent considerations are discounted to present value. Fair value measurement is based initially on the estimated outcome of the acquired company's sales or earnings. Subsequent measurements of the contingent consideration are conducted at fair value regularly, and the significant effects of restatements are recognized in accordance with IFRS in profit or loss. If revenue is recognized because of an altered assessment of the scale of the contingent consideration, an impairment test of the potential surplus values arising in tandem with the acquisition is conducted. If the test indicates impairment should be recognized in profit or loss, the impairment is matched by revenue from the restatement of the contingent consideration. Transaction expenses are recognized in profit or loss as they arise.

Subsidiary financial statements are included in the Consolidated Accounts from acquisition date to the date the controlling influence ceases.

The accounting policies for subsidiaries have, where applicable, been amended to guarantee the consistent application of the Group's policies.

(ii) Changes in participating interest in a subsidiary without change of control

Transactions with non-controlling interests that do not result in loss of control are recognized as equity transactions—i.e. as transactions with shareholders in their capacity as owners. In acquisitions from non-controlling interests, the difference between fair value of the purchase price paid and the actual acquired share of the carrying amount of subsidiary net assets is recognized in equity. Gains and losses on sales to non-controlling interests are also recognized in equity.

(iii) Sale of subsidiaries

When the Group no longer has a controlling influence, each remaining holding is stated at fair value at the time when control is lost. The amendment in carrying amount is recognized in the Income Statement. The fair value is used as the first-time carrying amount and is the basis for continued recognition of the remaining holding as an associated company, joint venture or financial asset. All amounts relating to the disposed entity previously recognized in other comprehensive income are reported as if the Group had directly disposed of the related assets or liabilities. This may result in amounts previously recognized in other comprehensive income being reclassified to profit or loss.

(iv) Associated companies

Associated companies are all companies where the Group has a significant but not controlling influence, which as a rule, applies to shareholdings of between 20 and 50% of the vote. Holdings in

associated companies are reported according to the equity method. When applying the equity method, the investment is initially measured at cost, and the carrying amount increases or decreases subsequently considering the Group's participation in the associated company's profit or loss after the acquisition date. The Group's carrying amount of holdings in associated companies include goodwill identified on acquisition.

If the participating interest in an associated company reduces but the investment remains an associated company, only a proportional amount of the gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

The Group's participation in profit or loss arising after the acquisition is recognized in profit or loss and its participation in changes in other comprehensive income after the acquisition is recognized in other comprehensive income, with the corresponding adjustment of the holding's carrying amount. When the Group's participation in an associated company's loss is equal to or exceeds its holding in the associated company, including any unsecured receivables, the Group does not recognize further losses, unless the Group has legally enforceable or constructive obligations, or made payments on behalf of the associated company.

The Group judges whether there is any objective evidence for impairment for the investment in the associated company at each reporting date. If this is the case, the Group computes an impairment loss that is the difference between the associated company's recoverable amount and the carrying amount, and recognizes this amount under the relevant heading in the Income Statement. Gains and losses from "upstream" and downstream" transactions between the Group and its associated companies are recognized in the consolidated financial statements only to the extent they correspond to non-related companies' participations in the associated company. Unrealized losses are eliminated unless this transaction constitutes evidence of impairment for the transferred asset.

Where appropriate, the accounting policies applied in associated companies have been amended to guarantee consistent application of the Group's policies.

Dilution gains and losses on participations in associated companies are recognized in profit or loss.

(v) Transactions eliminated on consolidation

Intra-group receivables and liabilities, revenues or expenses and unrealized profits or losses that arise from intra-group transactions between Group companies are wholly eliminated when preparing the Consolidated Accounts.

Unrealized profits that occur from transactions with associated companies and jointly controlled companies are eliminated to the extent corresponding to the Group's participating interest in the company. Unrealized losses are eliminated in the same way as unrealized profits, but only to the extent that there is no indication of value impairment.

(G) Foreign currency

(i) Transactions and Balance Sheet items

Foreign currency transactions are translated to functional currency at the rate of exchange ruling on the transaction date. The functional currency is the currency in the primary economic environments where the company conducts business. Foreign currency monetary assets and liabilities are translated to functional currency at the closing day rate. The exchange rate differences occurring from translation of trade assets and liabilities, such as accounts receivable and accounts payable, are recognized in EBIT. Other exchange rate differences are recognized as a financial income or financial expense in the Income Statement.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and other consolidated surplus values and deficits, are translated from the functional currency of the foreign operations to the Group's presentation currency, Swedish kronor, at the closing day rate. Income and expenses of foreign operations are translated to Swedish kronor at an average rate of exchange, which is an approximation of the rates of exchange at each transaction date. Translation differences occurring coincident with translation of foreign operations are reported directly against other comprehensive income as a translation reserve.

(H) Revenues

(i) Sale of goods and performing service assignments

The Group's revenue mainly consists of the sale of goods, and a small share of services. For more information on the allocation of revenue, see note 2. Revenues are measured at the fair value of what has been received or will be received, and correspond to the amount received for goods and services sold after deducting for discounts, returns and value-added tax. Revenue is recognized in the Income Statement when control over the goods and services has transferred to the buyer. Revenues are not recognized if it is likely that the economic benefits will not flow to the Group. If there is significant uncertainty regarding payment, the associated costs or risk of returns, and if the seller retains an obligation in ongoing management usually associated with ownership, revenue is not recognized.

(I) Financial income and expenses

Financial income and expenses are interest income on bank balances, receivables and interest-bearing securities, interest expenses on loans and lease liabilities, dividend income and realized and unrealized exchange rate differences on finance or investments in foreign currency. Interest income is recognized as revenue allocated over the term by applying the effective interest method. Dividend income is recognized when the right to receive payment is verified.

(J) Financial instruments

(i) Classification

Pursuant to IFRS 9, the Group classifies financial assets into the following categories:

- financial assets measured at fair value through profit or loss
- financial assets measured at amortized cost

(ii) Measurement

Financial assets are initially measured at fair value, plus in those cases where the asset is not recognized at fair value through profit or loss, transaction expenses directly related to purchase. Transaction expenses related to financial assets recognized at fair value through profit or loss are expensed directly in the Income Statement.

Subsequent measurement of investments in debt instruments is due to the Group's business model for treatment of the asset and the class of cash flow the asset gives rise to. The Group classifies its investments in debt instruments in two measurement categories:

- Amortized cost: assets held with the aim of collecting contractual cash flows and where these cash flows only consist of principals and interest, are measured at amortized cost. Interest income from such financial assets is recognized as financial income by applying the effective interest method. Gains and losses occurring on derecognition from the Balance Sheet are recognized directly in profit or loss within other gains and losses jointly with exchange gains and losses. Impairment losses are recognized on a separate line of the Income Statement.
- Fair value through profit or loss: assets not satisfying the requirements for recognition at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss for a debt instrument recognized at fair value through profit or loss, and that is not part of the hedging relationship, is recognized in the Income Statement in the period the gain or loss occurs.

(iii) Impairment

The Group measures expected future credit losses related to investments in debt instruments recognized at amortized cost based on future-oriented information. The Group designates its reserve method based on whether a material increase in credit risk has occurred or not.

Pursuant to the provisions of IFRS 9, the Group applies a practical expedient for impairment tests of accounts receivable. This practical expedient means that the reserve for expected credit losses is computed based on the loss risk for the whole receivable's term and recognized on first-time recognition of the receivable.

(iv) Cash and cash equivalents

Cash and cash equivalents are cash and immediately available receivables with banks and similar institutions plus short-term liquid investments with a term from the time of acquisition not exceeding three months that are subject to only a negligible risk of value fluctuations.

(v) Accounts receivable

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost by applying the effective interest method, less any provision for impairment.

(K) Property, plant and equipment

Property, plant and equipment are reported as assets in the Balance Sheet if it is likely that future economic rewards will flow to the company, and the cost of the asset can be reliably measured.

Property, plant and equipment are reported at cost in the Group less accumulated depreciation and any impairment. The purchase price and costs directly attributable to the asset to bring it to the place and condition to be utilized in accordance with the purpose of the acquisition are included in the cost. Examples of directly attributable expenses included in costs are expenses for delivery and processing, installation, registration, consulting and legal services. The accounting policies for impairment are stated below.

Property, plant and equipment that consist of components with differing useful lives are treated as separate components of property, plant and equipment.

The carrying amount of property, plant and equipment is derecognized from the Balance Sheet on obsolescence or disposal, or when no future economic rewards are expected from usage or obsolescence/disposal of the asset. Gains or losses occurring from the disposal or obsolescence of an asset are the difference between the sales price and the asset's carrying amount less deductions for direct selling expenses. Gains and losses are reported as other operating revenue/expenses.

(i) Additional expenditure

Additional expenditure is added to cost only if it is likely that the future economic rewards associated with the asset will flow to the company, and the cost can be reliably measured. All other additional expenditure is reported as an expense in the period it occurs.

When additional expenditure is added to cost, it is decisive whether this expenditure relates to the exchange of identifiable components, or parts of components, whereupon such expenditure is capitalized. In those cases when new components are created, expenditure is also added to cost. Any un-depreciated carrying amounts of exchanged components, or parts of components, are subject to obsolescence and expensed at exchange. Repairs are expensed continuously.

(ii) Depreciation principles

Depreciation is on a straight-line basis over the estimated useful life of an asset; land is not depreciated. The Group utilizes component depreciation, which means that the assessed useful lives of components are the basis for depreciation. Estimated useful lives:

Buildings, real estate used in business operations	5–60 years
Machinery and other plant	3–12 years
Equipment, tools fixtures and fittings	2–8 years

Real estate used in business operations has a number of components with differing useful lives. The main division is between buildings and land. No depreciation is affected on the land component, whose useful life is considered indefinite. However, buildings have several components whose useful lives vary.

The useful lives of these components have been assessed to vary between 5 and 60 years.

The following main groups of components have been identified and form the basis for depreciation on buildings:

Other real estate components	25–60 years

The residual value and useful life of an asset is estimated yearly.

(L) Right-of-use assets and leases

This note provides information on arrangements where the Group is a tenant or lessee. The term leases also applies to rental contracts below. Effective 1 January 2019, lease arrangements are recognized as right-of-use assets and a corresponding liability, on the date the leased asset is available for use by the Group.

The Group leases various offices, storage premises, machinery and vehicles. Leases are normally signed for predetermined periods of between 6 months and 20 years, although there may be extension options, as described below.

Assets and liabilities that arise from lease arrangements are initially recognized at present value. Lease liabilities include the present value of the following lease payments:

- Fixed payments (including in-substance fixed), after deducting for any benefits that will be received on signing the lease
- Variable lease payments due to indexation or pricing, initially measured using indexation or a price on the start date
- Amounts expected to be paid by the lessee according to residual value guarantees
- The exercise price of an option to purchase if the Group is reasonably certain of exercising such option
- Penalties payable on cancelling the lease, if the lease term reflects the Group exercising an option to cancel the lease

Lease payments that will be made for reasonably certain extension options are also included in measurement of the liability.

Lease payments are discounted by the implicit interest rate of the lease. If this interest rate cannot be determined simply, as is normally the case for the Group's leases, the lessee's incremental borrowing rate should be applied, which is the interest rate that the individual lessee would pay to borrow the necessary funds to purchase an asset of similar value as the right of use in a similar economic environment with similar terms and security.

The Group determines the incremental borrowing rate by applying the Group's current borrowing rate, pursuant to applicable credit agreements, for the currency in which the lease has been arranged.

The Group is exposed to any future increases of variable lease payments based on indexation or an interest rate that are not included in the lease liability prior to the lease coming into effect. When adjustments of lease payments based on an index or interest rate come into effect, the lease liability is remeasured and restated against the right of use.

Lease payments are allocated between amortization of the principal and interest. Interest is recognized in profit or loss over the lease term in a manner that corresponds to a fixed interest rate for the recognized lease liability during the relevant period.

Assets with right of use are measured at cost and include the following:

- the amount the lease liability was initially measured at
- lease payments made at or prior to the start date, after deducting for any benefits received in tandem with signing the lease
- initial direct expenditure
- expenditure to restore the asset to the condition prescribed by the terms of the lease.

Rights of use are usually amortized on a straight-line basis over the shorter of the useful life and the lease term. If the Group is reasonably certain of exercising a purchase option, the right of use is amortized over the useful life of the underlying asset. Payments for shorter contracts on equipment and vehicles and all leases of low value are expensed on a straight-line basis in the Income Statement. Short leases have terms of 12 months or less. Leases of low value include IT equipment and various items of office furniture, as well as the short-term lease on a number of premises.

(M) Intangible assets

(i) Goodwill

Goodwill is the difference between the cost of a business combination and the fair value of the acquired assets, liabilities taken over and contingent liabilities.

Goodwill is measured at cost less any accumulated impairment. Goodwill is allocated to cash-generating units, and is subject to yearly impairment tests. Impairment tests compare carrying amounts with estimated recoverable amounts. If the carrying amount exceeds the recoverable amount, the item is impaired. Impairment of goodwill is not reversed. Goodwill occurring from acquisitions of associated companies is included in the carrying amount of participations in associated companies.

In business combinations, where cost is less than the net value of the acquired assets and liabilities taken over, and contingent liabilities, the difference is reported directly to the Income Statement.

(ii) Development

Expenditure for development, where research results or other knowledge are used to achieve new products, is reported as an asset in the Balance Sheet, if the product is technically and commercially usable and the company has sufficient resources to complete development, and use or sell the intangible asset later. The carrying amount includes expenditure for materials, direct expenditure for salaries and indirect expenditure that can be attributed to the asset in a reasonable and consistent way. Other expenditure for development is recognized in profit or loss as an expense when it occurs. Development expenditure is reported in the Balance Sheet at cost less accumulated depreciation and any impairment.

(iii) Other intangible assets

Other intangible assets acquired by the Group are reported at cost less accumulated amortization and impairment (see below).

Disbursed expenses for internally generated goodwill and internally

generated brands are recognized in profit or loss when the expense occurs.

(iv) Additional expenditure

Additional expenditure for capitalized intangible assets is reported as an asset in the Balance Sheet only when it increases the future economic rewards for the specific asset to which it is attributable. All other expenditure is expensed as it occurs.

(v) Avskrivning

Depreciation and amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, providing such useful lives are not indefinite. Goodwill and intangible assets with indefinite useful lives are subject to impairment tests yearly, or as soon as there is any indication of impairment. Intangible assets with determinable useful lives are amortized from the date they become available for use.

The estimated useful lives are:

Trademarks and brands	5–20 years
Patents	3-5 years
Customer contracts	6–10 years
Capitalized development expenditure	3–5 years
Capitalized IT expenditure	3–10 years
Technology platforms	8–10 years

(N) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is estimated using the FIFO method. The net realizable value is the estimated sales price in operating activities, less estimated expenses for completing and achieving a sale.

The cost of produced goods and work in progress includes a reasonable proportion of indirect expenses based on normal capacity.

(O) Impairment

The carrying amounts of the Group's assets are subject to impairment tests at each reporting date. An exemption is made for inventories and deferred tax assets. If there is an indication of value impairment, the assets' recoverable amount is calculated. For assets subject to the above exemption, valuations are tested according to the relevant standard. Recoverable amounts of goodwill and other intangible assets with indefinite useful lives and intangible assets not yet ready for use are calculated yearly.

If it is impossible to determine significant independent cash flows of an individual asset, when conducting impairment tests, assets should be grouped at the lowest level it is possible to identify significant independent cash flows (cash-generating unit). Impairment is recognized when an asset's or cash-generating unit's carrying amount exceeds recoverable amount. Impairment is recognized in the Income Statement.

Impairment of assets attributable to a cash-generating unit (group of units) is primarily assigned to goodwill. Later, proportional impairment of other assets included in the unit is effected (group of units).

Goodwill and other intangible assets with indefinite lives are subject to impairment tests yearly.

(i) Measuring recoverable amount

The recoverable amount of assets in the loan receivables and accounts receivable categories should be reported at amortized cost, calculated as the present value of future cash flows, discounted by the effective interest prevailing when the asset was reported for the first time. Assets with short maturities are not discounted.

The recoverable amount of other assets is the greater of fair value less selling expenses and value in use. When calculating the value in use, future cash flows are discounted by a discount factor that considers risk-free interest, and the risk associated with the specific asset. For an asset that does not generate cash flows, which is significantly independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is measured.

(ii) Reversal of impairment

Impairment of loan receivables and accounts receivable reported at amortized cost are reversed if a subsequent increase in recoverable amount can be objectively attributed to an event that has occurred after the impairment was effected. Goodwill impairment is not reversed.

Impairment of other assets is reversed if a change in the assumptions that served as the basis for measuring the recoverable amount has occurred.

Impairment is only reversed to the extent the asset's carrying amount after reversal does not exceed the carrying amount the asset would have had if no impairment had been effected, considering the depreciation and amortization that would then have been effected.

(P) Share capital

(i) Re-purchase of treasury shares

Holdings of treasury shares and other equity instruments are reported as a reduction in equity. Acquisitions of such instruments are reported as a deduction from equity. Payment from the sale of equity instruments is reported as an increase in equity. Any transaction expenses are reported directly against equity.

(ii) Dividends

Dividends are reported as a liability after AGM approval.

(Q) Employee benefits

(i) Defined-contribution plans

A defined-contribution plan is a pension plan where the Group pays fixed contributions to a separate legal entity. The Group is under no legally enforceable or constructive obligation to make any further contributions if such legal entity does not hold sufficient assets to pay all employee benefits that are associated with the employee's service in present or previous periods. Commitments relating to fees for defined-contribution plans are reported as an expense in the Income Statement as they occur.

(ii) Defined-benefit plans

A defined-benefit plan is a pension plan that is not defined contribution. The distinguishing feature of defined-benefit plans is that they designate an amount for the pension benefit an employee will receive after retirement, usually based on one or several factors like

age, length of service and salary. The Group has defined-benefit plans in the parent company, one subsidiary in Sweden and one of the subsidiaries in Taiwan.

The Group's net commitments regarding defined-benefit plans are calculated separately for each plan by estimating the future benefits the employee would have accrued through his/her service in present and previous periods; these benefits are discounted to present value, and the fair value of any plan assets is deducted. When determining an appropriate discount rate for the Group's Swedish pension obligations, the Group obtains a yield curve based on all mortgage bonds on Nasdaq and the duration of obligations from PRI Pensionsgaranti. The Group computes the discount rate from this information. For defined-benefit plans in Taiwan, the yield on an investment grade corporate bond has been applied. The computation is conducted by a qualified actuary using the projected credit method.

When the benefits of a plan improve, the proportion of the increased benefit attributable to employee service in previous periods is reported as an expense on a straight-line basis in the Income Statement allocated over the average period until the benefits are fully vested. If the benefits are fully vested, an expense is recognized directly in profit or loss.

Actuarial gains and losses resulting from judgments based on experience and changes to actuarial assumptions are recognized in other comprehensive income in the period they occur.

Expenses regarding services rendered in previous periods are recognized immediately in profit or loss.

(iii) Termination benefits

A provision is reported coincident with notices of redundancy issued to staff, only if the Group has a proven obligation to conclude employment before the normal time, or when benefits are paid as an offering to encourage voluntary redundancy. In those cases where the company issues redundancy notices, a detailed plan is prepared, which as a minimum, includes workplaces, positions and approximate number of affected staff, and benefits for each job category or position and the time of the plan's execution.

(iv) Bonus plans

There are bonus plans in the Group. The bonus plans are based on operational and financial targets and are payable if a predetermined target is achieved or exceeded. The expenses for bonus plans are charged in the year when there is a legally enforceable obligation.

(v) Share-based payment

Expenses for share-based payments are reported allocated over the period employees render services. In the current share-based incentive programs, within the terms of the plans, participants will be able to receive shares based on the achievement of performance targets. This assumes that at the time of disbursement, the participant remains an employee of the Group and has not resigned employment, and has undertaken to hold shares of the company him/herself. The expense for this including social security contributions is allocated evenly over the period until the time when the shares are received.

(R) Provisions

A provision is reported in the Balance Sheet when the Group has an existing legally enforceable or constructive obligation ensuing from an event that has occurred, and it is likely that an outflow of economic resources will be necessary to settle the commitment, and the amount can be reliably estimated. When the impact of the timing of the payment is significant, the provisions are calculated by discounting the expected future cash flow by an interest rate before tax that reflects the relevant market valuation of the time value of money and, if applicable, the risks associated with the liability.

(S) Tax

Income tax consists of current tax and deferred tax. Income tax is recognized in profit or loss apart from when the underlying transaction is reported directly against other comprehensive income and equity respectively, whereupon the associated tax impact is reported in against other comprehensive income and equity respectively.

Current tax is tax paid or received for the present year, applying the tax rates that are enacted or substantively enacted as of the reporting date, which also include adjustments of current tax attributable to previous periods.

Deferred tax is computed in accordance with the balance sheet method, proceeding from temporary differences between carrying amounts and taxable values of assets and liabilities. The following temporary differences are not considered: for temporary differences occurring on first-time accounting of goodwill, first-time accounting of assets and liabilities that are not business combinations and neither influence reported nor taxable earnings at the time of the transaction. Nor are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future considered. The valuation of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying those tax rates and tax regulations that are enacted or substantively enacted as of the reporting date.

Deferred tax assets regarding deductible temporary differences and loss carry-forwards are only reported to the extent that it is likely that they will be utilized. The value of deferred tax assets reduces when it is no longer considered likely that they can be utilized.

Deferred tax assets and liabilities are offset when there is a legal right of offset for current tax assets and tax liabilities and when the deferred tax assets and tax liabilities relate to tax debited by one and the same tax authority and either relate to the same taxpayer or different taxpayer, where there is an intent to settle the balances through net payments.

Any additional income tax occurring on dividends from foreign subsidiaries is reported as a liability.

(T) Contingent liabilities

A contingent liability is reported when there is a possible commitment arising from events that have occurred, and whose incidence is confirmed only by one or more uncertain future events, or when

there is a commitment that is not reported as a liability or a provision because it is unlikely that an outflow of resources will be necessary.

(U) Cash Flow Statement

The Cash Flow Statement has been prepared in accordance with the indirect method. Cash and cash equivalents are made up of cash funds and immediately available balances with banks and corresponding institutions, and short-term, liquid investments with a term of less than three months from the time of acquisition, exposed to only insignificant risk of value fluctuations.

(V) Hedge accounting

(i) Hedging of net investment

The Group hedges net investments in selected foreign operations. The share of profit or loss on a hedging instrument classified as an effective hedge is recognized in other comprehensive income and accumulated in equity. The profit or loss relating to the ineffective portion is recognized directly in profit or loss as other income or other expenses.

(W) Parent company accounting policies

The parent company has prepared its Annual Accounts in accordance with the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 means that in its Annual Accounts for the legal entity, the parent company applies all the IFRS and statements endorsed by the EU, if this is possible within the framework of the Swedish Annual Accounts Act, and considering the relationship between accounting and taxation. The recommendation states the exemptions from, and supplements to, IFRS.

Differences between the Group's and parent company's accounting policies

Differences between the Group's and parent company's accounting policies are stated below. The following accounting policies of the parent company have been applied consistently for all periods published in the parent company's financial statements.

Subsidiaries and associated companies

In the parent company, shares in subsidiaries and associated companies are reported in accordance with the cost method. Dividends from subsidiaries are reported as revenue.

Financial instruments

The parent company does not apply the measurement provisions of IFRS 9. In the parent company, financial assets are measured at cost less any impairment, and financial current assets at the lower of cost or market.

Property, plant and equipment

Owned assets

In the parent company, property, plant and equipment are reported at cost less deductions for accumulated depreciation and any impairment in the same way as the Group but with a supplement for any write-ups.

Leased assets

The parent company does not apply IFRS 16, but recognizes lease payments from leases as an expense on a straight-line basis over the lease term providing no other systematic method better reflects the user's economic benefit over time.

Employee benefits

Defined-benefit plans

The parent company uses a different basis for calculating defined-benefit plans than stipulated by IAS 19. The parent company follows the stipulations of the Swedish Pension Obligations Vesting Act and the Swedish Financial Supervisory Authority's instructions, because this is a pre-requisite for tax deductions. The most significant differences compared to IAS 19 are determining the discount rate, calculating the defined-benefit obligation on the basis of present salary levels excluding assumptions of future salary increases, and that all actuarial gains and losses are recognized in profit or loss when they occur.

Tax

In the parent company, untaxed provisions are reported including deferred tax liabilities. However, in the Consolidated Accounts, untaxed reserves are divided between deferred tax liabilities and equity.

Group contributions and shareholders' contributions for legal entities

In accordance with the alternative rule of RFR 2, Group contributions received and paid are recognized as appropriations. The tax impact of Group contributions received and paid is recognized in the Income Statement in accordance with IAS 12. Shareholders' contributions are reported directly against the recipient's equity and increase the value of shares and participations of the issuer, to the extent no impairment is necessary.