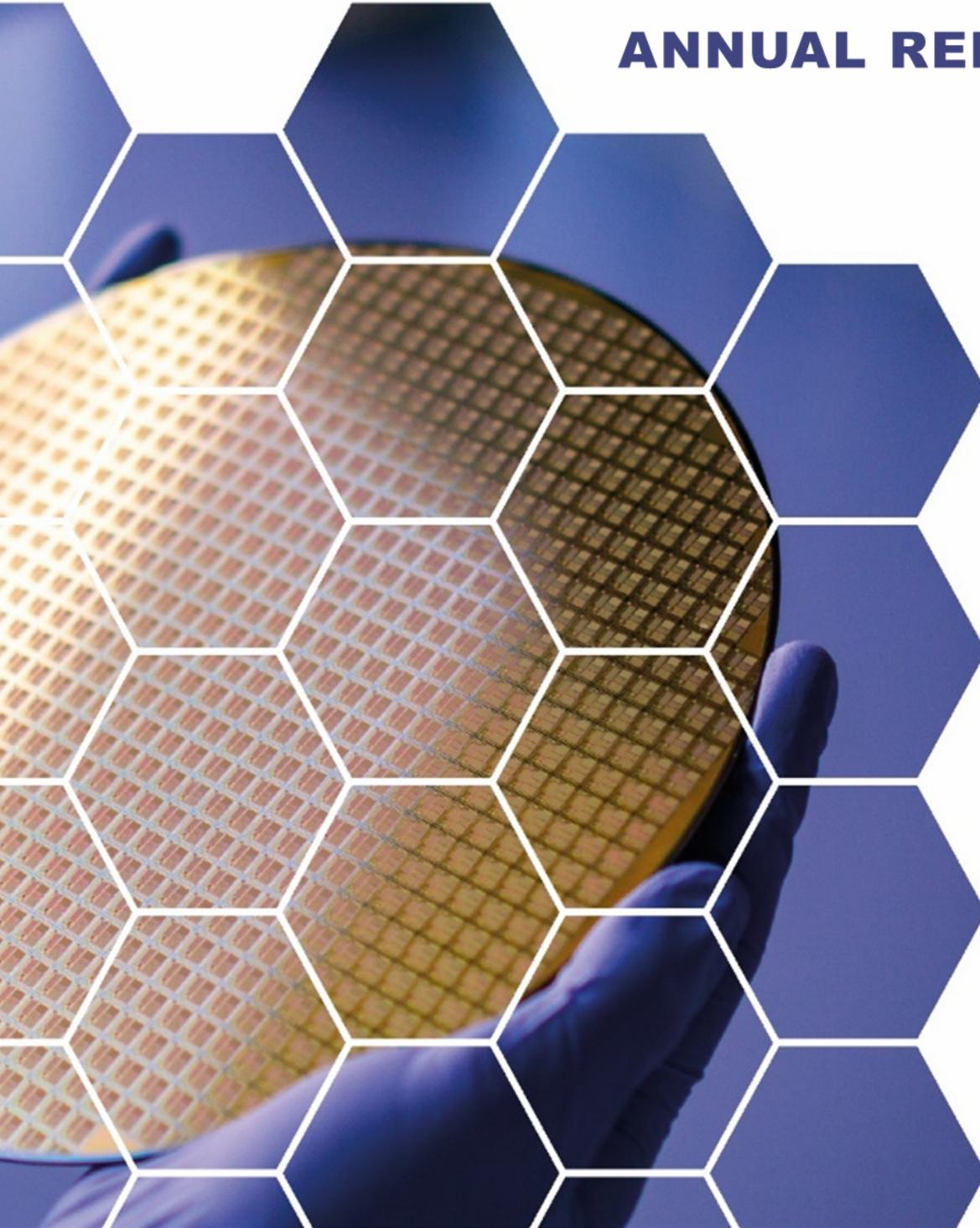




# RoodMicrotec

## ANNUAL REPORT 2020



**RoodMicrotec N.V.**

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## CONTENT

<b>RoodMicrotec Overview</b>		<b>3</b>
Message from the CEO	Page	3
Profile RoodMicrotec	Page	4
RoodMicrotec performance indicators	Page	7
RoodMicrotec key figures + five-year summary	Page	9
Shares / shareholder information	Page	10
<b>Report of the Board of Management</b>		<b>12</b>
Members of the Board of Management	Page	12
Market & Trends	Page	13
Vision and mission	Page	16
Strategy	Page	16
SWOT analysis	Page	17
Operational units	Page	18
Financial results	Page	23
Main developments 2020	Page	25
Focus and actions 2021	Page	27
Outlook	Page	27
<b>Supervision and Governance</b>		<b>28</b>
Members of the Supervisory Board	Page	28
Report of the Supervisory Board	Page	29
Risk and risk management	Page	32
Corporate social responsibility	Page	35
Corporate governance	Page	41
Remuneration report	Page	48
Management statement	Page	53
<b>Financial Statements</b>		<b>54</b>
A. Consolidated financial statements	Page	54
B. Notes to the consolidated financial statements	Page	59
Events after balance sheet date	Page	94
C. Company financial statements	Page	95
D. Notes to the Company financial statements	Page	97
<b>Other Information</b>		<b>104</b>
Profit appropriation	Page	104
Independent auditor's report	Page	105
Group structure	Page	116
Addresses and personal details	Page	116
Abbreviations used	Page	117

## ROODMICROTEC OVERVIEW

### MESSAGE FROM THE CEO

I'm looking back at a very different year and hoping that we can move back to the new normal in the coming years. We started 2020 with positive signals from the market as well as the customers and had plans to continue to grow the Company as we managed to do the years before. The first quarter was also in line with our forecast and the plans for the rest of the year were solid. Then, at the end of the first quarter, COVID-19 took a firm grip on all our lives. The second quarter was very tough with a lot of customers being cautious with ordering new devices and managing their inventory. We started to take actions to manage this lower demand through optimizing the work flows as well as implementing short-time work in both our operating facilities.

Towards the summer, many of our customers realized that the demand for their products remained at a reasonable level and they started to order components again. This enabled us to see a level in the second half of 2020 which was very close to the level of 2019. It still was lower than the forecasted sales but still encouraging to see that the demand was rising.

We continued to keep a very tight control of our costs through continued short-time work and tight management of all expenses. This paid off and we are happy to be able to report a positive net result for the last 6 months.

When looking at the three operational units within RoodMicrotec, we see a maintained high level of revenue in the Qualification & Failure Analysis unit. This is due to the new SCM-projects that are in the engineering phase just before ramp-up. We also have a very experienced and well renowned Failure Analysis team which is continuing to support our customers in difficult situations with excellent work and know-how. The decline in Supply Chain Management and Test Operations is mainly due to the reduction of demand in the second quarter when our customers were very cautious with ordering new parts.

We have continued to invest in new machinery where necessary. In 2020 we have installed two new V93k test systems in our facility in Nördlingen. These are supporting the increased demand for existing products but also enabled us to add new products to our portfolio. We have also added additional high-tech machinery in our Failure Analysis unit to be able to handle the more complex requests from our customers.

At the end of 2020 we finalized the complete refinancing of the bond loan issued in 2014. A group of long time investors will provide the refinancing in the amount of EUR 2.6 million to RoodMicrotec. The management team participates in the refinancing to show our confidence in the business plans and future projects. To have this bond loan secured is an important milestone for us to be able to focus on building the business for the future.

I'm now looking forward to 2021 and the years thereafter where we recover from the difficulties experienced due to COVID-19. The forecast for 2021 is looking promising and we will continue to keep a close eye on our cost structure but also invest for the future, both in machinery as well as in know-how through our participation in publicly funded projects.

I would now like to extend a big thank you to all our stakeholders for their continued support during the difficult year of 2020. It starts with the employees that supported the Company with excellent quality and motivation as well as short-time work, despite the challenges due to the COVID-19 pandemic both at home and at work. This enables us to keep our experienced people and be well prepared for the planned recovery and up-swing. It is also encouraging to see that our customers are continuing to engage with RoodMicrotec both on existing projects as well as new projects. Last but not least I would also like to thank our owners for their support in our business.

Deventer, April 21, 2021

Martin Sallenhag, CEO



## PROFILE ROODMICROTEC

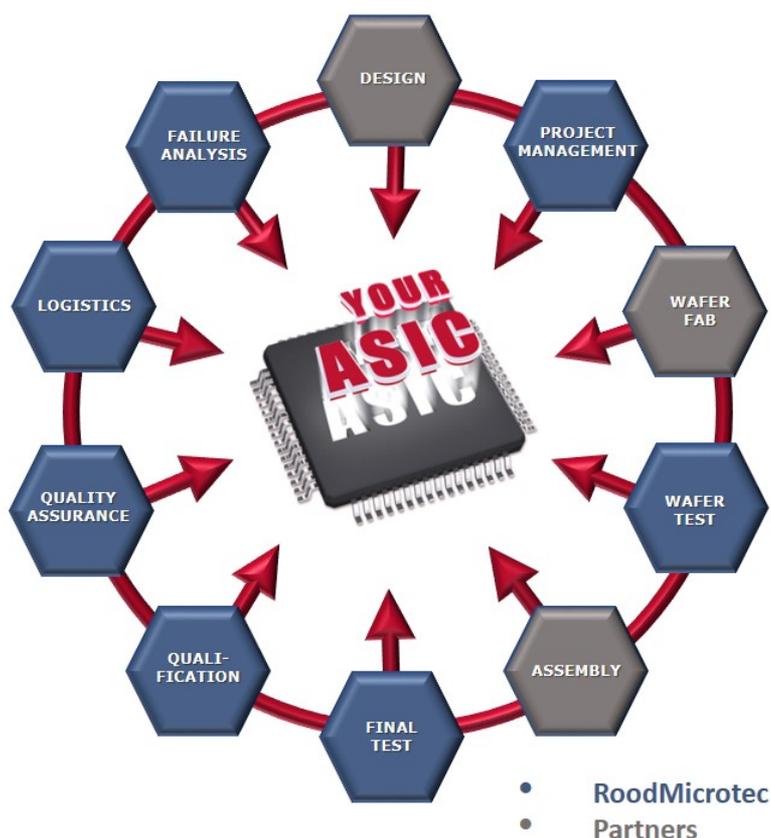
RoodMicrotec is the leading independent company for semiconductor supply and quality services. With more than 50 years' experience in the semiconductor and electronics industry, RoodMicrotec is well-established as a highly valued partner to many companies worldwide. We provide full-turnkey ASIC services for complex microchips that are fully customized to handle specific applications for individual customers. In co-operation with selected partners, we manage the complete development and production flow of the ASICs in the target volume, ranging from low quantities up to multiple millions per year. Our turnkey solution includes design, project management, wafer fab, wafer test, assembly, final test, qualification, logistics and failure analysis. Our flexible business model allows customers, based on their special needs, to choose each service individually. All our services comply with the industrial and quality requirements of the high reliability, aerospace, automotive, medical and industrial sectors.

### Services provided by RoodMicrotec

RoodMicrotec offers supply chain services, wafer & component testing, qualification & reliability investigations and failure analysis for companies that need application-specific integrated circuits (ASICs). All services are offered in a one-stop-shop package, whereby RoodMicrotec organizes and orchestrates all steps covering the full value chain of these chips or components; from the design of a semiconductor all the way to the delivery of the end-product (serial parts).

An ASIC is an integrated circuit that is built for a specific application or purpose that can be found in almost any electronic device. Compared to an off-the-shelf standard chip, an ASIC can improve speed because it is specifically designed to do one thing only and to do this well. It can also be made smaller with the benefit of using less electrical power. The disadvantage of this circuit is that it can be more expensive to design and manufacture, particularly if only a few units are needed. Business intellectual property (IP) is an important asset and this is why a number of clients prefer to deal with partners that are based in Europe where IP is better protected, even though most of the semiconductor business is concentrated in Asia.

ASICs are mostly designed based on an idea of a customer; mostly an OEM or a Fabless Company. Once the design has been finalized, the product leaves the drawing board and can be turned into a physical product. The steps required, can best be illustrated by means of the following picture, which also provides a better insight into RoodMicrotec's activities.



The first step in turning the idea into a physical product is the production of wafers, which is normally done by specialized companies based in the Far East. The wafers are then sent back to Europe and will be submitted to a series of tests. The development of the test program, which is product specific as well, is done by RoodMicrotec using in-house engineers. The test is performed in Nördlingen, where RoodMicrotec has the capability to test wafer sizes from 6 to 12 inches.

Once the wafer tests have shown satisfactory results, the next step consists of the chip assembly. This is also mostly outsourced to manufacturers in Asia. When a batch is ready, it is submitted to additional tests. In the case of RoodMicrotec this also happens in Nördlingen.

Once all these tests have been completed and produce the required outcome, the next step is qualification. This is the measurement of the performance of components under extreme conditions, like e.g. temperature tests, from cold to heat testing, in dry and damp atmospheres and adjustable temperature change rates. As part of this program, the ASIC is among others exposed to rapidly changing temperatures, varying from minus 40°C to plus 125°C for a time frame that can last 1,000 hours or even longer. Within RoodMicrotec, this happens both in Nördlingen and in Stuttgart.

The tests performed on ASICs in a production environment separate the good from the bad components. After that, the well-functioning ASICs are packed, stored and sent to the clients at the right time (logistics and just-in-time-delivery). RoodMicrotec also keeps track of the failure rates and for which tests the ASICs failed.

Even when the ASIC passed the final tests, the chip or the finished product in which the ASIC is built into can fail. In some cases (e.g. a high fail rate or products in the HiRel segment (e.g. safety-related)) this can trigger the manufacturer of the product to investigate its cause and how it can be solved. This calls for failure analysis, which within RoodMicrotec is operated at its Stuttgart unit.

An SCM contract is concluded for a specific period and for a certain estimated volume. During the life of the contract RoodMicrotec manages all the steps in the value chain from the development phase (design and prototyping) to the industrialization phase (prototype testing and qualification), all the way to production and logistics. In the first two phases, the amounts RoodMicrotec can invoice are relatively modest. Once the volume production starts, the sales are expected to rise over time and generate significant recurring sales after reaching the volume production phase. The main advantage of this approach is that the clients have one single company they are dealing with instead of a wide range of specialized companies. Apart from that, it helps to unburden the client.

In addition to these SCM contracts, the Company will continue to secure contracts for all individual services it offers, because this can open the doors to new clients and/or to SCM contracts as well. Experience shows that client wins often happen through failure analyses as a first entry point. Besides, the industry as a whole needs a flexible layer to absorb shocks in the demand for testing and qualification. This can also help to bring new clients and/or partnerships.

The quality of services and handling speed have always been very important within this sector. For that reason, RoodMicrotec will continue to strengthen its internal quality system through maintaining the certification according the 2015 version ISO 9001, VDA 6.2 and ISO/IEC 17025, in addition with focus on risk assessment, which is especially important for automotive customers. Part of this, also consists of further investments in new hi-tech equipment.

## Markets served by RoodMicrotec

RoodMicrotec is focusing on the market segments automotive, industrial and medical which are still the key drivers for the global semiconductor market and therefore they have the highest growth rates. Working in the HiRel / aerospace segment is challenging, but we still consider this area of importance to our business and foresee a future increase. The components with most high quality and reliability demands are being deployed.

### Automotive



Electronic components for vehicle applications are still one of the drivers for the global semiconductor industry. Devices in the automotive industry are a combination of high complexity, high quality demands and high volumes. Applications range from car infotainment and communication with the outside world up to self-driving cars.

New opportunities are seen by a specific trend that the industrial sector and the HiRel industry will upgrade / adapt their requirements to automotive standards.

### Industrial (Industry 4.0, IoT)



In the industry sector the main focus is on Industry 4.0 / Internet of Things. The rapid change and complete novel production possibilities make projects highly sophisticated.

Industry 4.0 / Internet of Things means extensive networking, using innovative IT systems which enable entirely new production methods, smart grids and smart metering. For example, starting an oven remotely, opening and shutting down windows when the temperature changes, etc.

### Medical



In the fields of medical electronic / biological chips the devices are subjected to special requirements and complexity. No matter if they are used afterwards within or outside the body, or whether they have physical connections between internal and external devices – they have to be reliable and long-lasting.

Medical projects are defined by long lead times due to complex test environments, which contain a number of biological elements such as temperature, humidity, acidity and heart rate.

Due to extensive regulations efforts the time-to-market is long.

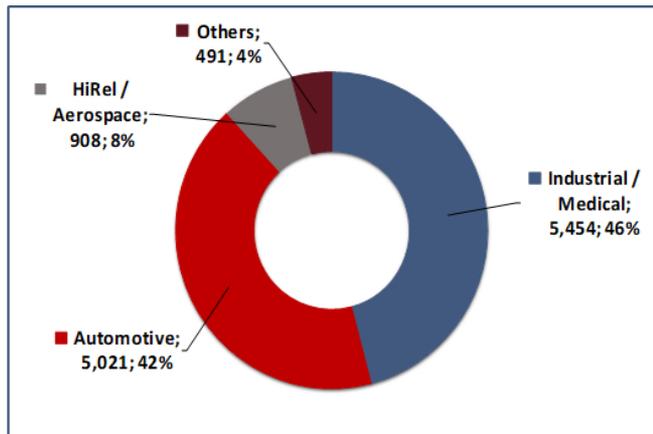
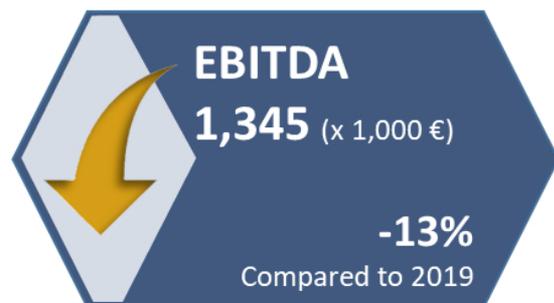
### HiRel / Aerospace



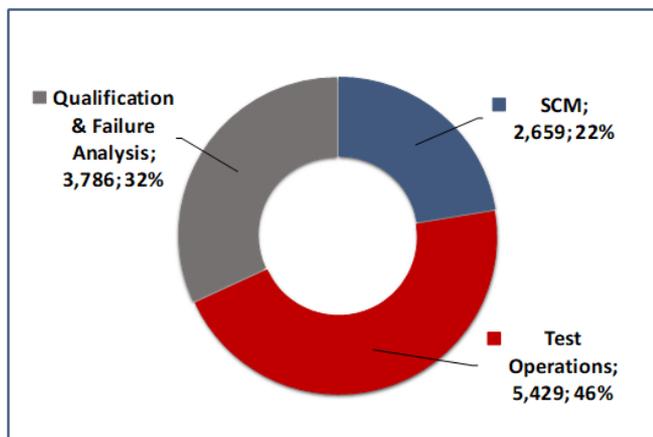
For the HiRel / aerospace sector we serve space exploration, solar sensors for satellites, radio applications in (military) aviation, etc. The most possible quality and reliable components are needed – quite similar to the automotive sector. Also, more and more so-called components-off-the-shelf (COTS) are used. These are commercial and therefore less expensive products.

Long lead times and low volumes, but very high commercial value characterize these projects.

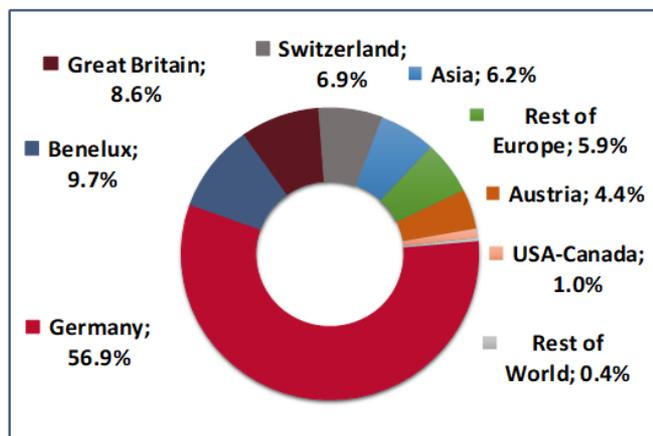
## ROODMICROTEC PERFORMANCE INDICATORS



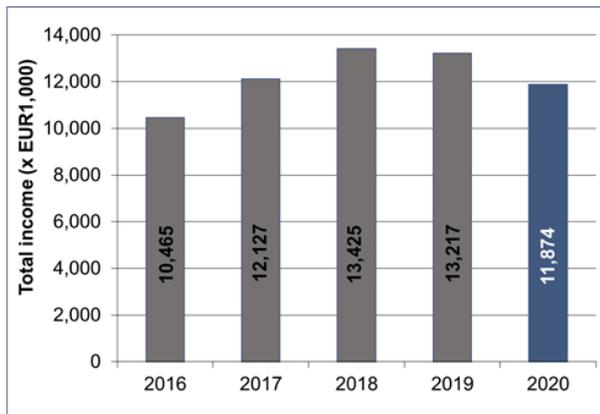
Distribution of total income 2020 by market (EUR x1,000)



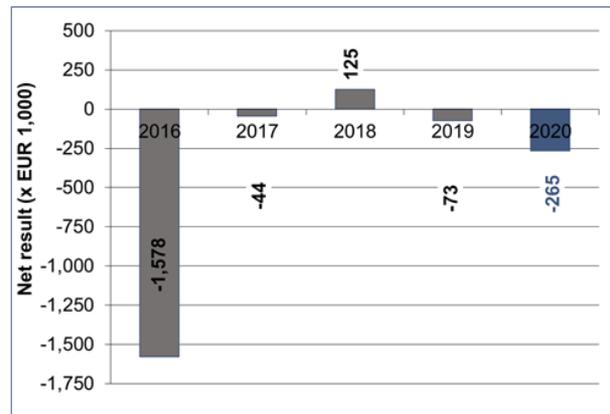
Distribution of total income 2020 by Operational Units (EUR x1,000)



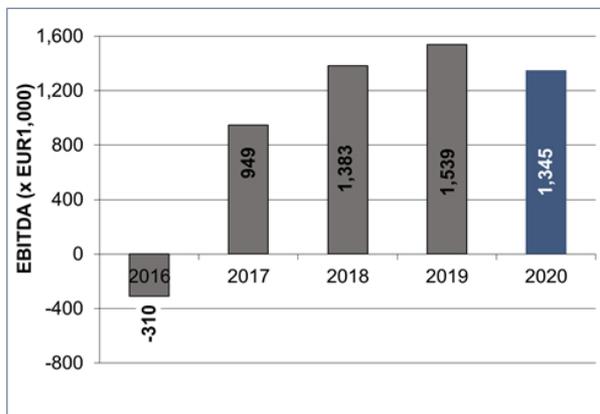
Geographical distribution of total income 2020 (% of total income)



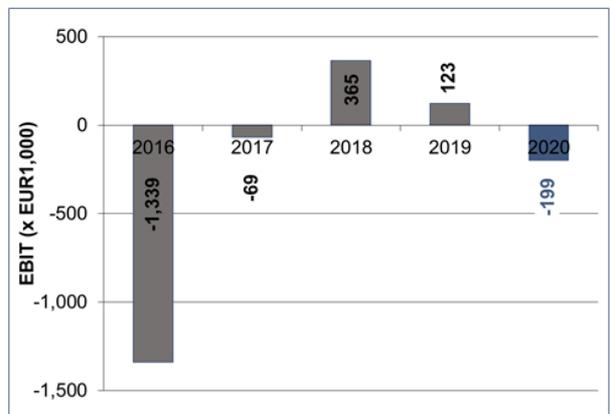
Total income



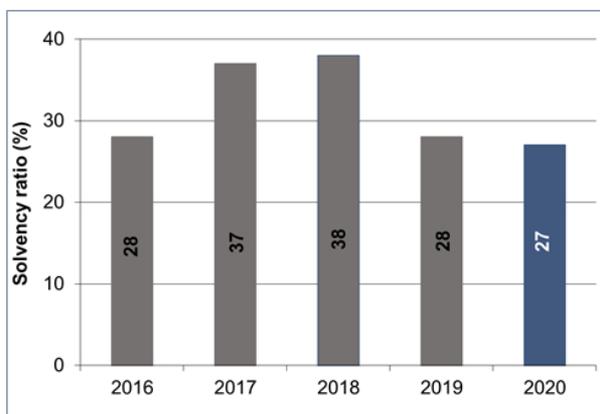
Net result



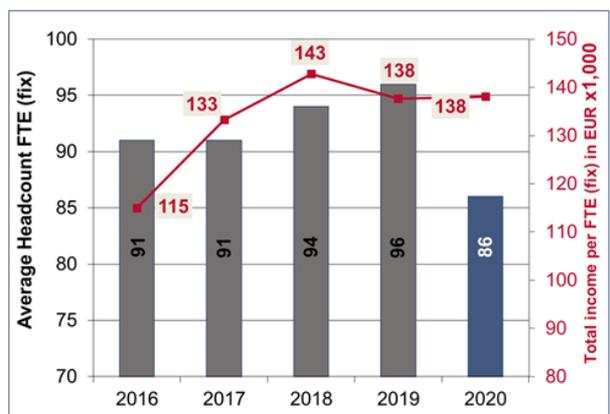
EBITDA



EBIT



Solvency



Total income per employee and head count

In 2020 RoodMicrotec only had financial performance indicators.

**KEY FIGURES + FIVE-YEAR SUMMARY****December 31, 2020**  
**(x EUR 1,000)**

	2020	2019 <sup>1</sup>	2018	2017	2016
<b>Results</b>					
Total income	11,874	13,217	13,425	12,127	10,465
EBITDA	1,345	1,539	1,383	949	-310
EBIT (operating result)	-199	123	365	-69	-1,339
EBT	-369	-87	124	-327	-1,587
Cash flow from operating activities	1,517	1,156	563	628	-452
Net result	-265	-73	125	-44	-1,578
<b>Capital, Debt &amp; Liquidity Ratios</b>					
Total assets	14,337	14,294	13,606	13,051	14,711
Group equity	3,844	3,945	5,209	4,767	4,053
Net debt	1,137	1,472	915	2,451	2,428
Capital (net debt + equity)	4,981	5,416	6,124	7,218	6,481
Gearing ratio (net debt/ capital)	23%	27%	15%	34%	37%
Solvency (group equity / total liabilities)	27%	28%	38%	37%	28%
Debt ratio (net debt / EBITDA)	0.8	1.0	0.7	2,6	-7,83
Net working capital	1,296	1,505	1,933	452	540
Working capital ratio	0.71	0.72	1.78	1.17	0.97
<b>Assets</b>					
Tangible and intangible fixed assets	9,177	9,404	7,682	8,451	7,684
Investments in (in)tangible fixed assets	866	1,895	576	1,199	1,879
Depreciation of (in)tangible fixed assets	1,544	1,416	1,018	1,018	1,029
<b>Data per share (x EUR 1.-)</b>					
Group equity	0.051	0.053	0.072	0.071	0.060
Operating results	-0.003	0.002	0.005	0.000	0.000
Cash flow	0.005	-0.010	0.015	-0.001	-0.010
Net result	-0.004	-0.001	0.002	-0.001	-0.020
Share price: year end	0.183	0.247	0.250	0.310	0.200
Share price: highest	0.267	0.284	0.390	0.380	0.280
Share price: lowest	0.107	0.202	0.234	0.190	0.190
<b>Issue of nominal shares</b>					
At year end (x 1,000)	74,896	74,896	72,779	66,716	63,411
<b>Number of FTE's (permanent)</b>					
At year end	95	98	93	91	94
Average	86	96	94	91	91
Total income / Average FTE (permanent)	138	138	143	133	115

<sup>1</sup> adoption of IFRS 16 Leases from 2019

## SHARES / SHAREHOLDER INFORMATION

### Listing

RoodMicrotec N.V. is a public limited liability company with its registered office in Deventer, the Netherlands and has a listing on the Euronext Amsterdam Stock Exchange since 1986 for shares, registered under ISIN code: NL0000440477 (ticker symbol: ROOD.AS).

RoodMicrotec N.V. has secured bonds listed on NPEX The Hague since 2014, registered under ISIN code NL0010811030.

### Major Holdings in Listed Companies Disclosure Act

As at December 31, 2020 RoodMicrotec has received the following reports, with positions equal to or greater than 3%, in the context of the disclosure requirements of the Major Holding and Capital Interests in Securities-Issuing Institutions pursuant to the Dutch Financial Supervision Act (Wft):

	Percentage	Date reported
Blikkenburg B.V.	12.35%	February 1, 2018
P.C. van Leeuwen	5.53%	April 12, 2018
Sitimo Ltd.	5.26%	August 2, 2018
J.H. Langendoen	3.17%	December 30, 2019

### Changes in the number of shares (x 1,000)

As at December 31, 2020, 74,896,267 ordinary shares are issued (2019: 74,896,267). The Company holds 4,100 ordinary shares (2019: 4,100) as treasury shares.

### Regulation to prevent insider trading

We comply with the disclosure and notification requirements in the rules on preventing market abuse and on operating in markets in financial instruments in accordance with article 5.4 of the Dutch Financial Supervision Act (Wft) and the Decree on Market Abuse ('Besluit marktmisbruik Wft'). A broad circle of employees and consultants have signed a declaration binding them to abide by these insider rules. The members of the Board of Management and the Supervisory Board also comply with the disclosure requirements of Major Holdings and Capital Interests in Securities-Issuing Institutions pursuant to the Wft. The Netherlands Authority for the Financial Markets (AFM) monitors compliance with these statutory provisions.

### Dividend

So far, we have not distributed any dividend since our financial position excluded it. The management prefers to use the Company's own resources to grow, to further improve its financial health and strives to raise the market value of the share through such growth. In the next few years, we will seek a balance between the intended debt reduction, essential investment and a fair return for shareholders. The Board of Management proposes not to distribute any dividend for the 2020 financial year.

### Investor relations

We are well aware of the importance of active, transparent and open communication with our stakeholders. For this reason, since 2006 we have pursued an active investor relations policy through meetings and conference calls with the financial press, analysts and investors.

For the coming years, we focus on intensifying the communication with our shareholders and bondholders. In this context, we are organizing meetings for our shareholders and bondholders when expedient. Hopefully, the COVID-19 pandemic will come to an end in the near future and we will be able to resume communication as part of our investor relations strategy not only in a virtual way but also by way of meeting people and communicating with them face-to-face.

As in the past years, if circumstances allow, we will again raise our industry-expert profile in 2021 by organizing seminars highlighting our core activities and the corresponding services to Fabless Companies and OEMs. The objective is to communicate our specific knowledge and share it with our customers and partners. We will further intensify our focus on publicity for all areas.

Communication with the various target groups is also done through the Company's corporate website, [www.roodmicrotec.com](http://www.roodmicrotec.com), and our newsletter.

### **General meeting of shareholders 2020**

The minutes of the Annual General Meeting of Shareholders, held virtually by webcast on July 23, 2020, may be inspected on the Company's corporate website.

### **Financial calendar 2021**

April 22, 2021	Conference call for financial press and analysts
April 29, 2021	Publication of agenda and invitation for the Annual General Meeting of Shareholders
June 10, 2021	Annual General Meeting of Shareholders
July 22, 2021	Publication interim report 2021
July 22, 2021	Conference call for financial press and analysts
October 14, 2021	Trading update quarter 3-2021

## REPORT OF THE BOARD OF MANAGEMENT

### MEMBERS OF THE BOARD OF MANAGEMENT



#### **Martin Sallenhag, CEO & Director**

- Joined RoodMicrotec in March 2015 as CTO
- CEO and Managing Director from 2016 to 2020
- Re-appointment to CEO and Managing Director in July 2020 for a four-year term
- Responsible for the overall management of the Company
- Experience in the semiconductor business in various management positions within Samsung Electronics, Dialog Semiconductor and Ericsson for more than 25 years
- Holding a Master of Science degree in Electrical Engineering from Lund University with focus on Mixed Signal ASIC design

#### **Arvid Ladega, CFO & Director**

- Joined RoodMicrotec in November 2016 as CFO
- Appointment to CFO and Managing Director in May 2019 for a four-year term
- Responsible for the finance department with special focus on investor relationships with the main investors
- Extensive experience as CFO in the industrial sector, having served in that capacity for almost 12 years at Turn Key Pipeline Services B.V. and at Bartels Engineering, both in the Netherlands
- Holding a senior financial position at Wasco Coatings Europe, subsidiary to its Malaysian listed holder
- Holding a bachelor's degree in economics

## MARKET & TRENDS

The market information RoodMicrotec uses is based on public sources like WSTS (World Semiconductor Trade Statistics, IC Insights, SIA (Semiconductor Industry Association), McKinsey, Mordor, Semiconductor Intelligence, published studies as well as from conferences and articles.

Since the worldwide semiconductor market in 2019 declined but the RoodMicrotec total income was nearly stable, the general expectations as well as RoodMicrotec's for 2020 were positive based on the semiconductor market forecasts. Also the global economy expected a growth of 3.3%, according to the International Monetary Fund (IMF) – see IMF publication January 2020<sup>2</sup>. But early in the year the worldwide disruption by COVID-19 started and neither the impact nor the duration could be foreseen. And this is still the case! 2020 ended for the global economy at -3,5% and the Euro zone at -7.2%, see IMF publication January 2021<sup>3</sup>.

Despite the COVID-19 pandemic the worldwide semiconductor market grew by 6.5% in 2020, by contrast not in Europe, here we see a decline of 6.0%, see SIA-press release February 01, 2021<sup>4</sup>. RoodMicrotec total income was EUR 11.9 million, 10% lower than in 2019; 93% of the total income is made in European countries.

For 2021, the forecasts given by the various institutes show a further growth in a range between 4.1% and 18% - depending on the institute, published by Semiconductor Intelligence<sup>5</sup>. The drivers are, according VLSI Research and other institutes, the recovery in automotive, industrial and other end markets, the demand of electronics for 5G ramp and Cloud expansion as well as the recovery of Memory.



In general technical and technological innovations will drive solid growth for the global semiconductor industry over the coming years. As more and more cutting-edge devices emerge, such as electric cars and hybrids, self-driving cars, medical applications, 5G and already 6G, smart cities, smart homes, smart phones and wearable devices, the number of semiconductor components is ever expanding in the most applications and will further increase the demand for semiconductor products.

Our strategic choice for our focused markets and technologies is supported by the following key findings in publicly available information:

1. The automotive and industrial markets will both drive growth in demand for semiconductors.
2. The Internet of Things / Internet of Medical Things / Artificial Intelligence / 5G & 6G are the next growth engines for the semiconductor industry, particularly for the sensor, communications and industrial segments.
3. High power electronics (e.g. battery management, safety solutions), high frequency (e.g. radar, Lidar solutions), photonics (e.g. image sensors, optical transceivers, optical chips) and GaN-technology are indispensable for the energy management systems, such as in electronic vehicles, solar energy networks, etc.

<sup>2</sup> <https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>

<sup>3</sup> <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

<sup>4</sup> <https://www.semiconductors.org/global-semiconductor-sales-increase-6-5-to-439-billion-in-2020>

<sup>5</sup> <http://www.semiconductorintelligence.com/semiconductors-up-6-5-in-2020-10-in-2021/>

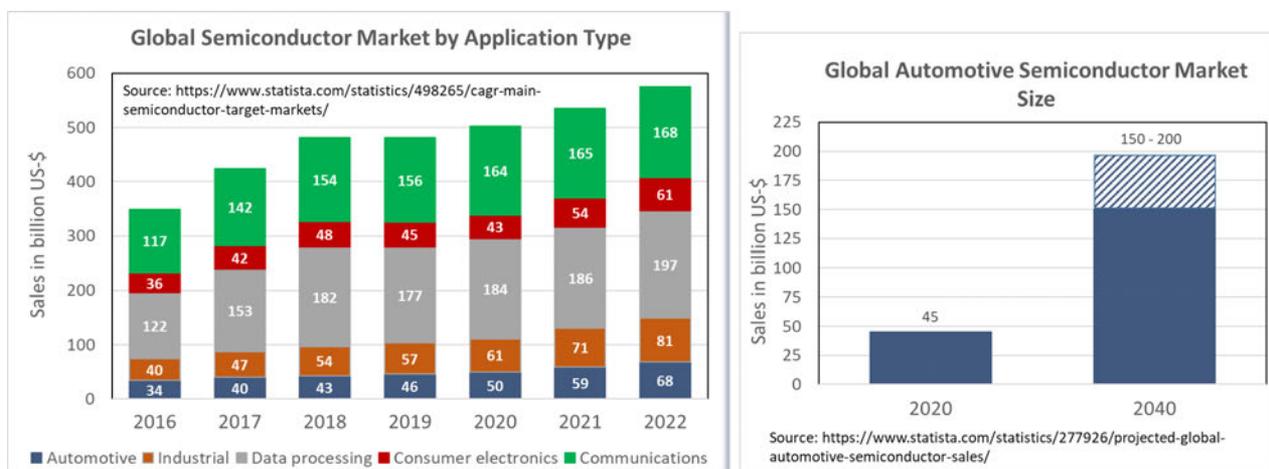
RoodMicrotec’s management team is positive about the future development of the Company. RoodMicrotec is focusing on and serving the emerging technology sectors as described above. For all these sectors the demand of electronic devices will definitely continue to grow.

**Automotive**

RoodMicrotec is a recognized player in the automotive sector, which is a growing market also in the future and it offers us many exciting opportunities. The healthy growth of this market will lead to additional demands for electronic equipment and create a positive impact on the semiconductor industry.

The vehicle market in general is undergoing a complete structural change. Electric cars and hybrids are gaining more and more ground. Car manufacturers are publishing dates for stopping the manufacture of cars with combustion engines or dates when they want to reach CO2-emission free production. Nevertheless the semiconductor content of cars is growing, as they rely on greater intelligence, connectivity and sophisticated electronics (autonomous drive, vehicle-to-vehicle (V2V) and vehicle-to-infrastructure (V2I) communications). In addition, growing interest in electric vehicles focuses on on-board safety, convenience and environmental features. Advanced automotive electronics become more widely available on mid-range and entry-level cars. However, the nature of the automotive industry model is also shifting in new directions. Concepts of product ownership will give way to service propositions to deliver mobility to consumers who will pay only for what they use e.g. ride sharing or car sharing. Creating and managing the systems to deliver that mobility will depend heavily on complex electronics.

The Statista Research Department<sup>6</sup> published that the demand for automotive semiconductors is expected to grow at a compound annual growth rate of between six and eight percent between 2020 and 2040. By 2040, the automotive semiconductor market could reach between 150 and 200 billion US-Dollars.



The average value of semiconductors in cars will be about 450 Euro in 2021 but will grow in the years following with the advancement of navigation, infotainment, and connectivity systems. It is expected that the value will grow further, to about 1,500 Euro, if level 4/5 automation, electrification, and 5G networking are further developed for autonomous driving cars.

**Industrial (Industry 4.0, IoT) / Medical (IoMT)**

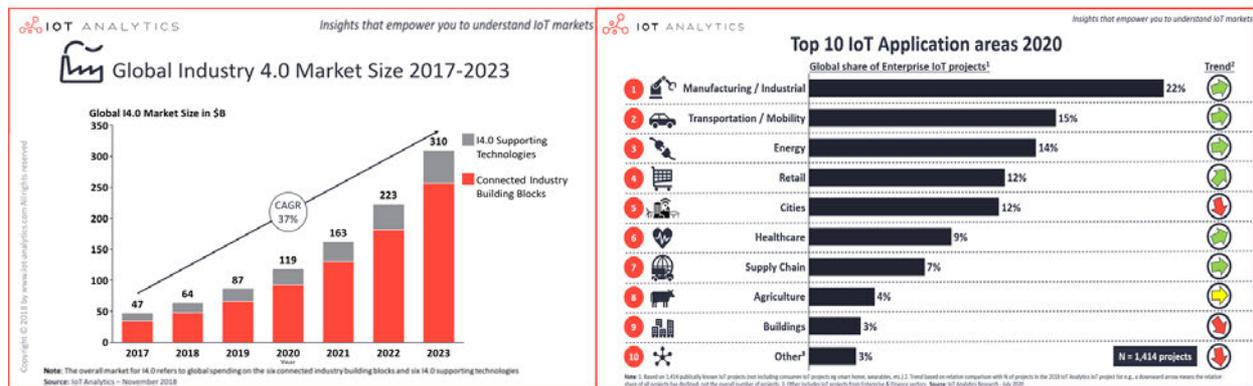
Artificial Intelligence, virtual reality, 5G, 6G, 3D imaging, smarter homes and IoT, among others, hold tremendous promises for further growth. The basic principle of Industry 4.0 / IoT is that by connecting machines, equipment and systems, businesses are creating intelligent networks along the entire value chain that can control each other autonomously.

Characteristic for industrial production in an Industry 4.0 environment is strong customization of products under the conditions of high flexible (mass) production. The required automation technology is improved by the introduction of methods of self-optimization, self-configuration, self-diagnosis, cognition and intelligent support of workers in their increasingly complex work. Some examples for Industry 4.0 are machines that can predict failures and trigger maintenance processes autonomously or self-organizing logistics that react to unexpected changes in production.

<sup>6</sup> <https://www.statista.com/statistics/277926/projected-global-automotive-semiconductor-sales/>

Industry 4.0 is migrating into most of the industrial applications. It is mainly based on different sensors detecting all kind of information as current, voltage, magnetic field, light, temperature, shock, humidity, etc. combined with an intelligent integrated circuit and a transmission function RFID, etc. There is an increasing demand on such Mixed Signal integrated circuits to reduce space, save energy or create faster performing systems.

IoT is a growth engine for the semiconductor industry. Based on T4 Platform and IoT Analytics<sup>7</sup> the current market sentiment and short-term outlook is extremely positive. The industrial IoT market size was US-Dollars 87 billion in 2019 and is forecast to grow at an average of 37% until 2023, meaning the industrial IoT market size is estimated to reach US-Dollars 310 billion. IoT Analytics shows an overview of IoT applications in 2020<sup>8</sup>.



In addition to Industry 4.0, IoT describes the complete world of different sensors within the electronics and is connected to detect and control temperature, humidity, light, electricity, etc. in all kind of different applications in the home (electricity, refrigerator, light, body, etc.), in cars (V2V-, V2I-, internal vehicle communication), in agriculture, in medical fields and elsewhere.

In all cases, the connected devices that transmit information across the relevant networks rely on innovations from semiconductor players - highly integrated microchip designs, for instance, and very low-power functions in certain applications. The semiconductor companies that can test, qualify and deliver these and other innovations to OEMs and others that are building IoT-products and applications will play an important role in the development of the market.

Within the industrial applications, the medical segment including the IoMT sector (Internet of Medical Things), with ongoing innovations, not only urged by the COVID-19 pandemic, will also see a growth in demand. With the development of connected medical devices, health services are gradually shifting from a clinical setting to the home environment. From fitness trackers that monitor activity to flexible patches that can detect heart rate, body temperature and more, up to remote patient monitoring, these applications will fuel capital investment in healthcare and contribute to the growth in medical applications of semiconductors. The IoMT sector has been broadly segmented into the categories like telemedicine and remote consultation, connected imaging, consumer medical including above named wearables, in-patient monitoring as well as hospital operations and workflow management.

The medical market and especially the IoMT sector is growing at a tremendous pace and the COVID-19 pandemic will hasten this growth. According to a new report published by Allied Market Research, titled, "Internet of Things in Healthcare Market by Component, Application, and End User: Opportunity Analysis and Industry Forecast, 2019–2027," (Source: Allied Market Research<sup>9</sup>) the global internet of things in the medical market was valued at US-Dollar 113 billion in 2019 and is expected to reach US-Dollar 333 billion by 2027, registering a CAGR of 13.2% from 2020 to 2027.

<sup>7</sup> <https://www.t4.ai/industry/industrial-iiot-market-size-iiot>

<sup>8</sup> <https://iot-analytics.com/top-10-iiot-applications-in-2020/>

<sup>9</sup> <https://www.alliedmarketresearch.com/press-release/internet-of-things-iiot-healthcare-market.html>

## VISION AND MISSION

### Vision

In today's technology driven world, semiconductor content is strongly increasing with an urgent focus on the electrification of carbon fuel powered devices. This includes 'quality conscious' market sectors like the automotive, aerospace and medical equipment industry, as well as markets for industrial equipment and data communication. Successful companies in these markets can be recognized by their innovative technologies, their focus on core competencies, and an intimate cooperation with selected supply chain partners. Electronics manufacturers and Fabless IC suppliers are creating a significantly growing market for outsourced services, including manufacturing and supply of qualified products.

RoodMicrotec is a specialized service provider focusing on the support of customers in the automotive, medical and industrial market sectors. We have the expertise to offer a complete range of high-quality services that enable the manufacturing and supply of reliable semiconductor devices.

### Mission

To be the innovative, independent and reliable partner of choice for semiconductor component supply, test and reliability services.

## STRATEGY

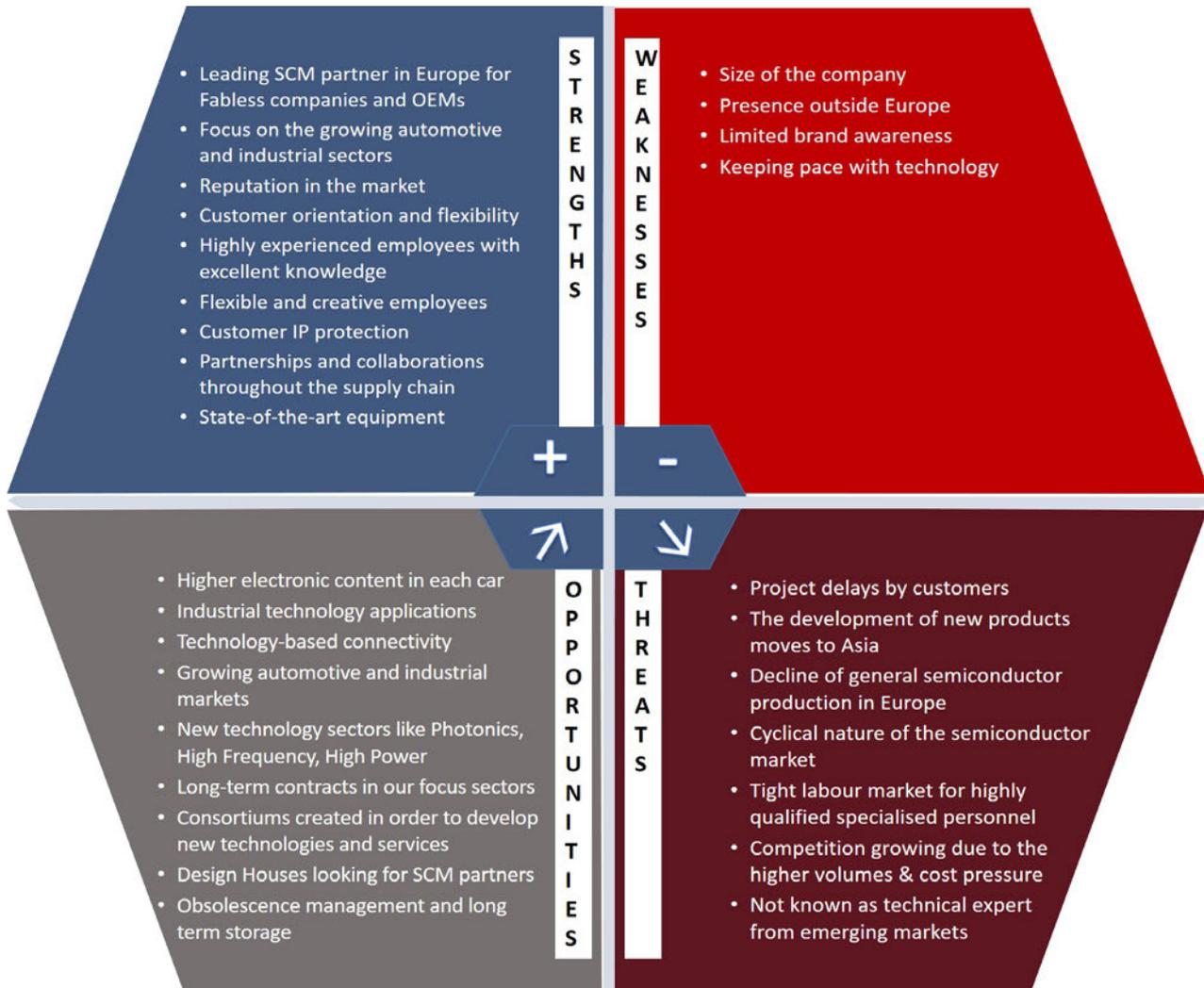
- We focus on automotive, industrial and medical markets and plan to grow further in these sectors.
- We invest in new high-technological equipment to strengthen our technical position to be able to service these markets.
- We work with Fabless Companies to show that RoodMicrotec is a competitive SCM partner and encourage them to strengthen the partnership with our company.
- We take full responsibility as a supply chain specialist for every step in the supply chain. This means that we will be involved on a long-term basis in the whole project, from the very beginning up to mass production.
- We continue to look for smaller, faster turnaround opportunities in Qualification & Failure Analysis and Test Operations.
- We aim to be an important player in the automotive market, Industry 4.0 and IoT/IoMT by becoming one of the preferred partners in various consortiums that are developing new technologies and applications and by increasing our scale through partnerships.
- We develop our industry partnerships, since it is essential to be part of networks and being active in them. For that reason, we have strong partnerships or work very closely with institutes, wafer fabs, assembly houses, design houses and universities as well as industry groups and clusters. Within each publicly funded project we are working with a consortium of partners, which opens doors to win them also as a customer
- We further strengthen our internal quality system through maintaining the certification according the version 2015 of ISO 9001, VDA 6.2 and ISO/IEC 17025, with focus on risk assessment.

The above items will result in a good combination of long-term contracts with long lead times and short-term orders with shorter lead times. In future we certainly need short-term orders to generate cash flow while continuing to focus on long-term contracts, which will bring much more stable and predictable recurring sales and underpin our role as the supply chain specialist.

Furthermore, we are:

- Establishing direct contact with Tier 1 customers as an ASIC provider. This enables us to take on more of the tasks in the complete flow, generating higher sales volumes.
- Strengthening relationships with customers, suppliers and appropriate partners (foundries, assemblers, design houses, OEMs and system houses). This makes us stronger as well as a better known and important player.
- Continuing to focus on development of new technologies and special requirements from the market, such as optical sensors, high power and RF solutions for the automotive and industrial requirements.
- Strengthening our brand awareness in the market by organizing seminars on e.g. qualification, failure analysis and supply chain activities.

## SWOT ANALYSIS



## OPERATIONAL UNITS

RoodMicrotec offers turnkey services to its customers through its three main units: Supply Chain Management, Test Operations and Qualification & Failure Analysis. These three units offer a complete set of services to meet the requirements for turnkey projects.

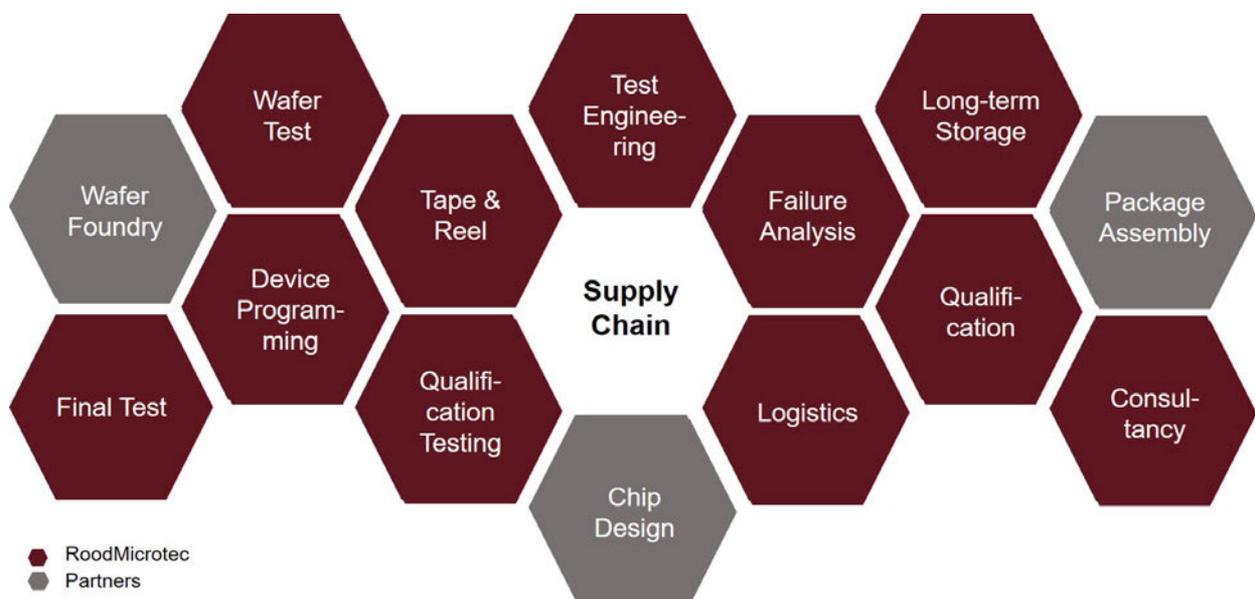
### Supply Chain Management (SCM)

In this operational unit, RoodMicrotec supports customers who wish to launch high-quality semiconductors, in particular ASICs, on the worldwide market. RoodMicrotec provides comprehensive services, from the beginning of the development process (with design and assembly partners) all the way to production and delivery to the customers or their customers. The services provided to bring a product successfully to the market include specification and engineering support thru all phases of the project, test engineering, wafer test, assembly (through partners), final test, back-end, qualification and reliability support, failure analysis, field return management, storage and logistics.



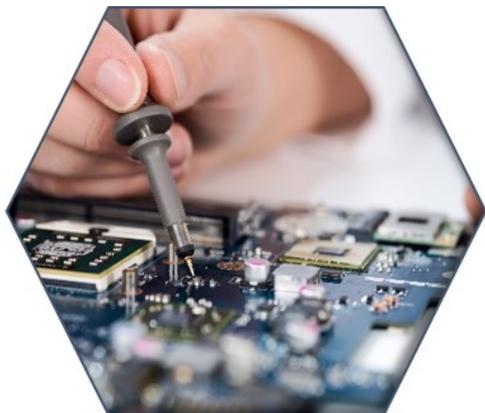
RoodMicrotec achieves this by qualifying and testing the ASIC products and, on request, executing the entire project management specific for processes on the automotive and industrial markets.

RoodMicrotec handles also the complete (turnkey) industrialization of ASICs from the customer’s idea up to the final product including all market specific (automotive and industrial) quality assurance activities. RoodMicrotec manages the process ‘end-to-end’ but also provides each individual step separately.



## Test Operations

This operational unit consists of two functional areas, test engineering and wafer & component testing. The test engineering area is a support function that provides the wafer & component testing area with solutions for high volume production.



**Test Engineering** provides complete test solutions for a wide range of devices like mixed-signal, digital, analog and RF ICs. The team of highly skilled engineers develops test programs, probe cards and load boards for characterization, production and qualification to the highest standards as required by the automotive and high-reliability sectors (AEC-Q, ESCC, MIL-STD, JEDEC, TELCORDIA, IEC, and DIN). Services include design for test, test time reduction, yield improvement and data analysis. Our experts have experience of migrating complete test cells, production ramp-up and product validation. With massive parallel testing at high-test coverages the test times are reduced. All these services are also available as on-site engineering support for customers.

Extensive knowledge is available on several test platforms, e.g. Teradyne Flex, Cohu D10, Advantest/SZ, Verigy 93k as well as LabView based solutions. The Company has extensive expertise in mixed-signal, digital, analog, memory, RF, image sensors, MEMS and PC applications developed over decades.

In 2020, we extended our knowledge in testing of optical transceivers on wafer level at high speed on the electrical and on the optical side. We also established high voltage wafer test (up to 2kV) which belongs to the second pillar on our company roadmap. With these two successful projects we strengthen our position in the 5G and e-mobility sector.

**Wafer & component testing** is the heart of the production function within RoodMicrotec running an automated test floor 24 hour per day, 7 days per week. In this area the services of wafer testing, component testing, component programming, straightening & scanning and end of line of the semiconductor devices are performed.

The test cells utilize state-of-the-art Automated Test Equipment (ATE) as well as specialized PC-based solutions. Test system limitations are compensated by integrating high performance external equipment such as network analyzers or RF signal sources into the test cell. This approach increases flexibility while limiting test costs.

In 2020, we were able to integrate two additional Verigy 93k test systems into our Test Operation and thus significantly increasing our capacity on these machines.

For the maintenance of sockets and load boards as well as the control of needle cards, our new digital microscope is an enrichment on operational side. With this, we are also able to measure gold layers and thus the abrasion of the test boards. With this technical information, we can make the customers aware of this at an early stage.

The main goal is to provide service and support to our customers through the whole project by continuous improvement of the processes and systems related to it, offering excellent customer care, in-time delivery with highest quality. To ensure this, also a tight communication structure between the parties involved is essential, so that everything fits the customers' needs. Close relationships are the key in supporting the customers so that they meet their deal.

One major challenge in 2020 was to implement the operational activities according customer requirements and special setups without personal contact. We mastered the realization of very specific high-tech solutions just through remote instructions from the customer specialists - without their on-site presence.

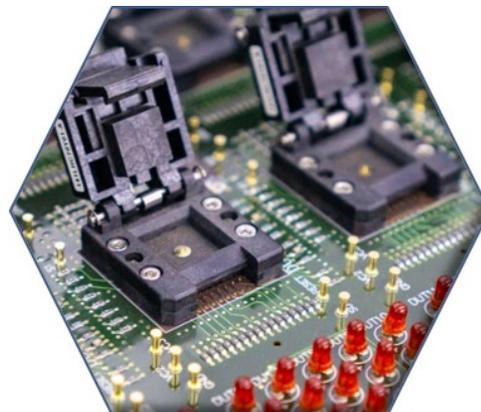


## Qualification & Failure Analysis

In the operational unit Qualification & Failure Analysis we perform environmental tests to verify the reliability of electrical/electronic components as well as optical systems. We also perform mechanical stress tests such as shock and vibration on single components as well as on board level. Additionally, the extensively equipped failure & technology analysis laboratory provides failure, construction and qualification-related analysis of all kinds of electronic parts like wafers, integrated circuits, discrete components, photonic components, electromechanical components, printed circuit boards and complete printed circuit board assemblies. The Qualification & Failure Analysis unit is accredited according ISO 17025.

**Electrical qualification** and robustness validation of customer components, semiconductors (die and package level), passives and PCBs, are done under extreme conditions such as climatic and temperature changes as well as vibration and mechanical shock. The investigations determine whether the components meet the required qualification standards. Burn-in is implemented in order to identify parts prone to premature failure. This process forces defective semiconductor devices to fail before they are incorporated into assemblies where they can cause reliability problems in the end application.

Based on the 'mission profile' (subsequent operating conditions/requirements) of our customers' products, we develop customized qualification/reliability concepts that incorporate the necessary stress tests – and ensure the successful market launch of products. The electrical verification of the tested devices before, during and after (pre-test, interim test, post-test) stress treatment takes place using our in-house automated test systems. Test and product engineers perform test data analysis, failure analysis and data preparation.

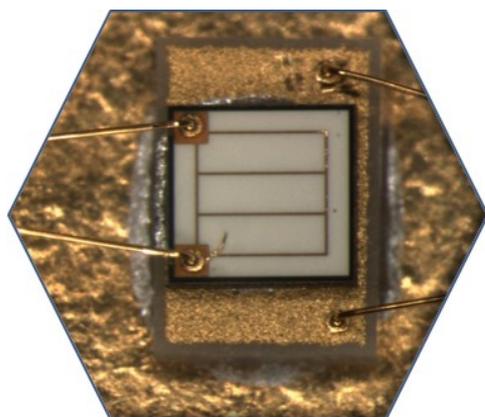


**Optical qualification** focuses its efforts on growing and emerging photonic applications. We offer reliability test solutions and full qualifications of emitters (VCSELs, EMLs) and receivers (photo diodes) for high-speed data communication and other high-reliability applications. We have developed specialized setups for this purpose to offer an optimal capacity and flexibility. We can stress hundreds of devices in parallel and can perform fully automatic optoelectronic characterizations as well.

Another focus is the optoelectronic wafer test of photonic integrated circuits (PICs) which combine classic ASIC logic and photonic logic on one chip.

**Failure Analysis** of defective devices is carried out using physical, chemical and metallurgical analytical methods. These methods are applied to confirm customer-complained failures, to identify the area of the defect and the failure mechanisms, and to initiate corrective actions for quality improvement.

In the area of integrated circuits, new technologies with reduced feature size require expensive expanded capabilities. Therefore, strategic partnerships have been agreed to share equipment and reduce investment.



**Construction Analysis** and **Destructive Physical Analysis** (DPA) can be performed as part of a reliability assessment. The objective of construction analysis is early identification of potential deficiencies that can cause zero-hour failures or reliability problems. These tests are required for all components used in aerospace applications. Request numbers for DPAs are very stable as the aerospace market is less sensitive to economic cycles.

Qualification-related analyses are carried out before and after various qualification tests. The purpose of these investigations is to determine the influence of these environmental tests on package and chip-related problems.

**Metallographic Cross Sectioning** in combination with optical microscopy is used to assess quality controls in the construction of samples. One focus is the analysis of soldered joints after accelerating stress tests.

## Research and development

To remain a strategic supplier to our customers as well as being on the leading edge of technology it is necessary to invest in new technologies. This is done through internal research and development projects as well as through external publicly funded projects. In order to remain a well-recognized player it is necessary to increase the brand awareness, which is done by publishing technical articles, by giving presentations around Europe during exhibitions and conferences and by organizing seminars.

The internal research and development projects are mainly focused on new areas of capability. The decision has been taken to focus on three main areas; high power electronics, high frequency solutions and photonics. In addition, the Company invested in innovations by means of partnerships in publicly funded projects.

### Publicly funded projects

**EuroPAT-MASIP** (European Packaging Assembly and Test pilot for Manufacturing of Advanced System in Package) is a cooperation of 28 partners, which will make a significant contribution to European competitiveness and job creation in the electronics industry and belongs to the ECSEL program. The funded project involves the development of ASICs (Application Specific Integrated Circuits) for a MEMS gyroscope, for an image sensor, and for Radio Frequency (RF). The special task for RoodMicrotec in this project is the leadership of the work package for test, qualification & reliability and failure analysis.

**GaNScan** (Mapping and modelling of industrial GaN/Si-wafer substrates for optimized yield production of GaN HEMT components in power electronics) is a German project in which RoodMicrotec and its two partners will develop reliable processes for testing of Gallium Nitride-on-Silicon wafers as well as prototype high-power GaN devices. At the moment the GaN technology is going to be industrialized in the field of high frequency and power electronics.

**APreMedI** (Appropriate testing of electrically active medical implants) is a German funding project. Together with a research institute and a small implant manufacturer, RoodMicrotec will develop test strategies for the validation of flexible encapsulated active implants, such as hearing aids or active electrodes. A test setup will be realized that performs accelerated life tests on implants to check their reliability.

**APPLAUSE** (Advanced packaging for photonics, optics and electronics for low cost manufacturing in Europe) is the newest companion in RoodMicrotec's funding project portfolio. This project fosters the European semiconductor value chain by building new tools, methods and processes for high volume manufacturing and is funded national and international. A consortium of 31 key players for packaging of electronics, optics and photonics, leading equipment suppliers and testing experts from 11 countries launched this new project. RoodMicrotec has taken over a leading role in APPLAUSE as leader of the work package "testing, reliability, failure analysis and metrology".

## Quality Management

RoodMicrotec takes care of the provision of products at the "right" time in agreed quality according to defined safety and reliability requirements. The basis for this is our quality management, which includes forward-looking quality planning and its implementation in all relevant businesses, services and production processes.

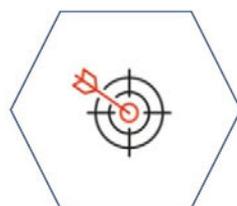
### 'Quality First' is our guiding principle



Ownership



Defect free



Just in time



Relationship

**flawless service**

The Company is certified under ISO9001:2015 and VDA6.2 which both include risk management as part of the systems. The Company has an implementation where this is discussed in the management meetings as well as in the Supervisory Board meetings on a regular basis. The management team is also conducting management reviews on a yearly basis where this is one of the points of review. Except for COVID-19 pandemic risks, such as absence of key people or delivery delays, no major risks have been identified during 2020. Both the management as well as the Supervisory Board are aware of the volatility of the semiconductor industry and the need to be able to offer the right solutions to the customers. To be able to do this it is necessary to make certain investments which can be large for this company size but necessary to stay competitive. All major investments are decided in the Supervisory Board meetings based on business model calculations.

RoodMicrotec's laboratories for Qualification & Failure Analysis in Nördlingen and Stuttgart are accredited by the DAkkS, the German accreditation body, as being compliant with ISO/IEC 17025, 'General requirements for the competence of testing and calibration laboratories'. This accreditation is valid only for the scope of accreditation which is listed in the appendix of the certificates (PL-12120-01-01 and PL-12120-01-02).

## Human Resources and Sustainability

What can we say about 2020? COVID-19 has not only influenced our private and working life, it has completely changed it. Flexibility and digitalization are now the decisive points that will define our future.

From March 2020 we had to introduce short-time working in our company in order to be able to react to the international effects of COVID-19. It was and is absolutely important to us not to have to lay off any employees, so we are very happy to be able to use the short-time working option. In some positions, our employees have also decided to voluntarily work more from home in order to reduce the number of colleagues present.

We have not experienced any interruptions in the business operations due to the COVID-19 pandemic. The measures taken with masks, distance between the working places, home offices and general care, have enabled us to offer a safe environment for our employees.

The average number of full-time employees (FTE) in 2020 was 86. A reduction of 10 FTE was due to short-time work. At end of 2020 we employed 95 persons. All in all, we got through the year 2020 very well, despite all the uncertainties about legal regulations, we were always able to motivate our employees to always do their best to carry out the current tasks with the usual high quality.

Candidate members of the Supervisory Board and the Board of Management become primary nominated on the basis of experience, expertise and personality. When selecting candidate members for the Supervisory Board and the Board of Management, the Company strives for diversity in composition in terms of nationality and ethnicity, gender, age and background in education and work experience, technical expertise and competencies. On the Board of Management and the Supervisory Board in 2020 there was no diversity in terms of gender.

## FINANCIAL RESULTS

### Total income and result

In 2020, RoodMicrotec's total income came in 10% lower than in 2019 at EUR 11.9 million (2019: EUR 13.2 million), with 93% of its total sales in the European countries. The total income was predominantly affected by the lower economic activity in Europe and Asia due to the COVID-19 pandemic.

Total income in the industrial / medical sector declined in 2020 by 21% to EUR 5.5 million (2019: EUR 6.9 million) and represents 46% of the total income. Total income from the automotive sector increased in 2020 by 7% to EUR 5.0 million (2019: EUR 4.7 million). The HiRel / aerospace segment increased by 7% to EUR 0.9 million (2019: EUR 0.9 million). The total income in this sector mainly consists of failure analysis and qualification work and this is very much depending on the design cycles at our customers. Total income in other sectors declined by 39% to EUR 0.5 million (2019: EUR 0.8 million).

Total income by market sector:

(x EUR 1,000)	2020	2019	change
Automotive	5,021	4,674	7 %
Industrial / Medical	5,454	6,883	-21 %
HiRel / Aerospace	908	852	7 %
Others	491	808	-39 %
<b>Total</b>	<b>11,874</b>	<b>13,217</b>	<b>-10%</b>

In 2020 the total income in the Supply Chain Management unit declined by 15% to EUR 2.7 million (2019: EUR 3.1 million). The total income in the operational unit Test Operations declined by 16% to EUR 5.4 million (2019: EUR 6.5 million). The total income in the unit Qualification & Failure Analysis came in 5% higher, at EUR 3.8 million (2019: EUR 3.6 million).

Total income results per operational unit:

(x EUR 1,000)	2020	2019	change
Supply Chain Management	2,659	3,131	-15 %
Test Operations	5,429	6,482	-16 %
Qualification & Failure Analysis	3,786	3,604	5 %
<b>Total</b>	<b>11,874</b>	<b>13,217</b>	<b>-10%</b>

In 2020 the EBITDA was EUR 1.3 million and the EBITDA margin came in at 11% (2019: 12%). Personnel expenses decreased by 9%, main cost savings are done through short-time work in the German locations. The average number of employees in 2020 on a full-time basis was 86 (2019: 96). Reduction of 10 FTE was due to short-time work.

(x EUR 1,000)	2020	2019	change
EBITDA	1,345	1,539	-13%
% of total income	11%	12%	

The net result in 2020 was EUR 0.3 million negative, a decrease of EUR 0.2 million versus 2019, primarily affected by decline in total income

## Financial position

The balance sheet total stayed stable at EUR 14.3 million in 2020 (2019: EUR 14.3 million). Equity decreased by EUR 0.1 million, from EUR 3.9 million to EUR 3.8 million. In 2020 property is revalued which had a positive effect on equity of EUR 0.3 million offset by remeasurements of defined benefit obligations of EUR -0.1 million. Net income generated in 2020 amounting EUR -0.3 million decreased equity. Solvency was 27% at year-end 2020, compared to 28% at year-end 2019.

(x EUR 1,000)	2020	2019	change
Cash from operating activities	1,517	1,156	31%
Capital expenditure	745	1,745	-57%

At year-end 2020, RoodMicrotec had a net cash position of EUR 1.4 million (year-end 2019: EUR 1.0 million). The increase in the cash position was largely caused by an improvement of cash generated from operating activities of EUR 0.3 million due to an improved position of working capital. The operating activities contributed positively to the cash position with EUR 1.5 million.

Capital expenditure amounted to EUR 0.7 million (2019: EUR 1.7 million). In 2020 RoodMicrotec invested in an additional Verigy V93k SmartScale test system to accommodate an increased demand for testing services. Investments mainly comprised replacement and expansion investments in materials and resources to facilitate growth. The high number in 2019 came from investments shifted from 2018 to 2019 together with normal investments in 2019.

## Financial objectives

- Our primary long-term objective is a substantial growth in sales.
- EBITDA is targeted at 12-17% of total income and EBIT at 6-12% of total income by continuously optimizing our operations through cost awareness and efficiency improvements.
- Profit before taxes should be in range between 4% and 10% of total income, which we only can achieve if we raise production volumes, sales and efficiency.
- A strong solvency ratio of between 38-50% helps us to strengthen confidence among customers, to guarantee continuity, to obtain loans and secure growth.
- We strive for a working capital ratio between 1.0 and 1.5. As a service provider and project organization this is a key element of our balance sheet. We must be able to secure sufficient funding to invest promptly in projects. Working capital is therefore vital to our future growth.
- For the debt ratio (net interest-bearing debt divided by EBITDA) our target is between 1.0 and 4.0, which is important for growth financing and for obtaining long-term projects. This ratio gives us a solid position that can be defended vis-à-vis the bank syndicates.

## MAIN DEVELOPMENTS DURING 2020

### COVID-19 pandemic

COVID-19 has not only influenced our private and working life, it has completely changed it. Flexibility and digitalization are now the decisive points that will define our future. The first quarter was in line with our forecast and the plans for the rest of the year were solid. The second quarter was very tough with a lot of customers being cautious with ordering new devices and managing their inventory. We started to take actions to manage this lower demand through optimizing the work flows as well as implementing short-time work in both our operating facilities.

Towards the summer, many of our customers realized that the demand for their products remained at a reasonable level and they started to order components again. This enabled us to see a level in the second half of 2020 which was very close to the level of 2019. It still was lower than the forecasted sales but still encouraging to see that the demand was rising.

### Total income

Our realized total income of EUR 11.9 million showed an overall decrease of 10% compared to 2019. The total income in the second half of 2020 was substantially higher compared to the first half of 2020. The business units Supply Chain Management and Test Operations showed a decrease of 15% and 16% respectively. This is mainly caused by the COVID-19 situation and the reduced demand due to lock-downs and inventory management. The Qualification & Failure Analysis business unit reported an increase in total income of 5% compared to 2019, thanks to well established relationships with long-term customers.

### Increased testing capacity

Due to an increased demand for testing from our customers, especially in the automotive sector, a second V93k SmartScale SoC Testsystem was installed at the RoodMicrotec test facility in Nördlingen. Starting in the first quarter of 2020, the new state-of-the-art testing system added extended services to the Company's portfolio. In the summer, a third V93k test system from Advantest was installed. This is running tests of specific high demanding parts for a well renowned customer.

Both these new machines have been running at a very high utilization level from the first day.

### SCM projects

The projects that were booked during the last quarter of 2018 and the first quarter of 2019 are progressing well towards mass production. Three projects are in the final qualification stage and one is still in the definition phase and the implementation phase will start shortly. The three new projects, two in the automotive market and one in the industrial market, are still in negotiation with different customers. These projects range from full turnkey services, including design and wafer sourcing, to projects where RoodMicrotec will do testing, packaging and logistics.

### Collaboration/partnerships

We continue to add additional collaboration agreements with several European leading and successful Fabless Companies (design houses) to strengthen our position in supply chain management. The design houses also felt a need to select a specialist supplier who could support them in manufacturing high-grade microchips (high-reliability chips) when they move these products to the market. Our experience, knowledge and infrastructure, including our equipment, proved to be a perfect match to the design house's needs.

### Qualification of press-fit connectors and PCBs

Press-fit connections have become a reliable connection technology with good electrical and mechanical properties, especially in the automotive industry. They offer a robust, solder-free connection between PCBs and connectors or a connection on module level. To establish the connection, flexible pins are pressed into vias of the PCB. Many factors contribute to a reliable press-fit connection. The geometries of the pin and the via need to be aligned. The press-in process must be well characterized in terms of press-in force and final pin position. The metallization of the vias and the PCB layers itself need to withstand the deformation during the process. Whisker growth has to be quantified. Depending on customer-specific requirements, many more tests are needed before releasing a press-fit pin or PCB for production.

With our extensive knowledge and equipment, we are able to perform the complete test plans of large OEMs or Tier1 suppliers according to supplier approval instructions. We perform all process steps and analyses from pin separation, press-in with force-displacement-diagram measurements, and climate conditioning (humidity storage and cycling, temperature cycling) up to characterization by means of metallographic cross sectioning, whisker inspection, and electrical contact resistance investigations. For tests in corrosive atmosphere, we have reliable partner labs that support us with their equipment.

### **Strengthening sales**

In February 2020 RoodMicrotec signed a sales representative agreement with Cedar Technologies Ltd. in order to develop new business and grow RoodMicrotec's market share in the Nordic countries, Poland, the United Kingdom, and Ireland. Expanding our market share in various selected countries is part of our company growth strategy. Local presence is essential for identifying new business opportunities and engaging in long lasting business with customers in those countries.

### **GaNScan publicly funded project**

The GaNScan-project, where RoodMicrotec developed reliable processes for testing of Gallium Nitride-on-Silicon as well as prototype high-power GaN devices, was finalized in September 2020.

This project improved two of RoodMicrotec's core competencies in a very relevant way: Supply Chain Management gained experience how to design and organize customized and affordable low-volume high-power packages for power electronics. This offers a new service especially for small companies with low demand or during prototyping. The Test Engineering department modified a wafer prober to enable high voltage and high current testing of power electronics such as GaN on wafer level. Furthermore, a component test system was modified to enable high voltage/high current testing as well.

### **Certification and accreditation**

Since April 2019, RoodMicrotec is VDA6.2 certified. This extension to the ISO9001:2015 is focused on automotive requirements. In the first half of 2020, we passed the monitoring audit.

Accreditation of our laboratories according ISO/IEC 17025 has been successfully confirmed.

### **Communication and seminars**

During 2020 we could not offer face-to-face events as in the last years due to the COVID-19 pandemic. At several online events / conferences we gave lectures on various subjects to about 300 participants in total through webcasts and digital platforms. The lecture "Reliability Testing Services for VCSELs, laser & photodiodes" given during an EPIC meeting on VCSEL Technology and Applications has been published on YouTube<sup>10</sup>.

### **Refinancing of the bond loan**

The refinancing of the bond loan issued in 2014 has been communicated at the end of 2020. A group of long-time investors provides the refinancing in the amount of EUR 2.6 million. Also the management participates so show their confidence in the Company's business plans and future projects.

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<sup>10</sup> <https://www.youtube.com/watch?v=AknKgnqwsr8>

## FOCUS AND ACTIONS 2021

### Focus

The automotive and industrial markets will remain the main focus for RoodMicrotec since they are expected to grow significantly over the next years. We also see a great need for new and innovative solutions in the medical market to help the ever-aging population of the world. ASIC turnkey services in conjunction with several Fabless design houses and OEM customers are essential to win new projects for industrialization and recurring business.

Delivery of high quality services and solutions is important in the markets where we operate. We will therefore continue to improve our internal processes to excel the already very high-quality standard that RoodMicrotec is operating under. This will increase our competitiveness and also give our customers an advantage in the market.

We have a very good base of machinery and personnel to be able to meet the demands from our customers and the markets. It is however important to follow the trends in the market as well as the demands from the customers to define new services and solutions.

With the publicly funded projects that we engage in, we are improving our technical position for the future and they also bring new opportunities to engage with potential future customers.

### Actions 2021

- Continue to invest in knowledge and know-how in three future technology areas:
  - high power electronics (for example battery management and safety solutions)
  - high frequency (for example radar and LIDAR solutions for autonomous driving)
  - photonics (for example image sensors, optical transceivers, photonic chips)
- Analyze and invest in new machinery where necessary. This can be for capacity, capability or technological reasons and will apply in all areas such as tester, prober, handler, stress chambers or failure analysis equipment.
- Install a frame prober to handle sawn wafers and small wafer level scale packages.
- No further external financing foreseen during 2021.
- Widen focus on modern packages such as Wafer Level Chip Scale Packages (WLCSPP) and chip-on-board requirements.
- Qualify and characterize LEDs and VCSELs at wafer level on our automated test systems.
- Improve brand awareness of RoodMicrotec through professional articles and seminars for customers and other stakeholders.
- Strengthen the customer base in our key market segments.
- Further cooperation with partners in national / international publicly funded projects to be part in the development process of modern technologies and to enlarge our business potential.
- The number of employees in 2021 will be maintained at the same level as previous years.

## OUTLOOK

Currently, it is still not possible to forecast the duration of the COVID-19 disruption, the impact of the increasing number of infections in Europe or the impact of the worldwide logistics situation. With the present visibility, RoodMicrotec expects a total income in the range of EUR 12.8 million to EUR 13.4 million in 2021. The profit before tax in 2021 is expected to be in the range of 2% to 4% of the total income.

Deventer, April 21, 2021

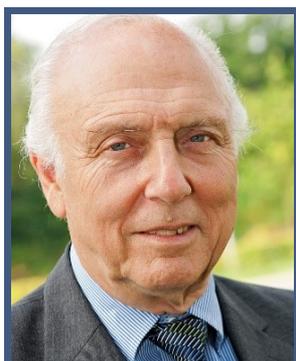
### Board of Management

O.M. Sallenhag, CEO

A. Ladega, CFO

## SUPERVISION AND GOVERNANCE

### MEMBERS OF THE SUPERVISORY BOARD



Victor George Tee

#### Chairman

##### (1943) (British)

- Mr. Victor Tee joined the Supervisory Board in 2009.
- He became Chairman in 2013; re-elected in 2019 for a final term of two years.
- More than 40 years of experience in the Electronics and Semiconductor industries.
- He started his career as an electronic systems design engineer and has held senior management positions at Philips, Siliconix and most recently as CEO at Millennium Microtech.
- Vic lived and worked in Asia for 20 years and operated internationally.
- His wide network is based on both operational and board levels globally.



Marc Verstraeten

##### (1966) (Dutch)

- Mr. Marc Verstraeten joined the Supervisory Board in 2019 for four years.
- He studied Business Economics at Tilburg University (Netherlands), as well as Postdoctoral Accountancy (Registeraccountant).
- After university, he started working at KPMG and worked there for 10 years as an external auditor in the international audit practice of KPMG in the Netherlands, including due diligence specialty.
- Beginning of 2001, Marc left KPMG and joined DOCDATA N.V. where he worked for almost 17 years in Finance functions (i.e. Corporate Controller, Finance Director, CFO).
- He has extensive experience with public listing at Euronext Amsterdam, corporate governance, compliance, internal audit, legal (Company Secretary), M&A, investor relations, stakeholder management and Boardroom dynamics (Secretary of Supervisory Board).
- Currently, Marc is working independent on a flexible basis and available for assignments as advisor in the broad Finance domain, interim CFO and Supervisory Board member.

## REPORT OF THE SUPERVISORY BOARD

We hereby present the 2020 Annual Report of RoodMicrotec N.V. as prepared by the Board of Management in accordance with article 26 of the Articles of Association of the Company.

The 2020 Annual Report, prepared by the Board of Management and including the 2020 financial statements, has been audited by KPMG Accountants N.V. The independent auditor's report relating to the financial statements is included on pages 105 to 115 of this report. We discussed the Annual Report with the Board of Management in the auditor's presence. Based on this meeting, we are convinced that the Annual Report forms a solid basis for the Supervisory Board's accountability for its supervisory duties. During the process of preparation and audit of the 2020 financial statements of the Company, the Supervisory Board has closely supervised the Board of Management during their management of key topics, such as potential implications of the COVID-19 pandemic on valuation and reporting assessments in general, the going concern assessment, the goodwill impairment test, the re-financing of the bond loan and the valuation of the pension plan assets.

We propose to the Annual General Meeting of Shareholders to be held on June 10, 2021 to:

- adopt the financial statements for the financial year 2020;
- discharge the Board of Management from liability for its conduct of business in 2020;
- discharge the Supervisory Board from liability for its supervision of the management in 2020;
- charge the net loss for the financial year 2020 to the retained earnings reserve within equity.

### RoodMicrotec in 2020

As reported last year, the Company had made significant progress transforming into a healthier enterprise with a more certain future. The test of the robustness of it came in 2020 with a 'perfect storm' combination of the COVID-19 pandemic following directly from a major market downturn due to uncertainties of the global economy and general market trends, not least in the automotive sector where issues regarding the long-term move to electrification remain challenging. From a positive perspective the envisaged industrial and technology changes clearly indicate an assured growth of the semiconductor industry and the longer-term leading indicators of technology and manufacturing equipment development clearly support this view. So the main challenge faced was to keep the Company financially and physically healthy until an assured recovery is evident from both the pandemic and the market. We believe the results support that it is working.

The consequence of the downturn on the Company's business was not unexpected and the management took a diligent approach to weather the storm, keeping the Company in more than adequate shape in readiness for the expected upturn as the above-mentioned matters become clearer. The morale of the workforce remains high, largely due to the excellent openness and internal communication culture now embedded in the Company. Although it was necessary to cancel the annual Works Council meetings due to the pandemic and the related travel bans or limitations within Europe, we are not aware of any change to staff motivation other than their concerns for health and the general economic impact on employment conditions in Germany.

The business development strategy remains as it was presented in 2019 by the Board of Management, hence the key elements of the strategy are embedded into the personal objectives of the CEO and waterfalled throughout the Company. Overall, we are satisfied the Company remains on the correct strategy for its current size and position in the industry with projects that match well with the underlying technological changes. The historical trends of the semiconductor industry regarding periodical volatility within a strong long-term growth have not changed and can be reasonably expected to continue for the foreseeable future once things return to normal. Although nobody can tell yet what the ultimate impact of the COVID-19 pandemic will be.

The changes to the Supervisory Board in 2019 have delivered the desired result providing a more balanced and effective coverage of supervision for the Company. The regular combined meetings of the Board of Management and Supervisory Board progress well with excellent teamwork, where all members make a significant contribution. We are therefore encouraged and confident our approach to guiding the Company forward is the correct mode and we intend to continue that when a new member of the Supervisory Board will join the team after being appointed by the AGM to be held in June 2021.

## Supervisory Board meeting schedule

The Supervisory Board gives the highest priority to good governance practice. The Supervisory Board met with the Board of Management on a monthly basis during 2020. At the beginning of the COVID-19 pandemic from mid-March until June 2020, weekly update meetings took place. All these regular monthly and weekly meetings by both Boards in 2020 were held virtually. In addition, the Boards met virtually during the general meeting of shareholders held on July 23, 2020, and during the bondholders' meetings held on May 6, 2020 (extraordinary bondholders' meeting on the bond loan extension) and held on July 24, 2020 (annual bondholders' meeting). In total, the Supervisory Board met 32 times with the Board of Management in 2020.

Additionally, a number of other meetings were held between individual members of the Board of Management and the Supervisory Board. These other meetings included frequent regular contacts between the CEO and the Chairman of the Supervisory Board, as well as various contacts between the CFO and Mr. Verstraeten. In the past, these meetings were held in various locations of mutual convenience, including corporate head office in Deventer, at the production sites in Stuttgart and Nördlingen and at convenient locations close to other coinciding meetings such as visits to customers and meetings with the Works Council. Typically, these meetings were held either face to face or by using teleconferencing. However in 2020, unfortunately all meetings had to be held virtually, using the various digital platforms (e.g. Microsoft Teams, Skype, Zoom), due to the COVID-19 pandemic and the resulting travel bans or limitations within Europe.

In the Supervisory Board meetings in 2020, the following topics were reviewed and discussed extensively:

- the impact of the COVID-19 pandemic on our employees' health and the Company's operational performance;
- the business update, operational and financial targets;
- development and changes in the management team and appointments;
- the financial position, liquidity & banking relations;
- re-financing of the bond loan;
- relevant capital expenditures;
- business development strategy (including strategic M&A options and opportunities);
- the scope and strategy of the Company and the related risk profile;
- corporate governance issues;
- evaluation of KPMG Accountants N.V., following the 2019 audit as the first year of their engagement granted for the audit of the financial statements for the financial years 2019, 2020, 2021 and 2022;
- communication with investors & analysts;
- succession planning and recruitment;
- risk management;
- legal disputes and court case;
- remuneration;
- financial audit;
- publishing of press releases.

RoodMicrotec N.V. does not have a separate Audit Committee due to the size of the Company and thus the functions of the Audit Committee are handled by the Supervisory Board.

The Supervisory Board was able to provide personal support on several occasions throughout the year for strategic business discussions, business development strategy including strategic M&A options and opportunities, both internally and externally with potential alliance partners.

In all Board Meetings held in 2020 all Supervisory Board members and all Board of Management members were present.

## Outlook 2021

The current, limited size of the Company operating in a public environment as a share-issuing listed entity, tends to cause relative extensive costs from time to time due to legislation, listing rules, stock market supervision and corporate governance requirements. The Supervisory Board believes that it should reassess and evaluate on a regular, periodical basis whether (i) the ownership structure of the Company still accommodates the long-term goals for all stakeholders, and (ii) the Company's strategy adequately supports the realization of targeted growth

of the enterprise value of the Company. Therefore, in the course of 2021 the Supervisory Board intends to initiate and execute (with certain assistance provided by external advisors) an independent review of the Company's growth strategy, based on various strategic scenarios that might be explored:

- continue "as-is", focussing on autonomous growth;
- grow through a buy-and-build strategy;
- strategic M&A, including joining a larger ecosystem;
- delisting the Company and continue as a private company in a standalone scenario, potentially including an MBO and search for a financial sponsor.

### Supervisory Board composition and evaluation

The Supervisory Board comprises of two independent members both of whom meet the requirements of the Corporate Governance Code. Following the prescribed 8 (4+4) year term of Mr. Tee, he was reappointed with shareholder approval for further 2-year terms in 2017 and 2019 due to the need for oversight continuity given the significant changes of the Board of Management and the Supervisory Boards over that period. It is noted his current term will end in 2021. However, due to unexpected delays for the availability of the planned new member caused by the COVID-19 pandemic, we will propose to the Annual General Meeting of Shareholders to be held on June 10, 2021 to appoint Mr. Tee for an exceptional final one year term in order to provide adequate supervision and to complete the necessary handover requirements.

There were no separate committee meetings held in 2020 as all topics were discussed in the joint meetings with the Board of Management following an independent review by the Supervisory Board, with the exception of one remuneration committee meeting in which the remuneration of the Board of Management was discussed and evaluated against a set of companies that can be viewed as representative to its business. Based on this the updated remuneration was implemented. The composition of the Board of Management was also discussed during this meeting and the conclusion was that the Board of Management in its current composition still is adequately composed for running the Company in the present stage during the coming years. This remuneration committee meeting also prepared the Remuneration Policy 2020-2023, which was approved by the Annual General Meeting of Shareholders held on July 23, 2020.

The regular monthly meetings of the combined boards that operated through 2020 provided an open dialog platform for sound governance of the Company. In addition, each of the boards separately and independently evaluated their performance and where necessary the ISO control documents were updated accordingly. An additional benefit of the combined boards approach is the provision of 360-degree feedback regarding performance.

The two independent members of the Supervisory Board and all procedures of the Supervisory Board are considered adequate for a company of this size. With the regular interaction between the Board of Management and the Supervisory Board where all items are discussed and the insight the Supervisory Board has in the daily work of the Company it is not deemed necessary to install a separate internal audit function.

The knowledge of the Board of Management and Supervisory Board was reviewed in the board meetings and is considered to be well established for the Company.

<b>Member of the Supervisory Board</b>	<b>Start Current Term</b>	<b>End Current Term</b>
Mr. Victor George Tee (Chairman)	2019	2021
Mr. Marc Verstraeten	2019	2023

Deventer, April 21, 2021

#### Supervisory Board

V.G. Tee, Chairman

M.E.T. Verstraeten

## RISK AND RISK MANAGEMENT

### General

Our policy is aimed at growth in conjunction with a relative reduction of market risks. Operational, market-related and financial aspects play an ever-increasing role in achieving this.

### Operational

**Total income** in Test Operations inclusive Test Engineering make up approximately 46% (2019: 49%) of total income. In this sector, we have a strong reputation and we have built up a relationship of trust with our major customers. In response to this trend – moving semiconductor manufacturing to Asia - we have strongly increased the spread within our total customer base over the past few years, which has reduced risk. While we have long-term contracts with many of our major customers, these contracts do not include purchase guarantees. Risks are mitigated by intensive communication with customers on anticipated volumes. Other total income is made in the sectors Supply Chain Management and in Qualification & Failure Analysis. We focus on high-end work and long-term projects specifically in Supply Chain Management, which further reduces operating risks. During 2020, the sales from one of our long-term customers again increased and it is now exceeding 15% of our total income. This is mitigated by a very close cooperation with this customer on all levels, from technical meetings through production planning to sales and management discussions. In the situation, that our customer base will decrease and will not be compensated by new customers this will impact our growth ambitions or even could result in decreasing financial results.

**Costs** - Globalization is putting increasing pressure on prices in all areas, but particularly in our Test Operations. This requires constant focus on improving cost management, reducing costs, optimizing the test equipment load and intelligent solutions. Salaries and associated pension commitments are also monitored closely, as they make up more than half of our total costs. Using a good mix between temporary staff and permanent staff is vital for RoodMicrotec's operations in Germany in order to reduce risks. In other market sectors in which high-quality staff is being used, there is a limited staff surplus cost risk. There is a shortage of highly trained technical staff in Europe. In case there is a significant drop in business, we are not able to significantly decrease our cost level on a short notice, which could impact the financial results.

**Qualified staff** - In view of the advanced technological level of our operations, the Company is highly dependent on qualified staff. As it is not always easy to find such staff in the employment market, we have opted to set up our own training program in order to reduce the risk of not being able to attract qualified staff. We also collaborate with engineering firms and are in close contact with universities in order to attract bachelor and master students. The fact that RoodMicrotec has a branch in the University City Stuttgart puts it in a better position to recruit high-quality staff. In the situation that we experience significant difficulties in hiring qualified staff, this may impact our financial results from both a total income and cost perspective.

### Market risks

We operate in a highly cyclical market, which shows despite the COVID-19 pandemic a global growth but with a decrease of total semiconductor sales in Europe. The COVID-19 pandemic negatively impacted our total income level in 2020. In general, the semiconductor market will continue to grow in the future. The demand of semiconductors in Europe continues to rise, as manufacturers in Europe desire semiconductors to be produced closer to or within the continent. We have opted for this growth segment – the supply chain from Europe to Asia and back to Europe and the rest of the world – from the point of view of risk management as it better safeguards continuity.

In the past, various customers (IDMs) used RoodMicrotec as a way to generate additional sales in a short-time span, which increased the Company's exposure to market fluctuations. In view of this, we reduced our risk and are increasingly focusing on customers who wish to outsource their test activities on a long-term basis, such as Fabless Companies and OEMs. This exposes the Company to the upswings and downturns of the market, but also allows it to generate sales during downturns to customers who opt for outsourcing.

RoodMicrotec's ideal and preferred form of outsourcing is for customers to contract out the entire supply chain, including all their engineering, qualification & failure analysis and test activities. The Company offers a turnkey solution to the automotive, industrial, medical and HiRel / aerospace markets. Not being able to hire good engineers presents a significant risk. RoodMicrotec mitigates its risks through an active personnel policy seeking a balance between permanent and temporary staff on the one hand and young and experienced staff on the other.

## Competition

In Europe we face competition from a number of countries. We aim to minimize our risk as an independent European semiconductor company by basing our sales and operations in the Netherlands, Germany and Britain and having agents in Denmark, Finland, France, Poland, Sweden, Switzerland, United Kingdom, Israel and India as our main partners.

## Finance

The Company's activities are exposed to a variety of financial risks: market risks (including currency risks), credit risks and liquidity risks. The Company's overall risk management program - with respect to the use of the main financial instruments - is described below.

**Financial markets and liquidity risks** - We operate in a capital-intensive market, where significant fluctuations are a normal phenomenon. Dealing with such fluctuations requires having enough available cash. The financial market circumstances may influence and/or damage the financing of our activities. Considering fluctuations in the financial markets, we prepare sensitivity analysis in our 5-years-rolling forecasts, cash flow prognosis, and investment budgets. Based on these analyses, we conclude in early stage equity line arrangements with our large investors and / or loan contracts.

**Currency risks** - So far, we have made most of our sales in Europe. Since most of our work is invoiced in Euros we have only limited exposure to currency fluctuations. We try to limit our currency risks as much as possible, and when transactions in other currencies increase will hedge our currency risks. We will continue to actively monitor this aspect, certainly in view of the international operations that are under development.

**Product liability risks** - We have taken out adequate liability insurance for production faults, which is particularly important for the automotive industry.

**Risks related to the share listing and audit** - The Company has a limited market capitalization and is a small public limited liability company listed at the Euronext stock exchange in Amsterdam. For such a small listed Company, the expenses related to listing requirements, such as audit fees, investor relations expenses, fees from regulatory bodies (e.g. Euronext, AFM), tend to have a relatively big impact on the Company's operating result. Furthermore, quite some small listed companies in the Netherlands appear to have profound difficulty to engage an auditing firm to audit their financial statements. Should the Company's current auditing firm, KPMG Accountants N.V., decide to terminate their audit engagement with the Company, this could result in the Company not being able to engage another auditor. And thus, this might result in the Company not being able to meet the listing requirements from Euronext and the Company's statutory obligations in this respect.

## COVID-19

The infection of the global economy by the coronavirus at the beginning of 2020 reduced growth worldwide. The OECD is already warning for a recession depending on the spread and duration of the COVID-19 pandemic. In addition, the worldwide semiconductor market is cyclical and volatile. Predictions are cautious and just for one or two years; no real long-term outlook is available. In this respect, RoodMicrotec has identified the following as the major risks for the Company:

- **Supply chain:** Since RoodMicrotec is dependent on the delivery of parts and services from partners this can have an impact of the ability of the Company to deliver its services to the customers. Communication with our suppliers has been intensified to get early warning if the situation changes and to be able to find solutions. At this stage, no interruptions have been identified.
- **Sales and profitability:** If the demand of services from our customers is reducing it will have direct impact on the total income and profitability. We are keeping in close contact with our customers to get their continuous view on the situation so we can act accordingly. Internal control over purchases, as well as load of our different departments, are monitored regularly.
- **Government assistance:** If there is a reduced demand from our customer resulting in reduced work for RoodMicrotec we are in the position to run "short-time work". This is a system in Germany where the government is paying the salaries for these hours that people are not working. This helps in situations like COVID-19.

- Financing: Due to COVID-19, it was not possible to close the refinancing round for the secured bond loan in time for June 30, 2020. An extension of the term of the bond loan with one year was accepted by the bondholders and we closed the complete refinancing on December 31, 2020. The cash position of the Company is closely monitored to be able to take actions when necessary.

### **Internal risk management and control system**

For our IT-systems, we have opted for an integral tandem solution in one location. To control risks, the mainframes that are part of the tandem are physically separated and situated in special fireproof environments. All sites are connected to the integral tandem system, so as to reduce risks.

The various companies, including the holding company in the Netherlands, the branch offices and the operational units, all work with the same IT-system, which allows for better monitoring of financial results.

Based on what is summarized above, RoodMicrotec feels that its internal risk management and control systems provide a reasonable degree of assurance that the financial reporting does not contain any material inaccuracies and that this system has worked adequately in the year under review. There are no reasons to believe that the system should not work adequately in the current financial year.

### **Strategic plans**

Strategic plans are discussed annually, adjusted where necessary, and then translated into budgets that are regularly compared to the actual state of affairs. Monthly reports are prepared that may give rise to corrective actions. The internal quoting process is subjected to a monthly (quality) audit, which investigates whether internal guidelines have been adhered to.

### **Internal evaluations and external audits**

A schedule is drawn up every year for internal evaluations and external audits. Our employees and external auditors then act upon this schedule. Both the internal evaluations and the external audits may result in corrective measures; the feedback on internal control observations from the external audits are discussed by the Supervisory Board (audit committee).

### **Audit committee**

The audit committee comprises all members of the Supervisory Board. The Supervisory Board meets at least four times per year.

### **Letter of representation**

Every year, the RoodMicrotec Board of Management signs a detailed statement concerning financial reports and external audits.

### **Actions taken in 2020**

During 2020, RoodMicrotec has tracked the potential risks in different ways. The sales team prepares new forecasts on a monthly basis, which are then presented to the Board of Management. The follow up on this is done with respect to investments, personnel and other operating expenses. The financial results are also reviewed on a monthly basis; the results are prepared by the finance department and then approved by the Board of Management and discussed with the Supervisory Board during the monthly Board Calls.

Market risks and Competition are mainly reviewed in the monthly sales meetings and the strategy meeting that was held beginning of December. In this meeting the sales team as well as the department leaders present their view on these topics and the Board of Management then reports these findings to the Supervisory Board. If there are material changes in any of these areas during the year, it is reported separately.

The Board of Management had regular meetings with the IT team to review security risks when it comes to the infrastructure. Based on this various investments have been done to improve the security of the systems. The quality department has the responsibility to control the internal processes and these are reviewed once a year with the Board of Management in a management review. If urgent actions are needed additional meetings are held.

## CORPORATE SOCIAL RESPONSIBILITY

### 1. Introduction

Underpinning RoodMicrotec's commitment to responsible corporate citizenship and the pursuit of a sustainable future - economic, social and environmental - the Code of Conduct sets out guiding principles on integrity and ethics in business conduct. They govern RoodMicrotec's business decisions and actions throughout the world and apply equally to corporate actions and to the behavior of individual employees in conducting RoodMicrotec's business. They are subject to applicable laws.

The Code of Conduct is not all-encompassing but formulate minimum requirements of behavior. There is room to specify further local rules of business conduct. The Code of Conduct, which has been adopted by the Board of Management and approved by the Supervisory Board, is reviewed on a regular basis and revised if necessary.

### 2. General commitment

RoodMicrotec's mission is to be a knowledge and technology driven service provider in the field of modern devices that is able to handle the whole chain for complex requirements as well as individual services. In a world where technology increasingly touches every aspect of our daily lives, RoodMicrotec aspires to be a leading solutions provider in the semiconductor industry in the areas of automotive, industrial, medical and HiRel / aerospace.

RoodMicrotec wishes to be a responsible partner in society, acting with integrity towards its shareholders, customers, employees, suppliers and business partners, competitors, governments and their agencies and others who can be affected by its activities. RoodMicrotec duly observes the applicable rules of the law of the countries in which it operates and regularly reviews its interests and those of affected persons or entities in order to ensure a healthy, long-term relationship with them. RoodMicrotec endeavors to adapt to local situations in order to take the most appropriate approach to possible problems within the bounds of applicable law and responsible conduct. In this respect RoodMicrotec supports the principle of dialogue and cooperation with all parties involved.

#### 2.1. Human rights

With due regard to the Universal Declaration of Human Rights, which states that all parties in society, including corporate persons, have a duty to respect and safeguard human rights, and within the framework of the legitimate role of businesses, RoodMicrotec supports and respects human rights and strives to ensure that its activities do not make it an accessory to infringements of human rights.

#### 2.2. Free market competition

RoodMicrotec supports the principle of free market competition as a basis for conducting its business and observes applicable competition laws and regulations.

#### 2.3. Product safety

RoodMicrotec aims, at all times, to supply safe products and services.

#### 2.4. Privacy

The privacy of personally identifiable information about customers, employees, business partners and other individuals will be protected.

#### 2.5. Environmental protection

Consistent with RoodMicrotec's commitment to sustainable development, it will do all that is reasonable and practicable to minimize any adverse effects of its activities on the environment.

### 3. Commitment towards customers

RoodMicrotec's goal is to constantly delight each customer with breakthroughs both large and small. To this end, the Company seeks to maintain an ongoing dialogue with its customers. RoodMicrotec is committed to listen to and learn from them, so that it is able to design and deliver the solutions they really want and need. RoodMicrotec will always deal with its customers in a fair and forthright manner, maintaining the highest levels of integrity.

## 4. Commitment towards shareholders

It is of central importance to RoodMicrotec to conduct its operations in accordance with the highest standards of internationally accepted principles of good corporate governance. RoodMicrotec aims to achieve long-term value creation and a satisfactory return on equity, with the intention if possible, of providing a sustainable dividend payment to the shareholders, while at the same time retaining sufficient funds in the Company to generate profitable growth. RoodMicrotec attaches great value to its relations with its shareholders and the financial markets and provides timely, regular and reliable information on its activities, structure, financial position and performance.

## 5. Commitment towards employees

RoodMicrotec values its employees as a key resource. An atmosphere of good employee communication, involvement and responsibility is of central importance, and an employee's personal development and optimum use of talents is encouraged.

### 5.1. Employee relations

RoodMicrotec shall – within the framework of (local) law and common local practice – inform its employees at least once a year about the general course of the business.

### 5.2. General statement about Conventions of the ILO

The Conventions of the International Labor Organization are addressed to member states of the International Labor Organization, not to individuals or companies. RoodMicrotec supports the aim of the International Labor Organization to arrive at universally accepted labor standards. RoodMicrotec has adopted internal procedures and guidelines with respect to topics covered by the seven Fundamental Conventions of the International Labor Organization, such as forced labor, the right to organize, collective bargaining, discrimination and child labor.

### 5.3. Right to organize

RoodMicrotec recognizes and respects the freedom of employees to choose whether or not to establish or to associate with any organization of their own choosing (including labor unions) without RoodMicrotec's prior authorization. RoodMicrotec will not make the employment of a worker subject to the condition that he/she shall not join a union or shall relinquish trade union membership. Furthermore, RoodMicrotec will not cause the dismissal of – or otherwise prejudice – a worker by reason of union membership. RoodMicrotec will not interfere with or finance labor organizations or take other actions with the object of placing such organization under the control of RoodMicrotec.

### 5.4. Collective bargaining

RoodMicrotec respects – within the framework of law, regulations and prevailing labor relations and employment practices – the right of its employees to be represented by labor unions and other employee organizations. RoodMicrotec will engage in negotiations, either on its own behalf or through employers' associations, with a view to reaching agreement on employment conditions.

### 5.5. Employment conditions

Employees will be informed about the outcome of the negotiations on employment conditions with employee representatives, if applicable, and RoodMicrotec shall ensure that employment policies regarding pay and/or job grading, working hours, health and safety, are clear and transparent and fully compliant with all applicable national laws.

### 5.6. Discrimination

Every employee has equal opportunities and will be treated equally in employment and occupation. RoodMicrotec offers equal pay for equal work performed at equal levels at similar locations. No form of harassment or discrimination in respect of employment and occupation will be tolerated, such as discrimination based on race, color, sex, language, religion, political or other opinion, national or social origin, property, birth or other status.

### 5.7. Health and safety

RoodMicrotec will do all that is reasonable and practicable to protect the health and safety of its employees. The measures taken with masks, distance between the working places, home offices and general care, have enabled us to offer a safe environment for our employees during the COVID-19 pandemic.

### 5.8. Equal and fair treatment

Every employee has equal opportunities and will be treated equally in employment and occupation regardless of personal background, race, gender, nationality, age, sexual preference or religious belief. The same applies to the recruitment of employees. RoodMicrotec strives to offer equal pay for equal work performed at equal levels at similar locations. No form of harassment or discrimination will be tolerated.

**5.9. Wages and payment**

Remuneration must be consistent with the provisions of all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. Any disciplinary wage deductions must be in conformity with local law. Wages will be paid regularly in check form, via bank account, or in exceptional cases, in cash. Employees will be informed about the composition of their pay and benefits in a detailed and clear manner.

**5.10. Working hours**

Working weeks are not to exceed the maximum set by local law and should not be more than 60 hours, including overtime, except in emergency or exceptional circumstances to meet short-term business demand. Employees will be allowed at least one day off per seven-day period. Overtime work shall be voluntary, unless agreed in a collective labor agreement or union contact, or, in emergency or exceptional circumstances, to meet short-term business demand.

**5.11. Employee development**

Both RoodMicrotec and its employees have a commitment to each other to make every effort to ensure high levels of performance and employability. To this end, RoodMicrotec will provide relevant training opportunities to its employees.

**5.12. Harassment**

RoodMicrotec will not tolerate harsh and inhumane treatment, including sexual harassment, sexual abuse, corporal punishment, bullying, mental or physical coercion or verbal abuse of RoodMicrotec employees, or the threat of any such treatment.

**6. Commitment towards suppliers and business partners**

RoodMicrotec pursues mutually beneficial relationships with its suppliers and business partners. It seeks to award business to suppliers and business partners who are committed to act fairly and with integrity towards their stakeholders and who observe the applicable laws of the countries in which they operate.

**7. Assets and information****7.1. Use and protection of assets**

Each employee is responsible for the proper use, protection and conservation of RoodMicrotec's assets and resources as well as confidential information disclosed to RoodMicrotec by its business partners. RoodMicrotec's assets and resources as well as any opportunities arising by virtue of one's position, are to be used solely to pursue and achieve RoodMicrotec's goals and not for personal benefit.

**7.2. Improper disclosure**

RoodMicrotec regards information for the purpose of its business as a corporate asset that must be protected against loss, infringement and improper use and disclosure.

RoodMicrotec is committed not to make use of information disclosed to it by a third party if it is suspected that the discloser thereby violates an obligation of confidentiality, unless the information:

- is generally available to the public, other than as a result of disclosure by RoodMicrotec;
- has been independently developed by RoodMicrotec;
- or becomes available to RoodMicrotec either on a non-confidential basis from a third party who is not bound by any confidentiality obligations or by operation of law.

**7.3. Insider trading**

All employees shall comply with RoodMicrotec's insider trading rules. This means that non-public information which might influence the market price of RoodMicrotec shares shall be kept in strict confidence until publicly released by authorized management. Furthermore, employees who have sensitive information, which could influence the price of RoodMicrotec shares and related rights, must refrain from directly or indirectly executing transactions in RoodMicrotec shares and related rights. Additionally, employees have to comply with statutory rules and regulations concerning insider trading with respect to securities of other listed companies.

## 8. Engagement outside RoodMicrotec

RoodMicrotec expects its employees to be fully dedicated to the proper fulfilment of their jobs and to avoid any (potential) conflict of their personal or business activities and financial interests with such commitment. Any engagement outside RoodMicrotec and any financial interest (direct or indirect such as via a family member or acquaintance) which could give rise to a conflict of interest should always be promptly disclosed to the next level of management.

Financial reward received for services rendered to third parties should be made over to the Company. However, if the service in question is rendered largely in the employee's own private time, management may grant the employee permission to retain all or part of the compensation. Compensation received in respect of part-time posts held, professional not direct related to RoodMicrotec, with permission, may be retained. This provision does not apply to compensation for services rendered by a person in his private time, which are not related in any manner to his professional activities for RoodMicrotec.

## 9. Business integrity

### 9.1. Bribery; records of transactions

RoodMicrotec insists on honesty, integrity and fairness in all aspects of its business. Bribes in any form are unacceptable; commission payments and personal gifts or favors may only be made or accepted in strict accordance with these directives. RoodMicrotec strives to comply with the highest levels of transparency and accountability throughout the Company. Records of transactions should be maintained in an accurate, complete and timely manner in accordance with RoodMicrotec accounting principles. No unrecorded funds or assets should be established or maintained.

### 9.2. Gifts

The acceptance of gifts or personal favors of commercial value are not acceptable. It is to be made clear to third parties that personal favors can only influence the business relationship negatively and that business decisions are based solely on benefits to the Company and not on considerations of past or future personal gain. In general, a gift (the value of which does not exceed EUR 50) may be accepted if given voluntarily and if there is no reasonable likelihood that it will influence your judgment or actions in performing duties for RoodMicrotec.

When refusing a gift would be discourteous, the gift must be promptly turned over to the Compliance Officer. RoodMicrotec will, in case that it happens, consider donating such gifts to charitable institutions. If you have any doubts in a given situation, please discuss with your management or the Compliance Officer.

Some other guidelines with regard to gifts:

- Personal financial assistance of any kind provided by a supplier or another business contact, other than a financial institution acting in the ordinary course of business, is prohibited.
- Attendance at sport events, restaurants, bars, shows, etc. as the guest of a business contact is permissible only up to two times a year per business contact and only if the hosting company representative is present.
- Travel and overnight accommodation paid for by a (potential) supplier is not allowed.

### 9.3. Third-party interests

Employees are not allowed to have any direct or indirect financial interest in a supplier or competing company with the exception of a financial interest in a publicly traded company.

### 9.4. Payments to third parties

Any payment for a company's products or services must be made to the Company, not to an individual. All payments must be properly and fairly recorded in appropriate books of account available for inspection. There must be no 'off the books' or secret accounts. No payments will be channeled through an Agent. All payments made to an Agent should be intended for the Agent itself. Cash payments are not permitted; all payments should be made to a bank account designated in writing. Payments to a so-called numbered account with a bank are not permitted. RoodMicrotec only makes payment to the provider of goods or services received. A request to divert a payment to an entity or person offshore shall always be rejected

### 9.5. Commission payments

Commission payments to third parties is too difficult and complex a topic to be addressed exhaustively in specific guidelines. The objective is to make sure that the hard rule laid down in the Code of Conduct on the prohibition of bribes in any form is not circumvented by commission payments. Against this background, the acceptability of a commission payment has to be determined on the basis of a thorough evaluation and assessment, by responsible management, of all relevant information in respect of the proposed commission as well as the third party to whom it is to be paid. In this respect, it is recommended that the Board of Management consult the Supervisory Board.

In the event of reasonable doubt as to compliance to local and international laws and regulations and/ or the Code of Conduct, and if this doubt cannot be eliminated in consultation with a legal advisor, the payment should not be made, and the contract should not be concluded. Any commission payment to a third party should be justified by clear and demonstrable services rendered by that party to RoodMicrotec. In the event of the commission payment also covering a substantial part of the activities that are generally included in cost of sales, the level of the commission may vary from country to country. In this respect, it is recommended that management compare the selling price of the order with quotations offered by competitors. If the RoodMicrotec price differs substantially from that of the competitors, management has to make sure that the difference is not due to a difference in the amount of commission to be paid. A commission payment equaling a double-digit percentage is not acceptable, except in the event of extreme circumstances and without prejudice to the above.

#### **9.6. Agents, distributors, commissioners**

The remuneration of an agent, distributor, commissioner and the like (hereinafter: Agent) may not exceed the normal and reasonable commercial rates for the legitimate service rendered by the Agent. An Agent shall be appointed by virtue of a service contract in writing, which shall always incorporate a reference to the Code of Conduct. All such contracts shall be registered in the country. The background of the Agent must be reviewed thoroughly by the person proposing the Agent in close cooperation with the country management; evidence of such review must be available in the file. An Agent may not be a Government official. A record will be maintained of the names and terms of engagement of all Agents.

#### **9.7. Facilitating payments**

Facilitating payments are small payments made in money or in kind, which have to be made, in accordance with publicly known and widely followed local custom and practice, in connection with the performance, by officials in documentation, customs clearance and other matters, of their normal duties. A characteristic of facilitating payments is that the service obtained as the result of such payment represents the legitimate function of the official concerned and does not render undue advantage to the payer in comparison with other companies. Facilitating payments do not fall within the scope of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. In some countries, however, the legislation to implement the Convention also covers facilitating payments, as a consequence whereof an officer (or, under certain circumstances, the Company) who has made such payments abroad, could be prosecuted in his home country. In general, RoodMicrotec is opposed to the making of facilitating payments. The Company will promote measures to eliminate such practices; at all events applicable laws and regulations should be complied with.

#### **9.8. Political payments**

RoodMicrotec shall not pay advisory fees, make payments or donations, in money or in kind, to political parties, political organizations or individual politicians. Subject to applicable laws and regulations, exceptions to this prohibition may be made – where legally permissible – only if explicitly approved by the Board of Management. In those exceptional cases where payments or donations are made, all requirements regarding public disclosure of such payments or donations shall be complied with in full.

#### **9.9. Money laundering**

RoodMicrotec will not participate in "money laundering" by entering any arrangement which is known or there is reason to suspect that it will be used to facilitate any acquisition, retention, use or control of any property or money intended to disguise the proceeds of crime. An employee who suspects a situation of money laundering shall inform the Compliance Officer.

### **10. Internet, Intranet and e-mail use**

No RoodMicrotec employee may use RoodMicrotec's internal e-mail system, Intranet or Internet in any way that is illegal or might otherwise damage RoodMicrotec's reputation, such as by:

- deliberately accessing, creating, displaying, transmitting, soliciting, printing, downloading or otherwise disseminating messages, information or material that is or could be construed as threatening, fraudulent, pornographic, discriminatory, sexually oriented, abusive, libelous, derogatory, defamatory, obscene, harassing, disparaging or otherwise unlawful or inappropriate;
- deliberately copying, reproducing, transmitting, distributing, posting or otherwise disseminating or using materials in violation of intellectual property laws or any other applicable law or regulations;
- knowingly "spamming" (the practice of sending e-mail in bulk to (random) e-mail accounts), or using information captured via the Intranet or the Internet for "spamming";
- knowingly sending unsolicited e-mails, such as product promotions etc., to individual consumers unless they opted-in to such communications;

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- using it for personal gain (e.g. through online gambling or non-RoodMicrotec business activities). No RoodMicrotec employee may use RoodMicrotec's internal e-mail system, Internet (mail) or Intranet in any way that may interrupt its efficient and effective operation or compromise the security of RoodMicrotec's or third parties' systems, such as:
  - purposely circumventing security measures to gain unauthorized access to systems or data, whether belonging to RoodMicrotec or a third party;
  - purposely compromising any computer system, whether belonging to RoodMicrotec or a third party (e.g. through deliberate introduction of a virus or hacking);
  - intentionally creating an excess volume of non-business communication that may impair operation of the messaging environment.

RoodMicrotec may take measures to monitor compliance with this Directive and with local laws.

## **11. Observance of the Code of Conduct**

### **11.1. Sanctions**

All RoodMicrotec employees must comply with the Code of Conduct. Violation may lead to disciplinary action, including dismissal, notwithstanding any further civil or criminal action that may be taken.

### **11.2. Whistle-blower policy**

In order to promote the reporting of violations of the Code of Conduct, a whistle-blower policy is in place, enabling employees to submit complaints on an anonymous basis without fear of the complaints leading to disciplinary action.

### **11.3. Compliance**

Compliance with the Code of Conduct is monitored via the Compliance Officer, who regularly reports to the Board of Management and Supervisory Board on the deployment of the Code of Conduct and on ethical issues in general. Reporting on compliance with the Code of Conduct is also an integral part of the Corporate Governance statement issued annually by the Board of Management, Supervisory Board and Corporate Management Team as part of a cascade process leading to certification of the RoodMicrotec's annual accounts. Compliance processes and procedures are reviewed by RoodMicrotec's Supervisory Board.

### **11.4. Compliance Officer**

It is recommended that the chief financial officer (CFO) should be appointed as Compliance Officer. In this capacity he/she reports to the Board of Management and Supervisory Board respectively

Further information and a downloadable version: [www.roodmicrotec.com](http://www.roodmicrotec.com)

## CORPORATE GOVERNANCE

RoodMicrotec N.V. respects the Dutch corporate governance code (hereinafter referred to as the Code; officially referred to as 'The Revised Dutch Corporate Governance Code 2016') and considers its application in the light of the Company's scale. In this context, RoodMicrotec has decided on a trend-follower position. The system of the Code will be leading in this chapter. The chapter numbers correspond to the chapters of the Code.

RoodMicrotec is very aware of the role it plays in society. Consequently, we judge ourselves by society's standards, thereby indirectly rendering account for our activities to all our stakeholders:

- customers;
- investors;
- employees;
- our immediate social environment.

We also engage with these groups, for example through seminars with customers, investors and the press, regional business relations, and through open and transparent discussions with our employees. RoodMicrotec's General Business Principles and whistle blower policy may be inspected on the Company's corporate website.

Shareholders are free to pursue their own interests within the boundaries of reasonableness and fairness, yet mindful of corporate social responsibility. They are in principle not bound by the interests of the Company and the business it runs. We are happy to enter into discussions with shareholders if they do not accept the Company's explanation of why it has resolved to deviate from any best-practice provision.

### Chapter 1. Long-term value creation

#### 1.1.1 – 1.1.4 Long-term value creation

The Board of Management is responsible for the continuity of the Company and its affiliated enterprise. The Board of Management focuses on long-term value creation for the Company and its affiliated enterprise and considers the stakeholder interests that are relevant in this context. The Supervisory Board monitors the Board of Management in this.

The Board of Management develops a view on long-term value creation by the Company and its affiliated enterprise and formulates a strategy in line with this. Depending on market dynamics, it may be necessary to make short-term adjustments to the strategy.

The Board of Management engages with the Supervisory Board early on in formulating the strategy for realizing long-term value creation. The Supervisory Board supervises the manner in which the Board of Management implements the long-term value creation strategy.

In the management report, the Board of Management gives a more detailed explanation of its view on long-term value creation and the strategy for its realization, as well as a description of which contributions were made to long-term value creation in the past financial year.

#### 1.2.1 – 1.2.3 Risk management

RoodMicrotec has adequate internal risk management and control systems in place. The Board of Management is responsible for identifying and managing the risks associated with the Company's strategy and activities. The majority of the risk management systems within the Company is based on the structure from the ISO9001-2015 standard.

The Board of Management will identify and analyze the risks associated with the strategy and activities of the Company and its affiliated enterprise. Based on the risk assessment, the Board of Management will design, implement and maintain adequate internal risk management and control systems.

The Board of Management monitors the operation of the internal risk management and control systems and will carry out a systematic assessment of their design and effectiveness at least once a year. This monitoring covers all material control measures relating to strategic, operational, compliance and reporting risks.

#### 1.3.1 – 1.3.6 Internal audit function

Since RoodMicrotec does not have an internal audit function, the Supervisory Board will assess annually whether adequate alternative measures have been taken and will consider whether it is necessary to establish an internal audit department.

**1.4.1 – 1.4.3 Risk management accountability**

The Board of Management will render account of the effectiveness of the design and the operation of the internal risk management and control systems. The Board of Management discusses the effectiveness of the design and operation of the internal risk management and control systems with the Supervisory Board. The management report will render account of the accountability as well as the insight made into the risk management.

**1.5.1 – 1.5.4 Role of the Supervisory Board**

The Supervisory Board supervises the policies carried out by the Board of Management and the general affairs of the Company and its affiliated enterprise. In so doing, the Supervisory Board also focuses on the effectiveness of the Company's internal risk management and control systems and the integrity and quality of the financial reporting.

RoodMicrotec does not have a separate audit committee due to the size of the company. The Supervisory Board handles the functions of the audit committee.

The Supervisory Board will focus on monitoring the Board of Management with regard to:

- relations with, and compliance with recommendations and following up of comments by, the external auditors;
- the funding of the Company;
- the application of information and communication technology by the Company, including risks relating to cyber security; and
- the Company's tax policy.

**1.6.1 – 1.6.5 Appointment and assessment of the functioning of the external auditor**

The Supervisory Board will submit the nomination for the appointment of the external auditor to the general meeting and supervises the external auditor's functioning.

The Supervisory Board gives the external auditor a general idea of the content of the reports relating to their functioning. The Supervisory Board will formulate the engagement for the external auditors to audit the financial statements. The Board of Management plays a facilitating role in this process. In formulating the terms of engagement, attention must be paid to the scope of the audit, the materiality to be used and remuneration for the audit.

The main conclusions of the Supervisory Board regarding the external auditor's nomination and the outcomes of the external auditor selection process will be communicated to the general meeting. The Company should publish a press release in the event of the early termination of the relationship with the external audit firm. The press release should explain the reasons for this early termination.

**1.7.1 – 1.7.6 Performance of the external auditor's work**

The Supervisory Board and the external auditor will discuss the audit plan and the findings of the external auditor based on the work the external auditor has undertaken. The Board of Management and the Supervisory Board should maintain regular contact with the external auditor.

The Board of Management will ensure that the external auditor receives all information that is necessary for the performance of his work in a timely fashion. The external auditor will discuss the draft audit plan with the Board of Management before presenting it to the Supervisory Board.

The Supervisory Board will determine whether and, if so, how the external auditor should be involved in the content and publication of financial reports other than the financial statements. The Supervisory Board should meet with the external auditor as often as it considers necessary, but at least once per year, outside the presence of the Board of Management.

The Supervisory Board should be permitted to examine the most important points of discussion arising between the external auditor and the Board of Management based on the draft audit report. The external auditor should in any event attend the meeting of the Supervisory Board at which the report of the external auditor on the audit of the financial statements is discussed.

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## Chapter 2. Effective management and supervision

### 2.1.1 – 2.1.10 Composition and size

The Board of Management and the Supervisory Board are composed such that the requisite expertise, background, competencies and – as regards the Supervisory Board – independence are present for them to carry out their duties properly. The size of these two bodies reflects these requirements.

The Supervisory Board should prepare a profile, taking account of the nature and the activities of the enterprise affiliated with the Company. Information about each Supervisory Board member will be included in the report of the Supervisory Board.

RoodMicrotec does not have an executive committee due to the size of the company.

The Supervisory Board should draw up a diversity policy for the composition of the Board of Management and the Supervisory Board.

The composition of the Supervisory Board is such that the members are able to operate independently and critically vis-à-vis one another, the Board of Management, and any particular interests involved. RoodMicrotec is following the definition in chapter 2.1.8 when defining independence of the Supervisory Board members. The Chairman of the Supervisory Board should not be a former member of the Board of Management of the Company and should be independent.

The report of the Supervisory Board states that, in the opinion of the Supervisory Board, the independence requirements referred to in best practice provisions have been fulfilled.

### 2.2.1 – 2.2.8 Appointment, succession and evaluation

The Supervisory Board ensures that a formal and transparent procedure is in place for the appointment and reappointment of Board of Management and Supervisory Board members, as well as a sound plan for the succession of Board of Management and Supervisory Board members, with due regard to the diversity policy. The functioning of the Board of Management and the Supervisory Board as a collective and the functioning of individual members should be evaluated on a regular basis.

A Board of Management member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time. A Supervisory Board member is appointed for a period of four years and may then be reappointed once for another four-year period. The Supervisory Board member may then subsequently be reappointed again for a period of two years, which appointment may be extended by at most two years.

A member of the Supervisory Board or the Board of Management should retire early in the event of inadequate functioning, structural incompatibility of interests, and in other instances in which this is deemed necessary by the Supervisory Board.

RoodMicrotec does not have a separate selection and appointment committee due to the size of the company. The Supervisory Board handles the functions of the selection and appointment committee.

At least once per year, outside the presence of the Board of Management, the Supervisory Board should evaluate its own functioning and that of the individual Supervisory Board members and should discuss the conclusions that are attached to the evaluation.

At least once per year, outside the presence of the Board of Management, the Supervisory Board should evaluate both the functioning of the Board of Management as a whole and that of the individual Board of Management members and should discuss the conclusions that must be attached to the evaluation, such also in light of the succession of Board of Management members.

### 2.3.1 – 2.3.11 Organization of the Supervisory Board and reports

The Supervisory Board ensures that it functions effectively. It is the responsibility of the Supervisory Board as an organ and of the individual members of the Supervisory Board to obtain information and forming an independent opinion.

The Supervisory Board does not have any committees, all items are handled by the Supervisory Board. The Company has appointed a Company Secretary, who ensures the usage of certain procedures and ensures that the Company operates in accordance with legal obligations and the articles of association. The Vice-Chairman of the Supervisory Board, or, if no such person has been designated, one of the other Supervisory Directors, will replace the Chairman as required. The Vice-Chairman will also serve as contact for individual Supervisory Directors and managing directors in matters regarding the functioning of the Chairman.

A delegated Supervisory Board member is a Supervisory Board member who has a special task. The delegation may not extend beyond the responsibilities of the Supervisory Board itself and may not include a member of the Board of Management of the Company. A Supervisory Board member who temporarily takes on the management of the Company, where the Board of Management members are absent or unable to fulfil their duties, should resign from the Supervisory Board.

The Annual Report of the Company, including the financial statements, includes a report by the Supervisory Board. In this report, the Supervisory Board renders account of the supervision conducted in the past financial year.

#### **2.4.1 – 2.4.9 Decision-making and functioning**

The Board of Management and the Supervisory Board ensure that decisions are made in a balanced and effective manner whilst taking account of the interests of stakeholders. The Board of Management ensures that information is provided in a timely and sound manner. The Board of Management and the Supervisory Board keep their knowledge and skills up to date and spend sufficient time on their duties and responsibilities. They should ensure that, in performing their duties, they have the information that is required for effective decision-making.

The Chairman of the Supervisory Board should act on behalf of the Supervisory Board as the main contact for the Board of Management.

The Board of Management and the Supervisory Board should each conduct an annual review for their own organ to identify any aspects with regard to which the Supervisory Board members and Board of Management members require training or education.

#### **2.5.1 – 2.5.5 Culture**

The Board of Management is responsible for creating a culture aimed at long-term value creation for the Company and its affiliated enterprise. The Supervisory Board should supervise the activities of the Board of Management in this regard. The Board of Management has generated a code of conduct and monitor its effectiveness and compliance with this code, both on the part of itself and of the employees of the Company.

#### **2.6.1 – 2.6.4 Misconduct and irregularities**

The Board of Management and the Supervisory Board should be alert to indications of actual or suspected misconduct or irregularities. The Board of Management should establish a procedure for reporting actual or suspicion of misconduct or irregularities and take appropriate follow-up action on the basis of these reports.

The Supervisory Board monitors the Board of Management in this.

The external auditor should inform the Chairman of the Supervisory Board without delay if, during the performance of his duties, he discovers or suspect an instance of misconduct or irregularity.

#### **2.7.1 – 2.7.6 Preventing conflicts of interest**

Any form of conflict of interest between the Company and the members of its Board of Management or Supervisory Board should be prevented. To avoid conflicts of interest, adequate measures should be taken. The Supervisory Board is responsible for the decision-making on dealing with conflicts of interest regarding Board of Management members, Supervisory Board members and majority shareholders in relation to the Company.

All transactions in which there are conflicts of interest with Board of Management members or Supervisory Board members should be agreed on terms that are customary in the market. Decisions to enter into transactions in which there are conflicts of interest with Board of Management members or Supervisory Board members that are of material significance to the Company and/or to the relevant Board of Management members or Supervisory Board members should require the approval of the Supervisory Board. All transactions between the Company and legal or natural persons who hold at least ten percent of the shares in capital of the Company should be agreed on terms that are customary in the market.

The Company should not grant its Board of Management members and Supervisory Board members any personal loans, guarantees or the like.

**2.8.1 – 2.8.3 Takeover situations**

In the event of a takeover bid for the Company's shares or for the depository receipts for the Company's shares, in the event of a private bid for a business unit or a participating interest, where the value of the bid exceeds the threshold referred to in Section 2:107a(1)(c) of the Dutch Civil Code, and/or in the event of other substantial changes in the structure of the organization, both the Board of Management and the Supervisory Board should ensure that the stakeholder interests concerned are carefully weighed and any conflict of interest for Supervisory Board members or Board of Management members is avoided. The Board of Management and the Supervisory Board should be guided in their actions by the interests of the Company and its affiliated enterprise.

**Chapter 3. Remuneration****3.1.1 – 3.1.3 Remuneration policy – Board of Management**

The remuneration policy applicable to Board of Management members should be clear and understandable, should focus on long-term value creation for the Company and its affiliated enterprise, and consider the internal pay ratios within the enterprise. The remuneration policy should not encourage Board of Management members to act in their own interest, nor to take risks that are not in keeping with the strategy formulated and the risk appetite that has been established. The Supervisory Board is responsible for formulating the remuneration policy and its implementation.

RoodMicrotec does not have a separate remuneration committee due to the size of the company. The Supervisory Board handles the functions of the remuneration committee.

The remuneration of the Board of Management consists of a fixed salary plus a variable part. There is a balance between a fixed and variable part of the compensation. The calculation is transparent. The granting of options is subject to the achievement of targets set by the Supervisory Board in the context of the Company's strategic plan. The achievement of the targets by the Board of Management will be evaluated every twelve months and new targets will be set. The targets for the Board of Management are not described in the annual accounts due to competitive reasons. Company objectives are described in this report.

Regarding ownership and transactions of shares by board members, other than those issued by the Company itself, the Supervisory Board has resolved to deviate from the Code. Board of Management members are not permitted to hold direct or indirect interests amounting to more than 5% in other listed companies or companies in the semiconductor industry, unless the Supervisory Board has granted specific permission. Furthermore, Board of Management members must report changes in shareholdings in other listed or semiconductor companies to the Chairman of the Supervisory Board.

**3.2.1 – 3.2.3 Determination of Board of Management remuneration**

The Supervisory Board should determine the remuneration of the individual members of the Board of Management, within the limits of the remuneration policy adopted by the general meeting.

The employment of the Board of Management members may be terminated by giving six months' notice in writing before the end of each calendar month. In case of termination from RoodMicrotec the Board of Management member is entitled to a severance pay equal to 100% of total annual gross salary.

**3.3.1 – 3.3.3 Remuneration – Supervisory Board**

The Supervisory Board should submit a clear and understandable proposal for its own appropriate remuneration to the general meeting. The remuneration of Supervisory Board members should promote an adequate performance of their role and should not be dependent on the results of the Company.

The remuneration of the Supervisory Board members should reflect the time spent and the responsibilities of their role. Supervisory Board members may not be awarded remuneration in the form of shares and/or rights to shares. Shares held by a Supervisory Board member in the Company on whose Supervisory Board they serve should be long-term investments.

In deviation from the Code, it has been determined that no member of the Supervisory Board will be permitted to hold direct or indirect interests of more than 5% in the share capital of other listed companies or companies in the semiconductor industry. Furthermore, Supervisory Directors must report changes in shareholdings in other listed or semiconductor companies to the Chairman of the Supervisory Board.

RoodMicrotec has not provided any personal loans or guarantees to members of the Supervisory Board.

**3.4.1 – 3.4.2 Remuneration accountability**

In the remuneration report, the Supervisory Board should render account of the implementation of the remuneration policy in a transparent manner. The main elements of the agreement of a Board of Management member with the Company should be published on the Company's corporate website in a transparent overview after the agreement has been concluded, and in any event no later than the date of the notice calling the general meeting where the appointment of the Board of Management member will be proposed.

**Chapter 4. The general meeting****4.1.1 – 4.1.10 The general meeting**

The general meeting should be able to exert such influence on the policies of the Board of Management and the Supervisory Board of the Company that it plays a fully-fledged role in the system of checks and balances in the Company. Good corporate governance requires the fully-fledged participation of shareholders in the decision-making in the general meeting.

The Chairman of the general meeting is responsible for ensuring the proper conduct of business at meetings in order to promote a meaningful discussion at the meeting. The agenda of the general meeting should list which items are up for discussion and which items are to be voted on. The following items should be dealt with as separate agenda items:

- material changes to the articles of association;
- proposals relating to the appointment of Board of Management and Supervisory Board members;
- the policy of the Company on additions to reserves and on dividends;
- any proposal to pay out dividend;
- resolutions to approve the management conducted by the Board of Management (discharge of Board of Management members from liability);
- resolutions to approve the supervision exercised by the Supervisory Board (discharge of Supervisory Board members from liability);
- each substantial change in the corporate governance structure of the Company; and
- the appointment of the external auditor.

If a shareholder has arranged for an item to be put on the agenda, he should explain this at the meeting and, if necessary, answer questions about it. A shareholder should only exercise the right to put items on the agenda after they have consulted with the Board of Management on this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the Company's strategy, for example as a result of the dismissal of one or several Board of Management or Supervisory Board members, the Board of Management should be given the opportunity to stipulate a reasonable period in which to respond.

Board of Management and Supervisory Board members nominated for appointment should attend the general meeting at which votes will be cast on their nomination.

The external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements. The external auditor should for this purpose attend and be entitled to address this meeting.

Within three months after the general meeting the minutes of the meeting are published in concept on the corporate website of the Company. The shareholders can react and after three months the minutes will be determined and finalized. The minutes are signed by the Chairman and the Secretary of the shareholders meeting. The final and signed version will be published on the Company's corporate website and replace the concept.

**4.2.1 – 4.2.6 Provision of information**

The Board of Management and the Supervisory Board should ensure that the general meeting is adequately provided with information.

The Company has formulated an outline policy on bilateral contacts with the shareholders and has posted this policy on its website. Analyst meetings, analyst presentations, presentations to institutional or other investors and press conferences are announced in advance on the Company's corporate website and by means of press releases.

The contacts between the Board of Management on the one hand and the press and financial analysts on the other are handled and structured carefully and with due observance of the applicable laws and regulations.

**4.3.1 – 4.3.6 Casting votes**

Participation of as many shareholders as possible in the general meeting's decision-making is in the interest of the Company's checks and balances. The Company should, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.

RoodMicrotec does not have any financing preference shares.

**4.4.1 – 4.4.8 Issuing depository receipts for shares**

Since no depository receipts for shares have been issued, this part of the Code is not applicable to RoodMicrotec.

**Chapter 5. One-tier governance structure****5.1.1 – 5.1.5 One-tier governance structure**

Since RoodMicrotec is operating a two-tier structure, this part of the Code is not applicable.

Further information and a downloadable version: [www.roodmicrotec.com](http://www.roodmicrotec.com)

## REMUNERATION REPORT

### Introduction

This Remuneration Report provides an overview of the application of the Remuneration Policy for and the components of the remuneration of the Board of Management and the Supervisory Board of RoodMicrotec N.V. ('the Company') during the financial year 2020. This Remuneration Report is drafted in accordance with article 2:135b of the Dutch Civil Code and the Dutch Corporate Governance Code.

The Company has successfully attracted and retained executives who are capable of leading and overseeing the Company at all levels and the Remuneration Policy is designed to facilitate this process. The Supervisory Board oversees all remuneration decisions and determines the criteria to measure the performance of the Board of Management whereby considering the roles and responsibilities. For determining the remuneration of the Board of Management, the Supervisory Board is informed about the remuneration of the direct reports to the Board of Management including the Short-Term and Long-Term Incentive Plans applicable which are fully aligned with the performance conditions as operated under the Remuneration Policy.

As we believe that all employees are integral to our success, we are committed to fair and responsible remuneration. We therefore consider remuneration of the members of the Board of Management and the Supervisory Board in the light of the remuneration of all employees, including associated pay ratios. Our Remuneration Policy is designed to reflect our commitment to paying fairly, responsibly and transparently. The Supervisory Board undertakes to engage actively with shareholders in order to address all legitimate and reasonable objections and concerns. We invite our shareholders to engage with us regarding our policy and reporting. In implementing the Remuneration Policy, the Supervisory Board analyses the possible outcomes of its variable remuneration elements and how they may affect the total remuneration of the Board of Management. In this respect, regular scenario analyses are undertaken whereby the development of the underlying share price of the Company's shares is considered. This with due regard for the risks to which variable remuneration may expose the Company. Variable remuneration shall be linked to predetermined, assessable and influenceable targets which are predominantly of a long-term and sustainable nature and linked to the strategy, values, purpose and vision of the Company.

For 2020, the targets comprised of:

Target	Description	% of total
Total income	Total income for the RoodMicrotec Group according to the consolidated financial statements	30%
Net profit (*)	Net profit after taxes for the RoodMicrotec Group according to the consolidated financial statements	40%
Corporate long-term strategy	Development and maintenance of a corporate long-term strategy, in cooperation with the Supervisory Board	20%
Personnel plan	Contingency and development plan - key people, retirements, new functions, succession	10%

(\*) If net profit for the year is negative, no Short-Term Incentive or Long-Term Incentive will be paid out.

The Company aspires to ensure that the Remuneration Policy aligns with all policies and procedures and complies with relevant laws and the Dutch Corporate Governance Code by applying high standards of corporate governance, environmental and ethical practices. Sound corporate governance is a key element of the culture, behavior and management of the Company and is consistent with the core values and purpose. For this purpose, we have defined our Code of Conduct to ensure these high standards in both the workplace and in all of our business dealings. These policies as contained in our Code of Conduct encompass human rights, health and safety, conflict minerals, anti-corruption and anti-bribery, conflict of interest, financial reporting environmental responsibility, insider trading, community initiatives, and includes a whistle-blower procedure. The underlying documentation of our full Code of Conduct is available on our corporate website. In determining the actual remuneration of the Board of Management, the Supervisory Board assesses the actual performance delivered based on its strategy in line with the Code of Conduct and considers the impact of the overall remuneration of the Board of Management on the pay differentials within the Company. When determining remuneration, the Supervisory Board also obtains the views of the members of the Board of Management relating to the level and structure of remuneration.

The Remuneration Policy for the Board of Management and the Supervisory Board has been effective as from July 23, 2020 after the approval by the Annual General Meeting of Shareholders held on that date. The Remuneration Policy will be applicable for a four-year period starting as from January 1, 2020, except in the event of material changes which will be brought to the Annual General Meeting of Shareholders for approval.

## Remuneration for Board of Management members

The Remuneration Policy for the Board of Management has been effective as from July 23, 2020, after the approval by the Annual General Meeting of Shareholders held on that date. The total remuneration package of the members of the Board of Management is established on an annual basis by the Supervisory Board. The remuneration structure for the Board of Management consists of the following elements:

- Fixed compensation - Annual base salary;
- Short-Term Incentive - Annual cash bonus plan;
- Long-Term Incentive - Performance cash bonus plan;
- Other benefits.

The above components are regularly compared with a balanced remuneration reference group of companies selected based on industry, labor market, size and geographical spread to determine the total remuneration package for the Board of Management. When selecting reference companies the size and complexity of the Company is taken into account, including market capitalization, net revenues and total assets.

As there are insufficient comparable listed companies to benchmark with, the above components are regularly compared with a balanced remuneration reference group of comparable roles in the European Semiconductor industry. As per common practice in these companies the weight of the role (job size) is evaluated from direct responsibility factors such as annual revenue, total assets under management, the size of the organization (number of employees), the required skills to manage the complexity of the business and the risk factors. Comparable roles in companies such as Infineon, STM and NXP form the basis of this judgement. For the incentive elements of the package the factors considered are drawn from the required short-term goals to ensure the achievement of budgets and to keep the Company in good health. For the long term, to ensure the agreed strategic vision will be achieved and the shareholder interests will be met.

The composition of this remuneration reference group will be reviewed by the Supervisory Board on a regular basis and updated if necessary to ensure an appropriate composition. Any major changes to the composition of the remuneration reference group will be subject to the approval of the AGM.

In establishing the remuneration for members of the Board of Management, the Supervisory Board may consult a professional external remuneration consultant in carrying out its duties. The Supervisory Board will verify that the consultant concerned does not similarly provide advice to the Board of Management so that no conflicts of interest exist.

## Application of the Remuneration Policy in 2020

The Remuneration Policy was successfully applied by the Supervisory Board in 2020 without exceptions as set forth below. The remuneration of the Board of Management consists of a basic salary and an annual bonus. The Supervisory Board determines the remuneration annually, within the framework permitted by the Remuneration Policy.

The ratio of the remuneration of the members of the Board of Management compared with the average remuneration of the other employees during 2020 is 2.2:1 (2019: 2.3:1). This ratio consists of the average remuneration of members of the Board of Management recognized by the Company in 2020 of EUR 132,000 (2019: EUR 138,000) as stated in the summary of the remuneration of the members of the Board of Management in relation to the average remuneration of all employees. The annual change in remuneration of the employees is EUR 2,000 based on a different composition of employees and regular salary reviews. This average remuneration of EUR 59,000 (2019: EUR 57,000) is comprised of wages and salaries plus bonuses, options and performance shares of the employees divided by the average number of employees on a full-time basis. To calculate the average remuneration of all employees the effect of short-time work in the remuneration is corrected in the average number of persons employed accordingly and reduced by 10.

(x EUR 1,000 per FTE, except Net Profit/(Loss))	2020	2019	2018	2017	2016
Average remuneration - Board of Management	132	138	140	120	155
Average remuneration - Employees	59	57	56	55	50
Net Profit/(Loss)	-265	-73	125	-44	-1,578

(change in % compared to previous year)	2020	2019	2018	2017	2016
Board of Management	-4%	-1%	16%	-22%	-6%
Employees	4%	2%	2%	10%	-2%

### Fixed compensation – Annual base salary

The annual base salaries for the members of the Board of Management are not subject to any automatic pay rises under a collective labor agreement. The Supervisory Board regularly reviews base salary levels of the members of the Board of Management.

### Short-Term Incentive – Annual cash bonus plan

Every year, the Supervisory Board determines a bonus arrangement for the reporting year. The bonus arrangement is contingent upon the realization of a series of predetermined quantitative performance targets (net profit must be positive for variable remuneration), total income (in the range communicated to the market), corporate long-term strategy and personnel goals), which are set by the Supervisory Board after approval of the budget for the next financial year. The bonuses awarded are recognized during the reporting year, based on the realization of the performance targets during the financial year, and are paid in cash after the financial statements have been adopted by the Annual Meeting of Shareholders.

The maximum Short-Term Incentive opportunity for the Board of Management is set at 30% of annual base salary. The targets are linked to financial objectives and personal goals. The Short-Term Incentive scheme is only effective if the net profit for the year is positive.

Evaluation of the Short-Term Incentive for 2020:

Target	Description	% of total	2020 evaluation
Total income	Total income for the RoodMicrotec Group according to the consolidated financial statements	30%	0
Net profit (*)	Net profit after taxes for the RoodMicrotec Group according to the consolidated financial statements	40%	0
Corporate long-term strategy	Development and maintenance of a corporate long-term strategy, in cooperation with the Supervisory Board	20%	20%
Personnel plan	Contingency and development plan - key people, retirements, new functions, succession	10%	10%

(\*) If net profit for the year is negative, no Short-Term Incentive or Long-Term Incentive will be paid out.

In 2020, no Short-Term Incentive has been rewarded to the Board of Management since the net profit was negative (in accordance with the Remuneration Policy).

## Long-Term Incentive – Performance cash bonus plan

The Board of Management is entitled to receive a long-term bonus payable in cash. The objective is to incentivize shareholder value creation. Normally, share options, performance shares or other share-based payment instruments would be more customary for this objective. However, given the small size of the Company and the low price of its shares, the Supervisory Board has decided to avoid the complexity of these type of instruments (only to be used for a limited number of officers at the Company), which also bring additional expenses (e.g. for fair value reports) to the Company, and simplify the long-term incentive compared to the remuneration policy in previous years by applying a performance cash bonus plan. In line with Dutch law, the Long-Term Incentive components for the members of the Board of Management are subject to claw back provisions and ultimate remedy clauses. During 2020 no circumstances have been identified by the Supervisory Board that result in any adjustments or claw back relating to option rights granted in previous years.

At the end of the four-year service agreement term, 7% of the accumulated net profit (after tax) for the last four years will be paid out to the Board of Management (5% for the CEO and 2% for the CFO).

In 2020, no Long-Term Incentive has been rewarded to the Board of Management since the evaluation period for Mr. O.M. Sallenhag is 2020 to 2023 and for Mr. A. Ladega 2019 to 2022.

## Other benefits

Other benefits include monthly expense compensation such as lease car, costs allowance and social security contributions.

## Total remuneration for Board of Management

Remuneration of the Board of Management recognized by the Company for the financial years ended December 31, 2020 and 2019 was as follows:

(x EUR 1,000)	Fixed compensation		Short-Term Incentive		Long-Term Incentive		Other benefits		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Mr. O.M. Sallenhag	123	132	-	-	-	4	4	7	127	143
Mr. A. Ladega <sup>1</sup>	116	67	-	-	-	2	21	9	137	78
Mr. R. Pusch <sup>2</sup>	N/A	50	N/A	-	N/A	2	N/A	3	N/A	55
<b>Total</b>	<b>239</b>	<b>249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>25</b>	<b>19</b>	<b>264</b>	<b>276</b>

*Note: N/A means not applicable*

<sup>1</sup> from May 23, 2019

<sup>2</sup> until May 23, 2019

The Fixed compensation for Mr. O.M. Sallenhag was 97% of the total remuneration (2019: 92%). The Fixed compensation for Mr. A. Ladega was 85% of the total remuneration (2019: 86%). The Fixed compensation for Mr. R. Pusch was N/A of the total remuneration (2019: 91%).

Mr. O.M. Sallenhag has voluntarily waived 16,900 Euro of fixed compensation for 2020 and Mr. A. Ladega has voluntarily waived 5,500 Euro of fixed compensation for 2020, each of them to show their support for the Company in extraordinary difficult times due to the COVID-19 pandemic.

No Short-Term Incentive and Long-Term Incentive have been rewarded to the Board of Management for the financial year 2020.

At the end of 2020, Mr. O.M. Sallenhag holds 365,000 shares and 120,000 options on shares in the capital of the Company, see note 19 to the Consolidated Financial Statements on page 88.

At the end of 2020, Mr. A. Ladega holds 226,000 shares and 60,000 options on shares in the capital of the Company, see note 19 to the Consolidated Financial Statements on page 88.

At the end of 2020, no loans, advances or guarantees were outstanding for each of the members of the Board of Management.

## Remuneration for Supervisory Board members

The Remuneration Policy for the Supervisory Board has been effective as from July 23, 2020, after the approval by the Annual General Meeting of Shareholders held on that date. The Supervisory Board members are entitled to a fixed based fee for membership of the Supervisory Board. The compensation is regularly assessed against Dutch market levels. The benchmark is based on AScX companies listed on Euronext Amsterdam by comparing fixed compensation levels at median level. Supervisory Board members are not entitled to any performance or equity related compensation and are not entitled to any pension allowance or contribution. This compensation structure is designed to ensure the independence of the Supervisory Board members and the effectiveness from a corporate governance perspective. The Supervisory Board will present any proposed changes to the fees or the compensation elements to the Annual General Meeting of Shareholders for approval.

Remuneration of the Supervisory Board recognized by the Company for the years ended December 31, 2020 and 2019 was as follows:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Mr. V.G. Tee	15	14
Mr. M.E.T. Verstraeten <sup>1</sup>	17 <sup>3</sup>	7
Mr. H.J. Bartelink <sup>2</sup>	N/A	4
Mr. J.B. Tuik <sup>2</sup>	N/A	4
<b>Total</b>	<b>32</b>	<b>29</b>

<sup>1</sup> from May 23, 2019

<sup>2</sup> until May 23, 2019

<sup>3</sup> including EUR 5,000 for additional support during the second half of 2020

At the end of 2020 and 2019, no loans, advances or guarantees were outstanding for each of the members of the Supervisory Board.

At the end of 2020 and 2019, the members of the Supervisory Board did hold neither any shares in the Company, nor any options, warrants or any other rights on shares in the capital of Company.

All cash remuneration is fixed and the members of the Supervisory Board are not entitled to any performance or equity related compensation and are not entitled to any pension allowance or contribution.

Deventer, April 21, 2021

### Supervisory Board

V.G. Tee, Chairman

M.E.T. Verstraeten

## MANAGEMENT STATEMENT

This is a statement concerning corporate governance as referred to in article 2a of the Decree on additional requirements for annual reports ('Vaststellingsbesluit nadere voorschriften inhoud jaarverslag') effective as of January 1, 2017 (the 'Decree'). This statement forms part of RoodMicrotec's Annual Report 2020 (included in the chapter on corporate governance), which is available on RoodMicrotec's website: [www.roodmicrotec.com](http://www.roodmicrotec.com).

The information required to be included in this corporate governance statement as described in Articles 3, 3a and 3b of the Decree can be found in the chapters, sections and pages of RoodMicrotec's Annual Report 2020 and are deemed to be included and repeated in this statement:

- the information concerning compliance with the Dutch Corporate Governance Code, as required by article 3 of the Decree, can be found in the chapter on 'Corporate Governance';
- the information concerning RoodMicrotec's main features of the internal risk management and control systems relating to the financial reporting process, as required by article 3a sub a of the Decree, can be found in the chapter on 'Risk and Risk Management';
- the information regarding the functioning of RoodMicrotec's general meeting, and the authority and rights of RoodMicrotec's shareholders and holders of certificates of shares, as required by article 3a sub b of the Decree, can be found in the chapter on 'Corporate Governance';
- the information regarding the composition and functioning of RoodMicrotec's Board of Management, the Supervisory Board and its committees, as required by article 3a sub c of the Decree, can be found in the relevant sections of the chapter on 'Corporate Governance', the 'Report of the Board of Management' and the 'Report of the Supervisory Board';
- the information concerning the inclusion of the information required by the decree article 10 EU Takeover Directive, as required by article 3b of the Decree, can be found in the chapter on 'Corporate Governance'.

### True and fair view statement

This statement is an integral part of the Annual Report dated April 21, 2021.

This statement is based on article 5:25(c), paragraph 2 sub c of the Financial Supervision Act. Our opinion of financial statement in the 2020 Annual Report is that these give a true and fair view of the assets, liabilities, financial position, cash flows and the result of RoodMicrotec N.V. and the companies included in the consolidation. The 2020 Annual Report gives a true and fair view of the situation on balance sheet date and the developments during the financial year of RoodMicrotec N.V. and the group companies for which the financial information is recognized in its financial statements. The most important risks confronting RoodMicrotec N.V. are described in the Annual Report. The members of the Board of Management have signed the Annual Report and financial statements in fulfillment of their legal obligations arising from article 5:25(c), paragraph 2 sub c of the Financial Supervision Act.

Deventer, April 21, 2021

#### Board of Management

O.M. Sallenhag, CEO

A. Ladega, CFO

#### Supervisory Board

V.G. Tee, Chairman

M.E.T. Verstraeten

## FINANCIAL STATEMENTS

### A. CONSOLIDATED FINANCIAL STATEMENTS

#### Consolidated Statement of Profit or Loss

(x EUR 1,000)	Notes	2020	2019
Net sales	1	11,455	12,828
Other income	2	419	389
<b>Total income</b>		<b>11,874</b>	<b>13,217</b>
Raw materials and consumables	3	-2,287	-2,969
Personnel expenses	4	-6,192	-6,819
Other expenses, other than depreciation and amortization	5	-2,050	-1,890
EBITDA <sup>1</sup>		1,345	1,539
Depreciation and amortization	6	-1,544	-1,416
Result from operating activities (EBIT <sup>2</sup> )		-199	123
Financial expenses	7	-170	-210
<b>Profit (loss) before taxes</b>		<b>-369</b>	<b>-87</b>
Taxes	8	104	14
<b>Net profit (loss)</b>		<b>-265</b>	<b>-73</b>
<b>Net profit (loss) attributable to:</b>			
Equity holders of the parent		-265	-73
Non-controlling interests		—	—
<b>Net profit (loss)</b>		<b>-265</b>	<b>-73</b>
<b>Earnings per share</b>			
Basic	18	-0.00	-0.00
Diluted	18	-0.00	-0.00

The numbers following the various items refer to the notes on pages 59 to 94.

<sup>1</sup> EBITDA is a non-gaap measure and defined as Earnings Before Interest, Taxes, Depreciation and Amortization. Interest includes other finance costs.

<sup>2</sup> EBIT is a non-gaap measure and defined as Earnings Before Interest and Taxes. Interest includes other finance costs.

## Consolidated Statement of Comprehensive Income

(x EUR 1,000)	Notes	2020	2019
Net profit (loss)		-265	-73
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit obligations	21	-154	-583
Remeasurement of plan assets	21	—	-1,210
Revaluation of land and buildings	9	380	—
Tax implication <sup>1</sup>	12	-62	160
<b>Total other comprehensive income</b>		<b>164</b>	<b>-1,633</b>
<b>Total comprehensive income</b>		<b>-101</b>	<b>-1,706</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		-101	-1,706
Non-controlling interests		—	—
<b>Total comprehensive income</b>		<b>-101</b>	<b>-1,706</b>

The numbers following the various items refer to the notes on pages 59 to 94.

<sup>1</sup> The Group has elected to present individual components of OCI before related tax with an aggregate amount presented for tax in the consolidated statement of profit or loss and the consolidated statement of comprehensive income, and has provided disclosures related to tax on each component of OCI in note 12 'Deferred tax balances'.

## Consolidated Statement of Financial Position

(x EUR 1,000)	Notes	31-12-2020	31-12-2019
<b>Assets</b>			
Property, plant and equipment	9	6,202	6,130
Right-of-use assets	10	728	956
Intangible assets	11	2,247	2,318
Deferred tax balances	12	1,636	1,594
<b>Non-current assets</b>		<b>10,813</b>	<b>10,998</b>
Inventories	13	69	101
Contract assets	14	563	363
Trade and other receivables	15	1,541	1,830
Cash and cash equivalents	16	1,351	1,002
<b>Current assets</b>		<b>3,524</b>	<b>3,296</b>
<b>Total assets</b>		<b>14,337</b>	<b>14,294</b>
<b>Equity and liabilities</b>			
Issued share capital		8,239	8,239
Share premium		20,709	20,709
Revaluation reserve		1,985	1,789
Retained earnings		-29,583	-29,286
Equity, attributable to equity holders of the parent	17	1,350	1,451
Non-controlling interests		2,494	2,494
<b>Total equity</b>	17	<b>3,844</b>	<b>3,945</b>
Lease liabilities	10	460	672
Defined benefit obligation	21	4,984	5,020
Provisions	22	60	105
<b>Non-current liabilities</b>		<b>5,504</b>	<b>5,797</b>
Loans and borrowings	20	2,488	2,474
Lease liabilities	10	273	287
Trade and other payables	23	2,228	1,791
<b>Current liabilities</b>		<b>4,989</b>	<b>4,552</b>
<b>Total equity and liabilities</b>		<b>14,337</b>	<b>14,294</b>

The numbers following the various items refer to the notes on pages 59 to 94.

**Consolidated Statement of Changes in Equity**

(x EUR 1,000)	Number of shares x1,000	Issued share capital	Share premium	Revaluation reserve	Retained earnings	Equity attributable to parent	Non- controlling interests	Total Equity
<b>Balance at 1 January 2019</b>	<b>72,779</b>	<b>8,006</b>	<b>20,497</b>	<b>1,943</b>	<b>-27,731</b>	<b>2,715</b>	<b>2,494</b>	<b>5,209</b>
Issuance of shares	2,117	233	212	—	—	445	—	445
Value of employee options granted	—	—	—	—	-3	-3	—	-3
<b>Transactions with equity holders of the Company</b>	<b>2,117</b>	<b>233</b>	<b>212</b>	<b>—</b>	<b>-3</b>	<b>442</b>	<b>—</b>	<b>442</b>
Net profit (loss)	—	—	—	—	-73	-73	—	-73
<b>Other comprehensive income:</b>								
Remeasurement of defined benefit obligation	—	—	—	—	-423	-423	—	-423
Remeasurement of plan assets	—	—	—	—	-1,210	-1,210	—	-1,210
Revaluation of land and buildings	—	—	—	-154	154	—	—	—
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-154</b>	<b>-1,552</b>	<b>-1,706</b>	<b>—</b>	<b>-1,706</b>
<b>Balance at 31 December 2019</b>	<b>74,896</b>	<b>8,239</b>	<b>20,709</b>	<b>1,789</b>	<b>-29,286</b>	<b>1,451</b>	<b>2,494</b>	<b>3,945</b>
<b>Balance at 1 January 2020</b>	<b>74,896</b>	<b>8,239</b>	<b>20,709</b>	<b>1,789</b>	<b>-29,286</b>	<b>1,451</b>	<b>2,494</b>	<b>3,945</b>
Issuance of shares	—	—	—	—	—	—	—	—
Value of employee options granted	—	—	—	—	—	—	—	—
<b>Transactions with equity holders of the Company</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Net profit (loss)	—	—	—	—	-265	-265	—	-265
<b>Other comprehensive income:</b>								
Remeasurement of defined benefit obligation	—	—	—	—	-112	-112	—	-112
Revaluation of land and buildings	—	—	—	196	80	276	—	276
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>196</b>	<b>-297</b>	<b>-101</b>	<b>—</b>	<b>-101</b>
<b>Balance at 31 December 2020</b>	<b>74,896</b>	<b>8,239</b>	<b>20,709</b>	<b>1,985</b>	<b>-29,583</b>	<b>1,350</b>	<b>2,494</b>	<b>3,844</b>

**Consolidated Cash Flow Statement**

<b>(x EUR 1,000)</b>	<b>Notes</b>	<b>2020</b>	<b>2019</b>
Net profit (loss) for the year		-265	-73
Adjustments for:			
- Depreciation	6	1,353	1,205
- Amortization	6	191	211
- Financial expenses	7	170	210
- Tax expenses	8	-104	-14
- Movements in net defined benefit obligations	21	-190	-148
- Movements in provisions	22	-45	2
- Share-based payments	19	—	-3
		1,110	1,390
Changes in working capital:			
- Inventories	13	32	43
- Contract assets	14	-200	86
- Trade and other receivables	15	289	262
- Trade and other payables	23	438	-477
<b>Cash generated from operating activities</b>		<b>1,669</b>	<b>1,304</b>
Interest paid	7	-152	-148
<b>Net cash from operating activities</b>		<b>1,517</b>	<b>1,156</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	9	-745	-1,745
Disposal of property, plant and equipment	9	—	4
Investments in intangible assets	11	-120	-150
Disinvestment of financial assets		—	81
<b>Net cash from investing activities</b>		<b>-865</b>	<b>-1,810</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of share capital	17	—	445
Payment of lease liabilities	10	-303	-292
Repayment of borrowings	20	—	-235
<b>Net cash flow from financing activities</b>		<b>-303</b>	<b>-82</b>
<b>Net cash flow</b>		<b>349</b>	<b>-736</b>
Cash and cash equivalents less bank overdrafts:			
- at January 1	16	1,002	1,738
- at December 31	16	1,351	1,002
<b>Net cash flow</b>		<b>349</b>	<b>-736</b>

The numbers following the various items refer to the notes on pages 59 to 94.

## B. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### General information

RoodMicrotec N.V. ('the Company') is a public limited liability company with its registered office in Deventer, the Netherlands and publicly listed on the Euronext Amsterdam Stock Exchange since 1986. The consolidated financial statements of the Company for the year ended December 31, 2020 comprises the Company and its subsidiaries (jointly referred to as 'the Group'). The Group is active in the semiconductor and electronics industry. The Group provides supply chain services, wafer & component testing, qualification & reliability investigations and failure analysis for companies that need application-specific integrated circuits (ASICs).

Since September 6, 2012, the Group includes the following wholly owned subsidiaries:

- RoodMicrotec GmbH (Nördlingen, Germany);
- RoodMicrotec International B.V. (Zwolle, the Netherlands).

The German subsidiary included in the Group's consolidated financial statements made use of the exemption provisions of section 264 (3) HGB in the 2020 financial year.

### Summary of significant accounting policies

The principal accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

The figures for 2019 have been reclassified in order to enable comparability with 2020. It concerns a reclassification within the current assets between work in progress to contract assets.

### Basis of preparation

#### *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Section 2:362(9) of the Dutch Civil Code.

The consolidated financial statements were authorized for issue by the Board of Management on April 21, 2021.

#### *Basis of measurement*

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise indicated.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated.

### Use of judgements and estimates

The preparation of the consolidated financial statements in accordance with EU-IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the result of which form the basis for making judgments about the carrying values of the assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed in an on-going basis. Revisions of accounting estimates are recognized prospectively. Information about assumptions and estimation uncertainties at December 31, 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- the valuation of land and building: the valuation is based on a market valuation of land and rental value in combination with the technical life of the building (see note 9 'Property, plant and equipment');
- the recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized (see note 12 'Deferred tax balances');
- the impairment test of goodwill: the impairment test of goodwill includes relevant key assumptions such as the WACC (Weighted Average Cost of Capital) and the sales growth rate (see note 11 'Intangible assets');
- the determination of lease term for some lease contracts in which the Group is a lessee, including whether the Company is reasonably certain to exercise lessee options (see note 10 'Right-of-use assets');
- the determination of the incremental borrowing rate used to measure lease liabilities (see note 10 'Right-of-use assets').

### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is disclosed in the applicable notes.

### Going concern basis of accounting

The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have significantly impacted the Group. This has negatively impacted the Group's financial performance for the year and also its liquidity position during the year. For the year ended 31 December 2020, the Group recognized a net loss of EUR 265 thousand. The Group's net working capital as at 31 December 2020 was EUR 1,296 thousand.

Management continues to have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate. The outbreak of the COVID-19 pandemic and the measures adopted by the government in Germany to mitigate its spread have impacted the Group.

There is still uncertainty over how the future development of the outbreak will impact the Group's business and customer demand for its products. As at the tightest test date in management's forecasts, the Group could withstand a limited reduction in revenue compared with 31 December 2020 values and run normal operations. As at the date of authorization of the financial statements, the Group has sufficient liquidity available. Also, to respond to a severe downside scenario, management has the ability to take the following mitigating actions, to reduce costs, optimize the Group's cash flow and preserve liquidity:

- reducing non-essential capital expenditure and deferring or cancelling discretionary spend;
- freezing non-essential recruitment; and
- reducing personnel expenses by utilizing short-time working.

Based on these factors, Board of Management has a reasonable expectation that the Group has adequate resources.

### Changes in accounting policies

In the year under review, where applicable, the Group applied new and amended IFRS standards and IFRIC interpretations relevant to the Company. The new standard and amendments to existing standards in 2020 have no material impact on the Groups capital and results, nor on the explanatory notes in the consolidated financial statements.

Year-end 2020 there are multiple new and amended standards and interpretations issued, but not yet effective. The Group will apply these new and amended standards and interpretations, insofar as applicable, as soon as they come into effect. Any published, new and amended IFRS standards and interpretations that are not yet applicable to reporting periods commencing on 1 January 2020 have not been applied yet. We do not expect new standards that become applicable after 2020 to have material effect on the Groups capital and results, nor on the notes to the financial statements. We do not expect the published amendment to IAS 37 with respect to onerous contracts to have any material impact on the Group because relevant items are already recognized in line with the proposed amendment.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and all subsidiaries that the Company controls, i.e. when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of

potential voting rights are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated in the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### Foreign currency translation

#### *Functional and presentation currency*

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

#### *Transaction and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

### Property, plant and equipment

#### *Assets in ownership*

Property, plant and equipment are stated at cost, except for land and buildings, which are carried at fair value, based on periodic valuations by an external independent valuator, less subsequent depreciation. The cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of directly allocated overheads. Property that is under construction or being developed for future use is classified as property, plant and equipment and stated at cost until construction or development are complete.

Where an item of property, plant and equipment comprises major components having different useful lives, these components are accounted for as separate items of property, plant and equipment.

Increases in the carrying amount arising from revaluation of land and buildings are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the consolidated statement of profit or loss. Each year the difference between depreciation based on the revaluated carrying amount of the asset charged to the consolidated statement of profit or loss and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings. When revalued assets are sold, the amounts included in revaluation reserves are transferred to retained earnings.

#### *Subsequent cost*

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statement of profit or loss as an expense as incurred.

#### *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life. Land is not depreciated. The useful economical life of the different categories is set out below:

<b>Category</b>	<b>Years</b>
Buildings	17
Machinery and equipment	2-10
Other fixed assets	3-10

The asset's residual value, depreciation method and useful life are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

## Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The Group obtains substantially all the economic benefits from use of the asset; and
- (c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are predetermined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRS's rather than IFRS 16.

The majority of the Group's accounting policies for leases are set out in note 10.

The lease portfolio of the Group contains rental offices and other leases. The 'other leases' category covers company-leased vehicles, IT equipment and office equipment. When entering into a new contract, the Group assesses whether or not it can be considered to be a lease based on the economic benefits ensuing from the use of the assets and the control over the use of the asset. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Except for leases with a lease term of up to 12 months and low-value leases, for which practical exceptions have been applied.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the projected service life of the asset is shorter. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Non-lease components are included in the calculation of the lease liability. Lease liabilities are presented separately in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The lease liability is revalued upon indexation or modification of the lease contract, upon termination of the lease or upon renewal of the lease. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Cash flows from lease installment payments for right-of-use assets are part of cash flows from financing activities, while cash flows relating to leases with a term of up to 12 months, low-value leases and non-lease components are recognized under cash flows from operating activities.

## **Intangible assets**

### *Goodwill*

Acquisition of businesses is accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition related costs are recognized in the consolidated statement of profit or loss as incurred. Goodwill is carried at cost less accumulated impairment losses.

Goodwill on acquisitions is tested annually for impairment. Goodwill is allocated to the cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. An impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The recoverable amount is the higher of the fair value less costs of disposal and value in use. If the carrying amount of the cash-generating unit exceeds the recoverable amount of this CGU, the goodwill is impaired accordingly. Impairment of goodwill is not reversed if the recoverable amount increases at a later date.

### *Development expenditure*

Expenditure on activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding (research activities) is recognized as an expense in the period in which it is incurred. An intangible asset arising from the Group's development is recognized if, and only if, all of the following conditions are met:

- the asset is uniquely identified, and the costs can be determined separately; and
- the technical feasibility of the asset has been sufficiently demonstrated; and
- it is probable that the asset will generate future economic benefits; and
- the development cost can be measured reliably.

### *Other intangibles*

Other intangible assets are measured at cost less accumulated amortization and impairment losses.

### *Amortization*

Amortization is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Development expenditure and other intangibles are amortized from the date when used over the estimated economic useful life, which is expected to be three to five years.

Goodwill is not amortized, and instead tested annually for impairment.

## **Financial instruments**

### *Financial assets*

Financial instruments include the following financial assets: trade and other receivables and cash and cash equivalents. The Group classifies financial assets into those measured at amortized cost and those measured at fair value.

### *Financial assets – recognition and derecognition*

The Group initially recognizes financial assets at amortized cost issued on the date when they are originated. All other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

### *Financial assets at amortized cost*

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less loss allowances.

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*Financial assets at fair value through profit or loss*

A financial asset is classified as at 'fair value through profit or loss' if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in the consolidated statement of profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein taking into account any loss allowances, interest or dividend income, are recognized in the consolidated statement of profit or loss.

*Impairment of financial assets*

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Financial assets are measured through a loss allowance at an amount equal to:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for full lifetime expected credit losses is used for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The loss allowance for financial instruments is measured at an amount equal to lifetime expected losses if the credit risk of a financial instrument has increased significantly since initial recognition, unless the credit risk of the financial instrument is low at the reporting date in which case it can be assumed that credit risk on the financial instrument has not increased significantly since initial recognition. The credit risk is considered low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It is rebuttable presumed the credit risk has increased significantly when contractual payments are more than 30 days past due. If a significant increase in credit risk that had taken place since initial recognition and has reversed by a subsequent reporting period (cumulatively credit risk is not significantly higher than at initial recognition) then the expected credit losses on the financial instrument revert to being measured based on an amount equal to the 12-month expected credit losses.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The loss allowance is determined based on historical data of credit losses and updated periodically to incorporate forward looking information.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- it is probable that the debtor will enter bankruptcy or other financial reorganization.

*Financial liabilities*

Financial instruments include the following financial liabilities: loans and borrowings and trade and other payables. The Group classifies financial liabilities into those measured at amortized cost and those measured at fair value through profit or loss.

*Financial liabilities – recognition and derecognition*

Financial liabilities are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

*Financial liabilities – measurement*

Financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

*Netting of financial instruments*

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position if, and only if, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**Inventories**

Inventories are stated at either cost or net realizable value, whichever is lower. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs for in marketing, sale and distribution.

**Contract assets**

Contract assets relate to the Group's right to reimbursement for work completed for products made to order, which has not been invoiced on the reporting date. The contract assets are reclassified as trade receivables when the right becomes unconditional. In general this occurs when the Group sends an invoice to the customer.

**Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately in the consolidated statement of financial position.

**Impairment of non-financial assets**

The carrying amounts of non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is calculated.

Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGU or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

**Share capital***Shares*

Shares are classified as equity. The Company's Articles of Association do not distinguish ordinary and preference shares. The Company has no preference shares authorized or issued. All shares authorized and issued should therefore be considered 'ordinary' shares.

*Share premium*

The share premium is the consideration paid for shares in excess of the nominal value.

*Dividends*

Dividends are recognized as a liability in the period in which they are declared by the shareholders.

*Non-controlling interests*

Non-controlling interests consist of perpetual bonds and is classified as equity at its nominal value.

## Employee benefits

### *Defined benefit plans*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in current and prior periods; discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at balance sheet date on high-quality corporate or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by qualified actuaries using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

### *Share-based payment transactions*

The share option program allows employees of the Group to acquire shares in the capital of the Company. The fair value of options is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with corresponding adjustments to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The share options are valued using the Black & Scholes Model.

### *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's equity holders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation arising from a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material and a reliable estimate can be made of the amount of the obligation, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## Revenue from contracts with customers

The Group's revenue from contracts with customers is measured at the fair value of the consideration received or receivable and represents the amounts for services provided and serviced products delivered in the course of business during the current year, net of all related discounts and sales taxes. The Group provides quality services and delivers serviced products (chips and packaged devices) in the semiconductor industry through their business units Test Operations, Supply Chain Management and Qualification & Failure Analysis. The Group's customers consist of Fabless Companies, OEMs and other companies in the automotive, telecommunications, medical, industrial and electronic sectors. In addition, the Group is participating in publicly funded projects.

The characteristics of revenue recognition in Test Operations is generally based on the services performed to the customers for the actual number of pieces tested and based on fixed prices per tested piece.

The characteristics of the projects in Supply Chain Management include a life cycle of 1-3 months to several years, whereby the development phase, if applicable, takes between 1 to 2 years, followed by the series delivery. Prices in the development phase are generally based on services performed based on actual hours spent. Prices for the series delivery are generally based on fixed prices per piece.

The characteristics of revenue recognition in Qualification & Failure Analysis is generally based on the services performed to the customers based on the actual hours spent of the personnel and machines involved.

Revenue is recognized when a performance obligation is satisfied, in accordance with the terms of the contractual agreement. Typically, performance obligations are satisfied over time as services are rendered. Revenue recognized over time is based on the proportion of level of service performed.

The payment terms are based on general terms and conditions. The Group has neither specific obligations for returns or refunds, nor specific warranties nor other related obligations.

#### *Performance obligations and timing of revenue recognition*

The Group determines at contract inception whether each performance obligation will be satisfied (that is, control will be transferred) over time or at a point in time. The Group satisfies a performance obligation and recognizes revenue over time, when the asset has no alternative use to the Group and the Group is entitled to an enforceable right to payment for performance-to-date. The asset for each project is produced to a customer's specification and the asset can only be used by the specific customer.

If this condition is not satisfied, the Group recognizes revenue at a point in time. For each performance obligation that is satisfied at a point in time, the revenue is recognized when the performance obligation is met, and control is transferred to the customer. For each performance obligation that is satisfied over time, revenue is recognized by measuring progress towards completion of that performance obligation. The project revenue and costs are recognized as net revenue and costs in the consolidated statement of profit or loss in proportion to the services provided as at the balance sheet date, based on the percentage stage of completion of the contracts, calculated on the basis of costs incurred. Fulfillment of the performance obligations related to goods sold is measured using the commercial shipment terms as an indicator for the transfer of control.

If profit on the project can be determined reliably, revenue is recognized in proportion to the services at reporting date. Otherwise, revenue is recognized based on the cost incurred.

Where the total project costs exceed the project revenue, the loss is recognized in the consolidated statement of profit or loss. The provision for this loss is included in the contract assets.

The Group applies the following practical exemptions in IFRS 15 'Revenue from contracts with customers':

- not to account for significant financing components where the time difference between receiving consideration and transferring control of products or services to its customer is one year or less; and
- expense the incremental costs of obtaining a contract when the amortization period of the asset otherwise recognized is one year or less.

Revenue is recognized when the performance obligation has been met.

#### **Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants are presented as other income in the Consolidated Statement of Profit and Loss.

#### **Raw materials and consumables**

Raw materials and consumables represent the cost of raw materials and consumables that are attributable to the services provided or products delivered.

#### **Expenses**

##### *Operating lease payments*

Lease payments are primarily recognized in line with note 10 'Right-of-use assets'. Lease payments that do not qualify as leases under the application of IFRS 16 'Leases' are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

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### *Net financing costs*

Net financing costs comprise interest payable on loans and borrowings calculated using the effective interest rate method. The interest expenses component of finance lease payments is recognized in the consolidated statement of profit or loss using the effective interest rate method. In so far as applicable, the interest component of lease liabilities is also recognized under financing costs.

### **Income taxes**

Income taxes on the profit or loss for the year comprises current and deferred taxes. Income tax is recognized in the consolidated statement of profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred taxes are stated in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable profit or loss. Deferred taxes are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled and reflects uncertainty related to income taxes, if any.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred taxes are calculated on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of temporary differences is controlled by the Group and it is probable that temporary differences will not be reversed in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

### **Cash flow statement**

The cash flow statement is prepared using the indirect method. It distinguishes between operating, investing and financing activities. Payments and receipts of corporate taxes and interest are included as cash flow from operating activities. Cash flow arising from disinvestment of financial interests in group companies and subsidiaries is included as cash flow from investing activities, taking into account the available cash in these interests. If applicable dividends paid are part of the cash flow from financing activities.

Cash flows relating to lease payments for right-of-use assets are part of cash flows from financing activities, while cash flows relating to leases with a term of up to 12 months, low-value leases and non-lease components are recognized under cash flows from operating activities.

### **Financial risk management and sensitivity analysis**

The Group's activities are exposed to a variety of financial risks: market risks (including currency risk and interest rate risk), credit risks and liquidity risks. The Group's overall risk management program focuses on the unpredictability of markets (debtor management) and tries to minimize potential adverse effects on the Group's financial performance. The Group makes limited use of derivative financial instruments to hedge certain risk exposures.

*Credit risk*

The activities of Group entail various credit risks. The maximum credit risk is equal to the carrying amount of the trade receivables and other receivables. Trade receivables are generally on terms of 30 days. With some debtors other payment terms are agreed upon varying from 14 to 60 days. The payment terms are based on general terms and conditions. The Group has neither specific obligations for returns or refunds, nor specific warranties nor other related obligations. Management has set up credit control policies to reduce the credit risk. The average credit rating of the Group's customers is comparable to the industry. There is no significant concentration of credit risks within the Group, as the Group has a large number of customers. One customer comprises 10% or more of net sales.

*Allowances for impairment of trade and other receivables*

The Group establishes allowances for impairment of trade and other receivables using an expected credit losses model. The loss allowance is determined based on historical data of credit losses and updated periodically to incorporate forward looking information. The Group has contact with clients on a regular basis and monitors financial performance when needed. Due to the low levels of write-offs of trade and other receivables in the past, the Group decided to apply a single loss-rate. The trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The amount of the allowance is equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows.

*Foreign currency risks and sensitivity analysis*

Within the Group's customer portfolio, the Group is exposed to currency risk. The foreign exchange risk is mitigated by exchange rate clauses in most of the Group's contracts and sales. The Group has sales in US-Dollar currency however this has minimal effect. The table below summarizes the sales in different currencies:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Euro denominated net sales	10,882	12,228
US-Dollar denominated net sales	573	600
<b>Total net sales</b>	<b>11,455</b>	<b>12,828</b>

No detailed sensitivity analysis has been included, as the exposure is immaterial.

*Borrowing risks and sensitivity analysis*

Generally, the Group raises long-term borrowings at fixed rates. In 2014, the Group issued a bond loan of EUR 2.5 million with mortgage cover and maturity date June 30, 2020. The annual fixed coupon rate is 6% and the effective return rate is 7.92%. On May 6, 2020, the Extraordinary Meeting of Bondholders approved the proposal by the Board of Management to extend the term of the bond loan with one year and therefore the maturity date is now June 30, 2021. The annual fixed coupon rate remains unchanged at 6% fixed until June 30, 2021. On December 31, 2020, the Group announced that a group of long time investors will provide the refinancing of the bond loan in the amount of EUR 2.6 million. See note 26 'Events after balance sheet date'.

The Group does not have any variable interest rate borrowings outstanding as at December 31, 2020 and therefore is not subjected to risks arising from market interest rate fluctuations.

Therefore, borrowing risks for this instrument are low.

*Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate credit facility. Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents. Furthermore, liquidity planning is one of the major elements in the Group's budget cycle. Due to the Group's working capital ratio and market conditions, management has tight monitoring procedures in place regarding direct cash flows. Both the cash position and sales forecasts are frequently reviewed. Managing the working capital position is important in managing the Group's liquidity risk.

As per December 31, 2020 the working capital position is as follows:

<b>(x EUR 1,000)</b>	<b>31-12-2020</b>
Inventories	69
Contract assets	563
Trade receivables	1,353
Other receivables	188
Trade payables	-936
Other payables	-1,292
Cash at bank	1,351
<b>Working-capital</b>	<b>1,296</b>

Except for inventory, all items in the table above are also relevant for the liquidity risk analysis.

Current liabilities with regard to payments of financing and interest costs are relatively small. The risk of strong fluctuating interest rates is limited and the Group has no interest swaps outstanding. The main part of the interest is related to the outstanding bond loan. This interest rate is fixed until June 30, 2021.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

<b>(x EUR 1,000)</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>				
		<b>Total</b>	<b>1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than years</b>
Secured bond loan	2,488	-2,538	-2,538	—	—	—
Lease liabilities	733	-733	-273	-243	-217	—
Trade payables	936	-936	-936	—	—	—
<b>Liquidity position</b>	<b>4,157</b>	<b>-4,207</b>	<b>-3,747</b>	<b>-243</b>	<b>-217</b>	<b>—</b>

The secured bond loan matures on June 30, 2021. End December 2020 the Group announced refinancing of the bond loan. For further details of the new loan a reference is made to note 26 'Events after balance sheet date'.

#### *Market interest rates and pensions*

Changes in discount rates used in pension calculations are related to the changes in capital market interests. Changes in discount rates will result in actuarial gains or losses. According to IAS 19R 'Employee benefits', these actuarial gains and losses are immediately recognized in other comprehensive income. Disregarding this mitigation, a 0.5% decrease in the market interest rate at year-end would increase the pension obligation by approximately EUR 364,000. A 0.5% increase of the market interest rate at year-end would lead to a decrease of the pension obligation by approximately EUR 332,000.

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may, if and when applicable, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with other parties in the industry, the Group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. Below the gearing ratio of 2020 is stated compared to 2019.

<b>(x EUR 1,000)</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Total interest-bearing borrowings	2,488	2,474
Less cash and cash equivalents	-1,351	-1,002
<b>Net debt</b>	<b>1,137</b>	<b>1,472</b>
Total equity	3,844	3,945
<b>Total capital</b>	<b>4,981</b>	<b>5,417</b>
<b>Gearing ratio (net debt/capital x 100%)</b>	<b>23%</b>	<b>27%</b>

### Fair values

For cash and cash equivalents, trade and other receivables, trade and other payables and current borrowings, the fair value of the financial instruments approximates the carrying value. Therefore, the fair value disclosure in tabular format for these items has not been presented.

## 1. Net sales

The Group does not have separate segments as referred to in IFRS 8 'Operating segments'. IFRS 8 requires the consolidated financial statements to present segment information that is in accordance with the internal information used by management of the Group (chief operating decision maker) to assess performance and allocate resources.

The Group focuses on a single operating segment considering the nature of its services and the type of class of customer for these services. This operating segment consist of three business units, namely: Test Operations, Supply Chain Management and Qualification & Failure Analysis; to help the development of business level strategies. Management uses the consolidated results of operations to come up with informed business decisions.

Consequently, the disclosures for segment information are limited to net sales and non-current assets per country. In accordance to management reporting, net sales for the business units Test Operations, Supply Chain Management and Qualification & Failure Analysis are also disclosed.

Non-current assets amounting to EUR 3,000 (2019: EUR 5,000) are located in the Netherlands and the majority of the non-current assets is located in Germany.

### Net sales by business unit

(x EUR 1,000)	2020	2019
Test Operations	5,429	6,421
Supply Chain Management (SCM)	2,659	3,118
Qualification & Failure & Analysis	3,367	3,289
<b>Total</b>	<b>11,455</b>	<b>12,828</b>

### Net sales by geographic region

(x EUR 1,000)	2020	2019
Germany	6,328	5,912
Rest of Europe	4,271	6,108
Asia	734	649
Rest of the world	122	159
<b>Total</b>	<b>11,455</b>	<b>12,828</b>

The net sales in the Netherlands amounts to nil in both 2020 and 2019.

The basis for attributing net sales from external customers to individual geographical regions, is the country where the customer is based. In 2020, one individual customer meets the 10% criterion with a total reported revenue of EUR 1,840,000 (2019: EUR 1,758,000).

## 2. Other income

(x EUR 1,000)	2020	2019
Other income	419	389
<b>Total</b>	<b>419</b>	<b>389</b>

The Group is making use of government grants due to its participation in four publicly funded projects. In 2020, EUR 419,000 (2019: EUR 389,000) has been granted for this participation. All four projects are funded by the German Federal Ministry of Education and Research (BMBF), while the two largest projects also received funding from the ECSEL Joint Undertaking, which is supported by the European Union's Horizon 2020 research and innovation program.

The projects are well aligned with the Group's strategy and focus on:

- reliability of smart medical devices;
- packaging and testing of high power GaN transistors;
- novel testing and reliability methods for wafer-level chip scale packages;
- test strategies for photonic devices.

### 3. Raw materials and consumables

(x EUR 1,000)	2020	2019
Cost of raw materials and consumables	2,287	2,969
<b>Total</b>	<b>2,287</b>	<b>2,969</b>

### 4. Personnel expenses

(x EUR 1,000)	2020	2019
Salaries	5,178	5,696
Social securities	1,220	1,026
'Kurzarbeit' and other credits	-267	—
Share options	—	-3
Pension charges	61	100
<b>Total</b>	<b>6,192</b>	<b>6,819</b>

In 2020, capitalized internal hours are deducted from salaries amounting to EUR 111,000 (2019: EUR 72,000).

'Kurzarbeit', Germany's short-time work scheme, is an instrument for keeping employment stable during a financial crisis. 'Kurzarbeit' is a social insurance program whereby employers reduce their employees' working hours instead of laying them off. Under 'Kurzarbeit', the government normally provides an income 'replacement rate' of 60 percent or more.

The professional categories of the employees are as follows:

Category (in FTE)	2020	2019
Business units	69	68
Management and administrative	14	15
Sales and support	13	13
Short-time work	-10	—
<b>Total average number of employees</b>	<b>86</b>	<b>96</b>

The average number of persons employed by the Group in 2020 on a full-time basis was 86 (2019: 96). Reduction of 10 FTE was due to short-time work. In 2020 an average of 3 persons were employed in the Netherlands on a full-time basis (2019: 3).

At year-end 2020, the Group employed 95 persons (2019: 98).

### 5. Other expenses, other than depreciation and amortization

(x EUR 1,000)	2020	2019
Housing and equipment costs	1,314	1,348
Selling and administrative expenses	736	542
<b>Total</b>	<b>2,050</b>	<b>1,890</b>

In 2019 the selling and administrative expenses includes release of provisions of EUR 299,000.

#### Auditor fees

The total costs for the services rendered by KPMG charged to the statement of profit or loss amount to:

(x EUR 1,000)	2020			2019		
	KPMG Accountants N.V.	Other KPMG network	Total	KPMG Accountants N.V.	Other KPMG network	Total
Audit of the financial statements	142	86	228	103	61	164
Other assurance services	—	—	—	—	—	—
Tax-related advisory services	—	—	—	—	—	—
Other non-audit services	—	—	—	—	—	—
<b>Total</b>	<b>142</b>	<b>86</b>	<b>228</b>	<b>103</b>	<b>61</b>	<b>164</b>

KPMG Accountants N.V. provided in 2020 no other services in addition to the statutory audit of the 2020 consolidated and Company financial statements.

## 6. Depreciation and amortization

(x EUR 1,000)	2020	2019
Intangible assets	191	211
Land and buildings	130	124
Machinery and equipment	772	625
Depreciation of right-of-use assets	300	290
Other property, plant and equipment	151	166
<b>Total</b>	<b>1,544</b>	<b>1,416</b>

## 7. Financial expenses

(x EUR 1,000)	2020	2019
Interest	170	210
<b>Total</b>	<b>170</b>	<b>210</b>

(x EUR 1,000)	2020	2019
Interest expenses:		
- bond loan	164	198
- other loans	—	11
- on leases	4	5
- other financial expenses (income)	2	-4
<b>Total</b>	<b>170</b>	<b>210</b>

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Interest paid:		
- bond loan	150	150
- other loans	—	3
- other financial expenses (income)	2	-5
<b>Total</b>	<b>152</b>	<b>148</b>

The interest expenses include amortization costs amounting to EUR 18,000 (2019: EUR 61,000), which relate to discount and bond issuance cost of the bond loan and on leases.

## 8. Taxes

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Changes in deferred tax assets	66	-28
Changes in deferred tax liabilities	38	42
<b>Taxes in Consolidated Statement of Profit or Loss</b>	<b>104</b>	<b>14</b>

No Income taxes were paid in 2020 (2019: nil).

As the major part of the activities is in Germany, the Group uses the German domestic tax rates of 27.5% (2019: 27.5%) in the reconciliation of the effective tax rate below:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Profit (loss) before taxes	-369	-87
Taxes based on the weighted average applicable rate	102	24
Changes in unrecognized tax losses	-36	-52
Changes in deferred tax liabilities	38	42
<b>Taxes in Consolidated Statement of Profit or Loss</b>	<b>104</b>	<b>14</b>

## 9. Property, plant and equipment

(x EUR 1,000)	Land and buildings at fair value	Machinery and equipment	Others	Total
<b>1 January 2019</b>				
Cost or fair value	3,028	26,073	4,131	33,232
Accumulated depreciation	-136	-24,227	-3,566	-27,929
<b>Carrying amount 1 January 2019</b>	<b>2,892</b>	<b>1,846</b>	<b>565</b>	<b>5,303</b>
Additions	—	1,635	110	1,745
Disposals – Cost	-4	-6,385	-1,515	-7,904
Disposals – Accumulated Depreciation	—	6,385	1,515	7,900
Depreciation charge	-124	-625	-165	-914
<b>Carrying amount 31 December 2019</b>	<b>2,764</b>	<b>2,856</b>	<b>510</b>	<b>6,130</b>
<b>31 December 2019</b>				
Cost or fair value	3,024	21,323	2,726	27,073
Accumulated depreciation	-260	-18,467	-2,216	-20,943
<b>Carrying amount 31 December 2019</b>	<b>2,764</b>	<b>2,856</b>	<b>510</b>	<b>6,130</b>
Useful economic life in years	20	2-10	3-10	
<b>1 January 2020</b>				
Cost or fair value	3,024	21,323	2,726	27,073
Accumulated depreciation	-260	-18,467	-2,216	-20,943
<b>Carrying amount 1 January 2020</b>	<b>2,764</b>	<b>2,856</b>	<b>510</b>	<b>6,130</b>
Additions	—	712	33	745
Revaluation	380	—	—	380
Revaluation / Disposals – Cost	-389	-293	-40	-722
Revaluation / Disposals – Accumulated Depreciation	390	292	40	722
Depreciation charge	-130	-772	-151	-1,053
<b>Carrying amount 31 December 2020</b>	<b>3,015</b>	<b>2,795</b>	<b>392</b>	<b>6,202</b>
<b>31 December 2020</b>				
Cost or fair value	3,015	21,742	2,719	27,476
Accumulated depreciation	—	-18,947	-2,327	-21,274
<b>Carrying amount 31 December 2020</b>	<b>3,015</b>	<b>2,795</b>	<b>392</b>	<b>6,202</b>
Useful economic life in years	17	2-10	3-10	

*Land and buildings at historical cost*

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Initial costs land and buildings	4,145	4,643
Disposals	—	-498
Accumulated depreciation	-3,868	-3,848
<b>Net book amount at depreciated historical cost</b>	<b>277</b>	<b>297</b>

The valuation report dated December 3, 2020, prepared by Diplom-Betriebswirt Friedrich Kiefer, state the fair value of the land and buildings is EUR 3,015,000 (previous valuation report in 2017: EUR 3,345,000).

The valuation of land and buildings is based on a market valuation of land and rental value in combination with the technical life of the building. The land has been valued against EUR 55 per square meter.

According to IFRS 13 'Fair value measurement' hierarchy, the revalued land and buildings belongs to Level 3 – Significant Unobservable Inputs. The most significant input, all of which are unobservable is the estimated rental value and the value of land, which has been valued at EUR 55 per square meter.

*Valuation of land*

	<b>Total square meters</b>	<b>EUR/square meter</b>	<b>Total value in EUR</b>
Built land	14,780	55	812,900

*Valuation of building*

Valuation of the building is based on rental-market prices for office and production space per square meter. The range of market prices per square meter is between 2.00 and 6.00 EUR/square meter.

The total square meters of the building, which has been used to determine the rental value is 5,714 square meters. The total annual rental value amounts to EUR 292,872 (this includes the value of the built land).

A multiplier is used (according to valuation techniques in the real estate market) to calculate the value which amounts to 10.390977. The multiplier times the annual rental value of EUR 292,872 results in the value of building, including built land, amounting to EUR 3,043,226. Deducting for deviations from normal structural condition EUR 30,000 from the value, the valuator has rounded the appraisal value to EUR 3,015,000.

A quantitative sensitivity analysis for the valuation is shown below:

Sensitivity level M <sup>2</sup> built land	EUR 50/M <sup>2</sup>	EUR 60/M <sup>2</sup>
Impact in EUR (basis: 14,780 M <sup>2</sup> )	-73,900	73,900

Sensitivity level rental building	-5%	5%
Rental value in EUR (basis: EUR 292,872)	-152,200	152,200

*Impairment loss and subsequent reversal*

The Group neither incurred nor reversed any impairment losses in 2020 (2019: zero).

*Assets under construction*

Assets under construction are included in the property, plant and equipment category 'Others'. As at December 31, 2020, no assets are under construction (2019: zero).

*Security*

Security on land and buildings amounting to EUR 2.5 million is provided as a mortgage right for the holders of the secured bond loan issued in June 2014. For further information on security, reference is made to note 20 'Loans and borrowing'.

## 10. Right-of-use assets

The Group leases various offices, warehouses, equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options as described in below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of offices and warehouses for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of office and warehouse leases. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Group.

For leases of offices and warehouses, the following factors are normally the most relevant:

- If there are significant penalty payments to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- the importance of the underlying asset to Groups strategy and operations; or
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices leases have not been included in the lease liability due to the length of the remaining lease term.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the financial year 2020, the financial effect of revising lease terms to reflect the effect of exercising extension was an increase in recognized lease liabilities and right-of-use assets of EUR 49,000.

Movements in right-of-use assets can be shown as follows:

(x EUR 1,000)	Company offices	Other operating assets	Total assets
<b>1 January 2019</b>			
Closing balance previous year	—	—	—
First time adoption IFRS 16 'Leases'	958	134	1,092
<b>Carrying amount 1 January 2019</b>	<b>958</b>	<b>134</b>	<b>1,092</b>
Additions	23	131	154
Depreciation charge	-223	-67	-290
<b>Carrying amount 31 December 2019</b>	<b>758</b>	<b>198</b>	<b>956</b>
Cost	981	265	1,246
Accumulated depreciation	-223	-67	-290
<b>Carrying amount 31 December 2019</b>	<b>758</b>	<b>198</b>	<b>956</b>
<b>1 January, 2020</b>			
Cost	981	265	1,246
Accumulated depreciation	-223	-67	-290
<b>Carrying amount 1 January 2020</b>	<b>758</b>	<b>198</b>	<b>956</b>
Additions	—	43	43
Renewal option	44	5	49
Terminations *	—	-20	-20
Depreciation charge	-210	-90	-300
<b>Carrying amount 31 December 2020</b>	<b>592</b>	<b>136</b>	<b>728</b>
Cost	1,025	293	1,318
Accumulated depreciation	-433	-157	-590
<b>Carrying amount 31 December 2020</b>	<b>592</b>	<b>136</b>	<b>728</b>

\*Termination of right-of-use assets relates to early termination and return of cars.

The other operating assets consist mainly of leased company vehicles.

The lease liabilities can be specified as follows:

(x EUR 1,000)	
<b>1 January 2019</b>	
Closing balance previous year	—
First time adoption IFRS 16 'Leases'	1,092
<b>At 1 January 2019</b>	<b>1,092</b>
Additions	154
Interest costs	5
Lease payments	-292
<b>As at 31 December 2019</b>	<b>959</b>
Lease liability – non-current	672
Lease liability – current	287
<b>Total</b>	<b>959</b>

<b>1 January 2020</b>	
Lease liability	959
<b>At 1 January 2020</b>	<b>959</b>
Additions	43
Renewal option	50
Terminations *	-20
Interest costs	4
Lease payments	-303
<b>As at 31 December 2020</b>	<b>733</b>
Lease liability – non-current	460
Lease liability – current	273
<b>Total</b>	<b>733</b>

\*Terminations relates to early termination and return of cars.

The Group did not receive any COVID-19 related rent concessions and therefore has not applied the practical expedient introduced in May 2020 (The COVID-19-Related Rent Concessions - Amendment to IFRS 16 Leases).

The contractual maturity of the future lease liabilities is as follows:

<b>(x EUR 1,000)</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Under one year	273	287
One to five years	460	672
Over five years	—	—
<b>Contractual future lease liabilities</b>	<b>733</b>	<b>959</b>

The total cash outflow for leases in 2020 was EUR 303,000 (2019: EUR 292,000).

The consolidated statement of profit or loss contains the following lease items:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Variable lease expenses not recognized in lease liability	—	—
Costs of short-term leases	6	38
Costs of low-value leases	2	2
<b>Total</b>	<b>8</b>	<b>40</b>

## 11. Intangible assets

<b>(x EUR 1,000)</b>	<b>Goodwill</b>	<b>Development expenditure</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>				
<b>Balance at 1 January 2019</b>	<b>1,741</b>	<b>814</b>	<b>464</b>	<b>3,019</b>
Investments	—	72	78	150
Disinvestment	—	—	-16	-16
<b>Balance at 31 December 2019</b>	<b>1,741</b>	<b>886</b>	<b>526</b>	<b>3,153</b>
<b>Accumulated amortization</b>				
<b>Balance at 1 January 2019</b>	<b>—</b>	<b>230</b>	<b>410</b>	<b>640</b>
Amortization	—	167	44	211
Disinvestment	—	—	-16	-16
<b>Balance at 31 December 2019</b>	<b>—</b>	<b>397</b>	<b>438</b>	<b>835</b>
<b>Carrying amount</b>				
<b>Balance at 1 January 2019</b>	<b>1,741</b>	<b>584</b>	<b>54</b>	<b>2,379</b>
<b>Balance at 31 December 2019</b>	<b>1,741</b>	<b>489</b>	<b>88</b>	<b>2,318</b>

(x EUR 1,000)	Goodwill	Development expenditure	Other intangible assets	Total
<b>Cost</b>				
<b>Balance at 1 January 2020</b>	<b>1,741</b>	<b>886</b>	<b>526</b>	<b>3,153</b>
Investments	—	111	9	120
Disinvestment	—	—	-5	-5
<b>Balance at 31 December 2020</b>	<b>1,741</b>	<b>997</b>	<b>530</b>	<b>3,268</b>
<b>Accumulated amortization</b>				
<b>Balance at 1 January 2020</b>	—	<b>397</b>	<b>438</b>	<b>835</b>
Amortization	—	149	42	191
Disinvestment	—	—	-5	-5
<b>Balance at 31 December 2020</b>	—	<b>546</b>	<b>475</b>	<b>1,021</b>
<b>Carrying amount</b>				
<b>Balance at 1 January 2020</b>	<b>1,741</b>	<b>489</b>	<b>88</b>	<b>2,318</b>
<b>Balance at 31 December 2020</b>	<b>1,741</b>	<b>451</b>	<b>55</b>	<b>2,247</b>

#### Goodwill

Goodwill is tested annually for impairment. The goodwill is allocated to the German subsidiary RoodMicrotec GmbH as the cash-generating unit. The recoverable amount of this cash-generating unit is determined using value-in-use calculations.

These calculations use cash flow projections based on the Group's budget for 2021 and forecasts for 2022-2025, based on an annual organic growth rate of 7.0%. Residual value is based on a 1.0% perpetual growth rate. Given the high degree of uncertainty caused by COVID-19, the Group chose to use the expected cash flow approach as opposed to the traditional approach. Under the expected cash flow approach, uncertainty about future cash flows is reflected in different probability-weighted cash flow projections, rather than in the discount rate.

The discount rate used is post-tax and reflects specific (market) risks and represents the current WACC. The proportion of the equity and debt used in the WACC calculation is based on the optimum capital structure. The WACC post-tax used is 13.64% (2019: 12.75%).

The discount rate applied in accordance with article 55 of IAS 36 'Impairment of assets' corresponds to a WACC pre-tax of 18.8% (2019: 17.6%).

The recoverable amount for 2020 amounts to EUR 9.4 million. The headroom in the impairment test scenario amounts to EUR 0.3 million. There are no indications for a reasonably possible change in the key assumptions mentioned above.

Sensitivity analyses were prepared to determine the point where an impairment loss would be necessary. The headroom would be zero in case a WACC post-tax is used of 14.1%.

#### Development expenditure

In 2020, the Group invested in internally generated intangible assets amounting to EUR 111,000 (2019: EUR 72,000). These investments relate to packaging and testing of high power GaN transistors. The project is well aligned with the Group's strategy. Development expenditure will be amortized during the expected economic lifetime of 4 years starting when the project is finished. In 2020, the amortization of development expenditure amounts to EUR 149,000 (2019: EUR 167,000). In 2020, no disinvestment took place (2019: nil).

Amortization is accounted for in the consolidated statement of profit or loss within depreciation. Loss on disinvestment is accounted for in the consolidated statement of profit or loss within other operating expenses.

#### Other intangible assets

The other intangible assets consist of capitalized expenses related to website and capitalized software and licenses.

## 12. Deferred tax balances

Deferred tax assets and liabilities are offset, because there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority.

Deferred taxes comprise the following:

(x EUR 1,000)	31-12-2020	31-12-2019
Deferred tax assets to be recovered > 12 months	1,868	1,802
Deferred tax assets to be recovered < 12 months	—	—
<b>Deferred income tax assets (unnetted)</b>	<b>1,868</b>	<b>1,802</b>
Deferred tax liabilities to be recovered > 12 months	-232	-208
Deferred tax liabilities to be recovered < 12 months	—	—
<b>Deferred income tax liabilities (unnetted)</b>	<b>-232</b>	<b>-208</b>
<b>Balance at Deferred tax assets (netted)</b>	<b>1,636</b>	<b>1,594</b>

The movement in deferred tax assets is as follows:

*Deferred tax assets*

(x EUR 1,000)	Total capitalized carry forward losses
<b>Balance at 1 January 2019</b>	<b>1,830</b>
Charges for the financial year	-28
<b>Balance at 31 December 2019</b>	<b>1,802</b>
<b>Balance at 1 January 2020</b>	1,802
Charges for the financial year	66
<b>Balance at 31 December 2020</b>	<b>1,868</b>

The deferred tax asset recognized in the consolidated statement of financial position is calculated as follows:

Tax losses available in Germany	EUR 22.3 million
Potential deferred taxes assets regarding carry forward	EUR 5.9 million
Deferred tax assets carry forward recognized	EUR 1.9 million

As per the end of the year 2020, RoodMicrotec GmbH had approximately EUR 22.3 million tax losses which can be utilized indefinite in time. Consequently, these tax losses can be carried forward and be offset against future profits without any time limitation. The corresponding amount of possible future tax savings depends on the applicable tax rate, which for RoodMicrotec GmbH is 27.5%, being 20.5% on EUR 22.3 million concerning corporate tax losses and 7% on EUR 19.5 million concerning trade tax losses. This results in a potential deferred tax asset in the total amount of EUR 5.9 million.

Consistent with past practice, recognition of deferred tax assets is based on the Group's (taxable) profits shown in its five-year rolling forecast, based on the internal business plan. The Group's business planning for the financial years 2021-2025, results in a EUR 1.9 million deferred tax asset to be recognized in the consolidated statement of financial position.

IAS 12 'Income Taxes' prescribes that deferred taxes arising from available tax losses are recognized, if the entity has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available (IAS 12.35). Entities may look forward for a number of future accounting periods to determine whether they will have sufficient taxable profit to justify recognizing a deferred tax asset. In these circumstances, there is no specific restriction on how many years the entity may look forward, unless there is a date which the availability of the tax losses expires. Generally, evidence supporting or indicating future profits in later financial years will

generally not be as convincing as that for earlier periods, but there is no rule as to the duration of the lookout period.

No deferred tax assets have been recognized for tax losses in the Netherlands as the utilization of tax losses in the Netherlands is limited in time. Tax losses can be carried back to tax profits for only the previous year (2019: one year) and can be carried forward to tax profits for the following six years (2019: six years). These unrecognized tax losses are in total approximately EUR 1.0 million as per December 31, 2020 (2019: EUR 0.8 million).

The year-end tax position for tax losses available relates to the prior fiscal year concerned. The fiscal year of the Group equals the financial year.

#### *Deferred tax liabilities*

(x EUR 1,000)	1 January, 2019	Recognized in profit or loss	Recognized in other comprehensive income	31 December, 2019
Revalued land and building	737	-58	—	679
Pension obligations	-531	47	-160	-644
Machinery and Other assets	46	-5	—	41
Provision jubilee	-3	—	—	-3
Development expenditure	161	-26	—	135
<b>Total</b>	<b>410</b>	<b>-42</b>	<b>-160</b>	<b>208</b>

(x EUR 1,000)	1 January, 2020	Recognized in profit or loss	Recognized in other comprehensive income	31 December, 2020
Revalued land and building	679	-30	104	753
Pension obligations	-644	22	-42	-664
Machinery and Other assets	41	-19	—	22
Lease liabilities	—	-1	—	-1
Provision jubilee	-3	—	—	-3
Development expenditure	135	-10	—	125
<b>Total</b>	<b>208</b>	<b>-38</b>	<b>62</b>	<b>232</b>

As a result of the revaluation of land and buildings, the capitalization of development expenditure, different valuation of pension obligations and others, a provision for deferred tax liabilities has been recognized amounting to 27.5% of the difference between the HGB and IFRS valuation. All deferred tax liabilities are within the same jurisdiction.

### 13. Inventories

(x EUR 1,000)	31-12-2020	31-12-2019 <sup>1</sup>
Raw materials and consumables	69	101
<b>Total</b>	<b>69</b>	<b>101</b>

<sup>1</sup> Work in Progress is reclassified to contract assets, see note 14.

No expenses are included in the consolidated statement of profit or loss in 2020 (2019: zero) with respect to write-downs of inventory to lower net realizable value.

### 14. Contract assets

(x EUR 1,000)	31-12-2020	31-12-2019 <sup>1</sup>
Contract assets	563	363
<b>Balance at 31 December</b>	<b>563</b>	<b>363</b>

<sup>1</sup> Work in Progress is reclassified to contract assets, see note 13.

### 15. Trade and other receivables

Trade and other receivables are specified as follows:

(x EUR 1,000)	31-12-2020	31-12-2019
Not overdue	1,145	1,430
< 30 days overdue	159	203
> 30 days and < 60 days overdue	67	64
> 60 days overdue	7	42
Allowance for credit losses	-25	-97
Trade receivables	1,353	1,642
Other receivables	188	188
<b>Total</b>	<b>1,541</b>	<b>1,830</b>

The carrying amount of the trade and other receivables approximates the fair value, due to their short-term nature.

Information regarding the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in the section 'Financial risk management and sensitivity analysis'.

#### *Allowance for credit losses*

The Group applies the IFRS 9 'Financial instruments' simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. The loss allowance is determined based on historical data of credit losses and updated periodically to incorporate forward looking information. As per the end of the year 2020, the Group applies a single-loss rate of 1.3% (2019: 1.2%) of trade receivables and contract assets.

The movement in the allowance for credit losses during the year is as follows:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Balance at 1 January	-97	-26
Release/addition to the allowance for credit losses	-5	-71
Utilized during the year	77	—
<b>Balance at 31 December</b>	<b>-25</b>	<b>-97</b>

As at December 31, 2020, trade receivables of around EUR 0.2 million (2019: EUR 0.3 million) were past due. There were no indications on the balance sheet date that a provision was necessary in addition to the provision already taken for expected credit losses on trade receivables.

## 16. Cash and cash equivalents

<b>(x EUR 1,000)</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Cash at bank and on hand	1,351	1,002
<b>Total</b>	<b>1,351</b>	<b>1,002</b>

## 17. Share capital

### *Authorized share capital*

At December 31, 2020 the authorized share capital comprised 100,000,000 shares (2019: 100,000,000). The shares have a nominal value of EUR 0.11 each.

In 2020, the movement of the issued shares is as follows:

<b>(x EUR 1,000)</b>	<b>Number of Shares</b>	<b>Share Capital (EUR)</b>	<b>Share Premium (EUR)</b>
Balance at January 1	74,896	8,239	20,709
Issue of shares	—	—	—
<b>Balance at December 31</b>	<b>74,896</b>	<b>8,239</b>	<b>20,709</b>

As at December 31, 2020, a total number of 74,896,267 shares are issued (2019: 74,896,267). Of these, the Company holds 4,100 shares (2019: 4,100) as treasury shares. The number of shares held by the Company at the end of the year under review was less than 0.01% of the total number of issued shares (2019: < 0.01%).

As at December 31, 2020, the Company has 1,530,785 warrants outstanding, which are all held by Blikkenburg B.V. (2019: 1,530,785). The exercise price of each warrant is EUR 0.42. These warrants are exercisable as of the date of issuance. The expiration date of these warrants is January 31, 2023.

In the past the Company has issued warrants to shareholders and investors as an incentive to attract new investors or to reward long-term shareholders. In the future, the Company may consider issuing warrants again, but will decide on this on a case by case basis.

More details on the exercised options in 2020 are provided in note 19 'Options'.

### *Share premium*

The share premium reserve relates to the issuance of shares above par (nominal value) and granting of options to employees and management. The share premium is the consideration paid for shares in excess of the nominal value.

### *Revaluation reserve*

As a result of the revaluation of land and buildings a revaluation reserve has been recognized. The revaluation reserve cannot be used for dividend distributions.

*Non-controlling interests*

In November 2010, the German subsidiary RoodMicrotec GmbH issued a perpetual bond of EUR 1,994,096. On December 27, 2012 RoodMicrotec GmbH issued additionally a perpetual bond of EUR 500,000.

The compensation to be paid results from the multiplication of 11.70% annually with the par value per security and the actual number of calendar days in the month for which the compensation is implemented divided by the actual number of days (365 or 366) in the respective calendar year.

RoodMicrotec GmbH is not obligated to pay under one of the following conditions (in this case a claim does not arise):

- if, and insofar as, such a claim would lead to or increase an annual net loss of RoodMicrotec GmbH in the business year to which the determining profit period refers, and
- insofar as the profit distributions from free equity capital cannot be paid simultaneously.

The term "free equity" is the amount that can be normally distributed to the shareholders after dissolution of all "free" reserves.

Compensation becomes only due if, and insofar as, RoodMicrotec GmbH decides on such a payment. If RoodMicrotec GmbH decides against a payment, it is not obliged to pay compensation (so unpaid compensation does not accumulate). If RoodMicrotec GmbH decides on a payment and there are unpaid compensations ("compensation arrears"), then payment of these compensations must occur before any dividends or capital can be paid or distributed to the normal shareholders. As per December 31, 2020, the total unpaid compensation amounts to zero.

There is no contractual obligation for redemption, as the securities are without due date (no redemption period or maturity agreed upon). Furthermore, it is at the discretion of the issuing party when a termination is made.

The securities conditions do not have any redemption triggers that are out of the control of RoodMicrotec GmbH.

Only RoodMicrotec GmbH can unilaterally call-in this bond. The bond does not entitle the owner to any RoodMicrotec N.V. shareholder rights. If an annual compensation payment leads to an annual net loss for RoodMicrotec GmbH in the business year to which the determining profit period refers, or increases a net loss, the claim to this compensation does not arise for the accounting period.

*Proposal for result appropriation*

In accordance with article 27 of the Company's Articles of Association, the Company proposes to charge the 2020 net loss against retained earnings.

*Appropriation of result of 2019*

The financial statements for the reporting year 2019 have been adopted by the General Meeting on July 23, 2020. The General Meeting has adopted the appropriation of net loss as proposed by the Board of Management and approved by the Supervisory Board.

## 18. Earnings per share

### Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

	2020	2019
Net profit (loss) attributable to equity holders of the Company (x EUR 1,000)	-265	-73
Weighted average number of shares outstanding (in thousands)	74,896	74,808
<b>Basic earnings per share (x EUR 1)</b>	<b>-0.00</b>	<b>-0.00</b>

### Earnings per share - diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding, to take into account conversion of all potentially dilutive shares, consisting of warrants and share options which are in the money.

	2020	2019
Net profit (loss) attributable to equity holders of the Company (x EUR 1,000)	-265	-73
Weighted average number of shares outstanding (in thousands)	74,896	74,808
Adjustments for:		
- Warrants (in the money) (in thousands)	—	—
- Share options (in the money) (in thousands)	—	180
Weighted average number of shares for diluted earnings per share (in thousands)	74,896	74,988
<b>Diluted earnings per share (x EUR 1)</b>	<b>-0.00</b>	<b>-0.00</b>

## 19. Options

### Share options

Share options were part of the remuneration till 2019 and were granted to the members of the Board of Management. The separate remuneration report is stated on page 48.

The share options granted to Mr. O.M. Sallenhag and Mr. A. Ladega have no vesting period. The outstanding options at December 31, 2020 will expire March 5, 2022 or on the date of retirement whichever is earlier. Option rights that will not have been exercised as of the day the employee agreement will have been terminated, will be cancelled on the day of termination.

The Group has no legal or constructive obligation to repurchase or settle the options in cash. The share options are valued using the Black and Scholes valuation model.

### Outstanding option rights

Option holder	Balances as at 31-12-2019	Exercised in 2020	Expired/Cancelled	Balances as at 31-12-2020	Exercise price in EUR
<i>Mr. O.M. Sallenhag</i>					
2018	120,000	—	—	120,000	0.20
<i>Mr. A. Ladega</i>					
2018	60,000	—	—	60,000	0.20
<b>Total</b>	<b>180,000</b>	<b>—</b>	<b>—</b>	<b>180,000</b>	

## 20. Loans and borrowings

This note provides information on the contractual terms of the Group's interest-bearing loans and borrowings.

<b>(x EUR 1,000)</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Secured bond loan	2,488	2,474
Total loans and borrowings	2,488	2,474
Less: current portion of long-term loans	-2,488	-2,474
<b>Total non-current loans and borrowings</b>	<b>—</b>	<b>—</b>

*Terms and debt repayment schedule*

<b>(x EUR 1,000)</b>	<b>Total</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>
Secured bond loan	2,488	2,488	—	—	—	—
<b>Total interest-bearing loans and borrowings</b>	<b>2,488</b>	<b>2,488</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

*Interest expenses repayment schedule as per December 31, 2020*

<b>(x EUR 1,000)</b>	<b>Total</b>	<b>Current liabilities</b>	<b>Non-current liabilities</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>
Secured bond loan	38	38	—	—	—	—
<b>Total</b>	<b>38</b>	<b>38</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

*Secured bond loan*

On June 30, 2014, the Group issued a EUR 2,500,000 bond loan with mortgage cover. The bond loan composed of 2,500 bonds with EUR 1,000 nominal value at an issue price EUR 2,350,000. Maturity date was June 30, 2020 and on May 6, 2020 during a virtual extraordinary bondholders meeting the maturity date of the bond is extended with one year. Upon issuance, the bond was discounted at 94% (EUR 150,000). The fixed annual coupon rate is 6% and the effective annual interest rate is 7.92%. Upon issuance, the Group capitalized bond issuance cost amounting to EUR 100,000 which will be amortized over the lifetime. The amortization in 2020 related to the discount and bond issuance cost amounted to EUR 14,000 (2019: EUR 48,000). As at December 31, 2020, the secured bond loan amounted to EUR 2,488,000 (2019: EUR 2,474,000). On December 31, 2020 a refinancing is announced and the bond loan is repaid by March 31, 2021.

*Interest rates*

The average interest rates were as follows:

	<b>2020</b>	<b>2019</b>
Secured bond loan	6.00%	6.00%

## 21. Defined benefit obligations

*Defined benefit plans*

The Group funds defined benefit plans for qualifying employees at RoodMicrotec GmbH. These plans are subject to German laws and are administered by a separate fund that is legally separated from the Group. The trustees of these funds are appointed by the Group. The pension benefits are based on the pensionable salary (or in some cases on the ratio of salary and a social security contribution ceiling) and the worked service years. Since the 1990's, the pension schemes are closed for new members. At the moment the pension schemes have 53 participants of which 4 are active participants who are still employed by and working in the Group.

The plans expose the Group to actuarial risks such as interest rate risk. The schemes do not expose the Group to any unusual scheme-specific risk. The defined benefit pension plan comprising defined benefit arrangements and arrangements congruently matched by insurance policies are partly reinsured. The reserves required for these obligations are recognized, net of plan assets, in the consolidated statement of financial position.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on December 31, 2020 by Mercer Deutschland GmbH, Frankfurt am Main. The present value of the defined benefit obligation and the related current service costs and past service costs have been measured using the projected unit credit method. The charge for the year is included in the employee benefits expense in the consolidated statement of profit or loss.

The principal assumptions used for the purpose of the actuarial valuations at December 31 are as follows:

	<b>2020</b>	<b>2019</b>
Discount rate at December 31	0.78%	1.12%
Salary increase rate	2.20 %	— %
Pension increase rate	— %	— %
Expected duration in years, active employees	20 years	20 years
Expected duration in years, pensioners	10 years	10 years
Expected duration in years, mixed	15 years	15 years
Mortality	RT Heubeck 2018 G	RT Heubeck 2018 G
Disability	RT Heubeck 2018 G	RT Heubeck 2018 G
Marriage	RT Heubeck 2018 G	RT Heubeck 2018 G
Withdrawal	Mercer specific tables	Mercer specific tables

The movement in the present value of the defined benefit obligations and in the fair value of the plan assets is as follows:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
<b>Defined benefit obligations and plan assets</b>		
Defined benefit obligations at 1 January	6,634	6,232
Current service costs	5	4
Interest costs	72	121
Actuarial gains (-) or losses	218	640
Pension payments	-382	-363
<b>Defined benefit obligations at 31 December</b>	<b>6,547</b>	<b>6,634</b>
Fair value of plan assets at 1 January	1,614	2,858
Remeasurement recognized in OCI	—	-1,210
Interest income on plan assets	16	25
Return on plan assets	64	57
Pension payments from plan assets	-131	-116
<b>Fair value of plan assets at 31 December</b>	<b>1,563</b>	<b>1,614</b>
<b>Net defined benefit obligations at 31 December</b>	<b>4,984</b>	<b>5,020</b>

#### *Plan assets*

Plan assets as per year-end are composed of life insurance policies amounting to EUR 1.6 million (2019: EUR 1.6 million), which are held at insurance companies and Plentum bonds in the amount of zero (2019: zero).

The fair values of these life insurance policies are determined based on quoted market prices in active markets. The actual return on plan assets was EUR 64,000 negative (2019: EUR 57,000 negative). The plan assets do not include any of the Group's own financial instruments, nor any property occupied by or other assets used by the Group.

As per November 30, 2010 the Group owns a EUR 2.0 million high-yield (10.9%) bond in the Plentum Fund VI SCS issued by Plentum Luxembourg S.a.r.l. As per December 27, 2012 the Group purchased another similar bond from this fund at a 10.5% rate with a size of EUR 0.5 million. The bonds are held in deposit at the UBS Bank. The fair value of the Plentum bonds are based on level 3 (unobservable) inputs, relevant observable inputs are not available for the fund. The Plentum fund filed for insolvency in 2019. Consequently, the fair value of the Plentum plan assets amounts to zero per December 31, 2020.

Amounts recognized in the profit or loss related to the Group's defined benefit plans are as follows:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Current service costs	5	4
Net interest expenses	56	96
<b>Expenses recognized in profit or loss</b>	<b>61</b>	<b>100</b>

Amounts recognized in other comprehensive income (OCI) related to the Group's defined benefit plans are as follows:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
Effect of changes in financial assumptions	229	585
Effect of experience adjustments	-11	55
Return on plan assets or reimbursement rights excl. interest income	-64	-57
Remeasurement recognized in OCI	—	1,210
<b>Expenses recognized in OCI</b>	<b>154</b>	<b>1,793</b>

A quantitative sensitivity analysis for the discount rate as at December 31, 2020 is as shown below:

<b>Assumption</b>	<b>Discount rate</b>	
	0.5% increase	0.5% decrease
Sensitivity level		
Impact on defined benefit obligation in EUR	-332,000	364,000

The sensitivity analysis is prepared at the end of the reporting period using the same methods as applied in the defined benefit obligation in the consolidated statement of financial position. The sensitivity analysis may not be representative of the actual change in the defined benefit obligation.

The Group's expected pension payments for 2021 are EUR 0.4 million (2020: EUR 0.4 million).

## 22. Provisions

<b>(x EUR 1,000)</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Warranty provisions	23	67
Other provisions	37	38
<b>Total</b>	<b>60</b>	<b>105</b>

Provisions for warranties mainly represent the estimated future costs of fulfilling contractual requirements associated with service or products provided.

The other provisions relate to employee liabilities such as defined jubilees and are in general long-term. Remeasurements are recognized in profit or loss in the period in which they arose.

## 23. Trade and other payables

<b>(x EUR 1,000)</b>	<b>31-12-2020</b>	<b>31-12-2019</b>
Suppliers and trade creditors	936	706
Other payables	1,292	1,085
<b>Total</b>	<b>2,228</b>	<b>1,791</b>

The carrying amount of the trade and other payables approximates the fair value, due to their short-term nature.

Other payables consist of non-trade payables and accrued expenses.

## 24. Off-balance sheet commitments

In addition to provisions and liabilities, there were other financial obligations that were not recognized in the Consolidated Statement of Financial Position which are explained below.

(x EUR 1,000)	2020	< 1 year	1 - 5 year	> 5 year	2019
Property, plant and equipment ordered	—	—	—	—	434
Maintenance	423	204	219	—	—
Other off-balance sheet commitment	696	692	4	—	38
<b>Total</b>	<b>1,119</b>	<b>896</b>	<b>223</b>	<b>—</b>	<b>472</b>

The other commitments pertain contract agreements between RoodMicrotec and suppliers and mainly relates to customer contracts.

#### Security

The "Stichting Obligatiehoudersbelangen" in Amsterdam in the Netherlands, representing all holders of the bonds for the secured bond loan issued in June 2014, received a German mortgage right that is called "Buchgrundschild" amounting to EUR 2,500,000. The "Buchgrundschild" is registered in Augsburg with the land registry number 10988. In 2020, the registered property is valued at EUR 3,015,000 by an officially recognized valuer - Diplom-Betriebswirt (FH) Friedrich Kiefer and concerns the property owned by the Group in Nördlingen, Germany.

The Company and the Dutch subsidiary company form a fiscal unity for corporate tax. Each of these companies is severally liable for corporate tax to be paid by all companies that belong to the fiscal unity.

## 25. Related parties

The Group has related party relationships with its key management personnel, being represented by the Company's Board of Management and Supervisory Board.

#### Remuneration of Board of Management

(x EUR 1,000)	Fixed compensation		Short-term incentive		Long-term incentive		Other benefits		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Mr. O.M. Sallenhag	123	132	—	—	—	4	4	7	127	143
Mr. A. Ladega <sup>1</sup>	116	67	—	—	—	2	21	9	137	78
Mr. R. Pusch <sup>2</sup>	N/A	50	N/A	—	N/A	2	N/A	3	N/A	55
<b>Total</b>	<b>239</b>	<b>249</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>8</b>	<b>25</b>	<b>19</b>	<b>264</b>	<b>276</b>

<sup>1</sup> from May 23, 2019

<sup>2</sup> until May 23, 2019

The remuneration of the Board of Management is determined by the Supervisory Board.

At the end of 2020, Mr. O.M. Sallenhag holds 365,000 shares and Mr. A. Ladega holds 226,000 shares in the capital of the Company.

#### Remuneration of the Supervisory Board

(x EUR 1,000)	Fixed compensation	Additional fee	Total 2020	Total 2019
Mr. V.G. Tee	15	—	15	14
Mr. M.E.T. Verstraeten <sup>1</sup>	12	5	17	7
Mr. H.J. Bartelink <sup>2</sup>	N/A	N/A	—	4
Mr. J.B. Tuik <sup>2</sup>	N/A	N/A	—	4
<b>Total</b>	<b>27</b>	<b>5</b>	<b>32</b>	<b>29</b>

<sup>1</sup> from May 23, 2019

<sup>2</sup> until May 23, 2019

The members of the Supervisory board receive a fixed compensation. During 2020, an additional fee was paid for additional support provided during the first quarter of 2020.

There are no loans outstanding to the members of the Supervisory Board, nor have any guarantees been given on behalf of members of the Supervisory Board.

At the end of 2020, the members of the Supervisory Board did not hold any shares or any options on shares in the capital of the Company.

*Other related party transactions*

In 2020, the Group has not entered into any other related party transactions except for intercompany charges between the Company and RoodMicrotec GmbH.

## **26. Events after balance sheet date**

Subsequent to December 31, 2020, the following events occurred:

End of March 2021 the secured bond loan listed at NPEX with a nominal value of EUR 2.5 million and a maturity date June 30, 2021 is fully repaid and the company is in the process of releasing the securities.

End of March 2021 a group of long time investors provided a loan in the amount of EUR 2.6 million with a duration of 36 months. RoodMicrotec's management participated in the refinancing to show their confidence in the Company's business plans and future projects, Mr. O.M. Sallenhag with EUR 60,000 and Mr. A. Ladega with EUR 15,000. The loan has a 4.75% p/a interest that shall be paid quarterly. The loan is unsecured, provided that in the event of a default the Lenders (other than the Management) may require a first ranking right of mortgage on property of RoodMicrotec GmbH in Nördlingen; and a first ranking right of pledge on other fixed assets. The Group granted a total number of 7,485,000 non-listed 5-year warrants to the Lenders (except the Management). Each Warrant shall entitle the relevant Lender or subsequent holder of the Warrants to subscribe for one ordinary share in the capital of the Company at a subscription price of EUR 0.15, to be paid in cash upon exercise. Of the Warrants issued, 1/3 shall be issued on a non-conditional basis with a vesting period of 1 year, 1/3 shall be issued conditional upon the amount of the secured loan that shall be outstanding on the first anniversary of completion and 1/3 shall be issued conditional upon the amount of the secured loan that shall be outstanding on the second anniversary of completion. As no warrants shall be granted to the Management, it shall be entitled to 6.75% p/a interest on the loan.

No other events occurred after December 31, 2020 that have a material impact on the financial statements.

## C. COMPANY FINANCIAL STATEMENTS

### Company Statement of Financial Position

(Before appropriation of result)

(x EUR 1,000)	Notes	31-12-2020	31-12-2019
<b>ASSETS</b>			
Property, plant and equipment		75	76
Investments in group companies	1	—	—
Loans to group companies	2	2,123	2,477
<b>Non-current assets</b>		<b>2,198</b>	<b>2,553</b>
Loans to group companies	2	1,200	962
Trade and other receivables		71	36
Cash and cash equivalents	3	636	609
<b>Current assets</b>		<b>1,907</b>	<b>1,607</b>
<b>Total assets</b>		<b>4,105</b>	<b>4,160</b>
<b>EQUITY AND LIABILITIES</b>			
Issued share capital		8,239	8,239
Share premium		20,709	20,709
Revaluation reserve		1,985	1,789
Other reserves		-29,318	-29,213
Unappropriated result		-265	-73
<b>Shareholders' equity</b>	4	<b>1,350</b>	<b>1,451</b>
Loans and borrowings	5	—	—
Lease liabilities		48	36
<b>Non-current liabilities</b>		<b>48</b>	<b>36</b>
Loans and borrowings	5	2,489	2,476
Current lease liabilities		24	35
Trade and other payables	6	194	162
<b>Current liabilities</b>		<b>2,707</b>	<b>2,673</b>
<b>Total equity and liabilities</b>		<b>4,105</b>	<b>4,160</b>

The numbers following the various items refer to the notes on pages 97 to 103.

## Company Statement of Profit or Loss

(x EUR 1,000)	Notes	2020	2019
Net sales	7	364	390
<b>Total income</b>		<b>364</b>	<b>390</b>
Other external expenses	8	-447	-138
Personnel expenses	9	-190	-224
Depreciation and amortization	10	-37	-42
<b>Total expenses</b>		<b>-674</b>	<b>-404</b>
<b>Operating profit (loss)</b>		<b>-310</b>	<b>-14</b>
Interest income and similar income	11	446	459
Interest expenses and similar charges	11	-163	-206
	11	<b>283</b>	<b>253</b>
<b>Profit (loss) before taxes</b>		<b>-27</b>	<b>239</b>
Taxes	12	—	—
Share in results from participating interests, after taxes	13	-238	-312
<b>Net profit (loss)</b>		<b>-265</b>	<b>-73</b>

The numbers following the various items refer to the notes on pages 97 to 103.

## D. NOTES TO THE COMPANY FINANCIAL STATEMENTS

### General

These company financial statements and the consolidated financial statements together constitute the statutory financial statements of RoodMicrotec N.V. (hereafter: 'the Company'). The financial information of the Company is included in the consolidated financial statements, as presented on pages 54 to 58.

The Company has its registered address at Zutphenseweg 29 D1, Deventer, the Netherlands, and is registered with the trade register of the Dutch Chamber of Commerce under number 33251008.

### Basis of preparation

These company financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of results for its separate financial statements, the Company makes use of the option provided in section 2:362(8) of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the separate financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. In case no other principles are mentioned, refer to the accounting principles as described in the consolidated financial statements. For an appropriate interpretation of these statutory financial statements, the separate financial statements should be read in conjunction with the consolidated financial statements.

The Company financial statements are presented in euros and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated.

### Financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk.

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the Company financial statements.

The fair values of most of the financial instruments recognized in the Company statement of financial position, including accounts receivable, approximately equal their carrying amounts. The fair value of the accounts receivable from participating interests cannot be determined with sufficient certainty. For further information, please refer to note 3 'Cash and cash equivalents' and note 6 'Trade and other payables'.

### Investments in group companies

Group companies are all entities in which the Company has directly or indirectly control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the group company and has the ability to affect those returns through its power over the group company. Group companies are recognized from the date on which control is obtained by the Company and derecognized from the date that control by the Company over the group company ceases. Investments in group companies are accounted for in the Company financial statements according to the equity method, with the principles for the recognition and measurement of assets and liabilities and determination of results as set out in the notes to the consolidated financial statements.

Investments in subsidiaries with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the investments in subsidiaries that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the investments in subsidiaries in subsequent years will only be recognized if and to the extent that the cumulative unrecognized share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant investment in subsidiary, or if has the constructive obligation to enable the investments in subsidiary to pay its debts (for its share therein), then a provision is recognized accordingly to the amount of the estimated payments by the Company on behalf of the investments in subsidiary.

**Share of result of participating interests after taxes**

The share in the result of participating interests consists of the share of the Company in the net result after taxes of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

The Company makes use of the option to eliminate intra group expected credit losses against the book value of loans and receivables from the Company to participating interests, instead of elimination against the equity value / net asset value of the participating interests.

## 1. Investments in group companies

This item relates to the Company's wholly owned subsidiaries, which are the only two group companies.

Movements in this item were as follows:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
<b>Balance at 1 January</b>	-6,340	-4,395
Result of group companies	-238	-312
Remeasurement of defined benefit obligations	-154	-583
Remeasurement return on plan assets	—	-1,210
Revaluation of land and buildings	380	—
Tax implication remeasurement of defined benefit obligations	42	160
Tax implication revaluation of land and buildings	-104	—
	<b>-6,414</b>	<b>-6,340</b>
<b>Provision group companies</b>		
Provision at 1 January	6,340	4,395
Changes	74	1,945
<b>Provision at 31 December</b>	<b>6,414</b>	<b>6,340</b>
<b>Balance at 31 December</b>	<b>—</b>	<b>—</b>

## 2. Loans to group companies

This item relates to subordinated loans issued to the subsidiaries. The subordinated loans amounted to EUR 1,580,000 with an interest rate of 8%, a EUR 2,700,000 loan with an interest rate of 7%, a EUR 5,250,000 loan with an interest rate of 5%, a EUR 725,000 loan with an interest rate of 6.5%. In 2020 a new loan is provided of EUR 475,000 with an interest rate of 6.0% with pledge on equipment.

Movements in this item were as follows:

<b>(x EUR 1,000)</b>	<b>2020</b>	<b>2019</b>
<b>Balance at 1 January</b>	9,779	8,838
Loans provided	475	725
Redeemed loans	-1,315	-613
Other additions (payments)	798	829
<b>Balance at 31 December</b>	<b>9,737</b>	<b>9,779</b>
<b>Provision group companies</b>		
Provision at 1 January	-6,340	-4,395
Changes	-74	-1,945
<b>Provision at 31 December</b>	<b>-6,414</b>	<b>-6,340</b>
Transfer of current portion to current assets	-1,200	-962
<b>Total non-current loans to group companies at 31 December</b>	<b>2,123</b>	<b>2,477</b>

For the negative equity of the German subsidiary, a provision on the non-current loans to group companies is recognized. This provision amounts to EUR 6,414,000 as per December 31, 2020 (December 31, 2019: EUR 6,340,000). The Company is liable for this subsidiary.

### 3. Cash and cash equivalents

(x EUR 1,000)	31-12-2020	31-12-2019
Cash at bank and on hand	636	609
<b>Total</b>	<b>636</b>	<b>609</b>

### 4. Shareholders' equity

(x EUR 1,000)	Issued share capital	Share premium	Revaluation reserve	Other reserves	Unappro- priated result	Total
<b>Balance at 1 January 2019</b>	<b>8,006</b>	<b>20,497</b>	<b>1,943</b>	<b>-27,856</b>	125	<b>2,715</b>
Issuance of shares	233	212	—	—	—	445
Valuation options granted	—	—	—	-3	—	-3
<b>Transactions with equity holders</b>	<b>8,239</b>	<b>20,709</b>	<b>1,943</b>	<b>-27,859</b>	<b>125</b>	<b>3,157</b>
Appropriation of result	—	—	—	125	-125	—
Net profit (loss)	—	—	—	—	-73	-73
<b>Other comprehensive income (OCI)</b>						
Remeasurement of defined benefit obligation	—	—	—	-423	—	-423
Remeasurement of plan assets	—	—	—	-1,210	—	-1,210
Revaluation of land and buildings	—	—	-154	154	—	—
<b>Total OCI for the year</b>	<b>—</b>	<b>—</b>	<b>-154</b>	<b>-1,354</b>	<b>-198</b>	<b>-1,706</b>
<b>Balance at 31 December 2019</b>	<b>8,239</b>	<b>20,709</b>	<b>1,789</b>	<b>-29,213</b>	<b>-73</b>	<b>1,451</b>
<b>Balance at 1 January 2020</b>	<b>8,239</b>	<b>20,709</b>	<b>1,789</b>	<b>-29,213</b>	-73	<b>1,451</b>
Issuance of shares	—	—	—	—	—	—
Valuation options granted	—	—	—	—	—	—
<b>Transactions with equity holders</b>	<b>8,239</b>	<b>20,709</b>	<b>1,789</b>	<b>-29,213</b>	<b>-73</b>	<b>1,451</b>
Appropriation of result	—	—	—	-73	73	—
Net profit (loss)	—	—	—	—	-265	-265
<b>Other comprehensive income (OCI)</b>						
Remeasurement of defined benefit obligation	—	—	—	-112	—	-112
Remeasurement of plan assets	—	—	—	—	—	—
Revaluation of land and buildings	—	—	196	80	—	276
<b>Total OCI for the year</b>	<b>—</b>	<b>—</b>	<b>196</b>	<b>-105</b>	<b>-192</b>	<b>-101</b>
<b>Balance at 31 December 2020</b>	<b>8,239</b>	<b>20,709</b>	<b>1,985</b>	<b>-29,318</b>	<b>-265</b>	<b>1,350</b>

#### Revaluation reserve

A revaluation reserve has been formed for the revaluation of land and buildings of the German subsidiary RoodMicrotec GmbH. This reserve is regarded a legal reserve pursuant to article 2:373 of the Dutch Civil Code and, consequently, is not available for dividend distribution to equity holders.

For a description of the rules of result appropriation, reference is made to note 17 'Share capital' of the consolidated financial statements.

## 5. Loans and borrowings

This note provides information on the contractual terms of the Company's interest-bearing loans and borrowings.

(x EUR 1,000)	31-12-2020	31-12-2019
Secured bond loan	2,489	2,476
Total loans and borrowings	2,489	2,476
Transfer of current portion to current liabilities	-2,489	-2,476
<b>Total non-current loans and borrowings</b>	<b>—</b>	<b>—</b>

Terms and debt repayment schedule as per December 31, 2020

(x EUR 1,000)	Total	Current liabilities	Non-current liabilities	1 to 2 years	2 to 5 years	More than 5 years
Secured bond loan	2,489	2,489	—	—	—	—
Total interest-bearing loans and borrowings	2,489	2,489	—	—	—	—

Interest expenses repayment schedule as per December 31, 2020

(x EUR 1,000)	Total	Current liabilities	Non-current liabilities	1 to 2 years	2 to 5 years	More than 5 years
Secured bond loan	38	38	—	—	—	—
Total	38	38	—	—	—	—

For further details, reference is made to note 20 'Loans and borrowings' of the consolidated financial statements.

## 6. Trade and other payables

(x EUR 1,000)	31-12-2020	31-12-2019
Suppliers and trade creditors	84	69
Other payables	110	93
<b>Total</b>	<b>194</b>	<b>162</b>

The carrying amount of the trade and other payables approximates the fair value, due to their short-term nature. Other payables consist of non-trade payables and accrued expenses.

## 7. Net sales

Net sales comprises charges to group companies with regard to management fees and corporate overhead.

## 8. Other external expenses

(x EUR 1,000)	2020	2019
Housing and equipment costs	24	36
Selling and administrative expenses	423	102
<b>Total</b>	<b>447</b>	<b>138</b>

In 2019 the selling and administrative expenses includes release of provisions of EUR 299,000.

## 9. Personnel expenses

(x EUR 1,000)	2020	2019
Salaries	169	203
Social securities	21	24
Share options	—	-3
<b>Total</b>	<b>190</b>	<b>224</b>

### *Remuneration of and share ownership by the Board of Management and Supervisory Board*

The information as referred to in section 383, subsection 1, of Book 2 of the Dutch Civil Code is disclosed in note 25 'Related parties' of the consolidated financial statements.

## 10. Depreciation and amortization

(x EUR 1,000)	2020	2019
Right-of-use assets	35	40
Other fixed assets	2	2
<b>Total</b>	<b>37</b>	<b>42</b>

## 11. Financial income and expenses

(x EUR 1,000)	2020	2019
Interest income:		
- intercompany loan	446	459
- other financial income	—	—
Interest expenses:		
- bond loan	-163	-196
- other loans	—	-10
<b>Total</b>	<b>283</b>	<b>253</b>

The interest expenses include amortization costs amounting to EUR 13,000 (2019: EUR 53,000), which relate to discount and bond issuance cost of the secured bond loan.

## 12. Taxes

(x EUR 1,000)	2020	2019
Profit (loss) before taxes	-27	239
Utilization of unrecognized tax losses / tax losses carried forward	27	-239
Taxable profit (loss)	—	—
Taxes based on the weighted average applicable rate	—	—
<b>Total</b>	<b>—</b>	<b>—</b>

Utilization of tax losses in the Netherlands is limited in time. Since the beginning of 2019, tax losses can be carried back to tax profits for only the previous year and can be carried forward to tax profits for the following six years. No deferred tax assets have been recognized for tax losses in the Netherlands. These unrecognized tax losses are in total approximately EUR 1.0 million as per December 31, 2020 (2019: EUR 0.8 million).

### 13. Share of result of participating interests after taxes

(x EUR 1,000)	2020	2019
Share of result of participating interests after taxes:		
– RoodMicrotec GmbH	-238	-312
– RoodMicrotec International B.V. (dormant subsidiary)	—	—
<b>Total</b>	<b>-238</b>	<b>-312</b>

### 14. Employees

The Company has an average of 3 employees in 2020 (2019: 3), all of whom are based in the Netherlands.

### 15. Off-balance sheet assets and liabilities

#### *Joint and several liability and guarantees*

Pursuant to article 264 (3) of the German Commercial Code, the Company has issued declarations of joint and several liability for debts arising from legal acts of RoodMicrotec GmbH amounting to EUR 8.2 million (2019: EUR 7.6 million).

#### *Fiscal unity*

The Company and the Dutch subsidiary company form a fiscal unity for corporate tax. Each of these companies is severally liable for corporate tax to be paid by all companies that belong to the fiscal unity.

### 16. Events after balance sheet date

For information on the events after balance sheet date, reference is made to note 26 'Events after balance sheet date' of the consolidated financial statements.

Deventer, April 21, 2021

#### **Board of Management**

O.M. Sallenhag, CEO

A. Ladega, CFO

#### **Supervisory Board**

V.G. Tee, Chairman

M.E.T. Verstraeten

## **OTHER INFORMATION**

### **PROFIT APPROPRIATION**

Article 27 of the Company's Articles of Association includes the following provisions for profit appropriation:

1. the Company may pay dividends and make other distributions only to the extent that its equity exceeds the amount of the paid-up and called-up portion of the share capital plus the reserves which must be maintained by law and under these articles;
2. subject to the prior approval of the Supervisory Board, the Board of Management is authorized to add any profit in whole or in part to the reserves;
3. any profit remaining after reservation referred to in the preceding paragraph will be at the disposal of the annual general meeting of shareholders;
4. to the extent that the general meeting of shareholders does not resolve to distribute the profit for any financial year, such profit will be added to the reserves.



# Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of RoodMicrotec N.V.

## Report on the audit of the financial statements 2020 included in the annual report

### *Our opinion*

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of RoodMicrotec N.V. as at 31 December 2020 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of RoodMicrotec N.V. as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### *What we have audited*

We have audited the financial statements 2020 of RoodMicrotec N.V. ('the Company') based in Deventer. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 31 December 2020;
- 2 the following consolidated statements for 2020: the statements of profit or loss, comprehensive income and changes in equity and the cash flow statement; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- 1 the company statement of financial position as 31 December 2020;
- 2 the company profit or loss account for 2020; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

## **Basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of RoodMicrotec N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Audit approach**

### **Summary**

#### **Materiality**

- Materiality of EUR 100,000
- 0.87% of net sales

#### **Group audit**

- 99% of total assets
- 100% of net sales

#### **Key audit matters**

- Valuation of goodwill
- Valuation of deferred tax assets
- Liquidity risk related to COVID-19

#### **Opinion**

Unqualified

### **Materiality**

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 100,000 (2019: EUR 110,000). The materiality is determined with reference to net sales. We consider net sales as the most appropriate benchmark because key stakeholders are primarily focused on net sales and less on the result before tax. Materiality somewhat decreased compared to last year reflecting the lower net sales in 2020. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 5,000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### ***Scope of the group audit***

RoodMicrotec N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of RoodMicrotec N.V.

Our group audit mainly focused on RoodMicrotec GmbH (Germany), as this is the most significant component within the group. Substantially all of the Company's business activities take place in this German component. We have made use of the work of KPMG Germany to perform the audit of the complete reporting package of RoodMicrotec GmbH. Additionally, we performed audit procedures ourselves for the significant balances recorded in RoodMicrotec N.V., the parent company.

The group audit team provided detailed instructions to KPMG Germany, covering the significant audit areas, including the relevant risks of material misstatement, and the information required to be reported back to the group audit team.

In view of restrictions on the movement of people across borders we considered changes to the planned audit approach to evaluate the component auditors' communications and the adequacy of their work. According to our original audit plan, we intended to visit the German component auditor and component location in Germany to review selected component auditor documentation and meet with local management. Due to the aforementioned restrictions, this was not practicable in the current environment. As a result, we have requested those component auditors to provide us with remote access to audit workpapers to perform these evaluations. In addition, due to the inability to arrange in-person meetings with such component auditors and local management, we have increased the use of alternative methods of communication with them, including through written instructions, exchange of emails and virtual meetings.

During the course of the audit, several virtual meetings were held with KPMG Germany in which we discussed matters such as audit approach, audit findings and observations reported to the group audit team. We have taken notice of their findings with respect to RoodMicrotec GmbH and we have discussed these together with KPMG Germany with local management.

As the remaining component is a dormant entity our procedures on this component were very limited.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our procedures as described above can be summarized as follows:

### Total assets

95%

Audit of the complete reporting package

4%

Audit of specific items

1%

Covered by additional procedures performed at group level

### Net sales

100%

Audit of the complete reporting package

## ***Our focus on the risk of fraud and non-compliance with laws and regulations***

### *Our objectives*

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses;
- to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, due to fraud; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to such non-compliance when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Board of Management, with oversight by the Supervisory Board.

### *Our risk assessment*

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud and misappropriation of assets. We, together with our forensics

specialists evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and we inquired the Board of Management and the Supervisory Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation. We have not identified laws and regulations where the consequences of any non-compliance could have an indirect material effect on the amounts recognized or disclosures provided in the financial statements.

In accordance with the auditing standard we evaluated the following fraud risks that are relevant to our audit, including the relevant presumed risks:

- revenue recognition, specifically being the risk of manual override with respect to the cut-off of revenue in the period close to the financial year-end (the presumed risk);
- management override of internal controls, specifically being the risk with respect to alteration of (financial) results to meet external expectations, to maintain/increase current stock price and to meet bonus targets (the presumed risk).

We communicated the identified risks of fraud throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit. This included communication from the group to the German component audit team of relevant risks of fraud identified at group level.

In all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matters 'Valuation of goodwill' and 'Valuation of deferred tax assets', that are examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

We communicated our risk assessment and audit response to management and the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

### *Our response*

We performed the following audit procedures (not limited) to respond to the assessed risks:

- We evaluated the design and the implementation of internal controls that mitigate fraud risks.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the , including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.

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- With respect to the risk of fraud of revenue recognition, we carried out inspection and testing of documentation such as sales invoices and shipping documents.
  - We incorporated elements of unpredictability in our audit, such as revising our selection criteria in our data analysis of high-risk journal entries.
  - We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance.
  - We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.

Our procedures to address identified risks of fraud did not result in a key audit matter.

We do note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

### ***Our key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Compared to last year the key audit matter with respect to the liquidity risk related to COVID-19 has been added. In previous years' auditor's report we included a paragraph regarding a material uncertainty related to going concern. The uncertainties were caused by the impact of COVID-19 on future positive results and cash flows and on a successful refinancing or extension of its secured bond loan. In March 2021, the secured bond loan was repaid and refinanced resolving this uncertainty. Given the financial performance of the Company in 2020 and the ongoing COVID-19 pandemic, we consider the liquidity risk a key audit matter.

## Valuation of goodwill

### Description

RoodMicrotec N.V. carries a significant amount of goodwill in the balance sheet of EUR 1.7 million (2019: EUR 1.7 million). In accordance with EU-IFRS, RoodMicrotec N.V. is required to test the amount of goodwill for impairment at least annually. The impairment test was significant to our audit due to the complexity of the assessment process and judgments and assumptions involved which are affected by expected future market and economic developments as well as the significant effect it can have on the financial statements.

### Our response

We evaluated the design and implementation of controls with respect to RoodMicrotec N.V.'s impairment testing process and noted that we need to apply a substantive audit approach on this item. We challenged the cash flow projection included in the annual goodwill impairment test. Our audit procedures included, among others, the involvement of a valuation specialist to assist us in evaluating the assumptions, in particular the pre-tax discount rate, and the valuation model (including probability weighted cash flow scenario's) used by RoodMicrotec N.V. We furthermore assessed the appropriateness of other data used, by comparing them to external and historical data, such as external market growth expectations and by analysing sensitivities in RoodMicrotec N.V.'s valuation model. In addition, we inspected and challenged the assumptions (e.g. growth rates, asset base, discount- and terminal growth rates) used. We specifically focused on the sensitivity in the available headroom. By doing so, we assessed management's assessment whether a reasonably possible change in key assumptions could cause the carrying amount to exceed its recoverable amount. Furthermore, we assessed the historical accuracy of management's estimates. Finally, we assessed the adequacy of the disclosure (Note 11) to the financial statements.

### Our observation

We consider management's key assumptions and estimates to be optimistic but within acceptable ranges and the disclosures (Note 11) to the financial statements are in compliance with the requirements of EU-IFRS.

## Valuation of deferred tax assets

### Description

At 31 December 2020, an amount of EUR 1.9 million deferred tax assets is recognized (2019: EUR 1.6 million). These deferred tax assets relate to the cumulative net operating losses of RoodMicrotec GmbH of EUR 22.3 million. The availability of future taxable income in the foreseeable future is relevant for the recognition and measurement of deferred tax assets from net operating losses. The Company uses a valuation model to determine the amount of deferred tax assets to be recognized. The assessment of future taxable income and the recognition of deferred tax assets is significant to our audit as it requires significant judgement and can have a significant effect on the financial statements.

### Our response

We evaluated the internal controls that ensures an appropriate valuation of deferred tax assets and noted that we need to apply a substantive audit approach on this item. In relation to the deferred tax assets our audit procedures included evaluating the Company's assumptions and estimates in relation to the likelihood of generating sufficient future taxable profits. We tested the consistency of the assumptions of the applied model with the valuation model the Company used for the annual goodwill impairment test where we involved a KPMG valuation specialist. We reconciled the input used in the valuation model with the budget which has been approved by the Supervisory Board and we assessed the assumptions such as sales growth and profit margins included in the budget and evaluated historical accuracy of management's estimates.

When auditing the deferred tax assets we used amongst others the knowledge and experience of by involving a tax specialist of KPMG Germany to assess the amount of available net operating losses to be carried forward and whether tax calculations are made in accordance with the most recent guidance issued by local tax authorities.

Finally, we assessed the adequacy of the disclosure (Note 12) to the financial statements.

### Our observation

Overall we assess that the assumptions applied as balanced. The group's disclosures related to the deferred tax assets as set forth in Note 12 to the 2020 financial statements are in compliance with the requirements of EU-IFRS.

## Liquidity risk related to COVID-19

### Description

As part of the preparation of the financial statements, management is responsible to assess the possible effects of COVID-19 on the Company's liquidity and related ability to continue as a going concern and appropriately disclose the results of its assessment in the financial statements. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of the financial statements its effects are subject to certain levels of uncertainty. Management prepared a financial and liquidity risk analysis addressing amongst others the financing and cash requirements to ensure continuation of the Company's operations.

### Our response

We considered the liquidity risk arising from COVID-19 in planning and performing our audit. Our procedures included:

- Considering management's assessment of COVID-19-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We also considered management's plans to take action to mitigate the risks.
- Assessing the reliability of the forecasted cash flows by performing a retrospective review of previous forecasts and by comparing them with historical data and external data, such as external market expectations.
- Evaluating the assumptions in respect of projected available future cash flows from operating, financing, divesting and investing activities.
- Comparing management's analysis to our assessment of the full range of reasonably possible scenarios resulting from COVID-19 uncertainty.
- Inspecting supporting documentation such as contracts, underlying calculations and correspondence with relevant parties.
- Evaluating the disclosure about liquidity risk and the related going concern assumption as set forth in the notes on page 60, including those in the report of the Board of management, comparing the overall picture against our understanding of the risks.

### Our observation

We found the management's assumptions and aforementioned disclosures to be acceptable. However, an audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

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## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### *Engagement*

We were engaged by the General Meeting of Shareholders as auditor of RoodMicrotec N.V. on 25 November 2019, as of the audit for the year 2019 and have operated as statutory auditor ever since that financial year.

### *No prohibited non-audit services*

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

## Description of responsibilities regarding the financial statements

### *Responsibilities of the Board of Management and the Supervisory Board for the financial statements*

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

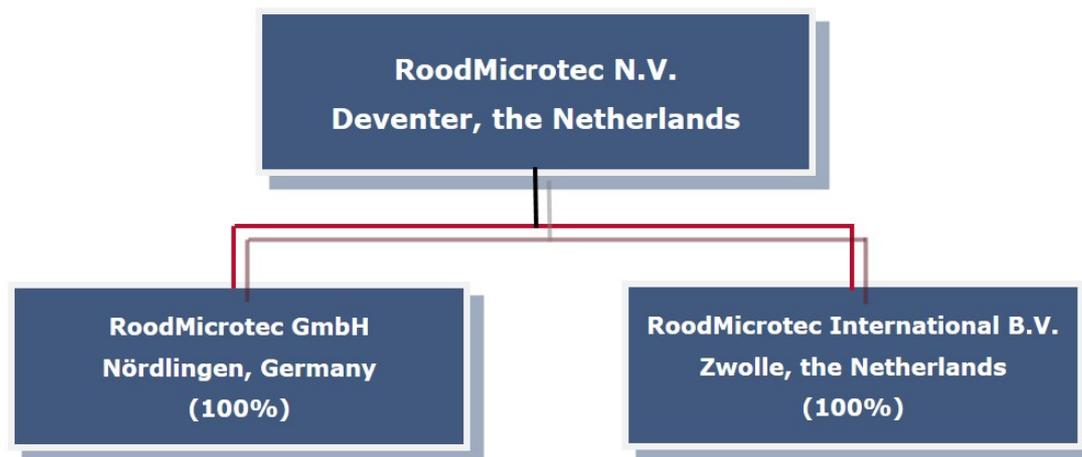
A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: [http://www.nba.nl/ENG\\_oob\\_01](http://www.nba.nl/ENG_oob_01). This description forms part of our independent auditor's report.

Eindhoven, 21 April 2021

KPMG Accountants N.V.

M.J.A. Verhoeven RA

## GROUP STRUCTURE



## ADDRESSES AND PERSONAL DETAILS

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## ABBREVIATIONS USED

Abbreviation	Description
AFM	Netherlands Authority for the Financial Markets
AGM	Annual General Meeting of Shareholders
ASIC	Application Specific Integrated Circuit
ATE	Automatic Test Equipment
CAGR	Compound Annual Growth Rate
COTS	Components Of The Shelf
COVID-19	Corona Virus Disease 2019
DPA	Destructive Physical Analysis
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interests, Taxes, Depreciation and Amortization
EBT	Earnings Before Taxes
ECSEL	Electronic Components and Systems for European Leadership
EML	Emitting Layer
FTE	Full Time Employee
GaN	Gallium Nitride
HEMT	High Electron Mobility Transistor
HiRel	High Reliability
IC	Integrated Circuit
IDM	Integrated Device Manufacturer
IFRS	International Financial Reporting Standards as adopted by the European Union
IoT	Internet of Things
IoMT	Internet of Medical Things
IMF	International Monetary Fund
IP	Intellectual Property
LED	Light Emitting Diode
MEMS	Micro-Electro-Mechanical System
OCI	Other Comprehensive Income
OECD	Organization for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
PCB	Printed circuit board
PIC	Photonic Integrated Circuit
RF	Radio frequency
RFID	Radio Frequency IDentification
SCM	Supply Chain Management
Si	Silicon
SIA	Semiconductor Industry Association
V2I	Vehicle-to-Infrastructure
V2V	Vehicle-to-Vehicle
VCSEL	Vertical-Cavity Surface-Emitting Laser diodes
WACC	Weighted Average Cost of Capital
Wft	Financial Supervision Act
WLCSP	Wafer Level Chip Scale Package
WSTS	World Semiconductor Trade Statistics



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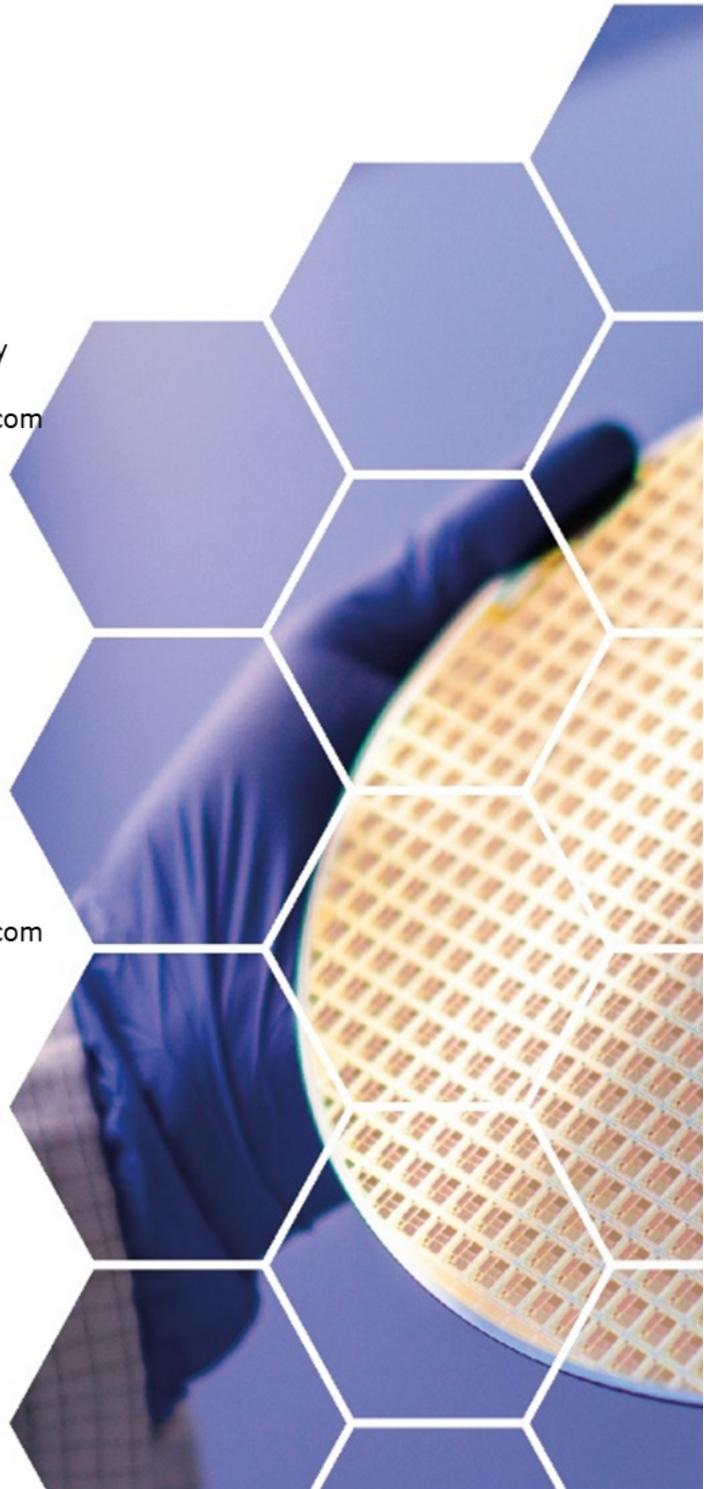
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**ANNUAL REPORT 2020**

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