HANZA

ALL YOU NEED IS ONE™

Annual Report 2021

HANZA modernizes and streamlines the manufacturing industry. By gathering different manufacturing technologies locally, the company creates shorter lead times, more environmentally friendly processes and increased profitability for its customers.

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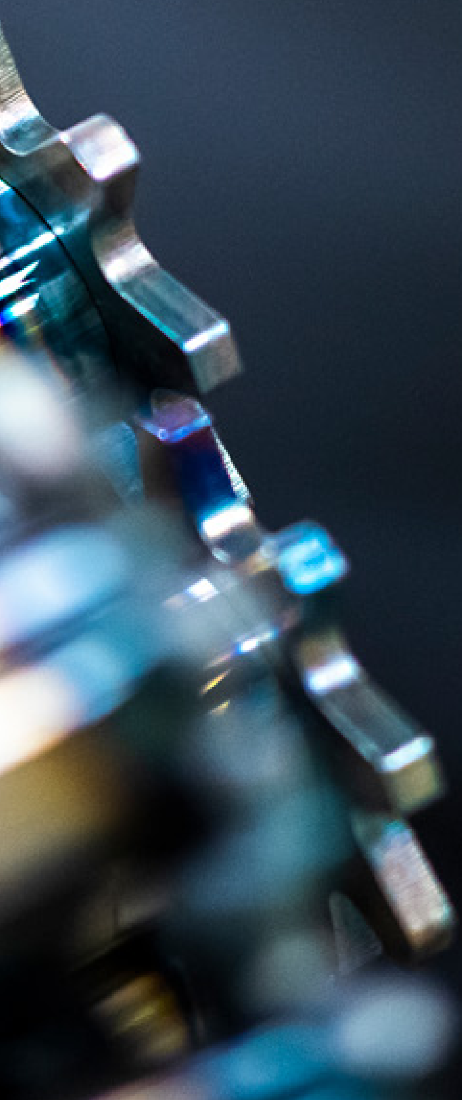


Financial calendar

- Interim report for the period January to March 2022: **May 3, 2022**
- Interim report for the period January to June 2022: **July 26, 2022**
- Interim report for the period January to September 2022: **November 8, 2022**

Annual general meeting

HANZA Holding AB’s 2022 AGM will be held on **May 10, 2022**.

This is HANZA

HANZA offers a combination of advisory services and manufacturing solutions, which enables increased growth and profitability for customers. HANZA's manufacturing solutions are mainly conducted in own factories, but also through collaborations with strategic manufacturing partners.

By gathering expertise and different manufacturing technologies, HANZA takes a holistic approach and creates added value for the customer by reducing the number of contacts the customer needs to have. Complete and regional contract manufacturing strengthens the customer's control over the production chain and promotes efficiency in production. Our top competencies are found in several areas such as design and product development, sheet metal mechanics, heavy mechanics, wire harnesses, electronics manufacturing, machining, final assembly and testing, logistics and more.

Strengths and advantages

HANZA's wide and integrated range of both design and manufacturing processes provides high flexibility, capacity and quality control. HANZA has a clear competitive advantage as the customer only needs to use one contract manufacturer with integrated operations, instead of having to work with several parties and with own synchronization including final assembly and delivery to customer. Customers who take advantage of HANZA's experience in product development from an early stage can significantly lower their total cost and get a more efficient manufacturing process.

Ability to adjust operations according to demand and needs

Temporary fluctuations and systematic changes in market demand may cause significant variations in customers' order volumes. Thus, HANZA's production and sales to different customers can be difficult to forecast. By controlling the manufacture of both the product's various components and the final assembly within the Group and the relevant cluster, HANZA can quickly adapt production according to different situations and the customer's capacity needs. Freed resources from one production can be allocated to a parallel production for another customer within the same factory. By gathering resources within the same manufacturing cluster, HANZA can also share staff and skills between different factories, as and when demand varies.

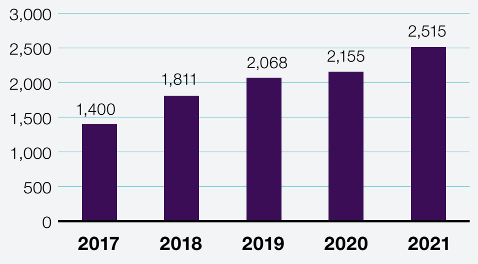
Short lead times

HANZA has created an organization that meets the customer's requirements for clear communication and short lead times. HANZA builds up the customer's own production unit in a so-called "Business unit", where all the resources required for each specific project are gathered, such as project management, planning, purchasing, production, quality and more.

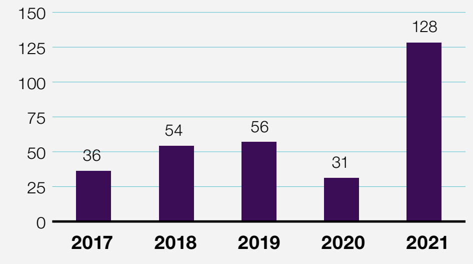
Total solutions

In addition to contract manufacturing, HANZA also offers qualified advisory services; a service product within manufacturing solutions – Manufacturing Solutions for Increased Growth and Earnings ("MIG"). With MIG, the customer's production chains are analyzed and improved, which creates conditions for higher growth and improved profitability. HANZA thus becomes a strategic business partner that can assist throughout the product life cycle. HANZA builds prototypes, provides customer feedback on industrial design and layout seen from a production aspect, assembly, delivery and after sales. HANZA has extensive experience in production technology and industrialization for everything from low-volume products to volume production in a large number of industries. Together with the company's customers, it is decided where and how

Sales development
(SEK MILLION)



EBITDA development
(SEK MILLION)



HANZA's six manufacturing clusters

the product in question is to be manufactured in order to achieve optimal logistics arrangements and value for the customer and HANZA.

Dynamics and flexibility
Different customers' operations often require a high pace, which places high demands on the dynamism and flexibility of their partners. HANZA focuses on speed, simplicity and efficiency to meet customer needs.

Manufacturing clusters
HANZA currently has operations in six manufacturing clusters; Sweden, Finland, Germany, Baltics, Central Europe (Poland and the Czech Republic) and China. These are reported, based on primary customer markets divided into the following segments:

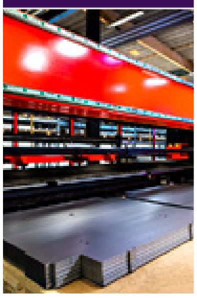
- **Main markets** – Manufacturing clusters located within or close to HANZA's primary geographical customer markets, which today comprise Sweden, Finland, Norway and Germany. Today, HANZA's manufacturing clusters in Sweden, Finland and Germany are therefore included. HANZA's operations in these areas are characterized by proximity to customers' own factories and close cooperation with the customers' development departments.
- **Other markets** – Other manufacturing clusters outside HANZA's primary geographic customer markets. Today, it comprises HANZA's manufacturing clusters in the Baltics, Central Europe and China. Operations are characterized by a high work content, extensive complex assembly, and proximity to important end customer areas.
- **Business development** – mainly group wide functions within the parent company, as well as group wide projects and functions not allocated to the other two segments.

Customers
Among HANZA's customers are leading companies such as ABB, Epiroc, Getinge, Saab Defence, Sandvik, 3M and Tomra.

Responsible business
A production located in HANZA's manufacturing clusters means that the customer enjoys both environmental benefits and high-quality products with safer supply and logistics chains compared to traditional contract manufacturing. This way, sustainability is an integral part of HANZA's strategy and long-term business.

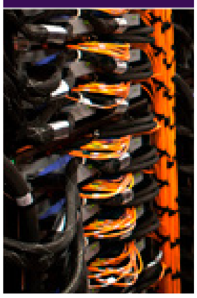
Our manufacturing solutions are primarily based on the following technologies

Sheet metal mechanics



Heavy mechanics

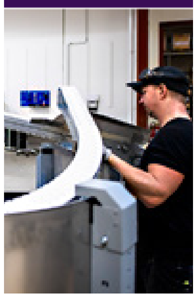
Wire harnesses



Electronics

Machining

Assembly



The year in brief

During the year, HANZA implemented its largest expansion program to date: Roadmap 2021. The program included investments, acquisitions and activities aimed at developing the Group for continued expansion with both existing and new customers.

From a sales perspective, the year was successful. HANZA received both expanded volumes and products from existing customers, as well as several new customers and projects, such as Norwegian Auk Eco AS, who has developed the first fully automatic plant grower for home use, a German company that develops kitchen equipment, a company that develops products for air purification and a Swedish company that develops transport systems.

In January 2021, HANZA started the construction of a new, 12,000 sqm production facility for complex assembly, directly adjacent to HANZA's sheet metal factory in Estonia. The new factory opened on 17 March 2022.

HANZA's new factory in Tartu, Estonia.

In March 2021, HANZA acquired a high-quality manufacturer of sheet metal mechanics in Finland, Suomen Levyprofiili Oy ("SLP"), with just over 100 employees. SLP has sales of approx. SEK 150 million and operations are conducted in a modern production facility in Joensuu, close to HANZA's other factories in Finland.

In June 2021, HANZA developed its operations in Sweden with investments totaling SEK 25 million. Among other things, a new, 200 sqm department for protective coating of circuit boards was opened.


HANZA's new premises in Suzhou, China.

In June 2021, HANZA decided to expand its operations in China by moving to new premises of approx. 4,000 sqm, as well as making an investment in electronics production of approx. 10 MSEK. The opening is planned for the second quarter of 2022.

In October, HANZA acquired an electronics manufacturer in Germany, Helmut Beyers GmbH, located in proximity to the existing operations. The company has about 150 employees, sales of approx. SEK 180 million and contributes further competence and capacity within electronics manufacturing.

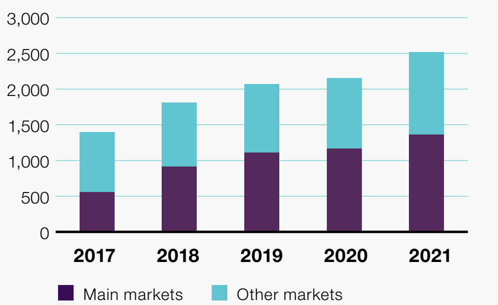
HANZA Beyers GmbH, Mönchengladbach, Germany.

LRQA CERTIFIED ISO/IEC 27001 HANZA

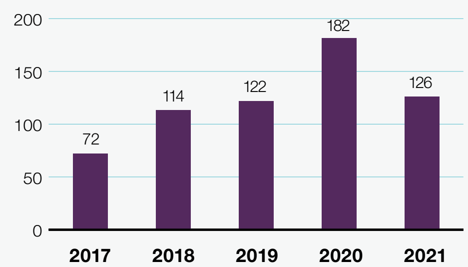
In December 2021, HANZA received certification according to ISO 27001 Information Security Management System (ISMS), after an extensive audit process. The certification is part of HANZA's work to maintain a high level in security controls, information technology and cyber security.

In 2021, HANZA received a number of new customers and projects, such as Norwegian Auk Eco AS, who has developed the first fully automatic plant grower for home use, a German company that develops kitchen equipment, a company that develops products for air purification and a Swedish company that develops transport systems.

External sales per segment
(SEK MILLION)



Cash flow from operating activities
(SEK MILLION)



Increasing need for complete manufacturing close to the end market

2021 was a successful year for HANZA with organic growth, increased profitability and successful acquisitions. However, at the time of writing, the President of Russia has launched an unwarranted attack on Ukraine. Alongside the devastating human suffering, the war and democratic countermeasures are creating further strains on global supply chains. HANZA has already begun to support product companies in need of new manufacturing solutions.

HANZA's concept is based on complete manufacturing close to the end market, which reduces costs, increases flexibility and has a lower negative environmental impact compared to global supply chains. The pandemic highlighted another important aspect; the vulnerability of a network built on many different contract manufacturers. The consequence is that more and more product companies are searching for new alternatives, where HANZA's concept offers unique manufacturing solutions. 2021 was a successful year, with organic growth increasing throughout the year. It amounted to 12 percent for the full year and as much as 30 percent for the last quarter. Operating profit for 2021 tripled to SEK 146 million, compared to the previous year.

Expansion program

The year 2021 was also characterized by the implementation of our largest expansion program to date, with investments in machinery exceeding SEK 100 million, two acquisitions and a range of other activities aimed at preparing the Group for the future. Our factories in Sweden and Finland were the starting point and the expansion programs were completed last year. In both Estonia, the Czech Republic, Poland and China, we are moving into new, larger premises in the first half of 2022, after which the program will be completed. As a result, the margin for the Other Markets segment will be lower in the beginning of 2022. Our growth and increasing profitability are particularly pleasing as our factories at times were affected by sudden and significant employee absences due to the pandemic. In addition, like all manufacturing companies, we have had to deal with an international shortage of materials. This has meant that we have had to increase our stocks significantly to secure supplies. Again, it is particularly pleasing that we, despite this, can report a cash flow from operating activities of SEK 126 million for the full year 2021.

New challenges and opportunities

At the end of February this year, President Putin launched an invasion of Ukraine. Our thoughts are with all those affected by this unimaginable act, and HANZA has donated funds to UNICEF and UNHCR who provide relief efforts for children - who are often the most affected by war, despite being the most innocent. The war in Ukraine has created new challenges for product companies through shipping disruptions and by shutting down suppliers linked to the war zone. In addition, Russia and Ukraine are relatively large markets for some of our customers. We are receiving new enquiries from companies that have been affected by the disruptions caused by the war. We believe that we will be able to handle most of these thanks to the good capacity we have built up in 2021. This will contribute positively to HANZA's development, but above all it is satisfying to be able to help customers who have found themselves in a difficult situation.

Strong growth

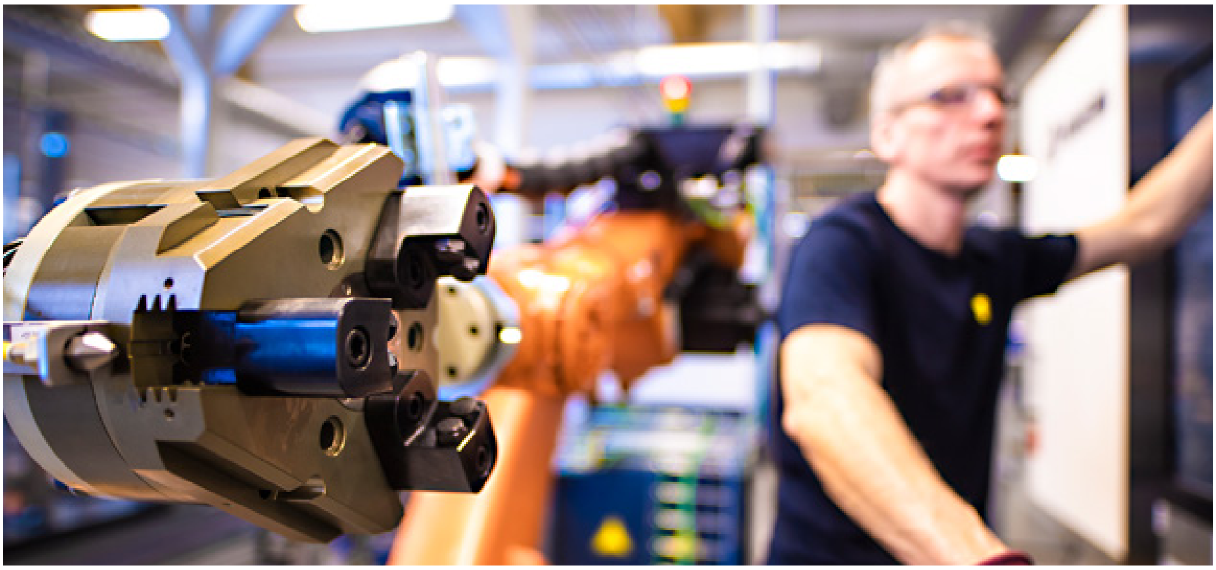
HANZA has enjoyed strong growth since we started the company 14 years ago. Through financial crisis, euro crisis and pandemic, we have achieved a compound annual growth rate (CAGR) of 17%, which few - if any - other manufacturers have achieved. HANZA's expansion is ongoing and strategic, with specific initiatives in three expansion directions: manufacturing technologies, geographies and targeting larger customer volumes. These major expansion steps can in turn be achieved through production takeovers, start-ups or acquisitions. Planning is underway for the company's next phase, "HANZA 2025", which aims to further accelerate our development. We will come back to this and in the meantime let us hope that the war in Ukraine ends as soon as possible.

Erik Stenfors
CEO

> **Sweden and Finland were first into our expansion program – the projects have been completed and we see a good development of profitability.**

Gerd Levin-Nygren

In August 2021, we received the sad news that our former colleague and manager in Sweden, Gerd Levin-Nygren, had passed away after a few years of illness. This was almost inconceivable, as Gerd was always a person full of energy and joy of life. Gerd joined HANZA in 2009, after she had left the manufacturing company NOTE where she had been building an electronics factory in her hometown, Torsby. The assignment at HANZA was even greater – to establish a manufacturing cluster embracing both electronics and mechanics. Gerd managed this task with elegance, and the result today is a fantastic business in Värmland with good profitability, where HANZA employs around 450 people. Gerd was an important part of HANZA and when she left in 2018, it was to enjoy a well-deserved retirement where family and horses were her main interests. Sadly, this time became too short, much too short. We all miss Gerd, but are forever grateful for her great contributions and caring friendship.



The manufacturing map is being redrawn

The climate crisis is the greatest challenge of our time, and tackling it is something we must all take responsibility for. Ever stringent sustainability targets have led product owning companies to review their supply chains and sharpen their focus on the total cost of ownership. Events such as trade wars, natural disasters and not least, the ongoing pandemic, have resulted in ever more companies seeking to relocate their manufacturing closer to their end markets, in order to to minimize the risks, costs and environmental impact.

Contract manufacturing emerged mainly in the 1990s, when product companies started to outsource the production of various components for their end products, such as circuit boards, turned parts or chassis plates. Today, it is common for several contract manufacturers to produce different parts of a customer's products. The main reasons for major product companies to outsource their manufacturing to contract manufacturers are:

- **Cost reduction:** Product companies bypass the need to invest in the equipment and machinery required for the manufacture of the products/components that can be made by contract manufacturers.
- **Improved resource allocation:** The product company's primary proficiency is usually its ability to market and sell its products. Outsourcing their production to a contract manufacturer allows for the product company to focus on its customer relationships.
- **Increased innovation and quality:** When seeking a third-party manufacturer to produce a component or a complete product under a proprietary brand, product companies will first ensure that the contract manufacturer has the capacity to deliver the required quality. Consequently, the contract manufacturer that wins the assignment is usually specialized in the manufacture of the specific component or product.

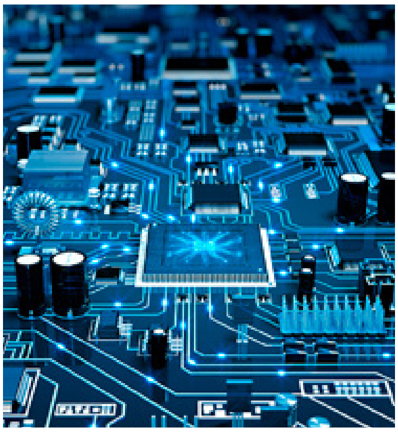
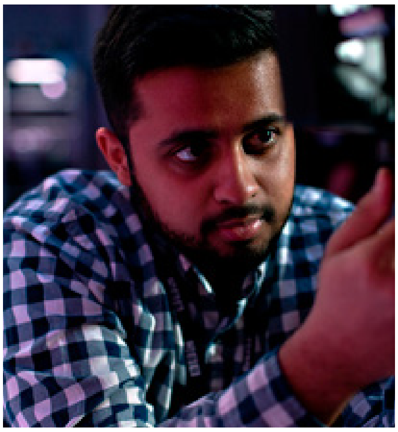
Market size

HANZA's overall market comprises contract manufacturers operating within various segments and manufacturers with proprietary products, which makes it difficult to estimate the market size. Although there is no available information about the overall market, there is reliable information about the existing market for the contract manufacturing of electronics. HANZA believes that the electronics market is the dominant submarket that is common to most products, and thus serves as a relevant indicator of growth and trends within the overall contract manufacturing market.

Market for electronic contract manufacturing

The total market for the contract manufacturing of electronics has grown rapidly, in pace with increased globalization. In Europe alone, it was estimated at approximately EUR 32 billion for 2021. The European market is expected to grow to approximately EUR 38 billion by 2025.

Source: Reed Electronics Research.


The manufacturing map is redrawn by the following trends:

REGIONALIZATION

Manufacturing close to the end market. Manufacturing is relocated as a consequence of new comprehensive cost analyses. Contract manufacturing was previously assigned essentially to low cost countries, for example, in Asia. An emerging middle class in these countries has entailed increased payroll expenses and as a consequence, higher production costs. Due to the combination of higher costs with more stringent sustainability goals, many customers are choosing to return their production to their home markets ("backsourcing").

Furthermore, extraordinary events such as the pandemic have highlighted the vulnerability of complex supply chains. HANZA developed its manufacturing clusters with the total cost of ownership in mind, as well as to meet increasing demands for the relocation of manufacturing. Consequently, HANZA's clusters, for example in China, are aimed at producing goods for delivery within China, rather than for export to Europe.

FOCUS ON TOTAL COST

Business relationships between product companies and contract manufacturers have traditionally focused on yielding the lowest cost per manufactured component. Today, more and more product companies are proceeding from the concept of total cost, i.e. the customer strives to have the lowest possible cost for the manufacture of the complete product, throughout the product's lifecycle. The contract manufacturer market comprises numerous players with little differentiation between them. To avoid being forced to compete solely on the basis of price, several contract manufacturers have expanded their offerings to include such expertise as logistics and component development.

HANZA has taken this a step further, by offering customers the manufacture of entire systems, including product development, as well as logistics, after market and spare parts services.

NEW, ENABLING TECHNOLOGIES

New technologies such as AI, 5G, IoT and additive manufacturing characterize the societies of today. Rapid development drives growth, increases safety and contributes to solutions that support sustainability efforts. HANZA invests continuously in automation, which minimizes the risks and speeds up manufacturing processes.

CONTRACT MANUFACTURERS ARE BECOMING MANUFACTURING EXPERTS

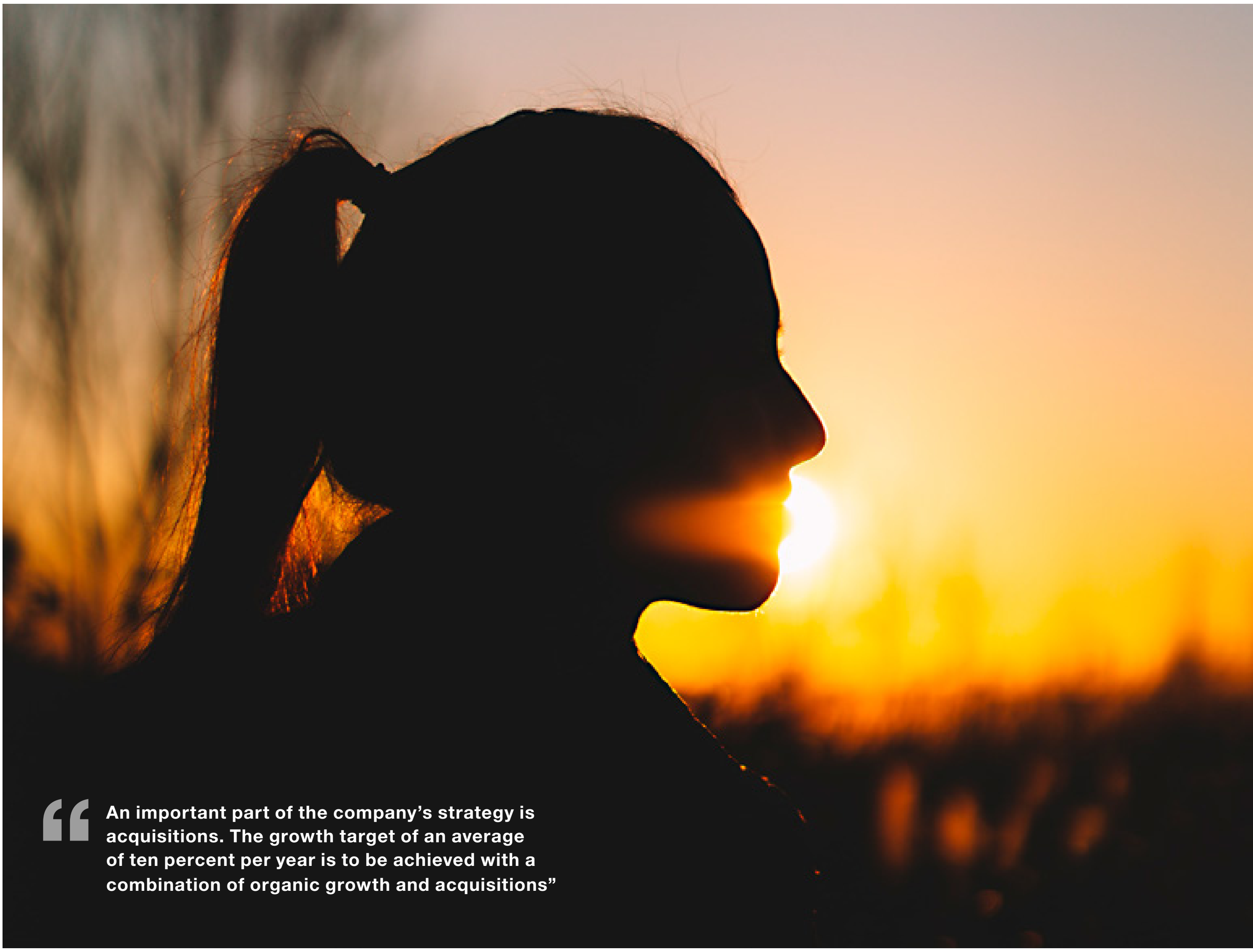
The stricter focus of product companies on shorter lead times – from product development to market launch – has increased the need to engage contract manufacturers from the onset of the production process. It is common for contract manufacturers to be involved in discussions about choosing the materials and manufacturing processes best suited for specific products. This imposes stringent requirements on contract manufacturers to maintain a broad expertise in manufacturing techniques, production efficiency and various forms of quality assurance testing. To meet these requirements, HANZA has developed a special service product, Manufacturing Solutions for Increased Growth & Earnings ("MIG"), which not only converges all of the production technologies of a manufacturer, but analyzes and adapts the customer's entire production and logistics chains. HANZA has thus developed into an intellectual assets company in the field of complex manufacturing, which further provides it with a special competitive advantage.

HIGHER SET SUSTAINABILITY TARGETS

The climate crisis is the greatest challenge of our time and it is an issue that all manufacturing companies must assume responsibility for mitigating. Consumer demands for sustainable manufacturing are also assuming an ever greater role. To live up to these increasingly stringent sustainability targets, it is clear that manufacturing must be streamlined, optimized and located close to to the end market. This provides the basis for HANZA's business model of leveraging manufacturing clusters. In addition to the environmental advantages, choosing processes with lower carbon emissions and efficient energy consumption usually generates cost benefits.

COMPONENT SHORTAGES

Due to the continued impact of the Covid-19 pandemic, the current demand for components far exceeds their availability, which has, in turn, resulted in component shortages. Lead times and costs have escalated, and sourcing must be planned carefully in order to meet manufacturing and business needs.



Strategies and objectives

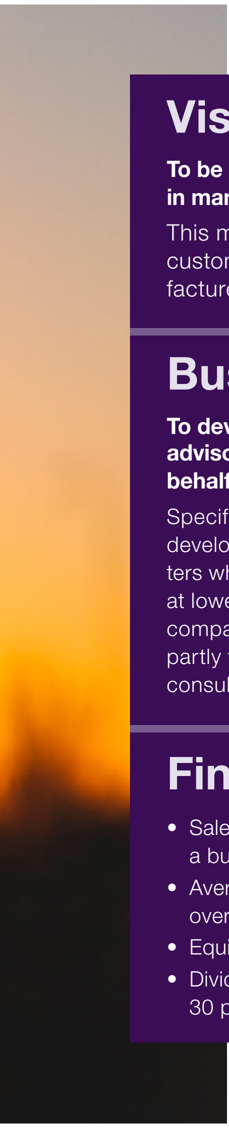
HANZA's strategy is divided into four different parts that should contribute to meeting the challenging goals set by management based on the customers requirements and demands.

Business consultation

Most people today know that the manufacturing industry stands for a very large part of the world's global emissions and negative environmental impact, therefore the industry must switch to more sustainable solutions for the future. Many companies have over the years built up complex manufacturing solutions for their products involving many subcontractors scattered across the world. It is easy to lose control of your total cost, lead times and quality – but above all its environmental impact. HANZA has developed a 360-degree advisory service that analyzes companies' manufacturing strategies and proposes changes regarding total cost, lead times, capital tied up, sustainability and much more. This creates possibilities for faster growth with higher profitability for companies.

Manufacturing clusters

To manufacture companies' products often requires several specific manufacturing technologies such as sheet metal processing, machining, electronics, cabling and assembly. The traditional procedure is to purchase these technologies individually from different contract manufacturers and ship these details around the world before finally assembling the product. HANZA, on the other hand, has built up its own manufacturing clusters in strategic



Vision

To be a unique, value-creating business partner in manufacturing.

This means that HANZA strives to create greater customer value than traditional contract manufacturers are able to offer.

Business concept

To develop and offer manufacturing solutions and advisory services to increase growth and profit on behalf of the HANZA's customers.

Specifically, this is partly achieved through HANZA's development of factory parks and manufacturing clusters where products can be manufactured rationally, at lower cost and with less environmental impact compared to traditional contract manufacturing, and partly through HANZA's development of value creating consulting services linked to product manufacturing.

Financial targets

- Sales growth of at least 10 per cent per year over a business cycle.
- Average operating margin of at least 6 per cent over a business cycle.
- Equity/asset ratio of at least 30 per cent.
- Dividend distribution amounting to approximately 30 percent of profit after tax.

Strategy

HANZA is to achieve its goals by:

Advisory services
– offering qualified consulting in product manufacturing, which enables increased growth and profitability for the company's customers.

Manufacturing clusters
– developing a broad spectrum of manufacturing technologies in a select few strategic geographical areas.

Customer portfolio
– creating a well balanced customer portfolio in order to reduce business risk and yield cost benefits for both HANZA and the company's customers.

Acquisitions
– supplementing geographies, technologies or customer portfolios through strategic acquisitions.

Responsible enterprise

Sustainability is integrated in HANZA's business concept and strategy and taken into account in all strategic decisions.

Sustainability work is structured in three areas with clear objectives, metrics and activities, which contributes to HANZA's long-term business and a positive societal development.

The areas are:

- Contribution to global environmental efforts
- Long-term and sustainable relationships
- Employees and local communities

See more on page 18, sustainability

geographical areas, where complete products can be manufactured without being shipped around. This creates benefits such as shorter lead times, more control over quality, easier handling for the customer and less logistics and therefore less negative environmental impact. This can be performed with high competitiveness due to reduced ancillary costs and a consolidated factory setup.

Customer portfolio

HANZA's customers should possess a sufficiently interesting business with regards to volume, turnover, potential and technology breadth for HANZA to be able to create added value compared to other manufacturers. It is important for both the customer and the supplier that a mutual balance, where both parties become important to each other, is created. Only then, you can challenge each other to develop and create new competitive models and methods of manufacturing. HANZA works with customers of varying sizes and in different industrial segments, herefore there is a good spread of risk.

Acquisition

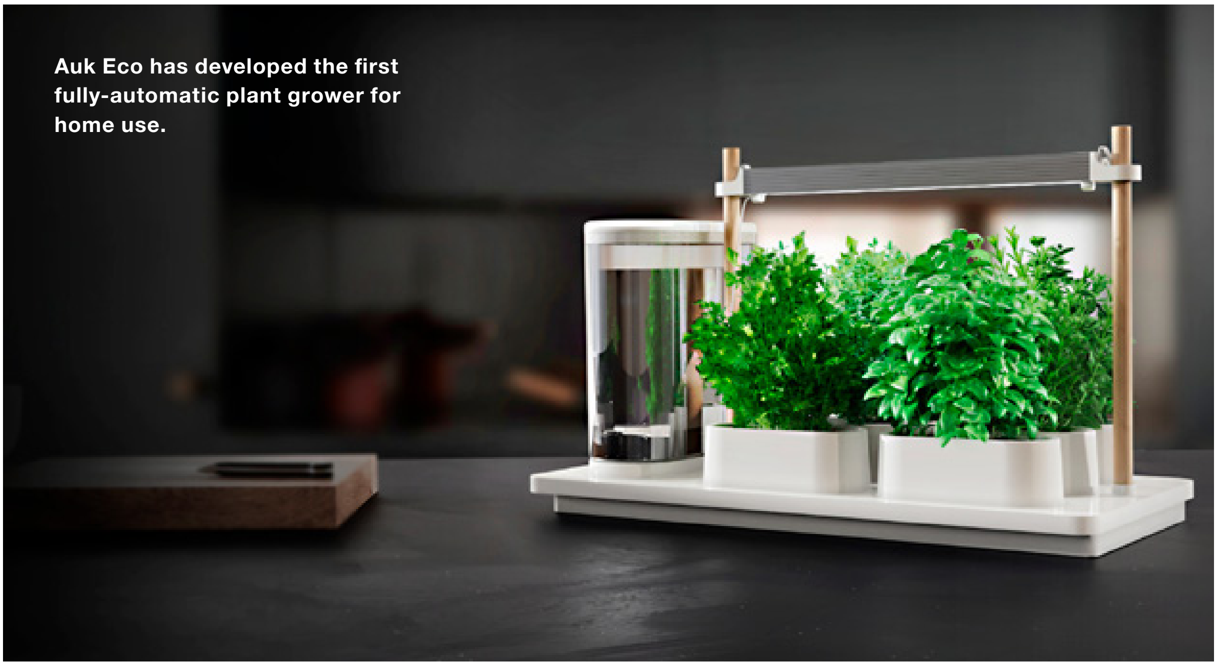
An important part of the company's strategy is acquisitions. The growth target of an average of ten percent per year is to be achieved with a combination of organic growth and acquisitions, therefore possible candidates for acquisitions are being evaluated on an ongoing basis. The logic for an interesting acquisition contains one or more of:

- Expansion to new geographical areas.
- The introduction of a new strategic manufacturing technology for HANZA or
- Expansion in a new customer- or industry segment.

Thanks to its manufacturing clusters, HANZA can quickly create consolidation effects on acquisitions, which contributes to higher margins. At the same time, interesting growth opportunities for both existing and new customers are created.

Auk – the world's smartest planting system?

Auk is a Norwegian company that has recently launched a revolutionizing product for indoor planting. They have developed the first fully-automatic plant growing system for home use, and following an extensive selection process, HANZA was chosen as their partner for complete product manufacturing and distribution.



Auk Eco has developed the first fully-automatic plant grower for home use.

Product

Auk is a planting system for sustainably growing nutritious foods, without the work that is normally associated with gardening. The unique technical solution, EverGrow™, is built on several crucial and equally important factors; the software, the three-part nutrition system, the water reserve, and the full spectrum LED lights. The nutrition system feeds the plants with just the right mix of the different nutrients and is refillable – so that the plants never go hungry. The full spectrum LED lights adjust its intensity and colors depending on what you grow and which stage of life the plants are in. This results in plants growing up to 5 times faster, and as the plants are also supported they can continue to grow for up to 14 months.

The solution

HANZA is proud to provide a complete solution for Auk, from the sourcing of materials, manufacturing of the PCBA's needed for the specific LED lights as well as for the nutrient and water supply system, to box-build, packaging and distribution to the end user. This makes Auk a prime example of how customers can benefit from HANZA's All You Need Is One concept.

"We selected HANZA after an extensive selection process throughout Europe. We have a long-term perspective and are going through a tremendous growth. It was therefore essential to find a partner in the right location, with the right mind-set, willingness to invest in the collaboration and not least - the right sustainability profile. After several conversations and visits to HANZA, the choice was clear. HANZA appeared as a very professional, experienced and driven company - a very good match with both Auk and the people at Auk. We are really looking forward to getting started and making Auk's for the whole world together!"

Didrik Dimmen, co-founder and CEO

Sustainability as part of our business concept

As a global company with the goal of modernizing and streamlining the manufacturing industry, HANZA adopts a holistic approach to sustainability. Our operations have an environmental and social footprint, particularly with respect to human health and workplace safety.

We are confident that HANZA's regional-cluster factory organization and its supply-chain advisory services generate crucial positive values, such as stable deliveries and eco-friendly manufacturing processes for customers, as well as good employment conditions for employees.

Consequently, sustainability is highly prioritized and integrated into HANZA's strategy. HANZA's business approach – in combination with its efforts to minimize transports, retain healthy and motivated employees, maintain high traceability for input products, protect customers from data breaches, as well as its general endeavor work to establish a high level of trust – will minimize its negative footprint, while maximizing its positive effects on society.

Transparency and feedback on sustainability efforts help us to continuously improve, while winning the confidence of actors in our operating environment.

Governance of our sustainability work

HANZA's sustainability work is governed by values, a number of Group-wide policies and certified processes, organizational responsibilities and a framework for its sustainable enterprise. HANZA's Code of Conduct, which is based on the UN Global Compact's ten principles supersede all of our policies and serve as a guideline for how HANZA should proceed as a good partner, employer and social actor.

In recent years, we have invested considerably in developing and strengthening our efforts with the quality, environment and work environment at our 16 factories. In late 2021, the Quality Management Systems of all of our factories were certified pursuant to ISO 9001; the environmental management systems of 12 factories were certified pursuant to ISO 14001; the Occupational Health and Safety Management Systems of 11 factories were certified pursuant to ISO 45001. One factory is certified for quality management within the aerospace industry, three mechanics factories have special quality certifications for welding. In 2021, work began on the certification of secure information management, by at year end, our entire Swedish operation and our service center in Estonia were certified under ISO 27001.

Organizational governance of HANZA's sustainability work

The Board adopts the overarching sustainability strategy and its ambitions/goals, follows up on initiatives and performs risk analyses.

The CEO has ultimate responsibility and ensures that sustainability is a component of the overall business strategy, that HANZA's management of sustainability risks and its approach to sustainability issues are followed through, communicated and integrated into HANZA's business activities and acquisition strategy.

The CFO follows up and compiles the work, which is reported to the Board annually.

The Quality Manager is responsible for the follow-up of key performance indicators, as well as certification processes within the environment and work environment.

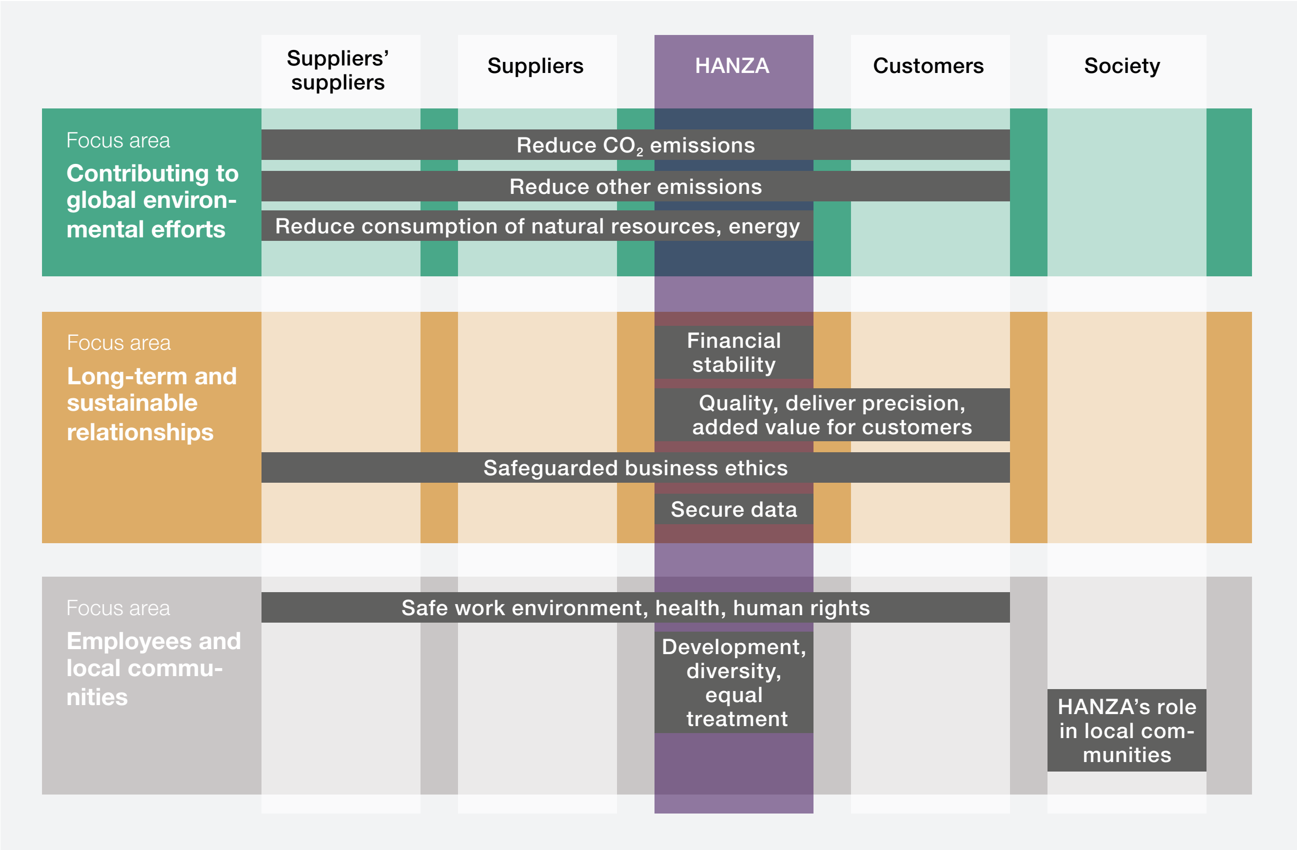
The Information Security Manager is responsible for the company's data security and the follow-up of key performance indicators, as well as certifications within information security.

The Head of Sourcing & Logistics is responsible for assessing suppliers.

The HR Manager is responsible for following up employee performance and other HR issues.

Group-wide governing document on sustainability	Responsibility for follow-up
Overall	
HANZAs Code of Conduct	CEO
Financial policy	CFO
Risk policy	CFO
Dividend policy	CFO
Internal Control Policy	CFO
Insider policy	CFO
Sourcing policy	COO
Supplier Code of Conduct	COO
ISO 9001, quality-management system	Quality Manager
AS 9100, quality management aviation industry*	Quality Manager
ISO 3834-2, quality management welding*	Quality Manager
Environment	
Environmental declarations (RoHS, REACH)	Quality Manager
ISO 14001 environmental management system*	Quality Manager
Data security	
Information Security Policy	CEO
ISO 27001 information security system*	Information Security Manager
Employees, human rights	
HR Policy	HR Manager
Work Environment Policy	HR Manager
Diversity Policy	HR Manager
Declaration of Conflict Minerals	Quality Manager

*Processes certified by third parties



Sustainability initiatives throughout the value chain
Our framework for sustainable enterprise constitutes our strategy for crucial sustainability issues deemed to be central to stakeholders, over which HANZA has influence. Stakeholder expectations are expressed through dialogs, such as customer meetings, customer surveys, employee surveys and investor meetings. To leverage the requirements and perspectives of stakeholders, we regularly evaluate and update our material sustainability issues. Sustainability issues have been grouped into three focus areas, for which for which objectives or long-term ambitions have been set. To ensure that the principles and regulations that HANZA adheres to with respect to the environment, labor law, human rights and business ethics, are also complied with by our suppliers, consultants and other representatives, HANZA's sustainability work is conducted in several parts of the value chain. The follow-up and measurement of sustainability efforts by means of key metrics ensures that we are helping to make the manufacturing industry more sustainable and attractive, and creating value for stakeholders.

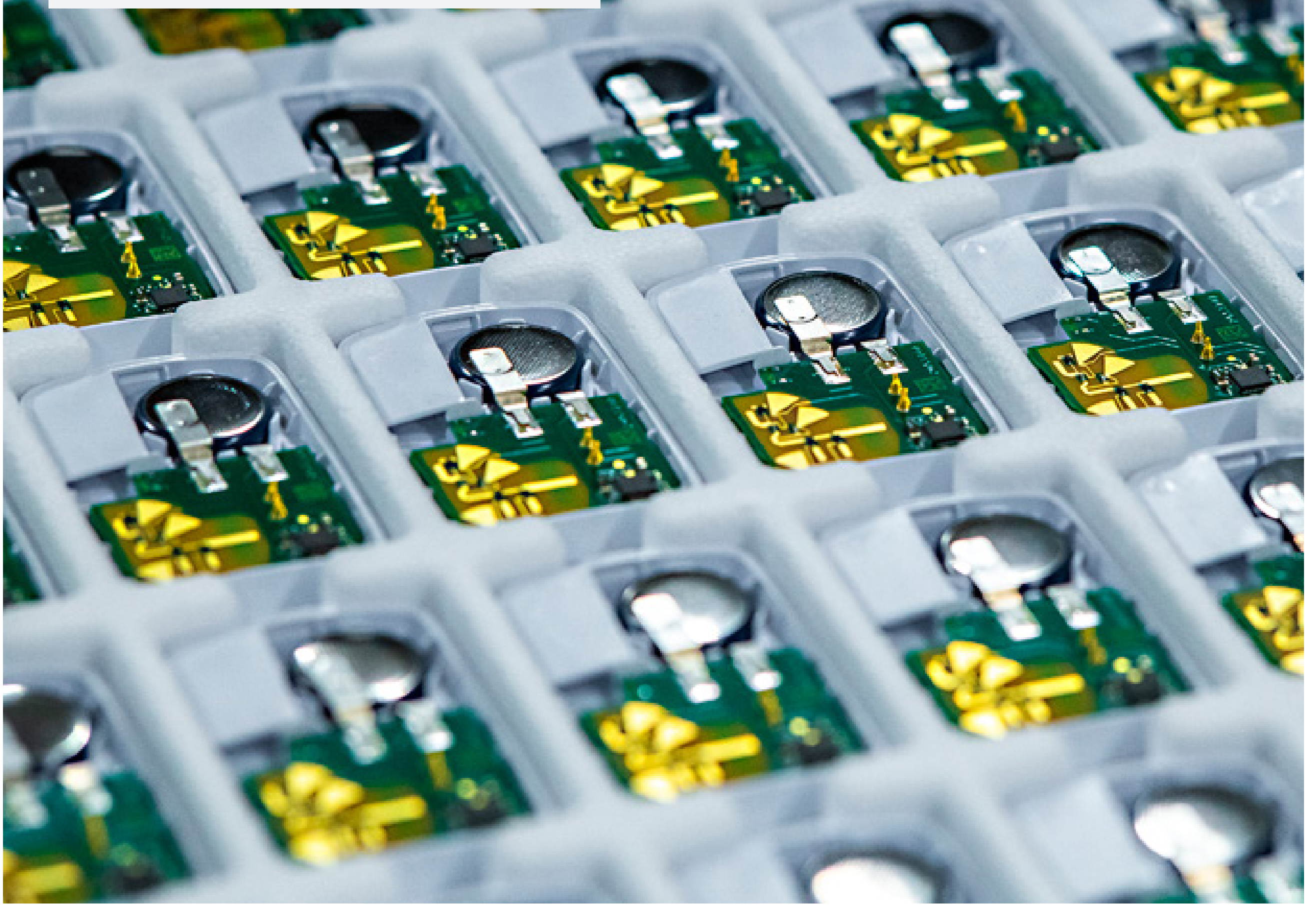
HANZA's stakeholders	Key issues	Dialog
Customers	Superior quality	Business
	Delivery reliability	Customer surveys
	Low environmental footprint – direct and indirect	
	Social responsibility – employees and subcontractors	
	Sound business ethics, data security	
Employees	Sound and healthy work environment	Employee surveys
	Social commitment	Career-development meetings
	Secure employment	Continuous dialog
Investors	Financial stability, return on investment	Annual General Meeting
	Customer satisfaction	Investor meetings
	Transparency, communication Environmentally and socially beneficial operations, regulatory compliance	Press releases and financial statements
Society	Low environmental impact – waste, consumption, emissions	Regulatory dialogs
	Sound business ethics	Meetings with municipal management
	Communication	

UN Sustainable Development Goals

Major global challenges such as the climate crisis, poverty, injustice, inequality and corruption, constitute long-term threats to global stability and economic growth. In 2015, when the UN member states adopted Agenda 2030 and its 17 global sustainable development goals to address these challenges, the signatory countries, their business communities and their civil societies made a commitment to attain these goals and reset their economies.

Considerable work remains to be done and it is thus essential that all sectors of society do their part. HANZA has selected several development goals where its operations contribute to several interim goals.

The report for each focus area presents specific interim targets that the sustainability effort mainly pertains to.



Contributing to global environmental work

The need to reduce the overall climate and environmental footprint of products is driving an increasing demand for suppliers that utilize sustainable production methods.

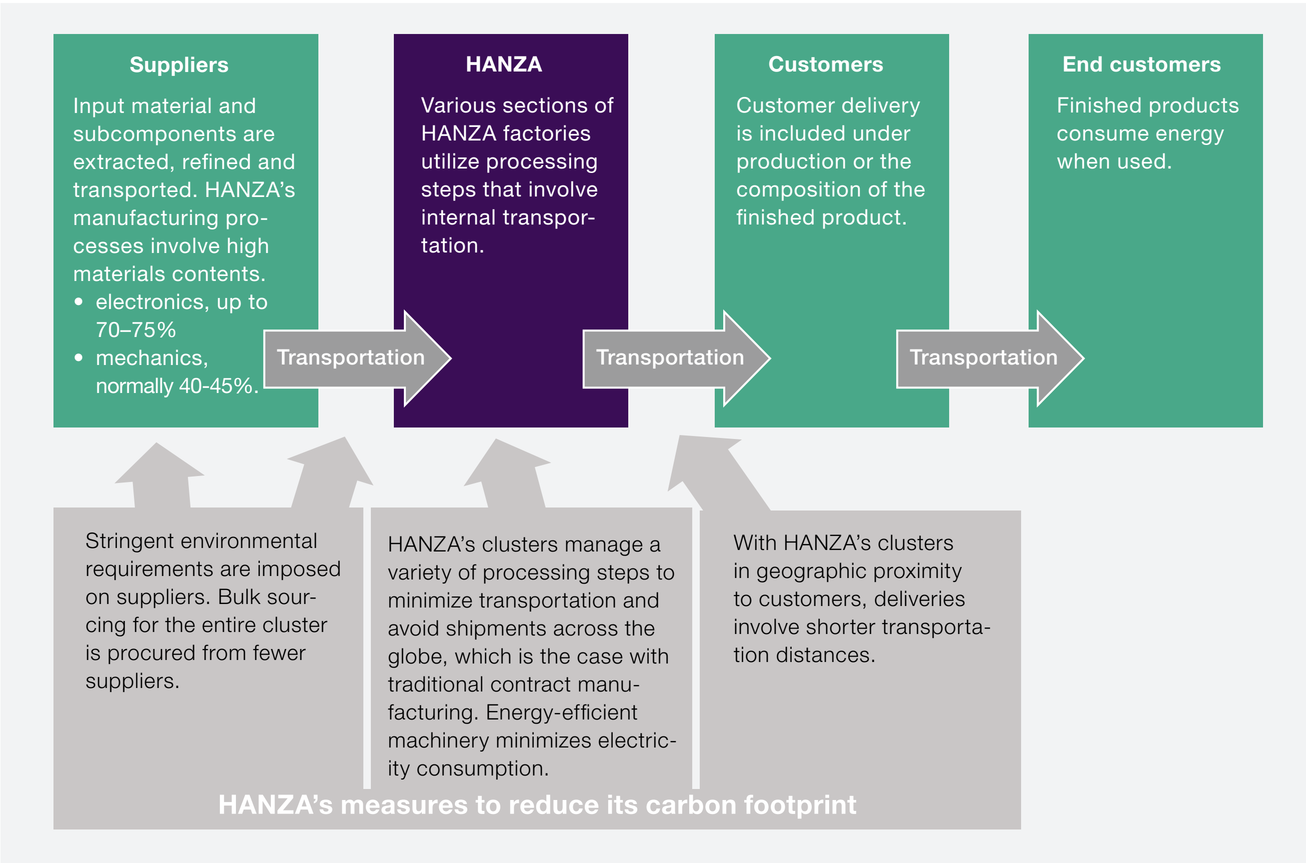
Risks and opportunities

The world is facing environmental challenges pertaining to resource usage and emissions. The most significant of these are threats created by carbon emissions and reduced biodiversity, which could result in increased global poverty, greater conflicts and reduced growth. Measures such as tighter regulations and green investment requirements entail that HANZA and its customers, which comprise major industrial companies, must control their environmental footprint in order to gain access to financing and business. HANZA's competitiveness is strengthened by its manufacturing clusters, which provide customers with environmental benefits and traceability in manufacturing processes.

CO_2 measures in HANZA's value chain

HANZA will be reporting its CO_2 emissions under Scope 1 (leased vehicles etc.) and Scope 2 for the first time in 2021. However, HANZA's dominant climate footprint stems from its value chain, which falls under scope 3 and mainly consists of the freighting of subcontractors' input material to clusters and final deliveries to customers. Another significant climate footprint stems from the production of input material. Business trips, which are also reported under Scope 3, account for a very minor portion of the Group's overall environmental footprint.

Keeping manufacturing operations within regional clusters and thereby reducing freight, is one of HANZA's most important investments in mitigating climate change and reducing carbon emissions. Products are manufactured to completion in production units that are geographically close to each other, allowing for shorter and fewer transports throughout the manufacturing process, compared with traditional contract manufacturing. Furthermore, the total number of transports to and from the cluster is reduced. As a rule, HANZA makes bulk purchases from a few suppliers.



Environmental management system ISO 14001:2015
HANZA's Group-wide environmental management system has been implemented in most of its factories. Eleven of a total of 16 factories are currently certified in accordance with ISO 14001:2015. The management system includes measurements of and targets for the Group's energy consumption and waste management. At each individual factory, specific environmental issues are identified, such as hazardous emissions and environmental risks, or activities that are subject to permit requirements. Opportunities to reduce or recover materials, as well as replace environmentally hazardous materials with eco-friendly ones are given due consideration. Targets are set for each factory, which are followed-up annually.

New factory powered by photovoltaic system
The investment in a completely new production facility in Tartu, Estonia, is part of HANZA's expansion journey. The new efficient premises of 12,000 m² were inaugurated in early 2022. Energy efficiency was a crucial criterion for its construction – the aim is to avoid energy leakage from heating and thereby save money. The factory roof was equipped with 448 solar panels, providing a peak power of approximately 200kW, aimed at satisfying the important need for proprietarily generated green energy. The photovoltaic system is expected to meet about one quarter of the factory's energy requirements.

External events, such as the COVID-19 pandemic and the war in Ukraine have highlighted the importance of safeguarding supply chains and being located in proximity to markets. HANZA offers deliveries of finished products to customers who are often located in the geographical vicinity of the cluster. An Academic[1] study presented in 2022 indicates, among other things, that customers benefit from locating all of their production close to their end markets.

The aim of production is to increase the use of input materials extracted through climate-smart production methods, such as green steel. As early as the product development phase, customers are given the opportunity to choose climate-smart materials over others. In the procurement process, we evaluate and set requirements for subcontractors based on their climate impact.

For heating and electricity consumption in HANZA's factories, our long-term goal is to exclusively use green energy – fossil-free energy sources. In 2020, the factory in Heinävesi, Finland, was the first within the Group to completely switch to green energy. The new plant in Tartu, Estonia, which was inaugurated in early 2022, will be powered to about 25 percent by proprietarily produced electricity from a photovoltaic system on the factory roof. A total of 8 percent of our overall energy supplies in 2021 originated from green energy sources.

Energy consumption
HANZA's energy consumption is dominated by the heating of factories and offices, and the powering of production machinery. The investment in new energy-efficient premises in Tartu, Estonia will result in real energy savings as of 2022. For the past few years, we have also invested in energy-efficient machinery at several of our factories. Total energy consumption increased in 2021, compared with the preceding year, which is mainly attributable to the figures for 2021 including district heating and an expanded scope of fuel-consumption measurements. When measured in relation to sales, which increased by nearly 17 percent year on year, the actual overall energy consumption has in reality decreased.

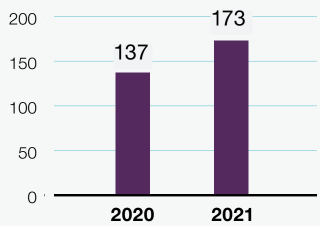
Materials and water consumption
HANZA's manufacturing processes involve high materials contents. Materials consumption is being curbed by ongoing efforts with quality controls and recycling at all factories, with the aim of minimizing product defects and reducing materials waste. Consumption of metals and steel totaled 25,190 tonnes in 2021. The greatest consumption occurs within Swedish operations. We strive to reduce the use of materials that generate hazardous emissions. In product development, we provide customers with the opportunity to learn about HANZA's previous experiences with production processes that leverage eco-friendly alternatives.

Water consumption levels in the production lines of HANZA's factories are considerably lower, compared with, for example, the production of semiconductors. In 2021, water consumption increased by 4 percent compared with the preceding year. In accordance with rules and regulations, all water is purified before it is discharged.

Waste and hazardous emissions
Waste management refers to residual materials from production and to heavy metals. At the Group level, the goal is to maintain or reduce the cost of waste management in relation to sales. In 2021, waste management costs increased, as a whole and in relation to sales. More than half of the costs pertained to Swedish manufacturing operations. The amount of hazardous waste declined.

1) "Backshore Once Offshored Manufacturing? Exploring sustainability as driver for backshoring decisions in Sweden" by Valeria Bracamonte, Royal Institute of Technology 2022

Energy consumption – MWH per million EUR in sales



Measurements of total energy consumption were expanded in 2021, entailing that the figures are not fully comparable. See also "Energy consumption."

Long-term target	Reduce CO_2 emissions	Reduce other emissions	Reduce consumption of natural resources and energy
Target year 2022	That more factories will switch to using green energy exclusively	Cost of waste management: 2022≤2021	To reduce HANZA's energy consumption in relation to sales.
Target year 2021		Cost of waste management: 2021≤2020	
Results for 2021	Green energy: 8% Scope 1: 122 tons (leased cars) Scope 2: 16,239 tons (purchased energy) Total 16,361 tonnes of CO_2 emissions	Cost of waste management/ sales, % 2021 0.15 2020 0.11 Generated waste, tonnes 2021 2,887 2020 1,127 of which hazardous waste, tonnes 2021 449 2020 495	Energy consumption, MWh: 38,451 MWh (29,201) 2021 38,451 2020 29,201 Metals, tonnes 2021 17,087 Water, m^3 2021 40,784 2020 39,084
Value generation	**Customers:** End products with smaller climate footprint. **Society:** Reduced climate impact, modernized industry.	**Customers:** End products with lower environmental impact. **Society:** Increased environmental gains (biodiversity, etc.), modernized industry.	**Customers:** End products with lower environmental impact. **Society:** Increased environmental gains, lower resource consumption, modernized industry.

1) The environmental data pertains to all operations within HANZA, with the exception of the newest factory in Finland. Carbon emissions were calculated based on GHG protocols, national emissions are based on the European Environment Agency's estimates for 2020.

EU taxonomy for green investments

The EU's green taxonomy regulation (EU 2020/852) is aimed at defining environmentally sustainable economic activities to facilitate the identification and comparison of environmentally sustainable business activities. The taxonomy entered into force in July 2020 and encompasses major companies of general interest that are also impacted by requirements on sustainability reporting.

For 2022, companies must report the proportion of their revenues, costs and investments that are encompassed by the EU taxonomy regulation's review criteria for climate-change restrictions and adaptation.

HANZA's operations consist of processing feedstock and components on behalf of major manufacturers, and are thus not encompassed by the EU taxonomy regulation's review criteria.

Nevertheless, HANZA takes sustainability and climate change issues very seriously, and therefore works to increase sustainability within several areas of the Group. This is pursued through our overall efforts to shorten and streamline transportation, and by providing HANZA's customers – as early as at the product-development phase – the opportunity to increase the utilization of input materials extracted via climate-smart production methods, such as green steel. For further information about HANZA's sustainability work, see pages 15–25 of the annual report.

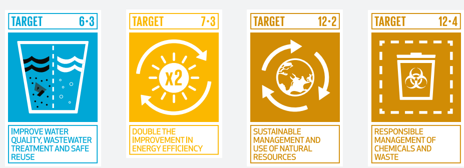
Sales: The assessment is that HANZA does not have any sales encompassed by the taxonomy regulation's review criteria. HANZA does not manufacture its own feedstock, but purchases and refines them. Consequently, the Group's operations can neither be regarded as being a significant contributor to climate-change limitations and adaptations, nor as being encompassed by the taxonomy regulation's review criteria.[1]

Capital expenditure: The assessment is that, apart from certain capital expenditure related to the energy efficiency of buildings and solar panels, HANZA has no capital expenditure that is encompassed by the taxonomy regulation's review criteria. Although the regulation would normally have included the photovoltaic system installed at the new plant in Tartu, the costs for the installation are not considered significant as they constitute less than 1 percent of the Group's overall capital expenditure.[2]

Our assessment is that HANZA has no operating expenses encompassed by the taxonomy regulation.[3]

1) Sales totaled of SEK 2,515.2 million and refer to total sales revenue during the year
2) Capital expenditure totaled SEK 159.6 million and includes investments in fixed assets and leasing costs
3) Operating expenses totaled SEK 58.9 million and include costs for short-term leasing, research and development on behalf of customers and costs for the maintenance of machinery

Contributions to the UN's sustainable development goals



Sustainable long-term relationships

HANZA works with customers who impose stringent requirements on their suppliers. We establish long-term customer relationships by meeting customers' expectations and having high integrity when doing business.

Risks and opportunities

Our ability to meet customer demands on quality, delivery precision and information security, and solutions that increase customer value, generate added value and maintain the company's financial stability, is crucial to HANZA's competitiveness, the trust of our customers and continued growth. Equally vital for maintaining the trust of our customers, as well as employees, suppliers and society in general, is for HANZA to act in a manner characterized by high integrity and business ethics.

Safeguarding business ethics

We act on the basis of clear principles on business ethics, where high integrity and honesty are some of the starting points. The Code of Conduct, which clarifies HANZA's positions on matters such as ethics and anti-corruption, is clearly communicated to the organization and is included in the introductory training course provided to all new employees. An insider policy specifies the handling of share price-sensitive information. The pandemic has delayed work on the internal follow-up of the Code of Conduct. We will perform a broad internal follow-up in 2022, when all employees will be required to ratify the content of the guidelines.

HANZA has zero tolerance policy toward bribery. The risk of corruption is greatest when it comes to an individual employee's contacts with suppliers and customers. In order to never arouse suspicion about irregularities or corruption in the course of business activities, our Code of Conduct stipulates that no employee should receive or give gifts with the intention of influencing a decision maker. All gifts are to be entered in a local and central register at HANZA. The whistleblowing function, HANZA Hotline, allows for employees to anonymously report their concerns about deviations from policies and rules, and any other irregularities within the company. In 2021, no incidents of corruption were reported or discovered.

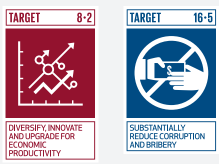
Working with suppliers

In the procurement process, we evaluate and set requirements for subcontractors based on HANZA's Supplier Code of Conduct. On the whole, this entails that suppliers subscribe to the same sustainability values as HANZA with respect to the environment, labor law, human rights, business ethics and anti-corruption. Breaches of the Code of Conduct are reported to HANZA's Head of Sourcing & Logistics. In 2021, the purchasing process was complemented by special assessment criteria pertaining to climate impact.

Data integrity

For a contract manufacturer, the ability to protect customer data and maintain data security is crucial. It is fundamental to consistently maintain confidentiality and integrity when handling customer and personal data. HANZA guarantees the correct, legal and fair handling of such data and adheres to the GDPR. In response to the increased hacking of government agencies and major corporations, HANZA is taking significant measures to protect customers' drawings and other production documentation. In 2021, a system for managing data security was developed and implemented in the Group to ensure adherence to procedures and policies. Among other features, the system makes it mandatory for all employees with an e-mail account to watch the educational video clip on data security that is dispatched every month, and to undergo subsequent self-testing. Following an extensive audit process, the system was certified in accordance with ISO 27001 (Information Security Management Systems) during the year. This is confirmation that we have attained our goal to comply with the highest level of international requirements on data security and the protection of customer data.

Contributions to the UN's sustainable development goals



Long-term target	Financial stability	Quality, delivery precision, solutions for generating customer value	Sound business ethics	Secure data
Target year 2022			**0 incidents 100% ratified the CoC**	**0 incidents**
Target year 2021			**0 incidents 100% ratification of the CoC**	**0 incidents**
Results for 2021	Read more in the Management Report.	Read more in Annual Report, page 41.	**Anti-corruption** **0 incidents** **Whistleblowing** **0 reports**	**Data breaches** **0 incidents**
Value generation	**Customers:** End products with smaller climate footprint. **Society:** Reduced climate impact, modernized industry.	**Customers:** End products with lower environmental impact. **Society:** Increased environmental gains (biodiversity, etc.), modernized industry.	**Customers:** End products with lower environmental impact. **Society:** Increased environmental gains, lower resource consumption, modernized industry.	**Customers:** End products with lower environmental impact. **Society:** Increased environmental gains, lower resource consumption, modernized industry.

HANZA's Levyprofiili factory in Joensuu, Finland.

A year within the HANZA Group

In March 2021, HANZA acquired the Finnish sheet-metal mechanics company Levyprofiili, with just over 100 employees. This was a major and vital step for Levyprofiili, which for the past years has focused on building up its organization, developing its processes and creating a more international customer base.

"When we were contacted by HANZA, we felt that the timing was perfect. By the first meeting with HANZA's management, it was clear to us that we would be well-suited to each other, as our operations and customer portfolios are quite complementary. We also discovered that we share the same values, which is important to us," explains Aku Lampola, Site Manager.

Being part of a global manufacturing group with close to 2,000 employees offers many opportunities. Levyprofiili has had the opportunity to leverage the expertise, production methods and experience of other HANZA factories, while pursuing its investment plans and developing its customer relationships. The goal of the inter-factory collaboration is to find ways of working that help to generate customer value and increase the potential for new customers.

For Levyprofiili's employees, belonging to HANZA also means development and career opportunities.

"Within HANZA, there is a strong focus on employer branding. Considerable efforts are made to offer career development opportunities, with the goal of making HANZA the best place to work," Aku Lampola concludes.

Employees and local communities

HANZA's 2,000 employees contribute significantly to the company's competitiveness, innovation and profitability. Continued maintenance of competence, as well as satisfied and healthy employees who contribute to better performance are vital for our future growth.

Risks and opportunities

The diversity among HANZA's employees and its inclusive business culture are assets that strengthen its capacity for growth and generating good results. Adopting a long-term approach in the locations where we are a significant employer results in mutual trust between HANZA and the local community, and ensures long-term production.

Employment in the manufacturing industry entails risks linked to employee health, safety and other work environments. Preventive work is vital to increasing motivation, facilitating skills sourcing and maintaining the trust of society and customers. To secure confidence within our operating environment, it is crucial that we guarantee fair working conditions and respect for human rights.

Health and work environment

As a manufacturer operating within factory environments, HANZA strives to provide safe work environments throughout the Group. The key objective of our initiatives with the work environment is a zero vision for occupational injuries. HANZA's work-environment management system is to prevent workplace injuries and create an even healthier and safer work environment.

At year end, 11 of the company's 16 factories were certified in accordance with ISO 45001. The risk of accidents is minimized by means of local measures, such as fire protection, marked evacuation routes, safety procedures and safety training videos. Within the framework of the work-environment management system, internal key metrics are followed up on a monthly basis. Any deviation of local key metrics from the Group's targets entails the implementation of mandatory measures at the local factory. Consequently, every factory measures the number of workplace accidents, incidents, absences due to occupational injuries and sick leave. In addition to this, ongoing health and safety risks, as well as any deviations from local laws and regulations, are evaluated. The factory then prepares customized action programs such as compulsory training initiatives in safety, directives linked to safety procedures and evacuation. In 2021, 26 workplace accidents occurred, compared with 32 the preceding year. There was also a decline in periods of absence due to occupational injuries and sick leave. Most workplace accidents involve cuts to fingers and hands, as well as minor crush injuries, and are frequently caused by incorrect handling in the course of production. During the year, the production facilities acquired in Finland and Germany implemented HANZA's policies, guidelines and work-environment management system. These efforts have commenced in 2021 in Finland and will commence in 2022 in Germany.

Other health-improvement measures pertain to continuously offering employees improved and functional premises such as the new factory in Tartu. Locally adapted measures include wellness allowances in Sweden and Finland, private health care in Poland, health checks in China and Sweden, annual health weeks, as well as free daily soup lunches in Estonia.

During the pandemic, employees were protected in accordance with local regulations, such as through the dissemination of information, social distancing, the use of masks, quarantine procedures, minimal travel, allowing for work to be done remotely from home, and digital instead of physical meetings.

Human rights

HANZA respects and adheres to several human rights conventions, which entails counteracting child labor, unpaid overtime, forced labor and other violations against human freedoms. HANZA's internal operations and its subcontractors are monitored for compliance with these conventions.

At HANZA, the right to freely associate with unions is self-evident, and wage structures, overtime pay and working conditions are based on collective agreements, laws or industry standards. Feedstock and contracted suppliers are evaluated using HANZA's Supplier Code of Conduct. The responsible purchasing of traceable conflict minerals (gold, tantalum, tin and tungsten) guarantees that no conflicts are financed in countries where they were mined.

Diversity, equal treatment

HANZA strives for diversity within the organization and to engender an inclusive culture where differences are respected. Differences in experience and background spark innovation and creativity, and provide us with knowledge and perspectives to better understand our customers. The organization's gender balance improved in 2021. HANZA strives to provide equal employment conditions for equivalent assignments.

HANZA counteracts all forms of discrimination based on gender, age, ethnicity, political affiliation and so forth, in relation to recruitment, training and promotion, as stipulated in the Code of Conduct. Perceived improprieties can be reported to HANZA's whistleblower function, HANZA hotline, through which employees can anonymously report concerns about deviations from policies and rules, violations or abuses of trust. In 2021, no whistleblower reports were made. In cases where reports are made, they are

Long-term target	Safe work environment, health, human rights	Development, high level of diversity and equal treatment	HANZA's role in local communities
Target year 2022	**0 workplace accidents**	Increased gender equality	
Target year 2021	**0 workplace accidents**	Increased gender equality	
Results for 2021	Safety, number of workplace accidents 2021 26 2020 32 Number of work-related injuries in relation to hours worked, % 2021 11.4 2020 12.5 Health, sickness absence % 2021 4.9 2020 5.1	Diversity Group gender distribution, % Men 2021 61 2020 68 Women 2021 39 2020 32	Number of factories 2021 16 2020 14 Average number of employees 2021 1,741 2020 1,543
Value generation	**Investors:** Improved competitiveness. **Employees:** Employment under sound terms and conditions, safe and secure work environment, long-term employer. **Customers:** Traceable deliveries. Society: Sound work environment, improved gender equality.	**Employees, investors and society:** Solid diversity, strengthened innovativeness.	**Society:** Sustainable industrialization of locations where HANZA is an essential employer.

HANZA's values

Our values summarize the expectations that employees have of each other, for the HANZA Group to achieve its vision of becoming a unique and value-generating partner within manufacturing. The annual career-development meetings are based on the values, which clearly permeate all current employee policies. In the case of factory acquisitions, valuation workshops are arranged with different employee teams who may work together on the implications and follow-up of the valuations.

WE ARE FOCUSED
– on ensuring that we can deliver what we have promised and finish what we have started.

WE COMMUNICATE
– which provides the basis for the implementation of our strategies and attainment of our goals.

WE ARE TEAM PLAYERS
– we all work towards the same goal.

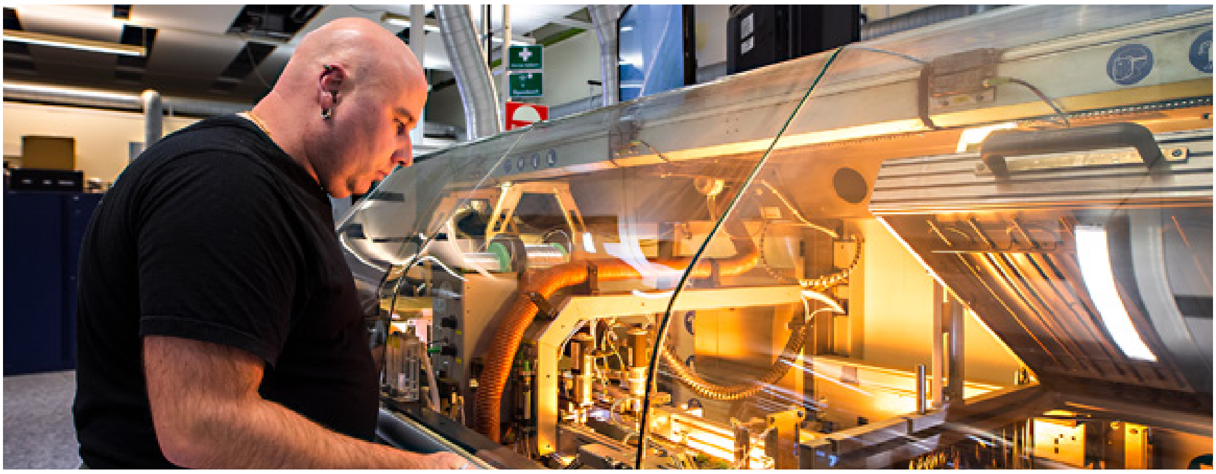
WE MAKE THINGS EASIER
– we are always searching for new ways to improve and simplify what we do.

WE TAKE OWNERSHIP
– by assuming responsibility, we can grow and develop.

taken seriously and reported back to Group management on a regular basis.

Develop, motivate and attract

HANZA's growth is creating a need for competent and committed employees. It is thus of strategic importance to maintain competency-sourcing efforts and employee development. HANZA's values and leadership programs provide the basis for leveraging the performance of our employees and establishing a global HANZA culture. We strive to utilize internal competencies and offer employees career-development opportunities. At annual career-development meetings, parameters such as skills and development needs are identified, which are then matched with the company's competency requirements. The goal in a pandemic-free year is for meetings to be conducted with 98 percent of the Group's employees. Employee training courses are conducted in local languages on, for example, IT security, which is increasingly provided via e-learning, as well as continuous employer branding activities. Significant contributions are also being made through skills exchanges between factories and internal career paths, which are aimed at increasing exchanges of production methods within clusters and creating a more cross-border HANZA. A good introductory process is key to having competent and committed employees. Therefore,



all new employees have a customized introductory plan and participate in introductory training via HANZA Academy. In 2021, newly employed key functions were provided with a global introduction, through which the CEO, CFO and COO gave a comprehensive presentation of HANZA. The results of our annual employee survey points to steady improvements in 2021.

As of 2018, all key indicators have improved, i.e. team efficiency, leadership, commitment and work climate. Commitment and customer focus scored particularly high. In 2020, initiatives continued with motivation-boosting efforts and work-environment measures to counteract stress, for example.

Clear communication contributes to development and motivation. The intranet, where new employees, policies and news regarding the Group or local factories are presented, is the established channel for internal communication. In 2022, the intranet will be developed to make its information more accessible.

Organization

In the HR area, there are goals for each cluster/country, as well as for HANZA in general. Local HR Managers ensure that efforts are adapted to the cluster's needs. The work is coordinated by a global HR Manager based in Sweden.

In 2021, the Baltic cluster, which is one of HANZA's largest, hired a dedicated recruitment manager who works with the cluster's skills sourcing. HANZA has been collaborating with universities and adult education colleges for some time. In the Swedish cluster, another HR position will be filled in spring 2022. In the German cluster, which is now expanded with a factory in Mönchengladbach, a HR Manager has been recruited, who will be responsible for both of HANZA's factories in Germany.

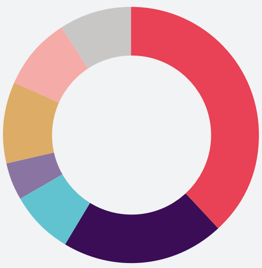
Local communities

HANZA seeks to secure competitive and long-term production. HANZA's operations are usually located in communities where HANZA is an essential employer and thereby a significant private-sector player for the support of local inhabitants. HANZA strives for the sustainable development of communities and to maintain continuous dialogs with financiers, in order to achieve functioning agreements and also clarify HANZA's long-term commitments to the local region.

HANZA's clusters include factories that were acquired at a time when factories were weighed down by weak profitability and liquidity problems, and closures were inevitable for the owners at the time. HANZA's continued operations have helped to sustain employment in several rural districts, a trend known as the Countryside model. In some cases, these operations were enabled through cooperation with local banks with a focus on the district's profitability. With some smaller production units that required decommissioning, HANZA made it possible for the outgoing factory management to take over operations and maintain employment.

In 2021, HANZA's expansion has entailed a broadening of operations in all clusters. This is the case in Finland, where a factory for sheet-metal mechanics was acquired; in China, where the operations are moving into new and larger premises; in Sweden, where new premises for the protective coating of circuit boards was inaugurated; in Germany, where an electronics manufacturer was acquired and in Estonia, where a brand new factory was built.

Average number of employees per country



Estonia	663
Sweden	358
Poland	140
China	86
Finland	177
Czech Republic	162
Germany	155

Contributions to the UN sustainable development goals

Strong growth and significantly increased profitability

2021 was characterized by a very challenging shortage of materials and an ongoing corona pandemic. HANZA reports increased sales and a positive result for the year, even though both have been negatively affected by the aforementioned global issues. Still, the Group delivered strong growth and significantly improved profitability, which demonstrates stability, maturity and a resilient business model.

Net sales in 2021 amounted to SEK 2,515 million. Adjusted for acquisitions and currency effects, this corresponds to an organic growth of 12 percent. 2021 resulted in a strong organic growth that accelerated during the year and amounted to 30 percent in the fourth quarter. Based on the year-end sales, HANZA is now a Group with a turnover close to SEK 3 billion. Operating profit has strengthened significantly since 2020 and the Group reached an operating margin of 5.7 percent in 2021. Profit after tax went from a zero result in 2020 to a positive result of SEK 81.2 million, corresponding to earnings per share of SEK 2.26.

Achievement of financial targets

HANZA's turnover increased by 17 percent during the year and reached its long-term target for 2021 of a growth of 10 percent. Organic growth was 12 percent, and since its founding in 2008, HANZA has had an average growth of 17 percent. Large parts of the Group exceeded HANZA's financial target of an EBIT margin of 6 percent. On Group level we achieved an EBIT margin of 5.1 percent overall.

Strong business model and balanced customer base

In 2020, HANZA was - like many other companies, impacted by the pandemic, which among other things caused major changes in customer demand. Some customers requested increased volumes while others reduced their volumes significantly. Overall, of course, there was a major drop in volumes. The added material shortage in 2021, brought similar variations in customer demand. The well-balanced customer base where HANZA is not dependent on a few customers or industries proved to be of utmost importance and the basis for HANZA's successful navigation through these challenges. The fact that in 2021 we are already back to strong organic growth and good profitability is incredibly positive. Such a quick recovery is not created by external factors or by certain customers' growth, it is the result of a strong business model and structured work. We are continuously working on both credit assessments and with ensuring that customers hold the financial responsibility for the stocks we keep. We buy materials based on our customers' orders, and thus should not assume any risk in the inventory held in our factories. This has proven of paramount importance to our ability to expand, despite the ongoing pandemic and material shortages. I am pleased to say that we have managed to get through the years of the pandemic without either customer losses or inventory write-downs.

Financial stability - focus on cash flow

A prerequisite for achieving profitable growth is to have financial stability. HANZA is in a capital-intensive industry where expansion requires increased working capital and investment in production capacity in the form of machinery and space. A strong focus on cash flow has always characterized HANZA's growth. Over the years, we have demonstrated an ability to grow with positive cash flow and despite acquisitions and investments, we have been able to keep net debt in relation to EBITDA at a reasonable level. In 2021, the above-mentioned shortage of components led to the need for increased safety stocks and increased products in work. Despite this, cash flow from operating activities amounted to SEK 126 million and net operating debt remains at twice EBITDA.

Roadmap 2021 with new acquisitions provides a good foundation for the future

In 2020, in the midst of the pandemic, HANZA decided to start its largest expansion program to date. It was named Roadmap 2021 and included all six clusters. In addition to major investments in machinery and property, two acquisitions were also made. In March, a company specialized in sheet metal mechanics was acquired in Finland, Suomen Levyprofiili Oy ("SLP"), with over 100 employees. In October 2021 HANZA acquired an electronics manufacturer in Germany, Helmut Beyers GmbH, a company with approximately 150 employees. These two acquisitions provide HANZA with additional expertise and capacity in sheet metal mechanics and electronics manufacturing.

Lars Åkerblom
CFO

HANZA's strategy for profitable growth

HANZA's growth and improved profitability takes place through three main areas:

1.

CUSTOMER VALUE

Through increased customer value, HANZA can create higher margins than traditional contract manufacturers. Production in clusters with fewer manufacturers provides sustainable and more stable supply chains. This also means that HANZA can offer competitive prices to its customers.

2.

CORE, CLUSTER OPERATIONAL EXCELLENCE

High quality and delivery reliability is fundamental to contract manufacturers. The creation of clusters and a wide range of technologies have also increased delivery reliability. In addition, there are internal programs for lean-processes and large investments in efficiency and robotics, such as Roadmap 2021.

3.

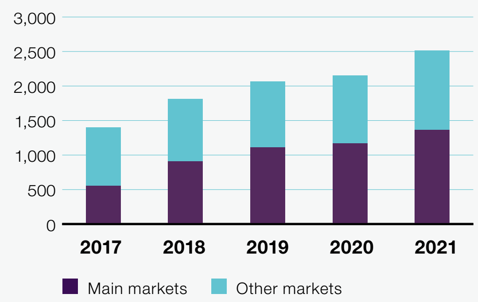
ACQUISITION

Part of HANZA's strategy is acquisitions. The aim is to create a stronger offering by expanding to new geographical areas or adding new technologies. We have a well-defined and established acquisition process from identifying acquisition candidates, implementing the acquisitions, and finally integrating them.

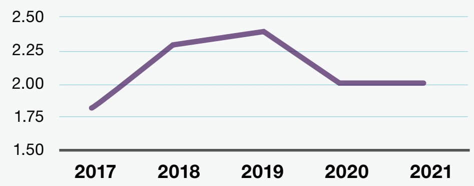
We can conclude that during 2021, we followed our strategic plan and strengthened our offer to our customers and have a strong basis for continued expansion with strengthened margins, through new machines in several factories, a completely newly built factory in Tartu and through acquisitions that added two factories.

HANZA Beyers GmbH, Mönchengladbach, Germany.

External sales per segment
(SEK MILLION)



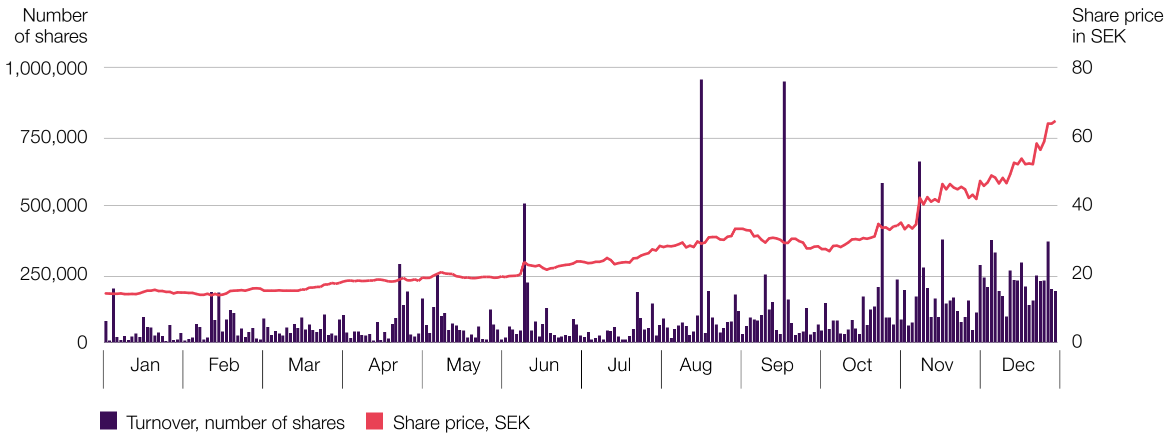
Operating debt to EBITDA



The share and ownership structure

HANZA's share have been listed on the Nasdaq Stockholm Small Cap since March 25, 2019. Prior to that, the shares were listed on the Nasdaq First North Premier since 2014. The share price at year-end was SEK 64,40 (13,95).

Share price and turnover 2021



At the beginning of the year, the number of shares was 33,979,928 and the share capital amounted to 3,397,993. During the year, the number of shares increased through a non-cash issue of 1,800,000, which was implemented in connection with the acquisition of Suomen Levyprofiili Oy (SLP). This was registered with the Swedish Companies Registration Office on 1 April 2021 and resulted in an increase of the company's registered share capital by 180,000.

Share capital development

Year	Event	Quotient value SEK	Increase in share capital SEK	Number of shares	Total number of shares
2019	Redemption of warrants	0.1	11,021	110,210	29,979,928
2019	Share issue	0.1	100,000	1,000,000	30,979,928
2019	Share issue	0.1	300,000	3,000,000	33,979,928
2021	Share issue	0.1	180,000	1,800,000	35,779,928

Authorizations

At the Annual General Meeting on April 26, 2021, it was decided, in accordance with the Board's proposal, to authorize the Board to, at one or more occasions, during the period up to the 2022 Annual General Meeting, decide to increase the company's share capital by 350,000 SEK (corresponding to 3,500,000 shares) through the issue of shares, warrants and / or convertibles. The board may, with the authorization, decide on the issue of shares, warrants and / or convertibles. This takes place on the other hand, with deviation from the shareholders' preferential rights and / or with a provision on non-cash, set-off or others conditions in accordance with the Swedish Companies Act. The authorization corresponded to approximately 9.8 percent of the share capital at issue.

Lock-up agreement

At the time of submission of this annual report no lock-up agreements are available.

Options

The Annual General Meeting in April 2020 decided on a warrant program of 850,000 warrants with the right to subscribe a share for SEK 20 during the period 2023-06-01–2023-09-30.

Ownership

The number of shareholders at year-end amounted to 6,852 (1,772). The largest shareholders are listed below.

Ownership structure 2021-12-30	Number of shares[1]	Capital (%)	Votes (%)
Färna Invest AB[2]	8,557,194	23.91	23.91
Clearstream Bankings S.A[3]	3,647,050	10.19	10.19
Francesco Franzé[4]	3,578,091	10.00	10.00
Håkan Halén	2,357,470	6.59	6.59
SHB Luxembourg cl acct Sweden	1,751,654	4.90	4.90
Försäkringsbolaget, Avanza Pension	1,190,886	3.33	3.33
Eugen Steiner	1,000,000	2.79	2.79
Nordnet Pensionsförsäkring	515,283	1.44	1.44
Hamberg Förvaltning AB	494,936	1.38	1.38
Mikael Gunnarsson	484,000	1.35	1.35
10 largest shareholders, total	**23,576,564**	**65.89**	**65.89**
Other board members	43,000	0.12	0.12
Other senior executives	560,210	1.57	1.57
Other shareholders	11,600,154	32.42	32.42
Total number of shares	**35,779,928**	**100.00**	**100.00**

1) Refers to own holdings and those of related natural and legal persons.
2) Färna Invest AB is a company wholly owned by board member Gerald Engström.
3) The item includes Ritter Beteligung's ownership of 3,000,000 shares
4) Francesco Franzé's controlled holding of shares in the company amounts to 2,160,000. In addition to the foregoing, Francesco Franzé owns 1,277,936 shares in the company through an endowment insurance. Francesco Franzé's total holding amounts to 3,578,091 shares.

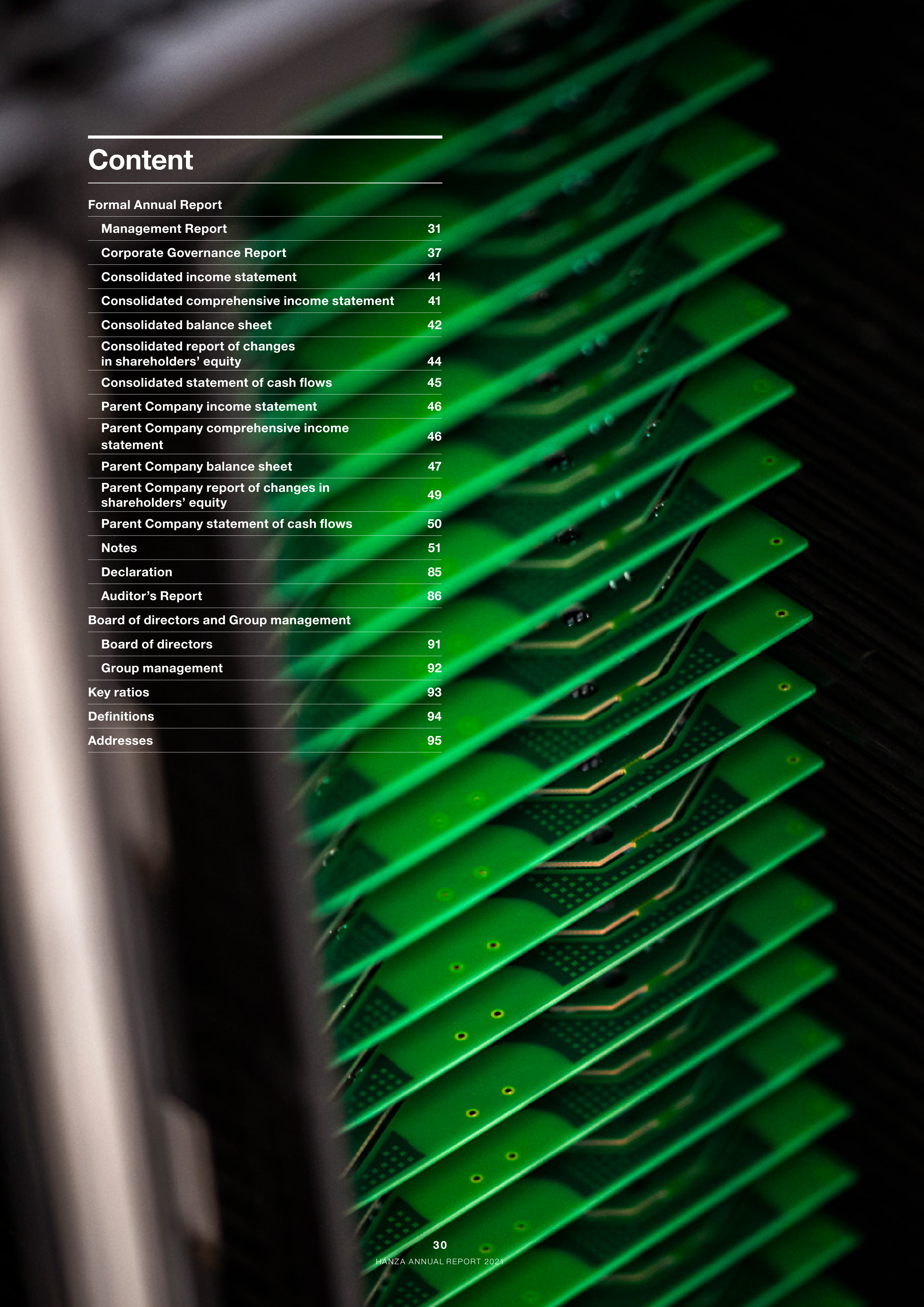
Source: Euroclear

Dividend policy

Earnings are primarily to be reinvested in the business in order to enable continued development of the group's business and thereby create sales and profit growth. Therefore, when assessing the size of the dividend, the primary consideration is that the group's development must allow for financial strength and room for manoeuvre. Business development permitting, the dividend must correspond to approximately 30 percent of profit after tax.

Dividend

The board has proposed to the AGM 2022 a dividend of 0.50 (0.25) SEK per share. The Board's proposal is based on the company's dividend policy, financial management and liquidity.



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Management Report

The board of directors and the CEO of HANZA Holding AB, Corporate Identity no. 556748-8399, hereby submit the annual report and consolidated accounts for the financial year 2021.

About The Business

HANZA currently has operations in Sweden, Finland, Estonia, Poland, the Czech Republic, Germany and China. Among HANZA's customers are leading industrials such as ABB, Epiroc, Getinge, Saab Defense Sandvik, 3M and Tomra. The group is operationally divided into two main divisions, Main markets and Other markets, which constitute the group's reportable segments in its financial reporting. Main markets are manufacturing clusters located in or near HANZA's primary geographical customer markets, which currently consist of Sweden, Finland, Norway and Germany. These clusters currently comprise Sweden, Finland and Germany. The operations in these areas are characterized by closeness to the customers factories and close collaboration with customer development departments. Other markets are manufacturing clusters outside of HANZA's primary geographical customer areas. These clusters currently consist of the Baltics, Central Europe and China. The operations are characterized by heavy labour input, complex, extensive monitoring, and closeness to important end-customer areas, how the nature of the production services varies, how processes (primarily automation) vary, and how they are distributed. Furthermore, the portion of group functions attributable to business development and acquisitions is reported as a separate segment.

The HANZA Group consists of the parent company HANZA Holding AB, with the wholly owned subsidiaries HANZA AB, HANZA Metalliset Oy, HANZA Gmbh and HANZA Germany Gmbh. HANZA AB, HANZA Metalliset Oy, HANZA GmbH and HANZA Germany Gmbh, in turn, have wholly-owned subsidiaries in Sweden, Finland, Estonia, Poland, the Czech Republic, Germany and China. For more information, see Note 35. HANZA Holding AB and HANZA AB are involved in business development, group management and group-wide functions such as finance, marketing, sales, HR and global procurement. All other operational activities are conducted in the subsidiaries.

Vision and business model

HANZA's vision is to be a unique, value-creating business partner in manufacturing. This means that the company strives to create greater customer value than what traditional contract manufacturers can offer.

HANZA's business model is to develop and offer manufacturing solutions and advisory services to increase growth and profit on behalf of the company's customers. Specifically, this is achieved through HANZA's development of factory parks and manufacturing clusters where products can be manufactured rationally, at lower cost and with less environmental impact compared to traditional contract manufacturing, and partly through HANZA's development of value-creating consulting services linked to product manufacturing.

The Company's development

HANZA was founded in 2008 and has grown into a company with turnover in excess of SEK 2 billion. This growth has occurred and will continue to occur within the framework of the company's 3-phase program, which kicked off in 2009 with the aim of gathering factories into manufacturing clusters in specific geographical areas.

Phase 1: Build-up phase 2009 – 2013

The strategy was to create a global "four-leaf clover" of manufacturing technologies: machining, thin sheet, circuit boards and cabling, and to add advanced assembly on top of this. As part of this effort, the company acquired a number of mechanical and electronics manufacturers in Sweden and Estonia, even as a couple of greenfield factories were built from scratch. Because the focus was on acquiring a breadth of manufacturing technologies, it was financially advantageous to focus the acquisitions on companies experiencing financial hardship.

Phase 2: Gather production in select geographical areas and offer consulting services 2014 – 2017

The aim of Phase 2 was to relocate and gather factories into select geographical areas known as clusters, in order to create a rational manufacturing environment. In addition, HANZA developed two consulting services: MIG and MCS.

Phase 3: Focus on profitability and consulting

In Phase 3, the focus shifts from build-up to streamlining manufacturing clusters. During this phase, HANZA also intends to expand into new customer markets. The acquisition of Wermech in 2018 is a clear example of HANZA's strategy during Phase 3, in that the company acquired a profitable growth company with a broad customer portfolio. Also the acquisition in 2019 of RITTER, a German complete manufacturer with production facilities in Germany and the Czech Republic, was made in this phase to apply HANZA's business model on new customers and market areas. The acquisition of Beyers, a German electronics manufacturer, took place during this phase and enabled to apply HANZA's business model to new customers and market areas.

Material events during 2021

Developing the Group structure

In January 2021, HANZA started the construction of a new, 12,000 sqm production facility for complex assembly, directly adjacent to HANZA's sheet metal factory in Estonia. The new factory opened on 17 March 2022.

In March 2021, HANZA acquired a high-quality manufacturer of sheet metal mechanics in Finland, Suomen Levyprofiili Oy ("SLP"), with just over 100 employees. Operations are conducted in a modern production facility in Joensuu, close to HANZA's other factories in Finland and has sales of approx. SEK 150 million.

In June 2021, HANZA developed its operations in Sweden with investments totaling SEK 25 million. Among other things, a new, 200 sqm department for protective coating of circuit boards was opened.

In June 2021, HANZA decided to expand its operations in China by moving to new premises of approx. 4,000 sqm, as well as making an investment in electronics production of approx. 10 MSEK.

In October, HANZA acquired an electronics manufacturer in Germany, Helmut Beyers GmbH, located in proximity to the existing operations. The company has about 150 employees, sales of approx. SEK 180 million and contributes further competence and capacity within electronics manufacturing.

In December 2021, HANZA received certification according to ISO 27001 Information Security Management System (ISMS), after an extensive audit process. The certification is part of HANZA's work to maintain a high level in security controls, information technology and cyber security.

Selected material events

In July, HANZA signed an agreement with the air technology company, Njord for complete production of air purifiers. Production takes place in Sweden and the initial order is approximately SEK 12 million.

In order to meet increasing demand in Finland, HANZA decided in September to invest a total of approximately SEK 30 million in equipment for machining and sheet metal mechanics.

In December, HANZA signed an agreement with Norwegian Auk Eco AS, that has developed the first fully automatic plant grower for home use.

Other events

During the year, work continued on the construction of a new production facility of just over 12,000 sqm in Tartu, Estonia. The total investment amounts to approximately SEK 56.8 million and is financed with a combination of own funds and bank loans. The work has been ongoing throughout 2021 and the inauguration was on 17 March 2022.

In October, HANZA received a repayment of SEK 6.3 million from AFA Försäkring regarding the collectively agreed health insurance AGS in Sweden, attributable to previous years. The amount is reported as other income in the fourth quarter.

The acquisitions SLP and Beyers charged the result with SEK -8.7 million in the form of transaction costs of SEK -5.0 million and integration costs of SEK -3.7 million.

Events after the end of the year

In January 2022, HANZA decided to expand its operations in Central Europe by approximately 2,000 sqm. through the acquisition of a property in Poland and expansion of the facility in the Czech Republic. Operations in the new premises will start during the second quarter of 2022.

During the second quarter of 2022, the manufacturing unit in Suzhou, China, will move into new manufacturing premises. This will bring opportunities to increased productivity as the premises are more adapted to the company's operations and because investments in new machines have been made.

In March, HANZA expanded its collaboration with Swisslog AS, in order to support their turnkey automated warehousing projects to Mo in Rana, Norway. The assigment includes manufacturing and delivery of 86,000 storage boxes in steel. The production will take place in HANZA's Swedish manufacturing clusters, where the first deliveries was made during the first quarter of 2022.

When this annual report is published, there is an ongoing war in Ukraine, which might lead to negative effects on HANZA's market and operations, both in long-tem and in short-term. HANZA do not have any business or custormers in either Russia, Belarus or Ukraine, which are the countries currently involved in the military conflicts or that is covered by EU sanctions. There are still uncertainties about how much impact this can have on short- and long-term. The board and the company's management are following the developments of this situation carefully to be able to handle the changes in the conditions of the business that arise both quickly and efficiently.

Five-year overview

MSEK	2021	2020	2019	2018	2017
Net sales	2 515.2	2 154.9	2 067.7	1 810.6	1 399.7
Operating profit	127.5	31.3	56.8	54.1	35.7
Profit/loss after tax	80.2	-1.4	23.6	20.8	16.4
Balance sheet total	1 951.3	1 414.2	1 527.9	1 096.1	769.8
Equity	585.5	474.9	497.7	410.5	309.3
Equity ratio, %	30.0	33.6	32.6	37.5	40.2

Market performance

Although HANZA's market is mainly concentrated in the Nordic region and Germany, the company also has customers in the rest of Europe, Asia and the United States. Economic cycles are usually reflected in HANZA's sales, due to its customers operating within a wide range of industries. However, HANZA has a special opportunity to seize new market share during recessions – at a time when product companies take on new challenges to optimize efficiency and regionalize their supply chains.

Demand in the Nordic markets has remained strong in 2021, and the rest of Europe has also shown increased demand, which is a positive trend compared with previous years' uncertainties and shutdowns linked to the current pandemic. HANZA estimates that the pandemic's impact on the Group's demand will stabilize somewhat in 2022. HANZA sees continued opportunities to gain new market shares despite challenges with material shortages as the pandemic has strengthened the trend towards regional, customer-oriented, and complete manufacturing. This reinforces a trend that has previously been driven by, among other things, trade barriers, transport costs, delivery times and environmental aspects.

The Board of Directors has analyzed the Group's financial targets in light of the pandemic and deemed that they remain realistic and should thus be adhered to. This means that the Group's growth target continues to be an average sales increase of at least 10 percent annually over a business cycle, which is measured as net change, i.e., the total volume added by new customers, corporate acquisitions, discontinued volumes and exchange-rate differences. Consequently, HANZA's margin of 6 percent after the amortization and impairment of intangible assets (EBIT) will also remain unchanged.

Sales and profit

Net sales for the year amounted to SEK 2,515.2 million (2,154.9). The Main market segment increased to SEK 1,362.3 million (1,164.7) The Other market segment increased to SEK 1,152.9 million (989.9). Change in currency exchange rates affected the Group's sales negatively by approximately SEK 53.5 million. The companies acquired during the year contributed SEK 162 million. Excluding currency and acquisitions, growth is approximately 12 per cent.

EBITDA amounted to SEK 232.1 million (138.6), which corresponds to an EBITDA margin of 9.2 per cent (6.4). Depreciations, amortizations and write-downs during the period amounted to SEK 104.6 million (107.3), of which, amortization and write-down of intangible assets of SEK 15.9 million (16.5), which mainly refers to customer relationships that were added through acquisitions. Last year's depreciation and write-downs included write-downs of SEK 10.5 million.

The gross margin amounted to 45.7 per cent (44.3). The Group's EBITA amounted in the year to SEK 143.4 million (47.8), which corresponds to an operating margin of 5.7 per cent (2.2). Non-recurring costs for acquisitions and repayments from AFA have a net effect of SEK -2.4 million. The result 2020 was charged by the Group's action program of SEK 27.5 million of which EBITA is charged with SEK 24.7 million. The SEK 24.7 million is distributed with SEK 9.5 million to Main markets and SEK 15.2 million to Other markets.

The Main market segment reports EBITA of SEK 113.5 million (41.5), which corresponds to an operating margin of 8.3 per cent (3.6). The Other market segment shows EBITA of SEK 41.6 million (9.7), which corresponds to an operating margin of 3.6 per ent (1.0). The business development segments EBITA amounted for the year to SEK 3.6 million (1.0). EBITA for the Business Development segment amounted to SEK -11.7 million (-3.4).

The Groups EBIT amounted to SEK 127.5 million (31.3). Net financial income amounted to SEK 27.8 million (-22.4). Of this, net interest amounts to SEK -20.0 million (-17.5). Currency rate gains and losses net amounted to SEK -0.3 million (0.8). Other financial costs amounted to SEK -7.5 million (-5.7). Profit before tax amounted to SEK 99.7 million (8.9). Profit after tax amounted to SEK 80.2 million (-1.4). Profit per share before dilution amounts to SEK 2.26 (-0.04) and after dilution to SEK 2.25 (-0.04).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities remains positive and amounted to SEK 126.1 million (181.8). Changes in working capital amounted -67.4 million (75.5). The above mentioned lack of components has led to an increased safety stock and increased products at work.

Cash flow from investment activities amounted to SEK -185.7 million (-60.0). Cashflow from acquisition of subsidiaries to SEK -48.4 million (-3.1).

Total acquisitions of tangible fixed assets amounted to SEK 154.5 million (82.4). The difference from investments in the cash flow statement consists of acquisitions of machinery and equipment through leasing.

Cash flow from financing activities amounted to SEK -21.5 million (-63.2) and consists of new loans and repayments and a minor issue of warrants.

Financial position

Organic growth and the challenging material situation with the need for increased safety stock has led to an increase of total assets. Total assets at the end of the year amounted to SEK 1,951.3 (1,414.2) million and shareholder's equity at the end of the year amounted to SEK 585.5 million (474.9), which gives and equity/assets ratio of 30.0 per cent (33.6).

Cash and cash equivalents at the end of the period amounted to SEK 45.8 million (121.2).

The interest-bearing net debt amounted to SEK 712.1 million (450.4) and have increased by 261.7 during 2021. The acquisition of SLP and Beyers increased the net debt with SEK 180.8 million. The investment in a new factory in Estonia has increased the net debt by 53.3 during the year. Operating net debt amounts to SEK 473.7 million (270.7).

Employees

During the year, the average number of employees in the Group was 1,741 (1,543). The number of employees at the end of the year was 2,001 compared to 1,637 at the start of the year. Of the numbers of employees at the end of the year, 258 were added through acquisitions.

Company-specific risks

- *Cyclical developments* – Contract manufacturing is a relatively cyclical business, one in which HANZA is dependent on how and to what extent the company's customers choose to run their production operations. A weakening business cycle in Sweden or internationally could lead to a lower level of market growth for the company. If a deterioration in the general economy should occur, there is a risk that HANZA's sales and earnings could be adversely affected.
- *Competition* – HANZA is exposed to heavy competition in contract manufacturing markets, which places demands regarding time-effective and cost-effective production and logistics. There is a risk that in the future the company will not be able to offer services and products that are sufficiently competitive from a technical point of view and in terms of pricing. Such a development could risk adversely affecting the company's operations, financial position and earnings.
- *Customer dependence* – HANZA has been commissioned to perform assignments by a number of customers within a number of different applications. In 2021 the ten largest customers accounted for 47 per cent (48) of total sales. Individual subsidiaries within the group may be characterized by significant customer dependence, which may put pressure on earnings and the viability of individual subsidiaries. There is a risk that one of these large customers will reduce its purchases, which would adversely affect the company's operations, financial position, and earnings.
- *Production, logistics and interruptions* – HANZA conducts advanced manufacturing in several different fields at several different production facilities. The company is dependent on being able to shift manufacturing between different plants in the event of production stoppages, but also in order to be able to deliver the total solution to the customer that forms the core of HANZA's business model. In the event that the company's processes and logistics should not work according to plan, this could

entail production disruptions and increased costs for the company, which could adversely affect the company's financial position and earnings.

- *Risk of disruptions in production* – HANZA's production operations consist of a chain of processes in which interruptions or disruptions, for example as a result of fire, sabotage, mechanical breakdown or IT failure in any stage of the operations, could have consequences in terms of HANZA's ability to manufacture the company's products in the scope and at the rate demanded. Such interruptions could adversely affect the company's operations, financial position and earnings.
- *Price variations in inputs* – HANZA's customer assignments often extend over long periods of time, over the course of which material prices naturally may vary. Large price increases in inputs and manufacturing materials could adversely affect the company's operations, financial position and earnings.
- *Supplier risk* – HANZA is dependent on material deliveries by the company's suppliers in order to fulfill the company's customer orders. Significant or long-term disruptions in the delivery of critical inputs and manufacturing materials could adversely affect HANZA's financial position and earnings. Some of HANZA's suppliers are what are referred to as single-source suppliers, meaning that HANZA is dependent on one supplier for all deliveries of the given raw material or component. There is a risk that the supplier will not be able to supply raw materials and components in accordance with HANZA's needs. If HANZA does not have enough of the given raw materials or components in stock or is not able to secure deliveries from an alternate supplier, this may in turn impact HANZA's customer deliveries, which may affect HANZA's financial position and earnings.
- *Inventory obsolescence* – In order to be able to meet the company's commitments to various customers, HANZA needs to maintain a certain inventory of components and production materials. There is a risk of obsolescence in this respect: any inventory that is not used for customers could adversely affect HANZA's financial position and earnings.
- *Complaint risk* – In the event of defects in the manufacturing process, complaint claims may arise as part of various warranty obligations. Causes include, for example, machine malfunction, operator failure or component failure. Claims for financial compensation normally adhere to established industry standards. The customer may be entitled to damages in addition. This may entail significant additional costs for HANZA, which could adversely affect the company's financial position and earnings.
- *Key personnel* – Under HANZA's business model, the company takes a holistic approach to customer manufacturing, which places high demands on expertise in the field of Supply Chain Management and a number of other areas. The potential loss of any of these personnel could give rise to adverse effects for HANZA. The company's ability to recruit and retain qualified employees is crucial in ensuring the level of competence within HANZA. In the event that key personnel should leave HANZA, this could adversely affect the company's operations, financial position and earnings.
- *IT systems* – HANZA's operations require functioning IT systems. IT-related disruptions could lead to disruptions in production, forgone revenue or compensation claims from customers and/or reduced efficiency of administration and sales. In addition, the implementation of HANZA's IT system in new production facilities could lead to disruptions in the integration process and carries the risk of other IT-related disruptions, which could adversely affect the company's operations, financial position and earnings.
- *Liability and insurance* – Under HANZA's business model, the company takes a holistic approach to the customer's production, albeit without being a product owner with end-to-end production responsibility. As a rule, HANZA is liable for manufacturing in accordance with customer specifications. In the event of a customer claim, HANZA's liability could exceed the risk against which HANZA protects itself through insurance policies, which could adversely affect the company's operations, financial position and earnings.
- *Sustainability risks* – Sustainability risks, primarily risks pertaining to the environment, social aspects, ethics and integrity, are addressed in the sustainability section on pages 15-25. There is a risk that the company may not succeed in some aspect of its future sustainability efforts, which could result in substantial direct mitigation costs and indirectly impact the company's sales and earnings for the year, since the company's reputation with respect to sustainability has repercussions on its capacity to attract customers and employees.
- *Financing risk* – HANZA may need to raise new financing or refinance certain, or all, of its outstanding liabilities in the future. The Company's ability to successfully raise new financing or to refinance the Company's current liabilities is dependent on several factors, including conditions in the financial markets in general, the Company's creditworthiness, as well as the ability to take on more debt at such a time. HANZA's access to sources of funding at a given time could thus have to occur on less favorable terms. There is also a risk that HANZA could breach the terms of existing loan agreements, which could be due to a number of different factors both within and beyond the company's control. The company's potential inability to comply with the terms of existing loan agreements could require repayment of all or part of the company's outstanding loans, which could have a material adverse effect on the company's operations and financial position.
- *Currency and interest rate risks* – HANZA's extensive international operations include significant sales in various currencies and thus carry exposure to currency risk, particularly in the Euro (EUR) and US dollar (USD). Currency risk arises from future business transactions, translation of recognized assets and liabilities as well as net investments in foreign operations. The group has exposure in its external borrowing, as the borrowing partly occurs in a currency other than the functional currency. The majority of external borrowing in the group is in SEK or EUR. In the event of exchange rate fluctuations, this could have an adverse effect on HANZA's sales and operating profit. Furthermore, because HANZA's financing partly consists of interest-bearing liabilities, the group's net income is further affected by changes in the general interest rate landscape. How quickly a change in interest rates will have an impact on net income depends on the fixed interest rate period of various loans. Changes in interest rates could adversely affect the company's operations, financial position and earnings.
- *Credit risk* – HANZA makes extensive use of customer invoice factoring, which means that the credit risk is

transferred to the factoring company. For some customers, HANZA provides 30–90 days of credit, which entails credit risk in the event that a customer should be unable to meet its payment obligation. HANZA is guided by an established credit policy, and uses credit insurance policies. However, there are credit risks in HANZA's cash and cash equivalents, derivative instruments and balances on deposit with banks and financial institutions, as well as in respect of customers, including outstanding receivables and agreed transactions. Future credit losses could adversely affect the company's operations, financial position and earnings. Historically speaking, HANZA has had extremely low credit losses.

- *Tax* – HANZA has accumulated tax losses primarily in Finland and Sweden. Changes of ownership that entail a change in controlling influence over the company could in turn entail restrictions, in whole or in part, on the ability to utilize such losses in the future. The ability to utilize tax losses in the future may also be affected by changed legislation. The company's operations are conducted in accordance with the company's interpretation of existing tax regulations and the requirements of various tax authorities. There may be a risk that the company's interpretation of applicable laws, provisions and practices is incorrect or that such regulations are changed, possibly with retroactive effect. For this reason, a decision by a tax authority could alter HANZA's past or current tax situation, which could have an adverse effect on HANZA's operations, earnings and financial position.

Sustainability and environmental impact

Sustainability report

Pursuant to the Annual Accounts Act, HANZA must submit a sustainability report, which the company has chosen to do so by integrating it into the Administration Report, with reference to other sections of the annual report comprising statutory disclosures. A substantial sustainability section describes our sustainability efforts and provides analyses of the risks and their management, as well as the reporting of specific key performance indicators. In particular, our business model forms an essential subsection of the sustainability report. The corporate governance report describes the Group's efforts with policies and other governance instruments. There is also a description of the Board of Directors' and company management's comprehensive work with risk assessments. The following table references the various statutory components of a sustainability report.

Content	Page
Business model	13
Governance, policies and follow-up	37
Overall risk assessment	33–35, 40
Sustainability risks	18, 21, 23
Environment	18–20
Social relations	21–22
Personnel	23–25
Human rights	21, 23, 24
Business ethics and anticorruption	21– 22

Operations with permitting requirements

The group conducts operations that are subject to authorization (permitting) pursuant to Chapter 9 of the Swedish Environmental Code. The permitting requirement in Sweden applies to mechanical metalworking in which the total tank volume of cutting fluids or process oils in the metalworking machines may amount to a maximum of 150 cubic meters per year.

The share

HANZA's shares have been listed on NASDAQ Stockholm's main list since March 25, 2019. For more information about the shares, please refer to the separate section on HANZA's shares and ownership structure.

Ownership

The number of registered shareholders on December 30, 2021 amounted to 6,852. The largest shareholder was Färna Invest AB (owned by Gerald Engström) with 23.91 per cent. Francesco Franzé owns 10.00 per cent and Håkan Halén owns 6.59 per cent. For more information about ownership, please refer to the separate section on HANZA's shares and ownership structure.

Corporate governance

A corporate governance report follows immediately after the management report.

Guidelines for remuneration to senior executives

The guidelines for remuneration to senior executives below, were approved by the AGM on 26 April 2021. No changes in the guidelines will be proposed to the AGM 2022. The remunerations are regarded necessary for the company to be able to recruit and retain a management team possessing the skills and capacity to achieve established goals. These guidelines contribute to the company's business strategy, long-term interests and sustainability by enabling the Company to offer senior executives competitive remunerations.

Forms of remuneration

The company's remuneration system must be market-based and competitive. Remuneration may be paid in the form of fixed cash salary, variable remuneration, pension and other customary benefits. Fixed salary must be fixed individually for each executive and based on the executive's position, responsibilities, skills, experience, and performance.

- *Variable remuneration* must be related to the outcome of the company's targets and strategies, and must be based on predetermined, measurable criteria that are designed to promote long-term value creation. The proportion of total remuneration that consists of variable remuneration must be able to vary depending on the position and must be proportionate to the responsibilities and powers of the given senior executive. However, the variable remuneration may correspond to a maximum of 45 per cent of annual fixed salary for the CEO and 30 per cent of annual fixed salary for other senior executives. The variable remuneration must not be pensionable insofar as not otherwise governed by the provisions of mandatory collective agreements. The board of directors must have the opportunity, as governed by law or agreement and with the limitations that follow therefrom, to claw back in whole or in part any variable remuneration paid on erroneous grounds.
- Pension benefits must be granted on market terms in line with the benefits accorded to equivalent executives in the market and must be defined-contribution unless

the executive is covered by a defined-benefit pension in accordance with the provisions of mandatory collective agreements. The pension premiums for defined-contribution pensions may amount to a maximum of 30 per cent of the executive's annual fixed salary.
- Miscellaneous benefits may include company car benefits, occupational health care, life and health insurance and other similar benefits. Miscellaneous benefits must constitute a minor proportion of total remuneration and may amount to a maximum of 8 per cent of the executive's annual fixed salary.
- For employment relationships that are subject to laws and regulations in a country other than Sweden, reasonable adjustments are permitted as regards pensions and other benefits in order to comply with mandatory rules or established local practice, although in so doing the general purpose of these guidelines must be accommodated to the greatest extent possible.

Criteria for payment of variable remuneration

The criteria that form the basis for the payment of variable remuneration must be established annually by the board of directors in order to ensure that the criteria are in line with the company's current business strategy and performance targets. The criteria can be individual or collective, financial or non-financial in nature, and must be designed in such a way that they promote the company's business strategy, sustainability strategy and long-term interests, which means that the criteria must have a clear link to the company's business strategy and objectives. The financial criteria that form the basis of any variable remuneration must be based on relevant key figures such as earnings (EBIT), sales performance, cash flow, tied-up capital, etc., and their composition may vary depending on the phase that the board of directors considers the company to be in. The non-financial criteria that form the basis for any variable remuneration must be linked to clear and measurable business-related targets, such as the conclusion of agreements that are material to the company, activities carried out in accordance with the company's business plan, expansions/ establishments, and achieved objectives within the framework of the company's sustainability management. The period that forms the basis for the assessment of whether or not the criteria have been met (the measurement period) must comprise at least one year. The assessment of the extent to which the criteria have been met must be performed by the Remuneration Committee when the measurement period has ended. The assessment of whether financial criteria have been met must be based on the latest financial information published by the company. The decision regarding payment of variable remuneration is made by the board of directors after deliberation in the Remuneration Committee.

Notice period and severance pay

A mutual notice period of six months shall apply with respect to the CEO. In the event of termination by the Company, a severance sum shall be payable in an amount not exceeding the fixed cash salary for one year. For senior executives other than the CEO, the mutual notice period shall be six months. Any severance pay may not exceed an amount corresponding to the senior executive's fixed salary for six months.

Deviation from the guidelines

The board of directors may resolve to temporarily deviate from the guidelines if there are special reasons for so doing in an individual case and where a departure is necessary in order to cater to the company's long-term interests and sustainability, or in order to ensure the company's financial viability. Such special reasons include, for example, where a deviation is deemed necessary in order to recruit or retain key personnel, or in exceptional circumstances, such as when the company achieves a certain desired result in a shorter time than planned, when the company succeeds in concluding a certain agreement in a shorter time and on better terms than foreseen, or when the company increases in value or grows its sales or profits to a greater extent than expected.

Dividend

The board has proposed to the AGM on 10 May 2022 a dividend of SEK 0.50 to be paid. The Board's proposal is based on the fact that the company has proved financially strong and that liquidity allows a dividend.

Parent Company

The Parent Company's net sales consist exclusively of revenue from group companies amounting to SEK 25.8 million (21.1). Profit before tax amounted to SEK 8.2 million (-114.8). Last years result write-down of shares in subsidiaries of SEK 127.1 million. See note 11.

Proposed appropriation of profit

The board of directors proposes a dividend for financial year 2021 of SEK 0.50 per share (0.25) corresponding to a total dividend of SEK 17.9 million (8.9) based on the number of outstanding shares as of 31 March 2022. Proposed record date is 17 May 2022.

The following profit (SEK) in the parent company is at the disposal of the AGM

Retained earnings	342,604,052
Share premium reserve	-87,624,104
Profit for the year	7,379,549
Total	**262,359,497**

The board of directors proposes that retained funds be

Paid as dividend to the shareholders, 0.50 SEK per share, in total	17,889,964
Carried forward in the amount of, after settlement against the share premium fund	244,469,533
Total	**262,359,497**

The boards statement over the proposed dividend

The board of directors proposes a dividend to the shareholders of SEK 0.50 per share (0.25) corresponding to SEK 17.9 million (8.9). The proposed dividend compose 6.8 per cent of the profits on the balance sheet day. The Board is of the opinion that the proposed dividend is consistent with the prudence concept in the Swedish Companies act regarding demand on the company's equity, investment needs, liquidity and financial position and the risks associated to the type and size of the operations.

Corporate Governance Report

Corporate Governance principles

Corporate governance within the HANZA Group is based on the Swedish Companies Act, Nasdaq Stockholm's regulations for issuers, the Swedish Corporate Governance Code, guidelines for good stock market practice, other applicable regulations and recommendations for companies whose shares are admitted to trading on a regulated market, the Articles of Association as well as internal governance documents. The internal governance documents mainly comprise the board of directors' rules of procedure, instructions for the CEO and instructions for financial reporting. In addition, HANZA has adopted a number of policy documents and manuals that set out rules and recommendations, which in turn contain principles and provide guidance with regard to the company's operations and for its employees. Companies that are listed on a regulated market are required to apply the Swedish Corporate Governance Code (the "Code") developed by the Swedish Corporate Governance Board. More information about the Code can be found at the website bolagsstyrning.se.

With the exception of the deviations described below, there have been no deviations from the Code during 2021.

Deviations from the code

Rule 2.4, second paragraph of the Code states that if more than one board member serves on the Nomination Committee, at most one of them may be dependent in relation to the company's major shareholders. Board members Francesco Franzé and Gerald Engström serve on the Nomination Committee, and are both regarded as dependent in relation to the company's major shareholders. This therefore constitutes a deviation from the said rule in the Code.

Francesco Franzé is a member of the Nomination Committee in his capacity as Chairman of the Board in accordance with the principles governing the composition of the Nomination Committee adopted at the AGM in April 2021. Gerald Engström, acting through Färna Invest AB, is the company's largest shareholder, and has announced that he wishes to represent his own holding on the Nomination Committee.

The principles governing how the Nomination Committee is to be formed are resolved on by the AGM, and the company has no formal opportunity to determine which representatives are appointed by the largest shareholders in accordance with these principles. However, the composition of the Nomination Committee has been discussed with the main owners.

Gerald Engström is the company's largest shareholder. He possesses extensive industrial experience and has in-depth knowledge of the company's operations. The composition of the Nomination Committee is not thought to affect the ability of the Nomination Committee to carry out the tasks incumbent on it, or to safeguard the interests of all shareholders. In light of the above, it has been deemed warranted to derogate from the Code in this regard.

Compliance with stock market regulations and guidelines for good stock market practice

HANZA has not been the subject of a decision by the Nasdaq Stockholm Disciplinary Committee or a statement by the Swedish Securities Council.

AGM

The shareholders' influence within the company is exercised at the AGM, which is the company's highest decision-making body. According to HANZA's Articles of Association, shareholders who wish to attend the AGM must in addition to the conditions stated in the Swedish Companies Act, notify the company no later than the date stated in the meeting notice. The latter date must not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, nor must it fall earlier than on the fifth working day prior to the meeting. There are no restrictions with regard to how many votes each shareholder may cast at the meeting.

The AGM is held annually within six months of the end of the financial year. According to the Code, the Chairman of the board of directors is required to attend the AGM, as are the board of directors and the CEO. The Meeting Chair shall be nominated by the Nomination Committee and be elected by the meeting. The tasks of the AGM include electing the company's board of directors and auditors, establishing the parent company's and the group's balance sheets and income statements, resolving on appropriations of the Company's profit or loss in accordance with the established balance sheet, and making resolutions regarding the discharge from liability of Board members and the CEO. The AGM also determines the fees to be paid to the members of the board of directors and the company's auditors. Extraordinary General Meetings may be convened by the board of directors when the board of directors deems that there is reason to hold a meeting prior to the next AGM. The board of directors is also required to convene an Extraordinary General Meeting when an auditor or shareholder holding more than 10 per cent of the shares in the Company submits a written request that a Meeting be held to deal with a specific matter.

Notice of the AGM shall be issued by taking out an advertisement in Post- och Inrikes Tidningar and by posting a notice on the company's website. At the time of notice, information to the effect that notice has been given shall be posted in Svenska Dagbladet. The notice shall also be published in the form of a press release in accordance with Nasdaq's regulations. Notice of an AGM or Extraordinary General Meeting in which an amendment to the Articles of Association is to be deliberated shall be issued no earlier than six and no later than four weeks in advance of the AGM. Notice of any other Extraordinary General Meeting shall be issued no earlier than six weeks before and no later than three weeks before the General Meeting. The Articles of Association do not contain provisions on special prerequisites for amending the Articles of Association.

The company will publish resolutions made at the AGM in accordance with Nasdaq's regulations. The meeting minutes shall be available on the company's website no later than two weeks after the meeting.

2022 AGM

The 2020 AGM will be held on Monday, 10 May 2022.

Authorizations

At the AGM on 26 April 2021, in accordance with the Board of Directors' proposal, it was resolved to authorize the board of directors, on one or more occasions during the period up to the 2022 AGM, to resolve to increase the company's share capital by a maximum of SEK 350,000 (corresponding to 3,500,000 shares) through the issue of shares, warrants and/or convertible bonds. The authorization allows the board of directors to resolve to issue shares, warrants and/or convertible bonds derogating from the shareholders' preferential rights and/or with a provision regarding vesting, set-off or other terms in accordance with the Swedish Companies Act. The authorization was equivalent to approximately 9.8 per cent of the share capital at the time of issue. At the time of submitting this report, the The board of directors have not exercised this authorization.

Nomination committee

According to the Code, listed companies must have a Nomination Committee whose mandate shall include preparing and establishing proposals for the election of Board members, the Chairman of the Board, the meeting chair and auditors. The Nomination Committee is also required to propose fees to Board members and auditors. The Nomination Committee shall consist of at least three members.

At the AGM on 26 April 2021, it was resolved to adopt an instruction and rules of procedure for the company's Nomination Committee according to which the Nomination Committee is required to consist of four members, including the Chairman of the board of directors. The Nomination Committee is appointed by the Chairman of the board of directors at the behest of the meeting; it contacts the three largest shareholders by voting rights according to Euroclear's printout of the shareholder register as of the last banking day of August, and invites them to appoint one representative each, who, together with the Chairman of the board of directors, constitute the Nomination Committee until a new Nomination Committee has been appointed in accordance with the mandate from the next AGM. In the event that any of the three largest shareholders do not wish to appoint a member of the Nomination Committee, the fourth largest shareholder shall be asked, and so on, until the Nomination Committee comprises four members (including the Chairman of the Board). The term of office for the nominated Nomination Committee shall run until such time as a new Nomination Committee is appointed. If a member should leave the Nomination Committee before its work is complete and if the Nomination Committee considers that there is a need to replace this member, the Nomination Committee shall appoint a new member according to the principles set out above, yet based on Euroclear's printout of the shareholder register, as soon as possible after the member has left the Nomination Committee. No fees shall be paid to the members for their work on the Nomination Committee.

The Nomination Committee shall submit proposals for resolutions on the following issues for the 2022 AGM:

- Election of the meeting chair
- Determination of the number of Board members
- Determination of fees and other remuneration paid to the board of directors and its committees, with a breakdown as between the Chairman and other members
- Determination of fees to auditors
- Election of Board members and the Chairman of the board of directors and Vice Chairman of the board of directors
- Election of auditors, and
- Proposed principles for the composition and work of the Nomination Committee in advance of the 2022 AGM.

HANZA's Nomination Committee in advance of the 2022 AGM has consisted of the following persons.

	Appointed by	Independent of the company and its management	Independent of the company's largest shareholder in terms of votes
Per Holmberg	Ritter Beteiligungs GmbH	Yes	Yes
Gerald Engström	Own holding	Yes	No
Massimo Franzé	Own holding	Yes	Yes
Francesco Franzé, Chairman of the board of directors	–	Yes	No

Board of directors

The board of directors bears the ultimate responsibility for HANZA's organization and for managing the company's operations. The CEO manages the day-to-day operations based on guidelines and instructions issued by the board of directors. The CEO regularly informs the board of directors of events that are of importance to the group. These include, among other things, the performance of the business as well as the group's earnings, financial position and liquidity. The board of directors has decided to establish an Audit Committee and a Remuneration Committee. See below for a more detailed description.

According to HANZA's Articles of Association, the board of directors is required to consist of a minimum of four and a maximum of ten members without deputies. Members are normally elected annually at the AGM to serve for the period until the end of the next AGM, but additional Board members can be elected during the year by convening an Extraordinary General Meeting. The Articles of Association do not contain any provisions relating to the appointment and dismissal of Board members.

At the 2021 AGM, Francesco Franzé, Gerald Engström, Håkan Halén, Helene Richmond and Sofia Axelsson were elected to serve as ordinary Board members of the company. Francesco Franzé was elected Chairman of the board of directors and Gerald Engström was elected Vice Chairman.

For a more detailed presentation of the board of directors and CEO, including information about holding of shares and other securities in the company and significant positions outside the company, see page 91.

According to the Code, the board of directors' size and composition must be such that the board of directors' ability to manage the company's affairs with integrity and efficiency is assured. A majority of the members of the board of directors must be independent in relation to the company and its management team. At least two of the members who are independent in relation to the company and its management team must also be independent in relation to the company's major shareholders. In addition, at most one Board member may serve on the company's management or in the management of the company's subsidiaries. The company assesses that the composition of the board of directors meets the requirements of the Code. Below is an account of the company's assessment of the independence of the Board members in relation to the company and its management as well as major shareholders.

Member	Independent of the company and its management	Independent of the company's largest shareholder in terms of votes
Francesco Franzé	Yes	No
Gerald Engström	Yes	No
Håkan Halén	Yes	Yes
Helene Richmond	Yes	Yes
Sofia Axelsson	Yes	Yes

Diversity policy

The Nomination Committee applies rule 4.1 of the Code as a diversity policy in its preparation of proposals for the board of directors. The Nomination Committee has taken into account the need for a well-functioning board composition with regard to diversity and breadth, for instance in terms of gender, nationality, age and industry experience. The board of directors currently consists of three men and two women.

The board of directors' working methods

The board of directors adheres to written rules of procedure that are reviewed annually and established at the inaugural board of directors meeting held in conjunction with the AGM. In accordance with the board of directors' rules of procedure, the board of directors is responsible for the Company's organization and the management of its affairs, and is required to continuously assess the company's and the Group's financial situation, and to continuously keep abreast of earnings performance, larger account holdings, financing conditions, liquidity and specific risks in the company. According to the rules of procedure, the board of directors is also responsible for establishing and following up on the company s strategy as well as its short-term and long-term business objectives.

The board of directors is also responsible for ensuring that the company's financial reporting and other disclosures to the stock market are characterized by openness and that they are accurate, relevant and reliable. The board of directors is also responsible for ensuring that the company has formalized procedures and processes in place to ensure good internal control and compliance. The board of directors is required to perform its duties in accordance with applicable legislation and other regulations applicable to the company.

The board of directors is responsible for appointing and, if necessary, dismissing the CEO. The board of directors is required to ensure that the CEO fulfills his duties in accordance with the board of directors' instructions, and to annually assess the CEO's work performance based on the short-term and long-term goals set by the board of directors.

In addition to the inaugural meeting, the board of directors is normally required to meet four to eight times a year; the meetings are scheduled based on the annual planning of the work to be done by the board of directors. To these, have in 2021 meetings in connection with quarterly reports and investments, been added. In accordance with what has been laid down in the board of directors' rules of procedure, the board of directors evaluates its own work on an ongoing basis by holding open discussions within the board of directors and by conducting an annual board of directors evaluation. The outcome of the annual evaluation is submitted to the Nomination Committee.

The Audit Committee

The board of directors has set up an Audit Committee whose task is to prepare and consider matters relating to financial reporting, internal control and risk management and, if necessary, to participate in the contacts with the company's auditor in connection with the audit of the annual report and the auditors' ongoing review of the company during the financial year. The Audit Committee is also required to assist the Nomination Committee in connection with the auditor's election. The Audit Committee is a deliberating body and has no independent decision-making authority except insofar as the board of directors has explicitly authorized the Audit Committee to make decisions on a specific matter. The Audit Committee comprises Håkan Halén (Chairman), Francesco Franzé and Sofia Axelsson (Members). The main tasks of the Audit Committee are:

- to monitor and quality-assure the company's financial reporting;
- to continuously meet with the company's auditor for information and considerations relating to the focus, scope and content of the audit assignment and of the annual report and consolidated accounts, and to hold discussions regarding coordination between external and internal audit and the perception of the company's risks;
- to review and monitor the auditor's impartiality and independence, and to establish guidelines for the authorized procurement of other services rendered by the company's auditor;
- to evaluate the audit performance and to inform the Nomination Committee of the results;
- to assist the Nomination Committee in procuring the audit, preparing the election and remuneration of the auditor, and to make a recommendation to the Nomination Committee on these matters;
- to monitor the effectiveness, with regard to financial reporting, of the company's internal control, internal audit and risk management;
- dealing with any disagreements between the management team and the auditor;
- deliberations concerning the application of current accounting principles and the introduction of future accounting principles, as well as other requirements concerning accounting as stipulated by law, generally accepted accounting principles, current listing contracts or other applicable regulations.

Remuneration Committee

The board of directors has established a Remuneration Committee whose task is to prepare and consider issues relating to remuneration and other terms of employment for the management team, evaluation of variable remuneration programs for the management team and follow-up and evaluation of the application of the guidelines governing remuneration to senior executives as resolved on by the AGM.

The Remuneration Committee is a deliberating body and has no independent decision-making authority except insofar as the board of directors has explicitly authorized the Remuneration Committee to make decisions on a specific matter. The Remuneration Committee consists of Francesco Franzé (Chairman) and Gerald Engström (Member). The Remuneration Committee's tasks shall primarily be to prepare and monitor issues relating to:

- decisions on matters regarding remuneration principles, remunerations and other terms of employment for the management team;
- monitoring and evaluation of ongoing programs for variable remuneration for the management team and those ended during the year;

- monitoring and evaluation of the application of the guidelines for remuneration to senior executives resolved on by the AGM and proposing guidelines for remuneration to senior executives in advance of the AGM; and
- remuneration structures and remuneration levels that apply within the company.

Attendance at Board and Committee meetings

Board member	Board of Directors	Audit Committee	Remuneration Committee
Francesco Franzé	13/13	6/6	2/2
Gerald Engström	13/13	–	2/2
Håkan Halén	13/13	6/6	–
Helene Richmond	13/13	–	–
Sofia Axelsson	13/13	5/6	–

Major shareholders

As of December 31, 2021, and with up to the submission of this annual report known changes, the following shareholders had, whether directly or indirectly, a shareholding in HANZA representing at least one tenth of the voting rights for all shares in the company:

Shareholder	Percentage of votes in HANZA,%
Färna Invest AB	23.91
Francesco Franzé	10.00

For further information about HANZA's shares and ownership structure, please refer to the section entitled "Shares and ownership structure" on pages 28–29 of the annual report.

Auditors

The auditors are appointed by the AGM. The auditors review the company's annual report, consolidated accounts and accounts, as well as the administration of the board of directors and the CEO. The results of the review are reported to the shareholders in the form of the audit report, which is presented at the AGM. At the 2021 AGM, EY was elected to serve as the company's auditor for the time up to the end of the AGM 2022. EY has appointed authorized public accountant Charlotte Holmstrand as Chief Auditor. The external audit is conducted in accordance with ISA (International Standards on Auditing).

Internal control

The overall purpose of internal control is to ensure, with reasonable assurance, that the company's operational strategies and targets are followed up on, and that the owners' investment is protected. In addition, internal control is meant to ensure, with reasonable assurance, that external reporting is reliable and that it is prepared in accordance with generally accepted accounting principles, that applicable laws and regulations are being complied with, and that the specific requirements applicable to listed companies are being complied with. The board of directors is the body that bears overall responsibility for internal control. The Swedish Companies Act and the Swedish Annual Accounts Act contain provisions according to which information on the most important elements of HANZA's system for internal control and risk management must be disclosed in HANZA's corporate governance report.

The board of directors' responsibility for internal control is also governed by the Code. Among other things, the board of directors is required to ensure that HANZA has good internal control and formalized procedures that ensure that the principles for financial reporting and internal control are being complied with, and that there are appropriate systems in place for monitoring and control of the company's operations and the risks associated with the company and its operations.

In order to maintain good internal control, the board of directors has prepared a number of governance documents, such as rules of procedure for the board of directors, CEO instructions, financial reporting instructions, a financial policy and an information policy. In addition, the board of directors has established an Audit Committee whose main tasks include the monitoring and quality assurance of the company's financial reporting, continuously meeting with the company's external auditor, monitoring the effectiveness of the company's internal control as regards financial reporting, and reviewing and monitoring the auditor's impartiality and independence. Within the board of directors, the Audit Committee also bears primary responsibility for monitoring and managing risks that may adversely affect the Company's operations.

Internal control and risk management are monitored and evaluated on an ongoing basis by means of internal and external checks as well as evaluations of the company's governance documents. The task of the Audit Committee is to monitor the effectiveness of the company's internal control and risk management. Risk assessment is performed, for example, in the form of self-evaluations by key finance personnel. Identified risks and key processes are followed up on through measures and check-up activities conducted with designated managers as well as testing to determine if checks work. In its internal control efforts, the company uses well-established control processes including assessments of the company's overall control environment, self-evaluations, establishing control activities, training in and information on internal control, as well as evaluations of the control measures' effectiveness. Feedback is provided continuously to group management, the Audit Committee and the board of directors.

The company has not set up a separate internal audit function. The board of directors conducts an annual assessment of the need for such a function and has determined that the efforts related to internal control that are ongoing internally, as undertaken particularly by the management team under the supervision of the Audit Committee, constitute an adequate review function, having regard to the company's operations and size.

Risk assessments

HANZA engages in continuous, active risk analysis, risk assessment and risk management in order to ensure that the risks to which the company is exposed are managed appropriately within the established frameworks. Its risk assessment takes into account, for instance, customer dependence, production, interruptions and logistics, key personnel, the business cycle, materials, complaint risk, inventory obsolescence, competition, IT, liability, suppliers, credit exposure, financial risk factors and tax risks. Identified risks are followed up on by means of established check-up activities with designated managers.

Consolidated income statement

Amounts in SEK million	Note	Jan–Dec 2021	Jan–Dec 2020
Net sales	5, 6	**2,515.2**	**2,154.9**
Change of inventories in production, finished goods and work in progress on behalf of others		164.6	-52.0
Raw materials and consumables		-1,530.6	-1,147.9
Other external costs	7	-297.1	-263.9
Costs of personnel	8, 31	-634.1	-562.1
Depreciation, amortizations and write-downs	14, 15, 30	-104.6	-107.3
Other operating income	9	19.8	15.8
Other operating expenses	9	-5.7	-6.2
Operating profit	6, 10	**127.5**	**31.3**
Profit/loss from financial items			
Financial income		–	0.8
Financial expenses		-27.8	-23.2
Financial items – net	10, 11	**-27.8**	**-22.4**
Profit/loss before tax		**99.7**	**8.9**
Income tax	12	-19.5	-10.3
Profit/loss for the year		**80.2**	**-1.4**

Profit/loss for the period is in it's entirety attributable to the parent company's shareholders

Earnings per share, calculated on profit/loss attributable to the parent company's shareholders			
Earnings per share before dilution, SEK	13	2.26	-0.04
Earnings per share after dilution, SEK	13	2.25	-0.04

Consolidated comprehensive income statement

Amounts in SEK million	Note	Jan–Dec 2021	Jan–Dec 2020
Profit/loss for the year		**80.2**	**-1.4**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit pension plans	31	2.2	-4.7
Tax on items that will not be reclassified to the income statement		-0.7	1.5
Total items that will not be reclassified to the income statement, net of tax		**1.5**	**-3.2**
Items that can subsequently be reversed in profit or loss			
Exchange rate differences from recalculation of foreign subsidiaries		10.6	-20.1
Exchange rate difference on acquisition loan		-0.3	2.0
Tax on items that can subsequently be reversed in profit or loss		0.1	-0.4
Total items that may be reclassified to the income statement, net of tax		**10.4**	**-18.5**
Other comprehensive income for the year		**11.9**	**-21.7**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**92.1**	**-23.1**

Comprehensive income is in it's entirety attributable to the parent company's shareholders

Consolidated balance sheet

Amounts in SEK million	Note	31.12.2021	31.12.2020
ASSETS			
Fixed assets			
Goodwill	14	361.7	297.9
Customer relations	14	93.8	90.7
Other intangible assets	14	8.8	7.1
Buildings, land and cost of improvement	15	164.9	101.0
Machinery and equipment	15	241.7	168.6
Right-of-use assets	30	187.9	137.8
Other long-term securities holdings		–	0.3
Deferred tax assets	16	22.2	26.9
Total fixed assets		**1,081.0**	**830.3**
Current assets			
Inventories	18		
Raw material and supplies		473.5	219.5
Work in progress		127.9	77.1
Finished products		57.7	43.6
Gods in transition		3.8	2.2
Total inventories		**662.9**	**342.4**
Accounts receivables	19	106.6	76.8
Tax receivables		5.2	4.4
Other receivables	20	31.1	20.2
Prepaid expenses and accrued income	21	18.7	18.9
Cash and cash equivalents	22	45.8	121.2
Total current assets		**870.3**	**583.9**
TOTAL ASSETS		**1,951.3**	**1,414.2**

Consolidated balance sheet

Amounts in SEK million	Note	31.12.2021	31.12.2020
EQUITY	23		
Equity attributable to the equity holder of the parent company			
Share capital		3.6	3.4
Other paid-in capital		467.3	440.1
Other reserves		27.5	17.1
Retained earnings		87.1	14.3
Total equity		**585.5**	**474.9**
LIABILITIES			
Long-term liabilities			
Post-employment benefits	31	109.3	110.3
Deferred taxes liabilities	16	44.2	43.4
Liabilities to credit institutions	24	244.9	174.6
Lease liabilities	24, 30	132.5	80.9
Total long-term liabilities		**530.9**	**409.2**
Current liabilities			
Overdraft facility	24	58.7	44.2
Liabilities to credit institutions	24	107.2	81.5
Lease liabilities	24, 30	41.8	43.1
Other interest-bearing liabilities	24	63.5	37.0
Accounts payable	25	373.4	199.9
Tax liabilities		16.8	9.9
Other liabilities	26	58.7	33.1
Accrued expenses and deferred income	27	114.8	81.4
Total current liabilities		**834.9**	**530.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,951.3**	**1,414.2**

Consolidated report of changes in shareholders' equity

Amounts in SEK million	Note	Share capital	Other paid-in capital	Other reserves	Retained earnings	Total equity
OPENING BALANCE AS OF 1 JANUARY 2020		**3.4**	**439.8**	**35.6**	**18.9**	**497.7**
Profit/loss for the period		–	–	–	-1.4	-1.4
Other comprehensive income						
Other comprehensive income before tax		–	–	-18.1	-4.7	-22.8
Tax on items in other comprehensive income		–	–	-0.4	1.5	1.1
Total comprehensive income		**–**	**–**	**-18.5**	**-4.6**	**-23.1**
Transactions with shareholders						
Non-cash issue		–	0.3	–	–	0.3
Issue costs		–	–	–	–	0.0
Total contributions from and distributions to shareholders, recognized directly in equity		**–**	**0.3**	**–**	**–**	**0.3**
CLOSING BALANCE AS OF 31 DECEMBER 2020		**3.4**	**440.1**	**17.1**	**14.3**	**474.9**
OPENING BALANCE AS OF 1 JANUARY 2021		**3.4**	**440.1**	**17.1**	**14.3**	**474.9**
Profit/loss for the period		–	–	–	80.2	80.2
Other comprehensive income						
Other comprehensive income before tax		–	–	10.3	2.2	12.5
Tax on items in other comprehensive income		–	–	0.1	-0.7	-0.6
Total comprehensive income		**–**	**–**	**10.4**	**81.7**	**92.1**
Transactions with shareholders						
Warrant issue		0.2	27.4	–	–	27.6
Issue costs		–	-0.2	–	–	-0.2
Dividend		–	–	–	-8.9	-8.9
Total contributions from and distributions to shareholders, recognized directly in equity		**0.2**	**27.2**	**–**	**-8.9**	**18.5**
CLOSING BALANCE AS OF 31 DECEMBER 2021		**3.6**	**467.3**	**27.5**	**87.1**	**585.5**

Development of the share capital is shown in Note 23.

Consolidated statement of cash flows

Amounts in SEK million	Note	2021	2020
Cash flows from operating activities			
Profit/loss after financial items		99.7	8.9
Depreciation, amortizations and write-downs		104.6	107.3
Other non-cash items	32	-2.3	1.3
Paid income tax		-8.5	-11.2
Cash flows from operating activities prior to the change in working capital		**193.5**	**106.3**
Change in working capital			
Change in inventories		-244.3	64.8
Change in accounts receivables		3.3	41.7
Change in short-term receivables		-10.2	1.4
Change in accounts payables		140.8	-24.9
Change in short-term liabilities		43.0	-7.5
Total change in working capital		**-67.4**	**75.5**
Cash flows from operating activities		**126.1**	**181.8**
Cash flows from investing activities			
Acquisition of subsidiaries	33	-48.4	-3.1
Investments in intangible assets	14	-2.1	-3.5
Investments in tangible fixed assets	15	-139.0	-56.4
Disposals of tangible fixed assets		3.8	3.0
Cash flows from investing activities		**-185.7**	**-60.0**
Cash flows from financing activities			
New share issue	23	–	0.3
New loans	24, 32	173.6	97.0
Repayment of borrowings	24, 32	-186.2	-160.5
Dividends paid		-8.9	–
Cash flows from financing activities		**-21.5**	**-63.2**
Increase/reduction in cash and cash equivalents		**-81.1**	**58.6**
Cash and cash equivalents at the beginning of the year	22	121.2	66.7
Exchange differences in cash and cash equivalents		5.7	-4.1
Cash and cash equivalents at the end of the year	22	**45.8**	**121.2**

Parent Company income statement

Amounts in SEK million	Note	2021	2020
Operating income	34	**25.8**	**21.1**
Other external costs	7, 34	-14.0	-10.5
Costs of personnel	8	-10.5	-8.6
Total operating expenses		**-24.5**	**-19.1**
Other operating income		0.2	0.4
Other operating expenses		-0.1	-0.2
Operating profit		**1.4**	**2.2**
Profit/loss from financial items			
Profit/loss from group companies	11, 35	4.5	-127.1
Other interest income and similar income items	11	1.2	7.6
Interest charges and similar income items	11	-4.9	-2.3
Total profit/loss from financial items		**0.8**	**-121.8**
Profit/loss after net financial items		**2.2**	**-119.6**
Appropriations	36	6.0	4.8
Profit/loss before tax		**8.2**	**-114.8**
Tax on profit for the period	12	-0.8	-2.6
Profit/loss for the year		**7.4**	**-117.4**

Parent Company comprehensive income statement

Amounts in SEK million	Note	2021	2020
Profit/loss for the year		**7.4**	**-117.4**
Other comprehensive income, net of tax, for the year		**–**	**–**
Total comprehensive income for the year		**7.4**	**-117.4**

Parent Company balance sheet

Amounts in SEK million	Note	31.12.2021	31.12.2020
ASSETS			
Fixed assets			
Financial fixed assets			
Shares in subsidiaries	35	366.6	319.4
Long-term receivables on group companies	34	23.4	18.8
Deferred tax assets	16	1.7	1.6
Total financial fixed assets		**391.7**	**339.8**
Total fixed assets		**391.7**	**339.8**
Current assets			
Short-term receivables			
Receivables on group companies	34	11.5	5.3
Tax receivables		0.3	0.3
Other short-term receivables		–	2.5
Prepaid expenses and accrued income	21	1.3	1.5
Total short-term receivables		**13.1**	**9.6**
Liquid funds			
Cash and cash equivalents	22	0.3	1.3
Total liquid funds		**0.3**	**1.3**
Total current assets		**13.4**	**10.9**
TOTAL ASSETS		**405.1**	**350.7**

Parent Company balance sheet

Amounts in SEK million	Note	31.12.2021	31.12.2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	23		
Restricted equity			
Share capital		3.6	3.4
Total restricted equity		**3.6**	**3.4**
Non-restricted equity			
Share-premium reserve		342.6	315.2
Profit and loss brought forward		-87.6	38.7
Profit/loss for the year		7.4	-117.4
Total non-restricted equity		**262.4**	**236.5**
Total equity		**266.0**	**239.9**
Untaxed reserves			
Tax allocation reserves	36	1.7	0.5
Total untaxed reserves		**1.7**	**0.5**
Long-term liabilities			
Liabilities to credit institutions	24	40.2	47.0
Liabilities to group companies	24, 34	62.9	–
Total long-term liabilities		**103.1**	**47.0**
Current liabilities			
Liabilities to credit institutions	24	25.0	20.6
Other interest-bearing liabilities	24	1.7	1.7
Accounts payable		1.0	0.9
Tax liabilities		1.1	0.3
Liabilities to group companies	24, 34	–	36.6
Other liabilities	26	1.4	1.1
Accrued expenses and deferred income	27	4.1	2.1
Total current liabilities		**34.3**	**63.3**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**405.1**	**350.7**

Parent Company report of changes in shareholders' equity

	Restricted equity	Unrestricted equity		Total equity
Amounts in SEK million	**Share capital**	**Share premium reserve**	**Profit and loss brought forward including profit/ loss for the year**	
OPENING BALANCE AS OF 1 JANUARY 2020	**3.4**	**314.9**	**38.7**	**357.0**
Comprehensive income				
Profit/loss for the year	–	–	–117.4	–117.4
Other comprehensive income	–	–	–	–
Total comprehensive income	**–**	**–**	**–117.4**	**–117.4**
Transactions with shareholders				
Non-cash issue	–	0.3	–	0.3
Issue costs	–	–	–	–
CLOSING BALANCE AS OF 31 DECEMBER 2020	**3.4**	**315.2**	**–78.7**	**239.9**
OPENING BALANCE AS OF 1 JANUARY 2021	**3.4**	**315.2**	**–78.7**	**239.9**
Comprehensive income				
Profit/loss for the year	–	–	7.4	7.4
Other comprehensive income	–	–	–	–
Total comprehensive income	**–**	–	**7.4**	**7.4**
Transactions with shareholders				
Warrant issue	0.2	27.4	–	27.6
Dividend	–	–	–8.9	–8.9
CLOSING BALANCE AS OF 31 DECEMBER 2021	**3.6**	**342.6**	**–80.2**	**266.0**

Development of the share capital is shown in Note 23.

Parent Company statement of cash flows

Amounts in SEK million	Note	2021	2020
Cash flows from operating activities			
Profit/loss after financial items		2.2	-119.6
Write-downs	11	9.5	127.1
Other non-cash items	32	1.4	-2.3
Group contributions paid		5.3	–
Cash flows from operating activities prior to the change in working capital		**18.4**	**5.2**
Change in working capital			
Change in short-term receivables		-1.6	-0.4
Change in accounts payables		–	0.4
Change in short-term liabilities		2.3	0.3
Total change in working capital		**0.7**	**0.3**
Cash flows from operating activities		**19.1**	**5.5**
Cash flows from investing activities			
Investments in subsidiaries		-0.3	–
Acquisition of subsidiaries	35	-29.1	–
Cash flows from investing activities		**-29.4**	**–**
Cash flows from financing activities			
New share issue	23	–	0.3
New loans	24	20.3	33.9
Repayment of borrowings	24	-23.9	-20.5
Dividends paid		-8.9	–
Change in long-term receivables on group companies		-4.5	-18.0
Change in long-term payables on group companies		26.3	–
Cash flows from financing activities		**9.3**	**-4.3**
Increase/reduction in cash and cash equivalents	22	**-1.0**	**1.2**
Cash and cash equivalents at the beginning of the year		1.3	0.1
Cash and cash equivalents at the end of the year	22	**0.3**	**1.3**

Notes

Amounts in MSEK, unless otherwise specified.

NOTE 1 General information

HANZA Holding AB (parent company), Corporate ID no. 556748-8399, is a public limited company with its registered office in Stockholm, Sweden. The group is an industrial player and business partner in the contract manufacturing sector that offers its customers a combination of consultancy and customized manufacturing solutions within mechanics and electronics.

These consolidated accounts and this annual report were approved for publication by the board of directors on March 31, 2022. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be submitted for approval at the AGM on May, 10 2022.

All amounts are recognized in millions of SEK (MSEK) unless otherwise stated. Information appearing in parentheses refers to the previous year.

NOTE 2 Summary of important accounting principles

The most important accounting principles applied in the preparation of these consolidated accounts are set out below. Unless otherwise specified, these principles have been applied consistently for all years presented.

2.1 Basis for the preparation of the reports
The consolidated accounts for the HANZA Holding AB Group have been prepared in accordance with IFRS (International Financial Reporting Standards) and IFRIC (International Financial Reporting Standards) interpretations as adopted by the EU, RFR (Council for Financial Reporting) 1 Supplementary Accounting Rules for Groups, and the Swedish Annual Accounts Act.

The consolidated accounts have been prepared in accordance with the cost method, except as regards financial assets and liabilities measured at fair value through profit or loss.

The parent company's accounts have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. In the event that the parent company applies accounting principles other than those applied by the group, this is indicated separately at the end of this note.

The preparation of financial statements in accordance with IFRS requires the use of some important estimates for accounting purposes. Furthermore, management must make certain judgments in the application of the group's accounting principles; see Note 4.

2.1.1 Changes in accounting principles and disclosures
New standards, amendments and interpretations applied by the group
In the financial statements beginning on 1 January 2021, no new IFRS standards or IFRIC interpretations are applied.

New standards and interpretations that have not yet been applied by the group
There are no IFRS or IFRIC interpretations that come to force on January 1, 2022 or later that are expected to have any significant impact on the group of the parent company.

2.2 Consolidated accounts and business combinations
Subsid aries
Subsidiaries are all companies (including structured companies) over which the group has controlling influence. The group controls a company when it is exposed to or is entitled to a variable return from its holding in the company and has the opportunity to influence that return through its influence in the company. Subsidiaries are included in the consolidated accounts as from the date on which the controlling influence is transferred to the group. They are excluded from the consolidated accounts as from the date on which the controlling influence ceases.

The acquisition method is used for recognition of the group's business combinations. The purchase price for the acquisition of a subsidiary consists of the fair value of transferred assets, liabilities that the group incurs in respect of the former owners of the acquired company, and the shares issued by the group. The purchase price also includes the fair value of all assets or liabilities that result from an agreement regarding contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair values as of the acquisition date. For each individual acquisition, the group determines whether non-controlling interests in the acquired company are recognized at fair value or at the holding's proportionate share in the recognized value of the acquired company's identifiable net assets.

Acquisition-related expenses are recognized as expenses as incurred.

Any contingent consideration to be transferred by the group is recognized at fair value at the time of acquisition. Subsequent changes in the fair value of a contingent consideration that has been classified as an asset or liability are recognized, in accordance with IFRS 9, either in the income statement or in other comprehensive income. Contingent consideration classified as equity is not revalued and subsequent adjustments are recognized in equity.

Goodwill is initially valued as the amount by which the total purchase price and any fair value of non-controlling interests exceeds the fair value of identifiable acquired assets and assumed liabilities. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recognized directly in the income statement.

Intra-group transactions, balance sheet items, revenue and expenses on intra-group transactions are eliminated. Gains and losses resulting from intra-group transactions and which are recognized in assets are also eliminated. The accounting principles for subsidiaries have, where appropriate, been modified to ensure consistent application of the group's principles.

Changes in ownership interest in a subsidiary without a change of controlling influence
Transactions with holders without a controlling influence that do not result in loss of control are recognized as equity transactions, i.e. as transactions with the owners in their role as owners. In the event of acquisitions from holders without controlling influence, the difference between the fair value of the purchase price paid and the actual acquired share of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses upon divestments to holders without controlling influence are also recognized in equity.

Note 2 cont.

2.3 Foreign currency translation

Functional currency and reporting currency

Items included in the financial statements of the various group units are valued in the currency used in the economic environment in which the respective company primarily operates (functional currency). Swedish kronor (SEK) are used in the consolidated accounts. SEK is the group's reporting currency and the parent company's functional currency.

Transactions and balance sheet items

Foreign currency transactions are translated into the functional currency at the exchange rates in effect on the transaction date or the date the items are revalued. Exchange rate gains and losses arising upon payment of such transactions and upon translation of monetary assets and liabilities to a foreign currency at the closing day rate are recognized in the income statement. The exception from the foregoing is when the transactions constitute hedges that meet the conditions for hedge accounting of net investments, in which case gains/losses are recognized in other comprehensive income.

Exchange rate gains and losses attributable to loans and cash and cash equivalents are recognized in the income statement as financial revenue or expenses. All other exchange rate gains and losses are recognized in operating profit.

Group companies

The earnings and financial position of all group companies (none of which has a high-inflation currency as its functional currency) having a functional currency other than the reporting currency are translated into the group's reporting currency as follows:

(a) assets and liabilities for each of the balance sheets are translated at the closing day rate;
(b) revenue and expenses for each of the income statements are translated at the average exchange rate (insofar as this average rate represents a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, failing which revenue and expenses are translated at the transaction date rate),
(c) all exchange rate differences that arise are recognized in other comprehensive income.

Goodwill and fair value adjustments that arise upon the acquisition of a foreign operation are treated as assets and liabilities of this business and are translated at the closing day rate. Exchange rate differences are recognized in other comprehensive income.

2.4 Segment reporting

Operating segments are recognized in a manner consistent with the internal reporting that is submitted to the highest executive decision maker. The highest executive decision maker is the function responsible for the allocation of resources and for assessing the performance of the operating segments. Within the group, this function has been identified as the company's CEO.

HANZA practices a form of cluster-based segmentation that is considered to best reflect its business model, organization and the manner in which the Board of Directors and management team follow up on and assess the business. See Note 6 as well.

2.5 Classifications

Fixed assets and long-term liabilities essentially comprise amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities essentially comprise amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

2.6 Intangible assets

Goodwill

Goodwill arises upon the acquisition of subsidiaries and refers to the amount by which the purchase price exceeds HANZA Holding's share in the fair value of identifiable assets, liabilities and contingent liabilities in the acquired company and the fair value of holdings without a controlling influence in the acquired company.

In order to test for impairment, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from acquisition-related synergies. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the group at which the goodwill in question is monitored in the framework of internal control. Goodwill is monitored at the operating segment level, see also Note 14.

Goodwill is tested for impairment annually or more frequently if events or changed circumstances indicate a possible impairment. The carrying amount of goodwill is compared with the recoverable amount, which is the higher of the value in use and the fair value less any selling costs. Any impairment loss is recognized as an expense immediately and is not reversed.

Customer relationships

Customer relationships have been identified upon acquisitions. These are an intangible asset. Amortization is carried out on a straight-line basis over the expected useful life, which has been assessed at 10 years. The customer relationships' residual values and useful lives are tested at the end of each reporting period and are adjusted if necessary. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Other intangible assets

Other intangible assets consist of software licenses and capitalized costs for software implementation. Amortization is carried out on a straight-line basis over the expected useful life, having regard to material residual values. The amortization period for other intangible assets is 3 years.

2.7 Tangible fixed assets

Tangible fixed assets are recognized at cost less depreciation and any impairment losses. The cost basis includes expenses that can be directly attributed to the acquisition of the asset.

Additional expenses are added to the asset's carrying amount or are recognized as a separate asset, whichever is appropriate, only when it is probable that the future financial benefits associated with the asset will benefit the group and the asset's cost basis can be measured in a reliable manner. The carrying amount of a replaced part is eliminated from the balance sheet. All other forms of repairs and maintenance are recognized as expenses in the income statement during the period in which they arise.

Every part of a tangible fixed asset having a cost basis that is significant in relation to the total cost basis of the asset is depreciated separately. There is no depreciation for land. Depreciation of other assets, in order to allocate their cost basis down to the calculated residual value over the calculated useful life, is made on a straight-line basis, as follows:

Buildings	25–40 years
Expenditures to improve another's property	The contract period, yet not exceeding 20 years
Machinery and other technical facilities	5–10 years
Equipment, tools and installations	5–10 years

The assets' residual values and useful lives are tested at the end of each reporting period and are adjusted if necessary. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

Gains and losses on the sale of a tangible fixed asset are established by a comparison between the sales proceeds and the carrying amount and are recognized in other operating income and other operating expenses, respectively, in the income statement.

Note 2 cont.

2.8 Impairment of non-financial fixed assets
Intangible assets that have an indefinite useful life, such as goodwill, are not amortized but are tested annually for potential impairment. Assets that are amortized are assessed for impairment whenever events or changed circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs and its value in use. When assessing the need for impairment, assets are grouped at the lowest levels having essentially independent cash flows (cash-generating units). For assets (other than goodwill) that have previously been written down, a review is performed on each balance sheet date to determine whether a reversal is appropriate.

2.9 Financial instruments – general
Financial instruments are present in many different balance sheet items and are described in sections 2.9-2.14.

2.9.1 Classification
The group classifies its financial assets and liabilities into the following categories: financial assets and liabilities measured at fair value through profit or loss, and assets and liabilities recognized at amortized cost. The classification is dependent on the purpose for which the financial asset or liability was acquired.

Financial assets and liabilities measured at fair value through profit or loss
Financial assets and liabilities measured at fair value through profit or loss are financial instruments that are held for trading. Derivatives are classified as held for trading unless they are identified as hedges. The group classifies derivative instruments in this category. The group had no significant derivative instruments as of 31-12-2021 or 31-12-2020. The group classifies other long-term securities holdings in this category as well. Other long-term securities holdings shall be recognized at fair value and are placed in level 3.

Assets recognized at amortized cost
Assets recognized at amortized cost are non-derivative financial assets that have fixed or determinable payments and are not listed on an active market. They are included in current assets with the exception of items having a maturity falling more than 12 months after the balance sheet date, which are classified as fixed assets. The group's assets in this class consist of accounts receivable and cash and cash equivalents (see Notes 2.11 and 2.12) as well as the financial instruments recognized among other receivables.

Liabilities recognized at amortized cost
The group's long-term and current liabilities to credit institutions, lease liabilities, other long-term liabilities, overdraft facilities, other interest-bearing liabilities, accounts payable and the portion of other current liabilities relating to financial instruments are classified as liabilities recognized at amortized cost.

2.9.2 Accounting and valuation
Purchases and sales of financial assets are recognized on the transaction date, the date on which the group undertakes to buy or sell the asset. Financial instruments are initially recognized at fair value plus transaction costs, which applies to all financial assets not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are initially recognized at fair value, whereas attributable transaction costs are recognized in the income statement. The fair value of other long-term securities holdings could not be calculated in a reliable manner, and the holding is thus valued at cost. Financial assets are eliminated from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the group has transferred virtually all risks and benefits associated with ownership. Financial liabilities are eliminated from the balance sheet when the obligation set out in the agreement has been fulfilled or otherwise extinguished.

Financial assets and liabilities measured at fair value through profit or loss are recognized at fair value after the acquisition date. Loan receivables and accounts receivable as well as other financial liabilities are recognized after the acquisition date at amortized cost using the effective interest method.

Gains and losses as a result of changes in fair value relating to the category of financial assets and liabilities measured at fair value through profit or loss, are recognized in the income statement in the period in which they arise and are included in net financial items, since they arise from financing activities.

2.9.3 Offsetting of financial instruments
Financial assets and liabilities are set off and recognized in a single net amount on the balance sheet only when there is a legal right to set off the carrying amounts and there is the intent to settle them in a single net amount or to simultaneously liquidate the asset and settle the liability. The legal right must not be dependent on future events and it must be legally binding on the company and the counterparty in both normal business operations and in the event of suspension of payments, insolvency or bankruptcy.

No offsettable financial instruments have been identified in the 31-12-2021 and 31-12-2020 financial statements.

2.9.4 Impairment of financial instruments
Assets recognized at amortized cost (loan receivables and accounts receivable)
At the end of each reporting period, the Group assesses expected future credit losses connected to assets recognized at amortized cost. If needed the Group recognize an impairment for expected credit losses. The group applies the simplified approach for impairment of accounts receivables, i.e. the impairment corresponds to lifetime expected credit losses. To measure the expected future losses the accounts receivables have been grouped based on credit risk characteristics and overdue dates. The Group uses forward-looking variables for expected impairment losses. Expected Impairment for expected losses are recognized in the consolidated income statement under other external expenses.

2.10 Derivative instruments
Derivative instruments are financial instruments that are recognized on the balance sheet on the transaction date and are measured at fair value, both initially and upon subsequent revaluations. The gain or loss arising upon revaluation is recognized in operating profit in the income statement when the requirements for hedge accounting are not met.

The fair value of a derivative instrument is classified as fixed assets or long-term liabilities when the residual maturity of the hedged item is longer than 12 months, and as current assets or current liabilities when the residual maturity of the hedged item is less than 12 months.

2.11 Accounts receivable
Accounts receivable are financial instruments that consist of amounts to be paid by customers for goods and services sold in the course of operating activities. If payment is expected within one year, they are classified as current assets. If not, they are recognized as fixed assets.

Accounts receivable are initially recognized at fair value, which means that expected credit losses must be taken into account based on historical experience. Since HANZA's credit losses have historically been very low, the nominal value is thought to reflect the fair value. Accounts receivable are then valued at the amounts that are expected to be received, i.e. less any provision for impairment. For assessment of future credit losses forward-looking parameters regarding the industry and the customers stability, are used.

The group's companies have entered into agreements regarding the divestment and mortgaging of customer invoices (factoring). Divested accounts receivable are eliminated from the balance sheet in cases where the control passes to the buyer upon sale. For these, the guarantees provided are recognized

Note 2 cont.

as a contingent liability. In cases where control remains with the group, these accounts receivable are recognized as assets and the loans raised are recognized as current liabilities to credit institutions. The mortgaged accounts receivable are then also recognized under pledged collateral. Mortgaged accounts receivable are eliminated from the balance sheet when the right to receive cash flows from the account receivable has expired or been transferred and the group has transferred control to the buyer. Costs for factoring are recognized as a financial expense.

2.12 Cash and cash equivalents
Cash and cash equivalents are financial instruments and include bank balances in both the balance sheet and the cash flow statement.

2.13 Accounts payable
Accounts payable are financial instruments and refer to obligations to pay for goods and services acquired from suppliers in the course of operating activities. Accounts payable are classified as current liabilities if they fall due within one year. If not, they are recognized as long-term liabilities.

Accounts payable are initially recognized at fair value and subsequently at amortized cost.

2.14 Borrowing
Liabilities to credit institutions are initially recognized at fair value, net of transaction costs. Borrowing is then recognized at amortized cost, and any difference between the amount received (net of transaction costs) and the repayment amount is recognized in the income statement distributed over the loan period, using the effective interest method.

Convertible loans are divided into an interest-bearing debt component that is recognized in the same way as liabilities to credit institutions, and a separate equity component.

Borrowing is classified under current liabilities unless the group has an unconditional right to defer payment of the liability for at least 12 months after the end of the reporting period.

Overdraft facilities are recognized on a separate balance sheet line, among current liabilities.

2.15 Inventories
Inventories have been valued at the lower of either their cost basis or net realizable value as of the balance sheet date. Net realizable value refers to the estimated sales price of the goods, less selling costs.

2.16 Current and deferred tax
The tax expense for the period includes current and deferred tax. The current tax expense is calculated on the basis of the tax rules that have been enacted or substantively enacted as of the balance sheet date in the countries where the parent company and its subsidiaries operate and generate taxable revenue.

Deferred tax is recognized, according to the balance sheet method, for temporary differences that arise between the tax value of assets and liabilities and their carrying amounts in the consolidated accounts. No deferred tax is recognized in cases where the company is able to control the timing of the realization of the temporary differences and it is not considered probable that this will happen in the foreseeable future. Deferred income tax is calculated using tax rates that have been enacted or announced as of the balance sheet date and that are expected to apply when the deferred tax asset in question is realized or when the deferred tax liability is settled.

Deferred tax assets arising from loss carryforwards are recognized to the extent that it is probable that there will be future tax surpluses against which the losses can be utilized.

Deferred tax assets and tax liabilities are offset when there is a legal right of set-off for current tax assets and tax liabilities, the deferred tax assets and tax liabilities relate to taxes charged by one and the same tax authority, and relate to either the same taxpayers or different taxpayers, and there is an intention to settle balances by netting.

2.17 Provisions
A provision is recognized on the balance sheet when there is an existing legal or constructive obligation as a result of an event that has occurred, and it is probable that an outflow of resources will be required in order to settle the obligation, and a reliable estimate can be made of the amount. Provisions are made in the amount that represents the best estimate of what will be required in order to settle the existing obligation. When settlement is expected to take place more than 12 months into the future, the provision is calculated by discounting the expected future cash flow.

2.18 Employee benefits
(a) Short-term benefits
Short-term employee benefits are calculated without discounting and are recognized as an expense at the time the related services are received.

(b) Post-employment benefits
Group companies have various plans for post-employment benefits, including defined-benefit and defined-contribution pension plans.

A defined-contribution pension plan is a pension plan according to which the group pays fixed contributions to a separate legal entity. The group does not have any legal or constructive obligations to make additional contributions if this legal entity does not have sufficient assets to pay all benefits to employees related to the employees' service during the current or previous periods. A defined-benefit pension plan is a pension plan that is not defined-contribution.

A characteristic of defined-benefit plans is that they specify a lump sum for the pension benefit that an employee is to receive after retirement, usually based on one or more factors such as age, seniority and salary.

Following the acquisition of Ritter Elektronik GmbH (HANZA GmbH), the group has a material defined-benefit pension plan in Germany, as described in Note 31. Aside from that, the group only has material defined-benefit pension commitments through an insurance policy with Alecta. This pension plan is recognized as a defined-contribution pension plan, see note 31.

For defined-contribution pension plans, the group makes contributions to public or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been made. The contributions are recognized under costs of personnel when they fall due for payment. Prepaid contributions are recognized as an asset to the extent that cash repayment or reduction of future payments may accrue to the benefit of the group.

(c) Termination benefits
Termination benefits are payable when an employee's employment is terminated by the group before the normal retirement date or when an employee accepts voluntary retirement in exchange for such benefits. The group recognizes termination benefits at the earliest of the following times: (a) when the group is no longer able to withdraw the offer of such benefits; and (b) when the company recognizes expenses for a restructuring that falls within the scope of IAS 37 and which involves the payment of severance pay. In the event that the company has made an offer to encourage voluntary redundancy, termination benefits are calculated on the basis of the number of employees who are expected to accept the offer. Benefits that fall due more than 12 months after the end of the reporting period are discounted to present value.

2.19 Share-based payment and warrants
The group did not make any share-based payments in 2021 or 2020. In the second quarter 850,000 warrants were issued to the company's senior executives at market value consideration. Each warrant entitles the holder to subscribe for one share in the company at SEK 20.00 from 1 June 2023 until 30 September 2023.

Note 2 cont.

2.20 Revenue recognition
When HANZA has a binding agreement with a customer, the performance commitments and transaction price are identified in accordance with this agreement. The transaction price is measured at the fair value of what will be received, and corresponds to the amounts received for goods sold less any discounts, returns and VAT. The group recognizes revenue when the performance commitment has been fulfilled.

Sale of goods
Upon the sale of goods, which consist of components, subsystems and finished products, the performance commitment is considered to have been fulfilled upon delivery of goods to the customer, in accordance with the delivery terms. Cases where there is an agreement with the customer regarding buffer stock of finished components or products represent an exception to the foregoing. In these cases, the performance commitment is considered to have been fulfilled already when the component or product is placed into buffer stock and is thus available to the customer. For more in-depth information on assessments that affect the size and timing of the revenue, see Note 5 Revenue.

Sales of services
For the sale of consulting services, revenue is recognized over time, provided that HANZA is entitled to compensation for work performed even if a project should be canceled ahead of time. If there is no such entitlement, the revenue is recognized when the project has been completed and the right of remuneration has arisen.

Interest income
Interest income is recognized in revenue using the effective interest method.

2.21 Leasing
Leased assets, with some exceptions, are to be recognized as rights of use, and the liabilities under these agreements are to be recognized as lease liabilities in the balance sheet. The exceptions are when the underlying asset has a low value or when the lease period is less than 1 year. At the beginning of the lease period, the right of use asset and the lease liability are valued at the discounted present value of future lease payments. Each lease payment is divided between debt amortization and financial expenses. The interest component of the financial expenses is recognized in the income statement distributed over the lease period, so that an amount corresponding to a fixed interest rate for the liability recognized during the given period is allocated to each accounting period. Right of use assets where the ownership of the leased item is expected to pass to the lessee at the end of the lease period are amortized according to the same principles as those for other tangible fixed assets, see 2.7. Right of use assets where the ownership of the leased item is not expected to pass to the lessee are amortized over the contract period.

2.22 Government grants
Government grants are recognized at fair value when there is reasonable assurance that the grant will be received, and the company will fulfill the conditions associated with the grant. Grants intended to cover investments in tangible fixed assets or intangible assets reduce the asset's cost basis and thus the depreciable amount. In connection with the covid-19 pandemic HANZA has had the possibility to use different types of government grants. The most important are temporarily reduced social security fees and postponed payments of taxes and social security fees. In cases where fees have been reduced the actual cost has been booked. Hence, the grants become cost reductions. Postponed payments of taxes and fees are interest-bearing and treated as other interest-bearing liabilities. In those cases where grants have been paid out, they are recognized as other operating income and are reported separately in note 9.

2.23 Cash flow statement
The cash flow statement is prepared according to the indirect method. This means that operating profit is adjusted for transactions that have not resulted in incoming or outgoing payments during the period and for any revenue and expenses that are attributed to the cash flows of investment or financing activities.

2.24 Share capital
Common shares are classified as equity. Transaction costs that can be directly attributed to the issue of new common shares or options are recognized, net of tax, in equity as a deduction from the issue proceeds.

2.25 Parent company ªccounting principles
The parent company applies the Swedish Annual Accounts Act and RFR 2 (Council for Financial Reporting) Accounting for Legal Entities. The most important differences between the accounting principles for the group and the parent company are set out below.

Changes in accounting principles
In the closing for the year that starts on 1 January 2021 no new standards or accounting principles are applied. There are neither any new standards that begin to apply on 1 January 2022 or later that are expected to have any material impact on the parent company.

Presentation formats
The income statement and balance sheet follow the presentation format of the Swedish Annual Accounts Act. The statement of changes in equity also adheres to the group's presentation format, but must contain the columns specified in the Swedish Annual Account Act. This also entails a difference in terms compared to the consolidated accounts, primarily regarding financial revenue and expenses and equity.

Shares in subsidiaries
Shares in subsidiaries are recognized at cost less any impairment losses. The cost basis includes acquisition-related costs and any additional consideration.

When there is an indication that shares in subsidiaries have decreased in value, the recoverable amount is calculated. If this amount is lower than the carrying amount, an impairment loss is recognized. Impairment losses are recognized in the item "Profit from shares in group companies".

Financial instruments
IFRS 9 is not applied in the parent company, and financial instruments are valued at cost using the lowest value principle.

Leases
IFRS 16 Leases is not applied in the parent company. The balance sheet is not affected by leases entered into and lease fees are expensed on an ongoing basis as other external expenses.

Guarantees/financial guarantees
The parent company has signed guarantees in favor of subsidiaries. According to IFRS, such a liability is classified as a financial guarantee contract. For these contracts, the parent company applies the relief rule set out in RFR 2 p2, and thus recognizes the guarantee as a contingent liability. A provision is made when the company assesses that it is likely that a payment will be required in order to settle a commitment.

Group contributions
The parent company reports group contributions, both those that have been received and those that have been made, as appropriations.

NOTE 3 Financial risk management

3.1 Financial risk factors
Through its operations, the group is exposed to a variety of financial risks: market risk (currency risk, interest rate risk at fair value and interest rate risk in cash flow), credit risk and liquidity risk. The group's overall risk management policy focuses on the unpredictability of the financial markets and strives to minimize potential adverse effects on the group's financial performance. The group uses derivative instruments to hedge certain risk exposures.

Risk management is handled by group management in accordance with policies established by the Board of Directors. Group Finance identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The Board of Directors draws up written policies for both overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk, the use of derivative instruments and non-derivative financial instruments, as well as the investment of excess liquidity.

The group does not apply hedge accounting in cases where hedges are used to mitigate financial risks.

The following is a description of the group's estimated risk exposure and the accompanying risk management measures.

(a) Market risk
(i) Currency risk
The group operates internationally and is exposed to currency risks arising from various currency exposures, especially regarding the euro (EUR), Czech koruna (CZK), Polish zloty (PLN), US dollar (USD) and Chinese yuan (CNY). Currency risk arises through future business transactions, recognized assets and liabilities, as well as net investments in foreign operations. The group has exposure in its external borrowing, as the borrowing partly occurs in a currency other than the functional currency. Translation exposure in other financial receivables and liabilities is considered minor, as these items are essentially nominated in the individual group companies' functional currencies.

The Board of Directors has introduced a policy requiring group companies to manage their currency risk vis-à-vis their functional currency. Currency risks arise when future business transactions or recognized assets or liabilities are expressed in a currency other than the unit's functional currency. These currency risks are primarily managed by using the same currency for material purchasing as for invoicing or by incorporating currency clauses in contracts with customers or material suppliers. In cases where there is a remaining currency risk that cannot be managed as outlined above, the group companies use futures if the exposure is material. The group's risk management policy is to hedge between 60-70 per cent of expected cash flows in each major currency for the following 12 months. There were only immaterial currency hedging measures in place as of December 31, 2021 and December 31, 2020.

The group has a number of holdings in foreign operations (EUR, CZK, PLN and CNY) whose net assets are exposed to currency risks. Currency exposure arising from the net assets in the group's foreign operations is partly managed through lending to the subsidiaries. The lending is regarded as part of the investment when settlement is not planned or is unlikely to occur in the foreseeable future and exchange rate differences are recognized in other comprehensive income. In the acquisition of Ritter, currency exposure was also managed by raising acquisition loans in the acquisition currency, EUR. Exchange rate differences on this loan are recognized in other comprehensive income as it is considered to be part of the acquisition. Hedging of net assets in subsidiaries does not go beyond lending to the subsidiaries.

If the Swedish krona had weakened by 5 per cent relative to the EUR with all other variables remaining constant, profit for the year, as of December 31, 2021, would have been impacted by SEK 0.1 (-1.5) million. In the event of a corresponding weakening relative to PLN, profit for the year would have been impacted by SEK 0.7 (0.5) million, whereas a weakening relative to CNY would have affected profit by SEK 0.0 (-0.1). A strengthening or weakening of the Swedish krona relative to CZK would have had only a marginal effect on profit for the year as of December 31, 2021, as in previous years.

(ii) Interest rate risk with respect to cash flows and fair values
Because the group does not hold any material interest-bearing assets, the group's revenue and cash flow from operating activities are essentially independent of changes in market interest rates. The group's interest rate risk arises from long-term borrowing. Borrowing at variable interest rates exposes the group to interest rate risk with regard to cash flow, which is partially neutralized by cash balances that earn variable interest rates. Borrowing at fixed interest rates exposes the group to interest rate risk with regard to fair value.

The group analyzes its exposure to interest rate risk dynamically. Different scenarios are simulated, taking into account refinancing, sales of existing positions, alternative financing and hedging. On the basis of these scenarios, the group calculates the impact on profit/loss that a specified interest rate change would have. The same interest rate change is used for all currencies for each simulation. The scenarios are only simulated for those liabilities that constitute the largest interest-bearing positions.

Performed simulations show that the effect on profit/loss of a 1 per cent change in interest rates would be a maximum increase of SEK 3.4 million (3.1) and a decrease of SEK 3.4 million (3.1), respectively.

(b) Credit risk
Credit risk is managed at group level, with the exception of credit risk related to outstanding accounts receivable. Each group company is responsible, with the support of the group's central financial function, for following up on and analyzing the credit risk of each new customer before offering standard payment and delivery terms. Credit risk arises from cash and cash equivalents, derivative instruments and balances on deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and agreed transactions. Only banks and financial institutions that have received a least credit rating of "A" by independent valuators are accepted. If customers' creditworthiness is assessed by independent valuators, these assessments are used. In cases where there is no independent credit assessment, a risk assessment of the customer's creditworthiness that takes into account its financial position, as well as past experience and other factors, is performed. Individual risk limits are determined on the basis of internal or external credit assessments in accordance with the limits set by the Board of Directors. The utilization of credit limits is monitored regularly. In case of low creditworthiness, advance payments may be demanded from the customer. See Note 19 for further disclosures regarding accounts receivable.

(c) Liquidity risk
Cash flow forecasts are prepared by the group's operating companies and are aggregated by Group Finance. Group Finance closely monitors rolling forecasts of group liquidity reserves to ensure that the group has sufficient cash balances to meet the needs of its operating activities while retaining sufficient scope in agreed credit facilities that have not been drawn on (see Note 24) so that the group does not exceed loan limits or loan terms (where applicable) for any of the group's loan facilities. Such forecasts take into account the group's debt restructuring plans, compliance with loan terms, fulfillment of internal balance sheet-based earnings measures and, where applicable, external supervisory or legal requirements – for example, currency restrictions.

The business has positive cash flow. Generated cash flow in the year has mainly been used for machine investments and repayment of loans.

Note 3 cont.

Surplus liquidity in the group's operating companies in excess of the portion required to manage working capital needs is transferred to Group Finance. Surplus liquidity is used primarily to reduce the balance of overdraft credits. In the alternative, Group Finance invests surplus liquidity in interest-bearing current accounts, fixed-term deposits, money market instruments and marketable securities, depending on which instrument has the appropriate maturity or sufficient liquidity to meet the scope requirement as determined by the aforementioned forecasts. On the balance sheet date, the group had liquid funds in an amount of SEK 45.8 million (121.2) and unutilized overdraft facilities in the amount of SEK 95.8 million (85.7) for managing the liquidity risk.

The following tables analyze the group and the parent company's non-derivative financial liabilities, broken down by the time remaining, as of the balance sheet date, until contractual maturity. The amounts stated in the table are the contractual, non-discounted cash flows.

Group 31 December 2021	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions and lease liabilities	75.8	74.9	179.7	191.4	31.0
Overdraft facility	–	58.7	–	–	–
Other interest-bearing liabilities	63.5	–	–	–	–
Accounts payable	373.4	–	–	–	–
Other short-term liabilities	51.7	–	–	–	–
Total	**564.4**	**133.6**	**179.7**	**191.4**	**31.0**

Group 31 December 2020	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions and lease liabilities	63.3	63.2	107.1	162.4	7.0
Overdraft facility	–	44.2	–	–	–
Other interest-bearing liabilities	37.0	–	–	–	–
Accounts payable	199.9	–	–	–	–
Other short-term liabilities	24.3	–	–	–	–
Total	**324.5**	**107.4**	**107.1**	**162.4**	**7.0**

Parent Company 31 December 2021	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	12.6	12.7	23.4	19.2	0.0
Other interest-bearing liabilities	1.6	–	–	–	–
Accounts payable	1.0	–	–	–	–
Other short-term liabilities	0.1	–	–	–	–
Total	**15.3**	**12.7**	**23.4**	**19.2**	**0.0**

Parent Company 31 December 2020	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	10.4	10.5	21.3	28.6	–
Other interest-bearing liabilities	1.7	–	–	–	–
Accounts payable	0.9	–	–	–	–
Other short-term liabilities	0.1	–	–	–	–
Total	**13.1**	**10.5**	**21.3**	**28.6**	**–**

3.2 Management of capital

The group's goal with respect to the capital structure is to safeguard the group's ability to continue its operations, so that it can continue to generate a return to shareholders and to benefit other stakeholders, and to maintain an optimal capital structure in order to keep costs down.

In order to maintain or adjust the capital structure, the group may modify the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets in order to reduce liabilities.

Like other companies in the industry, the group assesses its capital based on its net leverage ratio. This key ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowing, lease liabilities and provisions for pension liabilities, less cash and cash equivalents.

The net leverage ratio as of December 31 was as follows:

	2021	**2020**
Borrowings (Note 24)	474.3	337.3
Lease liability (Note 24)	174.3	124.0
Provisions for pensions (Note 31)	109.3	110.3
Less: Cash and cash equivalents (Note 22)	-45.8	-121.2
Net debt	**712.1**	**450.4**
Total equity	585.5	474.9
Net debt/equity ratio, %	**122**	**95**

The change during the year is explained by increased indebtedness as a result of completed investments in both new and existing operations and negative cash flow from operating activities due to increased inventories, mainly caused by component deficiencies.

Note 3 cont.

3.3 Calculation of fair value
All financial assets are recognized on the balance sheet at amortized cost with the exception of other long-term securities holdings that are to be recognized at fair value in level 3. group has no such assets to be reported in level 3, as of the end of 2021.

All financial liabilities are recognized on the balance sheet at accrued acquisition value, except for other interest bearing liabilities, as of the end of 2021, which in 2021 consists of a reserve for the additional purchase price for the acquisition of Beyers. This shall be reported at fair value in level 3. The additional purchase price is based on total sales in Beyers in 2022 and 2023. The estimate and calculation were made in 2021 and a reserve of SEK 21 million were set aside, which is reported in the consolidated income statement. The change in debt is shown in note 24.

The Group's borrowing consists of a large number of contracts entered into at different times and having different maturities. Essentially, these loans have variable interest rates. Against the background of the foregoing, carrying amounts can be considered to give a good approximation of fair values. The fair value of short-term borrowing corresponds to its carrying amount, as the effect of discounting is immaterial.

Accounts receivable, accounts payable and other current receivables and liabilities have a residual useful life of less than one year. The carrying value is considered to reflect fair value.

NOTE 4 Important estimates and assessments

Estimates and assessments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing circumstances.

Important accounting estimates and assessments
The group makes estimates and assumptions about the future. The accounting estimates that result from these will rarely correspond to the actual result, by definition. The estimates and assumptions that entail a significant risk of material adjustments in the carrying amounts of assets and liabilities during the next financial year are outlined in general terms below.

(a) Testing for impairment of goodwill
Each year, the group examines whether there is any need for impairment of goodwill in accordance with the accounting principle described in Note 2.6. Recoverable amounts for cash-generating units have been determined through a calculation of value in use. For these calculations, certain estimates must be made about future cash flows, among other things. Further information about the estimates is presented in Note 14. The group's goodwill at year-end amounted to SEK 361.7 million (297.9).

(b) Valuation of Customer Relationships
In the acquisitions completed in recent years, intangible assets in the form of customer relationships were identified. The planned depreciation period of the customer relationships is 10 years. The initial valuation of the customer relationships is based on a present value calculation of future profit contributions by the acquired company's customers. In order to perform the present value calculation and to determine the depreciation period, certain estimates about, among other things, the customers' long-term purchasing levels from HANZA are required. On the balance sheet date, the book value of customer relationships amounted to SEK 93.8 million (90.7).

(c) Valuation of loss carryforwards
Each year, the group assesses whether there is any need for impairment of deferred tax assets relating to tax loss carryforwards. In addition, the group investigates whether it is appropriate to capitalize new deferred tax assets relating to this year's tax loss carryforwards, or previous loss carryforwards for which the probability that they can be utilized has increased. Deferred tax assets are only recognized for loss carryforwards for which it is likely that they can be utilized against future taxable profits and against taxable temporary differences. HANZA has recognized deferred tax assets for the loss carryforwards present in Sweden, Germany and to some extent in Finland, Czech Republic and China, as it is considered probable that these loss carryforwards can be utilized against future profits. See further Note 16.

(d) Valuation of deferred tax liability
No income tax is payable on reported earnings in Estonia. Instead, tax (currently 20.0 per cent) is levied on gross dividends when retained earnings are distributed. HANZA is able to control the timing of the distribution and assesses that it is unlikely that reversal will occur in the foreseeable future, for which reason no deferred tax liability is recognized. This assessment is reviewed on an annual basis. On the balance sheet date, distributable funds in the Estonian companies amounted to SEK 152.8 million (118.2).

(e) Valuation of post-employment benefits
Recognition of debt and costs for defined-benefit pensions is based on actuarial calculations that are in turn based on significant assumptions regarding, among other things, the discount rate, future salary increases, staff turnover and remaining life expectancy. Changes in these assumptions may primarily affect the recognized liability, which at year-end amounted to SEK 109.3 million (110.3). Operating profit and profit for the year are affected by changes in the assumptions to a minor extent, as changes due to changed actuarial assumptions are recognized in other comprehensive income. See Note 31 for a sensitivity analysis regarding the actuarial assumptions.

(f) Recognition of divested accounts receivable
Part of HANZA's financing operations involves selling accounts receivable to an external party. Because control in these cases has been transferred to the external party, these accounts receivable have been removed from the balance sheet. See note 19 Accounts receivable for more information.

NOTE 5 Revenue

Description of revenue from contracts with customers

Revenue from the sale of goods

An agreement that is binding on both HANZA and the customer in terms of quantity and price is normally concluded when the customer has placed an order confirmed by HANZA. Such an order is in turn based on some type of framework agreement, yet these are not binding in terms of quantities.

HANZA's revenue comes primarily from the production of products that can be components, subsystems or finished products. The products are manufactured to customer specifications, but HANZA is involved in tailoring the manufacturing process. HANZA's performance commitment is to produce and deliver a specified quantity of a product, and is considered to have been fulfilled when control of the product has passed to the customer, which is usually upon delivery. An order may include one or more products, and may thus contain one or more performance commitments. A performance commitment is almost always fulfilled at a single point in time.

Certain contracts where there is an agreement with the customer regarding buffer stock of a product represent an exception to the principle that the performance commitment is fulfilled upon delivery. In these cases, the performance commitment is considered to have been fulfilled already when the component or product is placed into buffer stock and is thus available to the customer. On the balance sheet date, the sales value of buffer stock where the performance commitment was already considered to have been fulfilled was SEK 23.2 million (23.3).

The transaction price is measured at the fair value of what will be received, and corresponds to the amounts received for goods sold less any discounts, returns and VAT. On each order the prices are specified per product, which forms the basis for allocating the transaction price to performance commitments. The group bases its assessments of returns on historical outcomes and in so doing takes into account the type of customer, the type of transaction and special circumstances in each individual case. Customers are only entitled to return products that do not meet requirements specified in advance. There is no right of return due to the customer no longer having a use for the product. Assessments of future discounts are made individually based on agreements with each customer.

HANZA incurs no warranty obligations for its products, as these are manufactured according to the customer's detailed specifications. Complaints may, however, arise in the event of deficiencies in the manufacturing process as part of various warranty commitments. Causes can be, for example, machine faults, operator errors or component faults. Claims for financial compensation normally follow established industry standards. In addition, the customer may be entitled to damages. This may entail significant additional costs for HANZA, which may adversely affect the company's financial position and earnings.

As of the balance sheet date, there were no performance commitments that extend more than one year into the future.

Revenue from services

A consultancy agreement usually comprises a single performance commitment and the transaction price can be identified based on the agreement. Usually, HANZA is entitled to compensation for work performed even if a project should be canceled prematurely. In these cases the revenue is recognized over time. In other cases the revenue is recognized when the consulting services are supplied in accordance with the agreement and the performance commitment is thereby fulfilled.

HANZA's consulting services are an important part of HANZA's overall range, but the revenues from these services accounted for only a minor part of the group's sales. HANZA has therefore chosen not to recognize these separately.

Contractual assets and contractual liabilities on the balance sheet date

The contractual assets as of the balance sheet date amounted to SEK 23.2 million (23.3). The group has no contractual liabilities.

Group-wide disclosures

The group's revenue essentially relates to the sale of goods.

No individual customer accounts for 10 per cent or more of the group's revenue.

The payment terms in HANZA's agreements with customers vary from 30 to 120 days. However, accounts receivable are largely sold to external parties, which means that the credit terms according to the contracts have little impact on the group's balance sheet. There are no financing agreements where the customer is entitled to postpone payment by paying interest.

The group has no binding production agreements that extend more than one year into the future.

Allocation of revenue

Revenue broken down by segment, geographic market and manufacturing technology is shown in Note 6 Segment disclosures.

NOTE 6 Segment reporting

The CEO is the group's highest executive decision maker. Company management has defined the operating segments based on the information that is processed by the CEO and used as a basis for allocating resources and evaluating performance.

HANZA practices a form of cluster-based segmentation that is considered to best reflect its business model, organization and the manner in which the board of directors and management team follow up on and assess the business. The CEO assesses the business on the basis of an organization organized into clusters, primarily at the EBITA level, where amortization of intangible assets is not allocated to the clusters. Also, some costs for group-wide business development are also not allocated to the clusters. These are presented below as Business Development. Interest income and interest expenses are not allocated to the segments, since they are affected by measures taken by central financial management, which handles the group's cash liquidity.

HANZA divide the operations into so called manufacturing clusters and applies a financial segment classification based on primary customer markets. Operations were conducted in 6 clusters whose reporting is broken down into the following reportable segments:

- *Main markets* – Manufacturing clusters located in or near HANZA's primary geographical customer markets, which currently consist of Sweden, Finland, Norway and Germany. These clusters currently comprise Sweden, Finland and Germany. The operations in these areas are characterized by closeness to the customers factories and close collaboration with customer development departments.
- *Other markets* – Manufacturing clusters outside of HANZA's primary geographical customer areas. These clusters currently consist of the Baltics, Central Europe and China. The operations are characterized by heavy labour input, complex, extensive monitoring, and closeness to important end-customer areas.
- *Business development* – Costs and revenues not allocated to the Manufacturing Clusters, which primarily consist of Group-wide functions within the parent company, as well as Group-wide adjustments not allocated to the other two segments.

Note 6 cont.

Revenue
Sales between segments take place on market terms. Revenue from external parties that is reported to group management is valued in the same way as in the income statement.

	2021				2020			
Profit by segment	**Main markets**	**Other markets**	**Business develop-ment**	**Total**	**Main markets**	**Other markets**	**Business develop-ment**	**Total**
Revenue								
Segment revenue	1,375.1	1,167.2	–	2,542.3	1,168.8	1,016.3	0.3	2,185.4
Less sales between segments	-12.8	-14.3	–	-27.1	-4.1	-26.4	–	-30.5
Revenue from external customers	**1,362.3**	**1,152.9**	**–**	**2,515.2**	**1,164.7**	**989.9**	**0.3**	**2,154.9**
Profit/loss								
EBITA	113.5	41.6	-11.7	143.4	41.5	9.7	-3.4	47.8
Amortization of intangible assets				-15.9				-16.5
Financial items - net				-27.8				-22.4
Profit/loss before tax				**99.7**				**8.9**
EBITA excluding items affecting comparability								
EBITA	113.5	41.6	-11.7	143.4	41.5	9.7	-3.4	47.8
Adjustment for items affecting comparability, see below	-2.8	–	5.0	2.2	9.5	15.2	-2.5	22.2
EBITA excluding items affecting comparability	**110.7**	**41.6**	**-6.7**	**145.6**	**51.0**	**24.9**	**-5.9**	**70.0**
Items affecting comparability								
Revaluation of acquisition purchase price	0.2	–	–	0.2	–	–	2.5	2.5
Transaction costs	–	–	-5.0	-5.0	–	–	–	–
Costs for change of listing	-3.7	–	–	-3.7	–	–	–	–
Action programme covid-19*	–	–	–	–	-9.5	-15.2	–	-24.7
Repayment AFA	6.3	–	–	6.3	–	–	–	–
Total items affecting comparability	**2.8**	**0.0**	**-5.0**	**-2.2**	**-9.5**	**-15.2**	**2.5**	**-22.2**
Cashflow information – Non-cash items								
Depreciations and amortizations	-71.4	-31.9	-1.3	-104.6	-61.0	-34.8	-1.2	-97.0
Write-downs of fixed assets	–	–	–	–	–	-10.3	–	-10.3
Other non-cash items	0.6	-1.9	-1.0	-2.3	-2.7	–	1.4	-1.3

* In April 2020, to meet uncertain demand in some customer segments, HANZA initiated an action program in which the electronics factory in Åtvidaberg was phased out and the factory in Narva was refined to only focus on heavy mechanics. In total, approx. 90 persons were affected, and the result (EBIT) during the second quarter was charged with SEK 27.5 million.

Note 6 cont.

Balance information and investments per segment	**Assets**		**Investments[1]**		**Liabilities**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Main markets	1,437.2	1,045.2	65.6	47.7	955.4	601.4
Other markets	758.8	526.2	75.6	12.1	428.1	261.4
Business development	151.2	87.9	0.9	–	377.9	321.6
Eliminations	-395.9	-245.1	–	–	-395.6	-245.1
Total Group	**1,951.3**	**1,414.2**	**142.1**	**59.8**	**1,365.8**	**939.3**

1) Investments refers to investments in tangible and intangible fixed assets.

Net sales and fixed assets per geographic market	**Net sales**		**Fixed assets[2]**	
	2021	**2020**	**2021**	**2020**
Sweden	910.5	870.4	390.7	377.8
Finland	502.9	396.6	182.1	70.4
Estonia	66.8	46.8	250.9	174.0
Germany	346.2	308.1	140.7	96.5
Poland	149.0	42.0	25.2	24.9
Czech Republic	42.5	31.2	45.2	43.4
Other EU	135.2	120.7	–	–
Norway	205.0	164.4	–	–
Other Europe	25.6	14.3	–	–
Nort America	57.3	74.3	–	–
Rest of the world	74.2	86.1	24.0	16.1
Total	**2,515.2**	**2,154.9**	**1,058.8**	**803.1**

2) Excluding financial instruments and deferred tax assets.

Revenue from external customers split on manufacturing technology and segment.

	2021				**2020**			
	Main markets	**Other markets**	**Business develop-ment**	**Total**	**Main markets**	**Other markets**	**Business develop-ment**	**Total**
Mechanics	852.9	741.1	–	1,594.0	635.4	674.3	–	1,309.7
Electronics	509.4	411.8	–	921.2	529.3	315.6	–	844.9
Business development	–	–	–	0.0	–	–	0.3	0.3
Total Group	**1,362.3**	**1,152.9**	**–**	**2,515.2**	**1,164.7**	**989.9**	**0.3**	**2,154.9**

NOTE 7 Fees to auditors

Audit services refer to audit of the consolidated financial statements, the accounts and the administration of the Board of Directors and the President & CEO of the company; other tasks incumbent on the company's auditor; and advice or other assistance prompted by observations from such audits or the performance of other such tasks. All other is other services.

	Group		Parent Company	
Group	**2021**	**2020**	**2021**	**2020**
EY				
Audit assignments	3.3	3.3	1.6	1.1
Audit activities other than audit assignments	–	0.2	–	0.2
Tax consultancy services	0.1	0.3	–	0.1
Total	**3.4**	**3.8**	**1.6**	**1.4**
Other auditors				
Audit assignments	1.3	0.4	–	–
Total	**1.3**	**0.4**	**–**	**–**
Total	**4.7**	**4.2**	**1.6**	**1.4**

Other auditors refers to local auditors in Poland, Czech Republic and China. The increase since 2020 is mainly refers to services in connection to acquisitions.

NOTE 8 Remunerations to employees etc.

Salaries, renumerations and social costs

Group 2021	Salaries and renumerations	(of which bonus)	Social security fees	(of which pension costs)	Total wages and social costs
Board of directors, CEO and other senior executives	17.7	2.0	7.3	2.3	25.0
Other employees	462.8	7.3	146.3	36.3	609.1
Group total	**480.5**	**9.3**	**153.6**	**38.6**	**634.1**

Group 2020	Salaries and renumerations	(of which bonus)	Social security fees	(of which pension costs)	Total wages and social costs
Board of directors, CEO and other senior executives	14.3	0.2	6.0	2.5	20.3
Other employees	408.1	1.9	133.7	26.6	541.8
Group total	**422.4**	**2.1**	**139.7**	**29.1**	**562.1**

For further information about remunerations to board of directors and senior executives, see Note 34 Transactions with related parties.

Distribution by sex of board members and top management in the Group (including subsidiaries)	2021		2020	
Group	**Number on balance sheet date**	**Of which Women**	**Number on balance sheet date**	**Of which Women**
Bord of directors in parent company	5	2	5	2
Managing directors and other top management and board members in subsidiaries	21	5	18	4
Group total	**26**	**7**	**23**	**6**

Board of directors in subsidiaries consists almost exclusively of employees in the group which also are included in top management at different levels. These are therefore reported together in which each person is only counted once.

Note 8 cont.

Average number of employees with distribution by country	2021		2020	
Parent Company	**Average number of employees**	**Of which women**	**Average number of employees**	**Of which women**
Sweden	**2**	**–**	**2**	**–**
Subsidiaries				
Sweden	356	118	356	118
Estonia	663	250	643	234
Finland	177	25	85	15
China	86	50	82	50
Poland	140	116	118	100
Czech Republic	162	71	138	48
Germany	155	44	119	28
Total subsidiaries	**1,739**	**674**	**1,541**	**593**
Group total	**1,741**	**674**	**1,543**	**593**

In 2021 the parent company had 2 male employees (2) who are both included in the category senior executives. Wages and remunerations paid to board of directors, CEO and senior executives amounted to SEK 6.8 million (5.5) of which bonuses SEK 1.3 million (0.0). Pension costs to board of directors and CEO amounted to SEK 1.3 million (1.5) and other social security fees according to contracts amounted to SEK 2.4 million (1.6).

No wages or remunerations have been paid out in the parent company to the category other employees.

NOTE 9 Other operating income and operating expenses

Group

Other operating income	**2021**	**2020**
Profit on disposal of fixed assets	3.7	1.0
Revaluation of acquisition purchase price, see Note 33	0.2	2.5
Government grants	2.8	3.3
Repayment AFA	6.3	–
Exchange gains	0.7	3.8
Other items	6.1	5.2
Total other operating income	**19.8**	**15.8**

Other operating expenses	**2021**	**2020**
Loss on disposal of fixed assets	-0.2	-1.0
Exchange losses	-4.1	-4.5
Other items	-1.4	-0.7
Total other operating expenses	**-5.7**	**-6.2**

NOTE 10 Exchange gains and losses

	Group		Parent Company	
Exchange gains and losses in income statement	**2021**	**2020**	**2021**	**2020**
In operating income	-3.4	-0.7	-0.1	-0.2
In net financial items	-0.3	0.8	-2.1	6.0
Total exchange gains and losses	**-3.7**	**0.1**	**-2.2**	**5.8**

NOTE 11 Income from financial items

	Group	
Financial income	**2021**	**2020**
Interest income	–	0.8
Total financial income	**–**	**0.8**
Financial expenses		
Interest expenses	-20.0	-17.5
Net exchange gains and losses	-0.3	–
Impairment of other long-term sercurity holdings	-0.3	–
Cost sold accounts receivables	-7.2	-5.7
Total financial expenses	**-27.8**	**-23.2**
Total financial items – net	**-27.8**	**-22.4**

Profit/loss from Group Companies	**Parent Company 2021**	**2020**
Dividends from subsidiaries	14.0	–
Write-down of shares in subsidiaries, see Note 35	-9.5	-38.6
Expensed shareholder contributions to subsidiaries	–	-88.5
Total profit/loss from Group Companies	**4.5**	**-127.1**
Other interest income and similar income items		
Interest income from Group Companies	1.2	1.6
Exchange gains and losses – net	–	6.0
Other interest income and similar income items	**1.2**	**7.6**
Interest charges and similar income items		
Interest expenses, external	-1.7	-1.8
Interest expenses to Group Companies	-1.1	-0.5
Exchange gains and losses - net	-2.1	–
Interest charges and similar income items	**-4.9**	**-2.3**
Total net financial assets – Parent Company	**0.8**	**-121.8**

Interest income from group companies refers to HANZA AB SEK 0.4 million (1.4) and HANZA Metalliset oy SEK 0.4 million (0.2).

Interest expenses to group companies refers to HANZA GmbH.

NOTE 12 Income tax/tax on profit for the year

Tax cost in income statement	**Group**		**Parent Company**	
Current tax:	**2021**	**2020**	**2021**	**2020**
Current tax on profit for the year	-15.6	-5.4	-0.8	-0.3
Adjustments for prior years	0.3	-0.3	–	–
Total current tax	**-15.3**	**-5.7**	**-0.8**	**-0.3**
Deferred tax (see Note 16)				
Arise and reverse of temporary differences	-5.4	-4.9	–	-2.3
Changes due to changed tax rates	1.2	0.3	–	–
Total deferred tax	**-4.2**	**-4.6**	**–**	**-2.3**
Total income tax	**-19.5**	**-10.3**	**-0.8**	**-2.6**

Reconciliation of tax cost to profit/loss before tax

Income tax in the income statement differs from the theoretical amount which should have appeared if the Swedish tax rate 20.6% (21.4) had been applied on the consolidated profit/loss, as follows:

	Group		**Parent Company**	
	2021	**2020**	**2021**	**2020**
Profit/loss before tax	99.7	8.9	8.2	-114.8
Tax according to Swedish tax rate	-20.5	-1.9	-1.7	24.6
Tax effects from:				
Diverging tax rates abroad	4.2	-1.3	–	–
Non taxable income	1.2	1.1	2.9	–
Non deductible costs	-2.7	-2.9	-2.0	-27.2
Tax losses carried forward for which no deferred tax has been recognized	-3.1	-5.0	–	–
Adjustments for prior years	-0.5	-0.6	–	–
Changes due to changed tax rates	1.9	0.3	–	–
Tax cost	**-19.5**	**-10.3**	**-0.8**	**-2.6**

The weighted average tax rate for the group is 20 per cent (115) and 21 per cent (2) for the parent company. Part of the group's operations are conducted in Estonia where profits are not taxed until distribution in the form of dividends. The tax rate for the Estonian operations has therefore been set at 0 per cent for calculation purposes. The effective tax rate and the tax effect of deviating tax rates abroad therefore vary depending on the proportion of pre-tax profit stemming from Estonia and from entities where the company has judged that further deferred tax assets cannot be posted due to uncertainty regarding the ability to utilize the losses in the future (see also Note 16).

Changes due to changed tax rates refers to revaluation of deferred taxes in Sweden, see Note 16.

NOTE 13 Earnings per share

Before dilution
Earnings per share before dilution is calculated by dividing profit/loss attributable to the parent company's shareholders by the weighted average number of outstanding ordinary shares for the period.

Values used in calculation	2021	2020
Profit/loss attributable to the parent company's shareholders, SEK million	80.2	-1.4
Weighted average number of outstanding common shares	35,395,270	33,979,928
Earnings per share before dilution, SEK	**2.26**	**-0.04**

Values used in calculation	2021	2020
Profit/loss attributable to the parent company's shareholders, SEK million	80.2	-1.4
Weighted average number of outstanding common shares	35,395,270	33,979,928
Adjustment for calculated dilution from warrants	192,612	–
Weighted average number of shares after dilution	**35,587,882**	**33,979,928**
Calculated earnings per share after dilution, SEK	**2.25**	**-0.04**

After dilution
In calculation of earnings per share after dilution the weighted average number of outstanding common shares, is adjusted for diluting effects from all potential new common shares. The warrant programme that was issued in May 2020 have had dilution effect in 2021. For further information regarding options, see note 23.

NOTE 14 Intangible assets

Group 2021	Goodwill	Customer relations	Other intangible assets	Total
Acculumated acquisition values				
Opening balance	297.9	117.7	17.9	433.5
Investments	–	–	2.1	2.1
Sold and scrapped	–	–	-0.2	-0.2
Aquisition of companies	60.6	15.2	2.4	78.2
Exchange rate differences	3.2	1.0	0.7	4.9
Closing balance	**361.7**	**133.9**	**22.9**	**518.5**
Accumulated amortizations				
Opening balance	–	-27.0	-8.0	-35.0
This year's amortizations	–	-12.9	-3.0	-15.9
Exchange rate differences	–	-0.2	-0.3	-0.5
Closing balance	**–**	**-40.1**	**-11.3**	**-51.4**
Accumulated write-downs				
This year's write-downs	–	–	-2.8	-2.8
Closing balance	**–**	**–**	**-2.8**	**-2.8**
Closing value	**361.7**	**93.8**	**8.8**	**464.3**

Note 14 cont.

Group 2020	Goodwill	Customer relations	Other intangible assets	Total
Acculumated acquisition values				
Opening balance	302.8	119.7	15.4	437.9
Investments	–	–	3.5	3.5
Sold and scrapped	–	–	-0.3	-0.3
Exchange rate differences	-4.9	-2.0	-0.7	-7.6
Closing balance	**297.9**	**117.7**	**17.9**	**433.5**
Accumulated amortizations				
Opening balance	–	-15.2	-6.8	-22.0
This year's amortizations	–	-12.1	-1.6	-13.7
Exchange rate differences	–	0.3	0.4	0.7
Closing balance	**–**	**-27.0**	**-8.0**	**-35.0**
Accumulated write-downs				
This year's write-downs	–	–	-2.8	-2.8
Closing balance	–	–	**-2.8**	**-2.8**
Closing value	**297.9**	**90.7**	**7.1**	**395.7**

Last year's write-downs refers to capitalized software implementation costs in Narva that no longer were expected to generate future cashflows.

Other intangible assets mainly consists of capitalized expenditure for software licenses and for implementing software.

Testing for impairment of goodwill

As shown in Note 6, Segment Information, the CEO assesses the performance of the business on the basis of an organization divided into clusters, where reported segments comprise Main markets and Other markets. Goodwill is monitored by the company at the operating segment level. The following table presents a summary of goodwill broken down by operating segment, along with the assumptions used in the impairment test.

Cluster 2021	Goodwill 31.12.2021	EBITA margin, %	Annual volume growth, %	Long-term growth rate, %	Discount rate, %
Sweden	180.1	8.0	4.6	2.0	8.5
Finland	46.6	6.4	7.0	2.0	6.2
Germany	52.2	4.6	6.9	2.0	7.8
Baltics	53.4	5.6	9.2	2.0	6.9
Central Europe	15.6	4.9	7.3	2.0	10.1
China	13.8	5.0	15.3	2.0	10.6
Total	**361.7**				

Cluster 2020	Goodwill 31.12.2020	EBITA margin, %	Annual volume growth, %	Long-term growth rate, %	Discount rate, %
Sweden	179.4	5.7	2.3	2.0	8.7
Finland	8.3	2.0	7.8	2.0	8.7
Germany	28.4	7.1	2.3	2.0	10.9
Baltics	52.8	4.0	5.2	2.0	9.3
Central Europe	15.3	4.7	3.4	2.0	10.8
China	13.7	5.3	14.0	2.0	13.1
Total	**297.9**				

Note 14 cont.

The recoverable amount for a cash-generating unit has been determined on the basis of calculations of value in use. These calculations are based on estimated future pre-tax cash flows based on financial budgets approved by company management covering a five-year period. The company has determined that the annual volume growth for each cash-generating unit over the five-year forecast period represents an important assumption. The EBITA margin and the sales volume in a given period is the main factor determining earnings and thus cash flow performance. Annual volume growth is based on previous performance and the company's expectations as regards market developments. The average growth rate according to these budgets is shown in the column headed Annual volume growth on the previous page.

Cash flows beyond the five-year period are extrapolated using the estimated growth rate, which is shown in the column headed Long-term growth rate. The long-term growth rate used is in line with the forecasts found in industry reports, and does not exceed the long-term growth rate for the manufacturing industry where the CGU in question operates.

Future cash flows are discounted using interest rates developed specifically for each cash-generating unit. The discount rate used is set out above. The long-term growth rate used is consistent with the forecasts contained in industry reports. It does not exeed the long-term growth rate of the manufacturing industry, where the cash-generating unit operates.

The future cash flows are discounted with interest rates developed specifically for each cash-generating unit. The discount rates used are stated above.The discount rate is stated before tax and reflects specific risks in effect for the various operating segments. The impairment test has not resulted in the identification of any need for impairment.

Sensitivity analysis

The table below shows the impairment needs that would have arisen in 2021 if the budgeted EBITA margin used in the calculation had been reduced by 25 per cent and if the cost of capital used in the preparation of the discount rate had been 3 per centege-points higher. The analyses were performed separately with the other assumptions intact.

	2021		2020	
Cluster	**25% lower EBIT-margin**	**3 %-points higher cost of capital**	**25% lower EBIT-margin**	**3 %-points higher cost of capital**
Sweden	–	–	–	–
Finland	–	–	–	–
Germany	-12.8	-16.0	-25.5	-18.0
Baltics	–	–	–	–
Central Europe	–	–	–	–
China	-5.9	-6.3	-6.1	-5.3
Total	**-18.7**	**-22.3**	**-31.6**	**-23.3**

I cluster Sweden, Finland, Baltics or Central Europe a reasonable change in assumptions would not result in any impairment requirements.

The sensitivity analyis for cluster Germany does not include HANZA Beyers, which was aquiried in late 2021. Goodwill related to the acquisition of Beyers amounts to SEK 22.8 million. The sensitivity analysis is based on the remaining goodwill of SEK 28.9 million. In cluster Germany the recoverable amount exceeds the value of goodwill allocated to the cluster by SEK 26.5 million (21.2). An assumption of 25 per cent lower EBITA margin would lead to impairment requirements of SEK 12.8 million (25.5). An assumption of 3 per centage-points higher cost of capital would lead to impairment requirements of SEK 16.0 million (18.0). Impairment requirements arise either when the EBITA margin assumption is set 16.9 per cent (11.4) lower or the assumption for cost of capital is set 1.6 per centage-points (1.5) higher than in the performed impairment test.

In cluster China the recoverable amount exceeds the value of goodwill allocated to the cluster by SEK 5.8 million (0.6). An assumption of 25 per cent lower EBITA margin would lead to impairment requirements of SEK 5.9 million (6.1). An assumption of 3 per centage-points higher cost of capital would lead to impairment requirements of SEK 6.1 million (5.3). Impairment requirements arise either when the EBITA margin assumption is set 13 per cent (3) lower or the assumption for cost of capital is set 1.3 per centage-points (0.3) higher than in the performed impairment test.

NOTE 15 Tangible fixed assets

Group 2021	Buildings and land	Leasehold improvements	Machinery and technical installations	Equipment, tools and installations	Total
Acculumated acquisition values					
Opening balance	123.3	2.0	434.1	38.5	**597.9**
Investments	57.9	0.8	79.3	4.5	**142.5**
Acquisition of companies	0.5	4.1	20.4	1.7	**26.7**
Sold and scrapped	–	–	-9.2	-0.8	**-10.0**
Reclassifications	1.6	–	25.2	1.3	**28.1**
Exchange rate differences	4.7	0.2	6.4	0.6	**11.9**
Closing balance	**188.0**	**7.1**	**556.2**	**45.8**	**797.1**
Accumulated depreciations					
Opening balance	-22.2	-1.6	-271.1	-28.3	**-323.2**
Sold and scrapped	–	–	7.6	0.6	**8.2**
This year's depreciations	-4.6	-0.4	-40.0	-3.5	**-48.5**
Reclassifications	–	–	–17.6	–	**-17.6**
Exchange rate differences	-0.9	–	–4.3	-0.5	**-5.7**
Closing balance	**-27.7**	**-2.0**	**-325.4**	**-31.7**	**-386.8**
Accumulated write-downs					
This year's write-downs	-0.5	–	-4.2	-0.4	**-5.1**
Exchange rate differences	–	–	1.4	–	**1.4**
Closing balance	**-0.5**	**0.0**	**-2.8**	**-0.4**	**-3.7**
Closing value	**159.8**	**5.1**	**228.0**	**13.7**	**406.6**

Group 2020	Buildings and land	Leasehold improvements	Machinery and technical installations	Equipment, tools and installations	Total
Acculumated acquisition values					
Opening balance	129.0	2.0	422.3	57.9	**611.2**
Investments	0.3	–	54.3	1.8	**56.4**
Sold and scrapped	–	–	-39.1	-21.6	**-60.7**
Reclassifications	0.6	–	7.7	1.3	**9.6**
Exchange rate differences	-6.6	–	-11.1	-0.9	**-18.6**
Closing balance	**123.3**	**2.0**	**434.1**	**38.5**	**597.9**
Accumulated depreciations					
Opening balance	-18.7	-1.5	-267.6	-44.9	**-332.7**
Sold and scrapped	–	–	36.8	20.4	**57.2**
This year's depreciations	-4.7	-0.1	-35.6	-4.8	**-45.2**
Reclassifications	–	–	-12.1	0.3	**-11.8**
Exchange rate differences	1.2	–	7.4	0.7	**9.3**
Closing balance	**-22.2**	**-1.6**	**-271.1**	**-28.3**	**-323.2**
Accumulated write-downs					
This year's write-downs	-0.5	–	-4.4	-0.4	**-5.3**
Exchange rate differences	–	–	0.2	–	**0.2**
Closing balance	**-0.5**	**–**	**-4.2**	**-0.4**	**-5.1**
Closing value	**100.6**	**0.4**	**158.8**	**9.8**	**269.6**

Buildings and land mainly includes the building in Tartu, that has been under construction throughout 2021 and which have been taken into use during the first quarter of 2022. The group does not own any properties in Sweden.

NOTE 16 Deferred taxes

Deferred tax assets and liabilities

Changes in deferred tax assets and liabilities during the year, and to which temporary differences they are related are shown in the following tables:

2021	Deferred tax assets: Tax losses carried forward	Deferred tax assets: Other temporary differences	Deferred tax assets: Total	Deferred tax liabilities: Fixed assets	Deferred tax liabilities: Other temporary differences	Deferred tax liabilities: Total	Deferred taxes net
Opening balance	18.0	8.9	26.9	-40.4	-3.0	-43.4	**-16.5**
Acquisition of companies	–	2.0	2.0	-3.1	–	-3.1	**-1.1**
Reported in income statement	-3.1	-3.6	-6.7	10.7	-8.2	2.5	**-4.2**
Reported in other comprehensive income	–	-0.7	-0.7	–	–	0.0	**-0.7**
Exchange rate differences	0.4	0.3	0.7	-0.2	–	-0.2	**0.5**
Closing balance	**15.3**	**6.9**	**22.2**	**-33.0**	**-11.2**	**-44.2**	**-22.0**
Of which expected to be used/due							
– after more than 12 months	9.1	5.5	14.6	-24.6	-10.0	-34.6	**-20.0**
– within 12 months	6.2	1.4	7.6	-8.4	-1.2	-9.6	**-2.0**

2020	Deferred tax assets: Tax losses carried forward	Deferred tax assets: Other temporary differences	Deferred tax assets: Total	Deferred tax liabilities: Fixed assets	Deferred tax liabilities: Other temporary differences	Deferred tax liabilities: Total	Deferred taxes net
Opening balance	20.5	12.3	32.8	-44.4	-1.4	-45.8	**-13.0**
Reported in income statement	-2.1	-4.4	-6.5	3.6	-1.7	1.9	**-4.6**
Reported in other comprehensive income	–	1.5	1.5	–	–	–	**1.5**
Exchange rate differences	-0.4	-0.5	-0.9	0.4	0.1	0.5	**-0.4**
Closing balance	**18.0**	**8.9**	**26.9**	**-40.4**	**-3.0**	**-43.4**	**-16.5**
Of which expected to be used/due							
– after more than 12 months	16.2	8.7	24.9	-32.9	-2.5	-35.4	**-10.5**
– within 12 months	1.8	0.2	2.0	-7.5	-0.5	-8.0	**-6.0**

No set-off as between deferred tax assets and tax liabilities has been performed in the years in question.

Deferred tax assets

Deferred tax assets are recognized for tax loss carryforwards to the extent that it is probable that they can be availed through future taxable profits. The group has a total tax loss carry-forwards of SEK 166.9 (160.2). Of these, deferred tax assets have been reported for losses amounting to SEK 71.2 (85.8). Deferred tax recievables have not been recognized for tax losses amounting to 95.7 MSEK (74.4) as it is not probable that they can be utilized before they expire. The group did not recognize deferred tax assets amounting to SEK 19.2 million (15.0), relating to losses amounting to SEK 74.3 million (54.4), which can be utilized against future taxable profit. These losses are predominantly located in Finland but also in Sweden, Czech Republic and China. The Finnish loss carryforwards expires after 10 years from the time they arose.

The groups loss carry forward distributed at maturity	2021-12-31	2020-12-31
Within 1 year	10.2	–
Between 1 and 5 years	64.9	65.5
After more than 5 years	65.2	50.4
No due date	26.6	44.3
Total tax loss carry forward	**166.9**	**160.2**

Other deferred tax assets relate mainly to temporary differences in provisions for post-employment employee benefits in Germany.

Deferred tax relating to untaxed earnings in Estonia

No income tax is payable on reported earnings in Estonia. Instead, a tax of 20.0 per cent is levied on gross dividends when retained earnings are distributed. HANZA is able to control the timing of the distribution and assesses that it is unlikely that distribution will occur in the foreseeable future. No deferred tax liability has therefore been recognized for undistributed profits. On the balance sheet date, distributable profits in the Estonian companies amounted to SEK 152.8 million (118.2), corresponding to a tax liability of SEK 30.6 million (23.6).

Parent Company

In the parent company deferred tax assets amount to SEK 1.7 million (1.6) which relates to tax losses carried forward.

NOTE 17 Financial instruments by category

Carrying amounts of the Group's financial instruments by category are reported below. No essential deviations between carrying amounts and fair values have been identified. See also Note 3.3 Calculation of fair value.

Group 31.12.2021	Financial assets measured at amortized cost	Financial assets at fair value through income statement	Total
Accounts receivables	106.6	–	106.6
Other receivables	19.7	–	19.7
Cash and cash equivalents	45.8	–	45.8
Total	**172.1**	**–**	**172.1**

	Financial liabilities measured at amortized cost	Financial liabilities at fair value through income statement	Total
Liabilities to credit institutions	352.1	–	352.1
Lease liabilities	174.3	–	174.3
Overdraft facilities	58.7	–	58.7
Other interest-bearing liabilities	43.1	20.4*	63.5
Accounts payables	373.4	–	373.4
Other liabilities	51.7	–	51.7
Total	**1,053.3**	**20.4**	**1,073.7**

* Refers to reserve for additional consideration for the aquisition of Beyers GmbH which is recognized at fair value in level 3. See Note 24 and Note 33 for further information.

Group 31.12.2020	Financial assets measured at amortized cost	Financial assets at fair value through income statement	Total
Other long-term securities holdings	–	0.3	0.3
Accounts receivables	76.8	–	76.8
Other receivables	16.7	–	16.7
Cash and cash equivalents	121.2	–	121.2
Total	**214.7**	**0.3**	**215.0**

	Financial liabilities measured at amortized cost	Financial liabilities at fair value through income statement	Total
Liabilities to credit institutions	256.1	–	256.1
Lease liabilities	124.0	–	124.0
Overdraft facilities	44.2	–	44.2
Other interest-bearing liabilities	37.0	–	37.0
Accounts payables	199.9	–	199.9
Other liabilities	24.3	–	24.3
Total	**685.5**	**–**	**685.5**

NOTE 18 Inventories

Group	31.12.2021	31.12.2020
Inventory value before reserves for obsolescence	683.4	363.1
Obsolescence reserves	-20.5	-20.7
Inventories net value	**662.9**	**342.4**

Changes in obsolescence write-downs in 2021 amounted to SEK 1.4 million (-4.1).

The part of inventory that is values at net sales value was SEK 25.0 million (33.0) on the balance sheet date.

NOTE 19 Accounts receivables

Group	31.12.2021	31.12.2020
Accounts receivables	84.3	53.6
Less: reserves for doubtful accounts	-0.9	-0.1
Accounts receivables – net	**83.4**	**53.5**
Contract receivables	23.2	23.3
Total receivables from contracts with customers	**106.6**	**76.8**

Age analysis of outstanding accounts receivables after reservations for doubtful accounts appears below.

Age analysis	31.12.2021	31.12.2020
Not due	67.3	39.7
Due 1–30 days	12.0	8.6
Due 31–60 days	3.9	1.2
Due > 60 days	0.2	4.0
Total	**83.4**	**53.5**

Change in reserve for doubtful accounts	2021	2020
Opening balance	-0.1	-0.3
Reserves added in acquisitions	–	–
Reserves for doubtful accounts	-0.8	–
Receivables written off during the year as not collectable	–	0.2
Closing balance	**-0.9**	**-0.1**

Accounts receivable are initially valued at nominal value, as HANZA's credit losses have historically been very low. When assessing credit risk, all accounts receivable are estimated according to an approach that takes into account expected credit losses over the next 12 months. When assessing customers ability to pay, forward-looking factors are being used. Costs for changing the provision for bad debts are included in the income statement item Other external expenses.

There is no collateral or other guarantees for the accounts receivable outstanding as of the balance sheet date.

A material part of the group's accounts receivable are sold to an external party. Because control in these cases has been transferred to the external party, these accounts receivable have been removed from the balance sheet. On the balance sheet date, the value of sold accounts receivable that have not yet been settled by customers amounted to SEK 382.3 million (261.7). In certain cases accounts receivable can be factored, but there was no factoring debt on the balance sheet date or at the beginning of the year; see also Note 24 Borrowing and Note 28 Pledged collateral.

NOTE 20 Other receivables

Group	31.12.2021	31.12.2020
VAT receivables	11.4	7.9
Receivables on suppliers	3.9	3.8
Sold accounts receivable	6.2	4.4
Receivable revaluated acquisition purchase price	–	2.5
Other receivables	9.6	1.6
Group total	**31.1**	**20.2**

Parent company
Other short-term receivable in the parent company refers to receivable revaluated acquisition purchase price

NOTE 21 Prepaid expenses and accrued income

Group	31.12.2021	31.12.2020
Prepaid rents	3.1	3.0
Prepaid leasing fees	0.2	0.2
Prepaid material costs	5.6	2.4
Prepaid borrowing costs	0.9	1.2
Other prepaid costs	4.0	10.5
Accrued public grants	2.7	–
Other accrued income	2.2	1.6
Group total	**18.7**	**18.9**

Parent company
Prepaid costs and accrued income in the parent company amounted to SEK 1.3 million (1.5) and refers mainly to prepaid borrowing costs.

NOTE 22 Cash and cash equivalents

Group and Parent Company
Cash and cash equivalents consists in it's entirety of fully available bank balances.

NOTE 23 Paid-in capital

Outstanding shares, share capital and other paid-in capital	Number of outstanding shares	Share capital	Other paid-in capital	Total
As of 31 December 2019	**33,979,928**	**3.4**	**439.8**	**443.2**
Warrant issue		–	0.3	0.3
As of 31 December 2020	**33,979,928**	**3.4**	**440.1**	**443.5**
Non-cash issue	1,800,000	0.2	27.2	27.4
As of 31 December 2021	**35,779,928**	**3.6**	**467.3**	**470.9**

The share capital on the balance sheet day consisted of 35,779,928 shares with a quota of SEK 0,10.

The shares voting value is 1 vote/share.

All shares issued by the parent company are fully paid.

During the year, a dividend of SEK 0.25 per share was paid.

Non-cash issues
On 19 March 2021 SLP was aquired. A part of the purchase price consisted of shares, in which the number of shares increased by 1,800,000 and the share capital increased by 180,000.

Warrants
The annual general meeting in April 2020 decided on a warrants programme for 850,000 warrants with rights to subscribe for one share at SEK 20.00 from 1 June 2023 until 30 September 2023. All warrants were subscribed, which added capital of SEK 0.3 million to the company after minor issuing costs.

Other paid-in capital
Other paid-in capital is as a whole contributions provided by the owners and premiums that have been paid in connection with new issues.

Retained earnings and reserves
Reserves
Reserves in equity is translation reserves in foreign currency

Retained earnings inluding profit for the year
Retained earnings including profit of the year consists earned profits in the mother company and its subsidiaries from previous years and during the year.

NOTE 24 Borrowings

Group
Changes in borrowings are shown in the tables below.

2021	Liabilities to credit institutions	Overdraft facilities	Lease liabilities	Other interest-bearing liabilities	Total borrowings
Opening balance	256.1	44.2	124.0	37.0	461.3
Repayments	-109.7	-8.2	-55.1	-13.2	-186.2
New loans	147.1	18.1	20.8	27.9	213.9
Acquisition of companies	54.1	3.7	62.9	11.2	131.9
Capitalized interest	–	–	2.3	0.1	2.4
Changes in existing lease contracts	–	–	16.9	–	16.9
Exchange rate differences	4.5	0.9	2.5	0.5	8.4
Closing balance	**352.1**	**58.7**	**174.3**	**63.5**	**648.6**
Of which – long-term	244.9	–	132.5	0	377.4
– short-term	107.2	58.7	41.8	63.5	271.2

2020	Liabilities to credit institutions	Overdraft facilities	Lease liabilities	Other interest-bearing liabilities	Total borrowings
Opening balance	307.6	52.1	138.3	3.1	501.1
Repayments	-88.8	-19.8	-51.3	-3.7	-163.6
New loans	43.7	12.9	28.8	37.8	123.2
Capitalized interest	–	–	1.7	–	1.7
Changes in existing lease contracts	–	–	9.4	–	9.4
Exchange rate differences	-6.4	-1.0	-2.9	-0.2	-10.5
Closing balance	**256.1**	**44.2**	**124.0**	**37.0**	**461.3**
Of which – long-term	174.6	–	80.9	–	255.5
– short-term	81.5	44.2	43.1	37.0	205.8

The Groups interest bearing debt has an average interest rate of 4.0 per cent (3.9) per year.

Liabilities to credit institutions
The Groups borrowings from credit institutions are decentralized so that the loans mainly are raised in each subsidiary. The loans are raised in each subsidiary's local currency. Thereby the Group has it's borrowings from credit institutions in SEK, EUR, CZK, CNY and PLN. The borrowings consist of a major number of contracts split on bank loans and hire-purchase contracts on machines. A summery of the loans split on currency, type and maturity dates are shown in the table below.

31.12.2021			Due		
Type of borrowings	**Currencies**	**Recognized value**	**Within 1 year**	**Between 2 and 5 years**	**Later than 5 years**
Bank loans	SEK, EUR, CNY, CZK, PLN	311.5	96.1	213.4	2.0
Hire-purchase agreement	SEK	40.6	11.1	29.5	–
Summa		**352.1**	**107.2**	**242.9**	**2.0**

31.12.2020			Due		
Type of borrowings	**Currencies**	**Recognized value**	**Within 1 year**	**Between 2 and 5 years**	**Later than 5 years**
Bank loans	SEK, EUR, CNY, CZK, PLN	247.3	79.0	166.5	1.8
Hire-purchase agreement	SEK	8.8	2.5	6.3	–
Total		**256.1**	**81.5**	**172.8**	**1.8**

Note 24 cont.

Liabilities related to financial leasing
Information about maturity dates etc. for lease liabilities are found in Note 30.

Overdraft facility
The group has overdraft facilities in the currencies SEK, EUR, CZK and PLN totaling SEK 154.6 million (129.9). These facilities are distributed among eleven (ten) different subsidiaries and are renegotiated at different times. Of the overdraft facilities, SEK 58.7 million (44.2) had been utilized as of December 31, 2021. The weighted average of the interest rates on overdrafts availed is 2.8 per cent (2.6).

Other interest-bearing liabilities
Postponement of payments of social security fees in Sweden and Finland, which have been granted as a support to the business world in connection to the corona pandemic, are reported in other interest-bearing liabilities.

These are financial liabilities measured at fair value through profit or loss in level 3. The change in these liabilities is presented in the table below.

The additional consideration for the aquisition of SLP in early 2021 was estimated at 2,5 MSEK which was regulated during the third quarter 2021. The actual outcome of the additonal purchase price was SEK 2.3 million, where an operating income of SEK 0.2 million arose.

The additional consideration for the acquisition of Beyers in late 2021 was estimated at SEK 22.0 million. The amount was discounted to 20.9 million at 2.5 per cent interest. The additional consideration is based on the company's performance in 2022 and 2023 and will be paid in 2023 and 2024.

Changes in financial liabilities at fair value through income statement in level 3	**2021**	**2020**
Opening balance	–	3.1
Initial discounted value at acquisition	23.4	–
Repayments	-2.3	-3.1
Capitalized interest	–	–
Revaluation through income statement	-0.2	–
Closing balance	**20.9**	**–**

Parent Company 31.12.2021	**Liabilities to credit institutions**	**Liabilities to group companies**	**Other interest-bearing liabilities**	**Total borrowings**
Opening balance	67.6	36.6	1.7	105.9
Repayments	-23.9	–	–	-23.9
New loans	20.3	26.3	–	46.6
Other changes	1.2	–	–	1.2
Closing balance	**65.2**	**62.9**	**1.7**	**129.8**
Of which – long-term	40.2	62.9	–	103.1
– short-term	25.0	–	1.7	26.7

Parent Company 31.12.2020	**Liabilities to credit institutions**	**Liabilities to group companies**	**Other interest-bearing liabilities**	**Total borrowings**
Opening balance	90.5	4.4	–	94.9
Repayments	-20.5	–	–	-20.5
New loans	–	32.2	1.7	33.9
Other changes	-2.4	–	–	-2.4
Closing balance	**67.6**	**36.6**	**1.7**	**105.9**
Of which – long-term	47.0	–	–	47.0
– short-term	20.6	36.6	1.7	58.9

NOTE 25 Accounts payables

Group
All the Group's accounts receivables are due within 3 months.

Accounts receivables split on currencies	31.12.2021	31.12.2020
SEK	89.5	60.1
CNY	11.6	6.1
CZK	4.2	1.3
EUR	207.7	100.9
PLN	1.3	3.2
USD	53.3	24.1
Other	5.8	4.2
Total	**373.4**	**199.9**

NOTE 26 Other liabilities

Group	31.12.2021	31.12.2020
VAT liabilities	7.0	2.9
Employee taxes withhold	21.2	15.8
Prepayments from customers	19.7	6.1
Other short-term liabilities	10.8	8.3
Group total	**58.7**	**33.1**

Other short-term liabilities consist largely of personnel related liabilities such as determined social security fees to be paid in the following month.

Parent company
Other liabilities in the parent company amounted to SEK 1.4 million (1.1) and refers mainly to VAT liabilities.

NOTE 27 Accrued expenses and prepaid income

Group	31.12.2021	31.12.2020
Accrued wages	22.5	15.6
Accrued vacation costs	41.5	30.3
Accrued social security fees	15.3	13.0
Accrued material costs	7.3	4.3
Accrued costs for consultants and audit	3.2	2.8
Other accrued expenses and prepaid income	25.0	15.4
Group total	**114.8**	**81.4**

Parent Company	31.12.2021	31.12.2020
Accrued wages	1.5	0.2
Accrued vacation costs	0.8	0.7
Accrued social security fees	1.0	0.6
Other accrued expenses and prepaid income	0.8	0.6
Parent company total	**4.1**	**2.1**

NOTE 28 Assets pledged

Group	31.12.2021	31.12.2020
For liabilities to credit institutions and bank overdraft:		
Property mortgages	182.8	149.5
Floating charges	333.5	260.3
Machines with ownership reservations	130.3	95.6
Shares in subsidiaries	424.6	396.5
Pledged inventory	69.8	30.6
Total	**1,141.0**	**932.5**

Parent Company	31.12.2021	31.12.2020
For liabilities to credit institutions:		
Shares in subsidiaries	129.4	132.1
Total	**129.4**	**132.1**

NOTE 29 Contingent liabilities

Group	31.12.2021	31.12.2020
Issued guarantees	66.3	77.6
Total	**66.3**	**77.6**

Parent Company	31.12.2021	31.12.2020
Guarantee commitment	111.3	103.9
Total	**111.3**	**103.9**

The guarantees issued by the group or the parent company are not expected to result in any outflow of resources.

NOTE 30 Lease contracts

Group
The group rents most of its production premises, warehouses and the offices used in its operations, as well as some production machinery, forklift trucks, certain IT equipment and a number of cars.
Subletting only occurs in exceptional cases and at marginal amounts.

Right-of-use assets 2021	Buildings and premises	Machinery and technical installations	Equipment, tools and cars	Total
Opening balance	68.4	63.0	6.4	137.8
Extensions and revaluations of existing contracts	17.6	–	–	17.6
Investments	6.4	10.6	1.5	18.5
Acquisition of companies	61.8	–	1.1	62.9
Sold and scrapped	–	-0.1	-0.8	-0.9
This year's depreciation	-28.4	-9.5	-2.3	-40.2
Reclassifications	–	-10.8	0.3	-10.5
Exchange rate differences	1.7	1.0	–	2.7
Closing balance	**127.5**	**54.2**	**6.2**	**187.9**

Right-of-use assets 2020	Buildings and premises	Machinery and technical installations	Equipment, tools and cars	Total
Reclassified from tangible assets (Note 15)	84.1	56.0	3.6	143.7
Added assets at adoption of IFRS 16	11.8	-0.1	-0.2	11.5
Extensions and revaluations of existing contracts	–	22.0	4.2	26.2
Investments	–	–	-2.1	-2.1
Sold and scrapped	-26.5	-9.1	-2.5	-38.1
This year's depreciation	–	-2.1	–	-2.1
Reclassifications	–	-1.2	3.4	2.2
Exchange rate differences	-1.0	-2.5	–	-3.5
Closing balance	**68.4**	**63.0**	**6.4**	**137.8**

Lease liabilities, this year's changes	2021	2020
Opening balance	124.0	138.3
Extensions and revaluations of existing contracts	16.7	11.5
Repayments	-55.1	-51.3
New contracts	20.8	28.8
Terminated contracts	0.2	-2.1
Acquisition of companies	62.9	–
Capitalized interest	2.3	1.7
Exchange rate differences	2.5	-2.9
Closing balance	**174.3**	**124.0**

	2021		2020	
Lease liabilities, maturity dates	**Nominal values**	**Discounted values**	**Nominal values**	**Discounted values**
Short-term within 1 year	42.4	41.8	43.8	43.1
Long-term 1 – 2 years	40.9	39.5	27.8	27.0
Long-term 2 – 5 years	72.4	67.2	52.7	49.3
Long-term later than 5 years	28.7	25.8	5.0	4.6
Total future leasing fees	**184.4**	**174.3**	**129.3**	**124.0**

Lease liabilities are, in the balance sheet, reported at discounted present values. The table above also shows the nominal values, which are the undiscounted future cashflows.

Note 30 cont.

Total cost of leasing in the consolidated income statement	2021	2020
Leasing fees referring to contracts shorter than 1 year (included in Other external costs)	-5.7	-2.8
Leasing fees referring to contracts of smaller value (included in Other external costs)	-4.1	-2.4
This year's depreciation of right-of-use assets	-40.2	-38.1
This year's interest cost on lease liability	-3.3	-2.7
Total cost of leasing in the income statement	**-53.3**	**-46.0**

The Group has no lease contracts with variable leasing fees.

NOTE 31 Post-employment benefits

Group

Sweden

In Sweden there are individual defined-contribution pension agreements, agreements under the defined-contribution ITP 1 plan, and agreements under the ITP 2 plan. The ITP 2 plan's defined-benefit pension commitments for retirement and family pension are assured through a policy with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 10 Recognition of the ITP 2 pension plan as financed through a policy with Alecta, this is a defined-benefit plan that includes several employers. For the 2021 financial year, the company did not have access to the information needed to be able to report its proportional share of plan obligations, plan assets and costs, as a result of which it was not possible to recognize the plan as a defined-benefit plan. The ITP 2 pension plan, which is assured through a policy with Alecta, is therefore recognized as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is calculated individually and depends, among other things, on salary, previously vested pension and the expected remaining period of service. Expected contributions for the next reporting period for ITP 2 insurances that have been taken out with Alecta run to SEK 2.7 million (2,5). The group's share of total contributions to the plan is negligible.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance obligations, calculated in accordance with Alecta's actuarial methods and assumptions, which do not tally with IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 155 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 155 per cent, measures must be taken to create the conditions needed for the consolidation level to revert to the normal range. In the event of low consolidation, one measure may be to increase the agreed price for taking out a new policy and increasing existing benefits. In the event of high consolidation, one measure may be to introduce premium reductions. At the end of 2021, Alecta's surplus, in the form of the collective consolidation level, ran to 172 per cent (148).

There is a PRI plan in a Swedish subsidiary. This is recognized as a defined-benefit plan, but because it is minor in scope it is recognized in accordance with the pension fund's own valuation without translation in accordance with IAS 19. At year-end, the defined-benefit pension plan in Sweden amounted to SEK 5.8 million (5.4).

Germany

In the German subsidiary HANZA GmbH there is a defined-benefit pension plan that covers 339 people (327), of whom 161 (164) are active in the company, with the remainder being paid-up policyholders and pensioners. The plan, which is managed by an outside manager, covers the majority of the employees, yet not those hired in 2018 or later. At year-end, the funding ratio for the plan amounted to 25 per cent (23).

Other countries

In other countries where HANZA operates, there are defined-contribution pension plans that in some cases cover all employees and in other cases only certain groups of employees.

Total pension costs in income statement	2021			2020		
	Germany	Other	Total	Germany	Other	Total
Pension costs for defined contribution plans	2.5	32.6	35.1	0.2	25.5	25.7
Pension costs for defined benefit plans	3.0	0.5	3.5	3.1	0.3	3.4
Total pension costs	**5.5**	**33.1**	**38.6**	**3.3**	**25.8**	**29.1**

Defined benefit pensions

	2021			2020		
Recognition in the balance sheet	Germany	Sweden	Total	Germany	Sweden	Total
Defined benefit obligations, funded plans	138.1	–	138.1	136.3	–	136.3
Defined benefit obligations, unfunded plans	–	5.8	5.8	–	5.4	5.4
Plan assets, fair value	–34.6	–	–34.6	–31.4	–	-31.4
Provisions for pensions	**103.5**	**5.8**	**109.3**	**104.9**	**5.4**	**110.3**

Note 31 cont.

Change in defined benefit pension obligations	2021			2020		
	Present value of defined benefit pension plans	**Plan assets, fair value**	**Net**	**Present value of defined benefit pension plans**	**Plan assets, fair value**	**Net**
Opening balance	**141.7**	**-31.4**	**110.3**	**141.9**	**-33.0**	**108.9**
Items in income statement						
Current service cost	2.8	–	2.8	3.4	–	3.4
Interest costs	0.8	-0.1	0.7	1.2	-0.3	0.9
	3.6	**-0.1**	**3.5**	**4.6**	**-0.3**	**4.3**
Revaluation in other comprehensive income:						
Actuarial gains/losses (-/+) from changes in demographic assumptions	0.5	–	0.5	-2.7	–	-2.7
Actuarial gains/losses (-/+) from changes in financial assumptions	-1.6	–	-1.6	5.2	–	5.2
Return on plan assets	–	-1.1	-1.1	–	2.2	2.2
	-1.1	**-1.1**	**-2.2**	**2.5**	**2.2**	**4.7**
Other changes:						
Employer contributions	–	-1.4	-1.4	–	-1.6	-1.6
Benefit payments	-2.8	–	-2.8	-1.9	–	-1.9
Exchange differences	2.5	-0.6	1.9	-5.4	1.3	-4.1
Closing balance	**143.9**	**-34.6**	**109.3**	**141.7**	**-31.4**	**110.3**

Plan assets
The plan assets are fully invested in a German pension fund with assets at market value.

Actuarial assumptions and sensitivity analysis
A number of actuarial assumptions are used in valuing the defined-benefit pension plans. The most important of these assumptions are set out below. In cases where a sensitivity analysis is presented, other assumptions are assumed to be unchanged.

Discount rate
A discount rate of 0.73 per cent (0.42) was used in calculating the German pension debt. This is based on AA-rated corporate bonds with maturities corresponding to the pension obligations.

If the discount rate used had been 0.5 percentage points higher, the liability would have been lower by SEK 5.1 million, while if it had been 0.5 percentage point lower, the liability would have been higher by SEK 5.4million.

Demographic assumptions
The Heubeck 2018 G table was used in the calculation of the German pension plan. A increase in life expectancy with one year would increase the liability by SEK 2.4 million.

Parent Company
The parent company has 2 employees who are covered by individual defined-contribution pension agreements.

NOTE 32 Items in the cash flow statement

Group

Other non-cash items	2021	2020
Result from disposal of fixed assets	-3.5	–
Revaluation of acquisition purchase price	–	-2.5
Unrealized exchange differences	-1.0	1.1
Other	2.2	2.7
Total	**-2.3**	**1.3**

Paid interest during the year amounts to SEK 20.0 million (17.5).

Cash flow from new loans	2021	2020
New loans according to Note 24	213.9	123.2
New lease contracts without cash flow effect	-20.8	-28.8
New liability referring to additional purchase price	-20.9	–
Investments transferred to lease contracts	1.4	2.6
Cash flow	**173.6**	**97.0**

Cash flow from amortizations	2021	2020
Repayments according to Note 24	-186.2	-163.6
Additional purchase price paid, which is reported under investments in subsidiaries in the cash flow	–	3.1
Cash flow	**-186.2**	**-160.5**

Parent Company
Other non-cash items in the parent company refers to unrealized exchange gains on EUR loans.

NOTE 33 Acquisitions of subsidiaries

Acquisitions during the year
HANZA Holding AB has during 2021 made two acquisition. Suomen Levyprofiili Oy ("SLP") was aquired in March and in October Helmut Beyers GmbH ("Beyers") was acquired.

Acquisitions 2021
On March 19, 2021, all shares in SLP with its registered office in Joensuu, Finland were acquired. The company conducts manufacturing in sheet metal mechanics and has sales of approximately SEK 150 million per year and has just over 100 employees. The total purchase price amounted to SEK 35.0 million and consisted of a cash portion of SEK 5.1 million paid upon acquisition, 1,800,000 shares in HANZA Holding valued at SEK 27.6 million and a variable additional purchase price of SEK 2.3 million which was settled during the third quarter of 2021. In the acquisition analysis, the additional purchase price was estimated at SEK 2.5 million, whereby other operating income of SEK 0.2 million arose. Upon the acquisition, a shareholder loan of SEK 15.4 million was also taken over, which is also included in cash flow from business acquisitions.

The acquisition identified an intangible asset in the form of customer relationships of SEK 15.2 million. The amortization period for these customer relationships is 10 years. Deferred tax liability regarding this item amounts to SEK 3.0 million. In addition, goodwill of SEK 37.8 million is reported in the acquisition. The goodwill mainly consists of synergies with HANZA's other operations in Finland. This will not be tax deductible. The acquisition analysis is still preliminary.

On October 25, 2021, all shares in Helmut Beyers GmbH, headquartered in Mönchengladbach, Germany, were acquired. The company offers manufacturing of electronics and has about 150 employees. The cash purchase price amounted to EUR 2.6 million and is based on equity at the end of September 2021. There is also an additional purchase price that is linked to an expected increase in sales for the financial years 2022 and 2023 from the current level and which can amount to a maximum of an additional EUR 2.5 million. In the acquisition analysis, the additional purchase price was estimated at EUR 2.2 million, which has been discounted with 2.5 per cent to EUR 2.1 million. In addition, a goodwill of EUR 2.3 million is reported in the acquisition which mainly consists of synergies with HANZA's other operations in Germany. The acquisition analysis is still preliminary.

Note 33 cont.

Purchase price, SEK million	SLP	Beyers
Cash and cash equivalents paid upon entry into possession	5.1	25.9
Equity instruments 1,800,000 ordinary shares	27.6	–
Conditional additional purchase price paid in Q3 2021	2.5	–
Conditional additional purchase price due in 2022	–	6.7
Conditional additional purchase price due in 2023	–	14.3
Total estimated purchase price	**35.2**	**46.9**
Reported amounts of identifiable acquired assets and assumed liabilities		
Cash and cash equivalents	0.3	–
Intangible fixed assets	17.0	0.6
Right-of-use assets	38.8	24.1
Machinery and equipment	0.5	–
Buildings and land	16.6	9.7
Deferred tax assets	0.1	1.9
Financial assets	0.3	–
Inventories	11.6	58.6
Accounts receivable and other receivables	16.1	16.2
Deferred tax liability	-3.1	–
Shareholder loan	-15.4	–
Lease liabilities	-38.8	-24.1
Liabilities to credit institutions	-21.0	-48.0
Accounts payable and other liabilities	-25.6	-14.9
Total identified net assets	**-2.6**	**24.1**
Goodwill	37.8	22.8
Total net assets transferred	**35.2**	**46.9**
Cash flow from acquisitions	**-22.5**	**-25.9**

The table below shows reported net sales and EBIT from the in 2021 acquired units:

Net sales and EBIT in the acquired company, SEK million	SLP	Beyers
Date of acquisition	*2021-03-19*	*2021-10-25*
Net sales before acquisition	33.6	143.6
Net sales after acquisition	126.0	35.9
Total net sales if the company had been held for the full period	**159.6**	**179.5**
EBIT before acquisition	2.1	-6.8
EBIT after acquisition	4.1	-0.3
Total EBIT if the company had been held for the full period	**6.2**	**-7.1**

EBIT above shows the results reported by the companies but does not include from the acquisitions added amortisation of identified surplus values integration costs or transaction costs.

NOTE 34 Transactions with related parties

The group's related parties include the largest shareholders, the board of directors, the CEO and other senior executives, as well as their family members. Where the parent company is concerned, all group subsidiaries are also included in the circle of related parties. The parent company's transactions with these are recognized separately at the end of this Note.

The largest shareholder is Gerald Engström who owned, as of the balance sheet date, just under 24% of the shares and votes in HANZA Holding AB through his wholly-owned company Färna Invest. RVM Systems AS is a wholly-owned subsidiary of Färna Invest, to which HANZA sold manufacturing services for SEK 110.1 million (58.5). The sales have been conducted on market terms.

Remuneration to senior executives

Complete guidelines for remuneration to senior executives appear in the management report, pages 31–36.

Remunerations are paid to the Chairman and members of the board in accordance with the decision of the AGM. Remuneration for work on the Audit Committee and the Remuneration Committee are also paid.

Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration, pension and a benefit in the form of a company car. Other senior executives are considered those persons who, together with the CEO, constitute the group management team. There were, up to April 2020, a total of 5 such people and after that 2 people.

2021 Amounts in SEK thousands	**Basic salary/ Board remuneration**	**Variable remuneration**	**Pension cost**	**Other benefits**	**Total**
Chairman of the board Francesco Franzé	410	–	–	–	410
Vice chairman of the board Gerald Engström	193	–	–	–	193
Boardmember Håkan Halén	240	–	–	–	240
Boardmember Helene Richmond	180	–	–	–	180
Boardmember Sofia Axelsson	205	–	–	–	205
CEO and president Erik Stenfors	2,527	1,112	681	109	4,429
Other senior executives (2 people)	3,527	1,036	1,148	204	5,915
Total	**7,282**	**2,148**	**1,829**	**313**	**11,572**

2020 Amounts in SEK thousands	**Basic salary/ Board remuneration**	**Variable remuneration**	**Pension cost**	**Other benefits**	**Total**
Chairman of the board Francesco Franzé	400	–	–	–	400
Boardmember Gerald Engström	187	–	–	–	187
Boardmember Håkan Halén	225	–	–	–	225
Boardmember Helene Richmond	175	–	–	–	175
Boardmember Sofia Axelsson	200	–	–	–	200
CEO and president Erik Stenfors	2,530	–	630	83	3,243
Other senior executives (5 people of which 3 only part of the year))	5,224	–	1,596	245	7,065
Total	**8,941**	**–**	**2,226**	**328**	**11,495**

Note 34 cont.

The group's senior executives only have defined-contribution pension plans. Pension cost refers to the cost that affected the profit for the year. For further pension disclosures, see below.

The Chairman of the board has not received any remuneration in addition to director's fees.

Share-based payment and warrants

No share-based payments were paid in 2020 or 2021. In the second quarter 850,000 warrants were issued to the company's senior executives at market value consideration. Each warrant entitles the holder to subscribe for one share in the company at SEK 20.00 from 1 June 2023 until 30 September 2023.

Pensions

The retirement age for the CEO is 65. The pension premium shall amount to 25 per cent of pensionable salary which is the basic salary.

For other senior executives the retirement age is 65. The pension agreements stipulate that pension payments must adhere to a premium scale established by the company.

Severance pay

A mutual notice period of six months applies as between the company and the CEO. Severance pay equivalent to six months' salary is payable in the event of involuntary termination of employment. The severance pay is not offset against other income. No severance pay is payable in the event of resignation by the CEO.

A mutual notice period of three to six months applies as between the company and other senior executives. For the company's CFO and COO there is an extant severance pay agreement amounting to six monthly salaries.

The parent company's receivables on, liabilities to and transactions with group subsidiaries

Receivables from and liabilities to group companies

On the balance sheet date, the parent company had long-term receivables from HANZA AB amounting to SEK 23.4 million (18.8). These receivables consist of intra-group loans that bear market interest rates. At year-end, the parent company had current receivables from other subsidiaries amounting to SEK 11.5 million (5.3) which comprise operating receivables of a temporary nature. Further, the parent company had short-term liabilities to HANZA GmbH amounting to SEK 62.9 million (36.6) These long-term loans consist of group internal loans that is run on a market basis. Last year, these loans were reported as short-term.

The parent company's sales to and purchases from group companies

Services to group companies are bought and sold on standard commercial terms and have amounted as below.

SEK million	2021	2020
Sales of services to subsidiaries	25.8	21.1
Purchase of services from group companies	4.4	2.2

NOTE 35 Shares in subsidiaries

Parent Company	2021	2020
Opening acquisition values	319.4	360.5
Acquisition of HANZA Germany GmbH	0.3	–
Shareholder contribution to HANZA Metalliset Oy	56.6	–
Reduction of the purchase price for RITTER Elektronik GmbH	-0.2	-2.5
Write-down of shares in HANZA KA Åtvidaberg AB[1]	-9.5	-10.5
Write-down of shares in HANZA Metalliset Oy	–	-28.1
Closing value	**366.6**	**319.4**

					Closing value	
Name	**Identity number**	**Domicile**	**Proportion of equity[3], %**	**Number of share**	**31.12.2021**	**31.12.2020**
Directly owned subsidiaries						
Holding companies						
HANZA AB	556746-2436	Årjäng, Sweden	100	128,205	139.1	139.1
Manufacturing companies						
HANZA Metalliset Oy	0735704-5	Heinävesi, Finland	100	1,626	96.6	40.0
HANZA GmbH	HRB30263	Remscheid, Germany	100	1	129.5	129.7
HANZA Germany GmbH	HRB31879	Remscheid, Germany	100	10	0.3	–
Dormant subsidiaries						
HANZA KA Åtvidaberg AB[1]	556404-2371	Åtvidaberg, Sweden	100	227,292	1.1	10.6
					366.6	**319.4**

1) The value of the shares in HANZA KA Åtvidaberg has been written-down to net worth as the operations have been terminated.

Name	Identity number	Domicile	Proportion of equity[3], %	Antal aktier
Indirectly owned subsidiaries				
Manufacturing companies				
HANZA ALFARAM ELECTRIC (SUZHOU) CO.,LTD	9132059472801435XQ	Suzhou, China	100	1
HANZA Elektromekan AB	556253-8289	Årjäng, Sweden	100	20,000
HANZA Mechanics Sweden AB	556497-3237	Årjäng, Sweden	100	2,210
HANZA Mechanics Tartu AS	10019012	Tartu, Estonia	100	75,000
HANZA Poland Sp. z.o.o	0000302360	Brzeg Dolny, Poland	100	175
HANZA Mechanics Narva AS	11011627	Narva, Estonia	100	1,000
HANZA Mechanics Kunovice s.r.o	26217465	Kunovice, Czech Republic	100	1
HANZA Toolfac Oy	1895668-4	Iisalmi, Finland	100	199
HANZA Wermech AB	556560-4187	Årjäng, Sweden	100	1,000
HANZA Czech Republic s.r.o	25862839	Ostrava, Czech Republic	100	1
HANZA Levyprofiili Oy[2]	2424893-2	Joensuu, Finland	100	750,000
HANZA Beyers GmbH[3]	HRB2861	Mönchengladbach, Germany	100	10
Subsidiaries for group internal services				
HANZA Shared Service Center AB	556893-0449	Årjäng, Sweden	100	500
HANZA Shared Service Tartu OÜ	12775321	Tartu, Estonia	100	1
Dormant subsidiaries				
HANZA Alfaram Finland Oy	1065763-9	Kaarina, Finland	100	55
HANZA Tarkon Sweden AB	556833-2257	Stockholm, Sweden	100	100,000

2) Name at acquisition Soumen Levyprofiili Oy.
3) Previously Helmut Beyers GmbH.

NOTE 36 Appropriations and untaxed reserves

Parent company appropriations consisted of the following items:

	2021	2020
Group contributions from the Swedish subsidiares	7.2	5.3
Provisions to tax allocation reserve	-1.2	-0.5
Total appropriations	**6.0**	**4.8**

Untaxed reserves	2021	2020
Tax allocation reserve 202	0.5	0.5
Tax allocation reserve 2021	1.2	–
Total untaxed reserves	**1.7**	**0.5**

NOTE 37 Events after the end of the year

In January 2022, HANZA decided to expand its operations in Central Europe by approximately 2,000 sqm. through the acquisition of a property in Poland and expansion of the facility in the Czech Republic. Operations in the new premises will start during the second quarter of 2022.

During the second quarter of 2022, the manufacturing unit in Suzhou, China, will move into new manufacturing premises. This will bring opportunities to increased productivity as the premises are more adapted to the company's operations and because investments in new machines have been made.

In March, HANZA expanded its collaboration with Swisslog AS, in order to support their turnkey automated warehousing projects to Mo in Rana, Norway. The assigment includes manufacturing and delivery of 86,000 storage boxes in steel. The production will take place in HANZA's Swedish manufacturing clusters, where the first deliveries was made during the first quarter of 2022.

When this annual report is published, there is an ongoing war in Ukraine, which might lead to negative effects on HANZA's market and operations, both in long-tem and in short-term. HANZA do not have any business or custormers in either Russia, Belarus or Ukraine, which are the countries currently involved in the military conflicts or that is covered by EU sanctions. There are still uncertainties about how much impact this can have on short- and long-term. The board and the company's management are following the developments of this situation carefully to be able to handle the changes in the conditions of the business that arise both quickly and efficiently.

NOTE 38 Proposed appropriation of profit

The board of directors proposes a dividend for financial year 2021 of SEK 0.50 per share (0.25) corresponding to a total dividend of SEK 17.9 million (8.5) based on the number of outstanding shares as of 31 March 2022. Proposed record date is 28 April 2022.

The following profit (SEK) in the parent company is at the disposal of the AGM

Retained earnings	342,604,052
Share premium reserve	-87,624,104
Profit for the year	7,379,549
Total	**262,359,497**

The board of directors proposes that retained funds be

Paid as dividend to the shareholders, 0.50 SEK per share, in total	17,889,964
Carried forward in the amount of, after settlement against the share premium fund	244,469,533
Total	**262,359,497**

The boards statement over the proposed dividend
The board of directors proposes a dividend to the shareholders of SEK 0.50 per share (0.25) corresponding to SEK 17.9 million (8.9). The proposed dividend compose 6.8 per cent of the profits on the balance sheet day. The Board is of the opinion that the proposed dividend is consistent with the prudence concept in the Swedish Companies act regarding demand on the company's equity, investment needs, liquidity and financial position and the risks associated to the type and size of the operations.

Declaration

The annual report and the consolidated financial statements have been approved for publication by the board of directors on March 31, 2022. The consolidated income statement and balance sheet will be submitted for approval at the AGM on May 10, 2022.

The Board of Directors and the President and CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position, results of operations and cash flows.

The annual report has been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent company provides a fair review of the development of the Group's and the Parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent company and the companies included in the Group.

The annual report and the consolidated financial statements also contains the Groups and the Parent company's sustainability report according to the Annual Accounts Act, Chapter 6, Section 11, see pages 15–25.

Stockholm, the day stated in our electronic signature

Francesco Franzé
Chairman of the board

Gerald Engström
Vice chairman of the board

Sofia Axelsson
Boardmember

Håkan Halén
Boardmember

Helene Richmond
Boardmember

Erik Stenfors
President and CEO

Our audit report was issued on the day stated in our electronic signature

Ernst & Young AB

Charlotte Holmstrand
Authorized Public Accountant
Auditor in charge

Auditor's Report

To the annual general meeting of the shareholders of HANZA Holding AB, corporate identity number 556748-8399

This is a translation from the Swedish original.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of HANZA Holding AB for the year 2021 with exception for the corporate governance statement and the sustainability report on pages 37–40 and page 35. The annual accounts and consolidated accounts of the company are included on the pages 31–85 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and the sustainability report on pages 37–40 and page 35. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We have conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenues

Description of the key audit matter

The turnover for 2021 amounts to 2 515,2 mSEK for the group. The revenues of the group primarily consist of revenues from sales of goods such as components, underlying systems and finished composited products to customers in many different countries. The products are produced according to the client's specifications but HANZA is involved in tailoring the manufacturing process. This means that the price model, manufacturing process and delivery terms are individual for each single customer agreement. The revenue process requires a well working process, including orders, invoicing, deliveries and delivery terms. These conditions are delivered by several subsidiaries which requires guidelines and procedures but also assessments by management to determine appropriate method and period to ensure correct revenue recognition. In our opinion revenues is a key audit matter considering the volume of transactions and that revenues constitute the most significant financial item for the company.

For further information about the revenues, see Accounting principles and note 5 distribution by geographical market and note 6 segment reporting.

How our audit addressed this key audit matter

We have performed an audit of the group's principles for revenue recognition to verify compliance with IFRS. We have performed analytical review of revenues divided into different product offerings and geographical markets. Test of details of delivery documents have been performed in order to ensure that revenues have been reported in the correct period. In addition, we have also performed data analytics on revenues.

Goodwill and shares in subsidiaries

Description of the key audit matter

Intangible assets amount to 464,3 mSEK as of December 31, 2021 whereof 361,7 mSEK are accounted for as goodwill. Goodwill represents 18,5% of the group's total assets. Refer to note 14 and the description of HANZA's intangible assets on page 52. Shares in subsidiaries amount to 366,6 mSEK in the parent company as of December 31, 2021. Refer to note 35 and the description of shares in subsidiaries on page 55. Goodwill and intangible assets with indefinite useful life are subject to annual impairment test. HANZA performs impairment test at least annually, and when there are indications of a decline in asset value, to make sure that the reported value does not exceeds the recoverable value of the assets. The shares in subsidiaries are assessed on an ongoing basis during the year if there are indications of a decline in value and if so, the asset's recoverable value is calculated.

The recoverable values for goodwill and shares in subsidiaries are determined based on a present value calculation of future cash flows for each cash generating unit and are based on expected outcome from number of factors based on management's business plans and forecasts. A description of the impairment test can be found in note 2 (accounting principles) and in the section "goodwill" on page 52 and "significant estimates and judgements" on page 58 for goodwill and note 35 for shares in subsidiaries. Changes in managements assumptions regarding the recoverable value such as future cash flows, growth, discount rate and investment needs could lead to an impairment requirement with significant financial impact on the group. We have therefore considered valuation of goodwill and shares in subsidiaries as a key audit matter in our audit.

How our audit addressed this key audit matter

We have evaluated and tested management's process for impairment test of goodwill and shares in subsidiaries and reviewed future prognoses and performed sensitivity analysis on key assumptions. We have, with support from our valuation experts, audited HANZA's model and method for impairment of goodwill and shares in subsidiaries and evaluated the reasonableness in the assumptions related to the discount rate by using data for comparable companies and applied long-term growth. We have also reviewed the provided disclosures in the annual report.

Inventory

Description of the key audit matter

The group's inventories amount to 662,9 mSEK in 2021. In the group´s production units there are stocks of raw materials, work in progress and finished goods. In order to offer short and safe delivery times and to provide customized solutions, most customers have a certain amount of stock that can be used for suborder.

It is demanding to accurately account for the acquisition cost when purchasing, manufacturing and logistics processes are complex. In the product calculations there are number of trade-offs that need to be made by the company management that have an impact on the reported values. Important areas are method determination, determination of normal production and index for distributing direct and indirect costs. The valuation also includes assessments such as for example estimation of the net realizable value when applying the lower of cost or market principle and assessing the inventory obsolescence.

How our audit addressed this key audit matter

We have reviewed the process for calculations of product estimates since this is central in the valuation of the inventory. We have performed review and walkthrough of the group's processes for purchases of raw materials, production, warehousing and obsolescence assessment.

We have performed price tests of raw materials, controls of calculations, analyzes of stock turnover rate and sampling tests of accruals of receipts and deliveries.

We have taken part of the group's considerations regarding inventory obsolescence and their assessment of slow-moving products. We have also participated at physical inventory counts and performed our own sampling counts on the most significant warehouses to confirm both quantity and volume to test the assessment and valuation of obsolescence.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–30 and 91–96. The remuneration report for the year 2021 is also considered other information. The board of directors and the managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into consideration our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the managing director

The board of directors and the managing director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the managing director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the board of directors and the managing director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the managing director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The audit committee shall, without affecting the board of director's responsibilities and tasks in general, among other things monitor the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of the company's internal control relevant to our audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and the managing director.

- conclude on the appropriateness of the board of directors' and the managing director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the board of directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

The auditor's audit of administration and the proposed appropriation of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the board of directors and the managing director of HANZA Holding AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the annual general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the board of directors and the managing director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The managing director shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the board of directors or the managing director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the board of directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for HANZA Holding AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report 087428a46bedc895f3c8 32696121ae0ee7c172017bc5c21e391e5389169f544 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of HANZA Holding AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the board of directors and the managing director

The board of directors and the managing director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the board of directors and the managing director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the board of directors and the managing director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the board of directors and the managing director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The board of directors is responsible for that the corporate governance statement on pages 37–40 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 *The auditor´s examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's statement regarding the statutory sustainability report

The board of directors is responsible for the sustainability report on page 35 has been prepared I accordance with the Annual Accounts Act.

Our examination of the sustainability report is conducted in accordance with FAR's recommendation RevR 12 *The auditor's statement regarding the statutory sustainability report*. This means that our examination of the sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A sustainability report has been prepared.

Ernst & Young AB with responsible auditor Charlotte Holmstrand, Box 7850, 103 99 Stockholm, was appointed auditor of HANZA Holding AB by the general meeting of the shareholders on April 26, 2021 and has been the company's auditor since June 3, 2016.

The date stated in our digital signature
Ernst & Young AB

Charlotte Holmstrand
Authorized Public Accountant

Board of directors

Francesco Franzé
Chairman of the Board since 2019, elected 2015.
Chairman of the Remuneration Committee and member of the Audit Committee. Previous positions include Group Management of Husqvarna Group, Senior VP Industrial Operations of Electrolux Group as well as site manager at manufacturing sites in Italy, Switzerland, Great Britain and Sweden.
Born: 1964
Education: Master of Science in Mechanical Engineering at the Royal Institute of Technology (KTH).
Other assignments: Chairman of the Board of Adrian Michel Group AG, Panarea AB and The Barbecue Company AB.
Holding: 3,578,091 shares.
Independent of the company and its management, but not of the company's significant shareholders.

Gerald Engström
Vice chairman of the Board 2019, elected 2015.
Member of the Remuneration Committee. Founder of Systemair. Previous positions include CEO and President of Systemair AB and CEO of Ziehl-ebm AB.
Born: 1948
Education: Upper secondary school qualification in Engineering, Business studies at Stockholm University.
Other assignments: CEO of Färna Invest AB. Chairman of the Board of Systemair AB. Board member of Färna Herrgård AB, Bluefish Pharmaceuticals AB (publ), Masbohallen AB and Coppersmith's AB.
Holding: 8,557,194 shares through the related company Färna Invest AB.
Independent of the company and its management, but not of the company's significant shareholders.

Helene Richmond
Member of the Board since 2017.
CEO, Enertech AB
Previous position as manager in SKF Group.
Born: 1960
Education: Master of Science in Mechanical Engineering at Lund University.
Holding: 39,000 shares.
Independent of the company, its management and the significant shareholders.

Håkan Halén
Member of the Board since 2015.
Chairman of the Audit Committee.
Previous positions as Vice President and CFO of Hexagon AB.
Born: 1954
Education: Master of Science (Econ.) at Stockholm University.
Other assignments: Chairman of the Board of Halén Invest AB. Board Member of YOU. by J AB.
Holding: 2,357,470 shares.
Independent of the company, its management and the significant shareholders.

Sofia Axelsson
Member of the Board since 2018.
Member of the Audit Committee. President Resedential EPAC Husqvarna Group. Previously CEO and President of Svedberg.
Born: 1973
Education: Master of Science in Public Finance/Business Administration at Gothenburg University.
Other assignments: Board member of Herenco AB.
Holding: 4,000 shares.
Independent of the company, its management and the significant shareholders.

Information on shareholdings as of December 31, 2021 with subsequent known transactions.

AUDITORS

Registered audit firm
Ernst&Young AB

Principal auditor
Charlotte Holmstrand
Authorized Auditor, Ernst&Young AB
Born: 1976
Auditor for HANZA since 2016
Number of shares: No shares.

Group management

Andreas Nordin
Chief Operating Officer (COO)
Senior Vice President
Employed: 2017
Born: 1970
Education: Master of Science in Mechanical Engineering at The Royal Institute of Technology (KTH).
Background: CEO of Ericsson AB's factories in Estonia, Brazil and Mexico.
Number of shares: No shares, 250,000 warrants

Lars Åkerblom
Chief Financial Officer (CFO)
Executive Vice President
Employed: 2010
Born: 1965
Education: Master of Science (economy), Uppsala University and Auditor's Exam from the Association of Authorized Public Accountants (FAR).
Background: Authorized Public Accountant and Market Manager at KPMG, CFO at listed Pricer and Nocom (now IAR), CFO Scandinavian Biogas, Financial Manager Sweco AB, CFO and CEO at Wonderful Times Group AB.
Number of shares: 110,210 shares, as well as 250,000 warrants.

Erik Stenfors
CEO and President of HANZA Group
Employed: 2008
Born: 1966
Education: Master of Science in engineering physics at The Royal Institute of Technology (KTH).
Background: R&D Manager, Minec Systems AB, founder/CEO NOTE AB, founder Wonderful Times Group AB, founder and CEO HANZA Holding AB.
Number of shares: 453,000 shares privately and through company, as well as 350,000 warrants.

Information on shareholdings as of December 31,2020 with subsequent known transactions.

Key ratios

	2021	2020	2019	2018	2017
Key ratios according to IFRS					
Net sales, SEK million	2,515.2	2,154.9	2,067.7	1,810.6	1,399.7
Operating profit (EBIT), SEK million	127.5	31.3	56.8	54.1	35.7
Profit/loss for the year, SEK million	80.2	-1.4	23.6	20.8	16.4
Earnings per share before dilution, SEK[1]	2.26	-0.04	0.73	0.74	0.69
Earnings per share after dilution	2.25	-0.04	0.73	0.74	0.69
Dividend per share. SEK[2]	0.50	0.25	–	0.25	–
Cash flow from operating activities, SEK million	126.1	181.8	122.0	113.5	72.0
Average number of employees	1,741	1,543	1,603	1,407	1,305
Alternative performance measurements					
EBITDA, SEK million	232.1	138.6	149.0	113.2	79.1
EBITDA margin, %	9.2	6.4	7.2	6.3	5.7
Operational segments EBITA, SEK million	155.1	51.2	83.6	71.3	40.1
Operational EBITA margin	6.2	2.4	4.0	3.9	2.9
EBITA, SEK million	143.4	47.8	67.9	61.3	36.0
EBITA margin, %	5.7	2.2	3.3	3.4	2.6
Operating margin, %	5.1	1.5	2.7	3.0	2.6
Operating capital, SEK million	1,297.5	925.3	1,041.0	675.2	455.3
Return on operating capital, %	12.9	4.9	7.9	10.8	7.5
Capital turnover on operating capital, times	2.3	2.2	2.4	3.2	2.9
Return on capital employed, %	10.7	2.9	6.2	8.5	6.9
Operational net debt, SEK million	473.7	270.7	350.2	260.2	142.0
Net interest-bearing debt, SEK million	712.1	450.4	543.3	264.7	146.0
Net debt/equity ratio, times	1.2	0.9	1.1	0.6	0.5
Net debt in relation to EBITDA, times	3.1	3.2	3.6	2.3	1.8
Equity ratio, %	30.0	33.6	32.6	37.5	40.2
Equity per share at end of period, SEK[1]	16.36	13.97	14.65	13.70	12.79

1) Previous year's values have been recalculated due to the fund issue elements of preferential rights issue 2018.
2) 2021, proposed dividend.

The alternative performance measurements above are considered relevant to give a picture of HANZA's operational profitability, the distribution between internal and external financing, return on capital provided and the company's financial risk. Reconciliation tables for alternative performance measurements are published on the company's web page.

Definitions, alternative performance measurements and terms

KEY RATIOS ACCORDING TO IFRS – Definitions
EBIT refers to earnings before interest and taxes and is the same as operating profit.

ALTERNATIVE PERFORMANCE MEASUREMENTS – Definitions, reconciliation and motives
The alternative performance measurements below are used in this annual report. Reconciliation tables for alternative performance measurements and motives for using each measurement are published on the company's web page.

Business development costs include costs incurred in special projects to develop the Group which are not related to the operating activities, such as acquisitions, disposals and listing costs.

Business development segment EBITA includes business development costs. EBITA and EBIT are equal for this segment.

Return on capital employed is EBIT plus financial income divided by average capital employed.

Gross margin refers to net sales less cost of raw materials and consumables and change in inventories in production, finished goods and work in progress on behalf of others, divided by net sales.

EBITDA refers to earnings before interest, taxes, depreciation, and amortization and write downs of tangible and intangible items.

EBITDA margin is EBITDA divided by net sales.

EBITA refers to earnings before interest, taxes and amortization and write-downs of intangible items.

Equity per share is equity on the balance sheet date, adjusted for not registered equity, divided by the registered number of shares on the balance sheet date.

Items affecting comparability are revenue and expense items in the operating profit which only by way of exception occurs in the operations. To items affecting comparability are referred revenues and expenses such as acquisition costs, revaluation of additional purchase prices, profit or loss on disposal of buildings and land, debt concession, costs of larger restructurings such as moving of whole factories and larger write-downs.

Capital turnover on average operating capital, refers to net sales divided by average operating capital.

Operational segments EBITA (operational EBITA) is EBITA before business development costs.

Operating profit from operational segments (operating EBIT) is operating profit before business development costs.

Operational EBITA margin refers to operational segments EBITA divided by net sales.

Operating capital is the balance sheet total less cash and cash equivalents, financial assets and non-interest-bearing liabilities.

Operational net debt is interest-bearing liabilities, excluding provisions for post-employment benefits and lease liabilities related to buildings and premises, less cash in hand and similar assets and short-term investments.

Net debt in relation to EBITDA is net interest-bearing debt at year end divided by EBITDA.

Net debt/equity ratio is net interest-bearing debt divided by shareholders' equity.

Return on operating capital is operating EBITA divided by average operating capital.

Net interest-bearing debt is interest-bearing liabilities, including provisions for post-employment benefits, less cash in hand and similar assets and short-term investments.

Operating margin (EBIT margin) is operating profit divided by net sales.

Equity ratio is shareholders' equity divided by the balance sheet total.

Capital employed is balance sheet total minus non-interest-bearing provisions and liabilities.

TERMS – Definitions established by HANZA
CORE (Cluster Operational Excellence) is a method used by HANZA to develop the factories operationally, which are carried out in shape of projects.

MIG (Manufacturing Solutions for Increased Growth & Earnings) is an advisory service developed by HANZA which analyses and gives advices on improvements in the customers complete manufacturing and logistic chain.

MCS (Material Compliance Services) is a service developed by HANZA which helps the customer to secure that a product fulfils regulations regarding included components.

Manufacturing cluster HANZA gathers a number of contract manufacturing technologies within certain geographical areas called manufacturing clusters.

Addresses

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HANZA

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