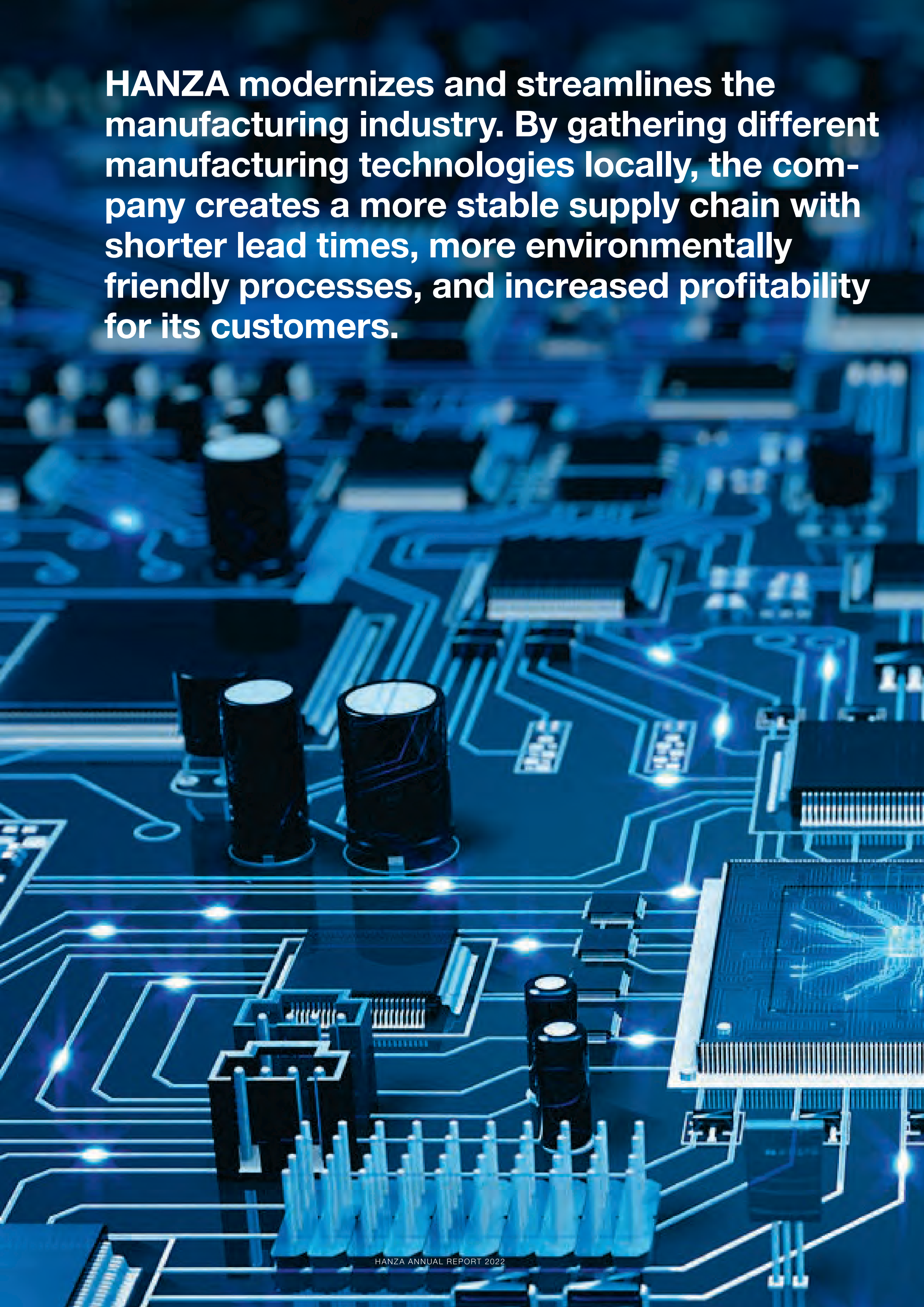
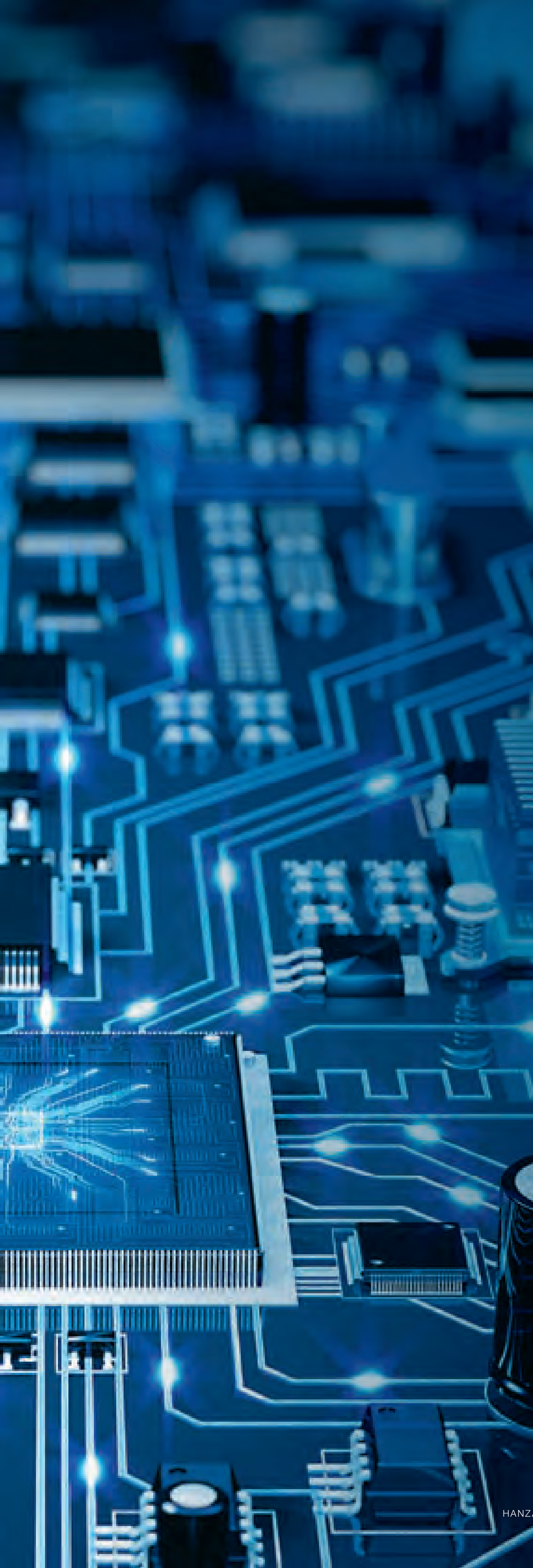
HANZA

ALL YOU NEED IS ONE ™

Annual Report 2022

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





Contents

Financial calendar

- Interim report for the period January to March 2023: May 3, 2023
- Interim report for the period January to June 2023: July 25, 2023
- Interim report for the period January to September 2023: November 7, 2023

Annual general meeting

HANZA AB's AGM 2023 will be held on May 8, 2023.

HANZA's offering

HANZA is a global knowledge-based manufacturing company that modernizes and streamlines the manufacturing industry. This is achieved by combining advisory services and product development with own factories grouped into regional manufacturing clusters. This means more stable deliveries, increased profitability, and a more environmentally friendly manufacturing process for our customers.

All you need is one

By grouping supply chain advisory services and product development with different manufacturing technologies into regional clusters close to the customer, HANZA takes a holistic approach and creates added value for the customer. This reduces the number of parties the customer has contact with, which facilitates, streamlines, and guarantees the process.

A winning business model

HANZA's business model, with regional manufacturing clusters located close to the customer in combination with product development and advisory services, guarantees fast, efficient, and stable deliveries. This strengthens customer control over the manufacturing chain, and promotes efficient production.

This also means that we can grow together with our customers during economic upturns, while at the same time taking market share in tougher times, when other companies review their supply chains and look for streamlining opportunities.

HANZA offers cutting-edge expertise in such fields as product development, sheet metal mechanics, heavy mechanics, wire harnesses, electronics, machining, assembly, final testing, and logistics.

Our manufacturing clusters

HANZA currently has operations in six manufacturing clusters: Sweden, Finland, Germany, the Baltics, Central Europe (Poland and the Czech Republic) and China. Reporting is based on customer markets broken down into the following segments:

- **Main markets:** Manufacturing clusters located in or near HANZA's primary geographical customer markets, which currently consist of Sweden, Finland, Norway, and Germany. At present, the Main market segment comprises HANZA's manufacturing clusters in Sweden, Finland, and Germany. HANZA's operations in these areas are characterized by their proximity to the customers' own factories, and close collaboration with customer development departments.

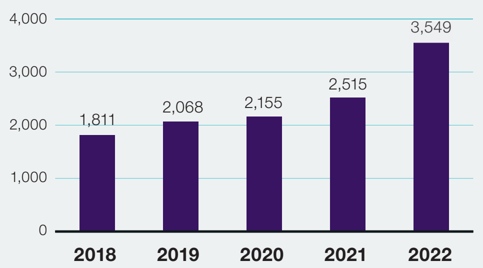
- **Other markets:** Other manufacturing clusters outside of HANZA's primary geographical customer markets. At present, the Other markets segment comprises HANZA's manufacturing clusters in the Baltics, Central Europe, and China. Operations are characterized by a high labor input, extensive and complex assembly, and their proximity to important end-customer locations.

Business development and services

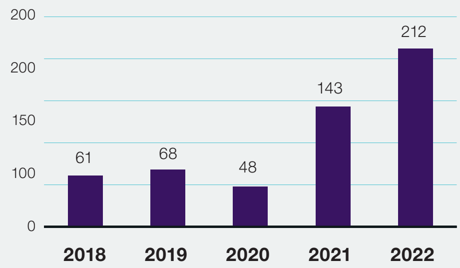
- **Advisory services:** Through our advisory services, we help customers to streamline their supply chains. HANZA offers a special service, MIG™, manufacturing solutions for increased growth and earnings, where HANZA analyzes a product company's supply chain and proposes an optimized version.

- Tech **Solutions**: HANZA develops products at the customer's request and to their specification, builds prototypes, and provides feedback to the customer on industrial design and layout seen from a production perspective, as well as assembly, delivery, and aftermarket.

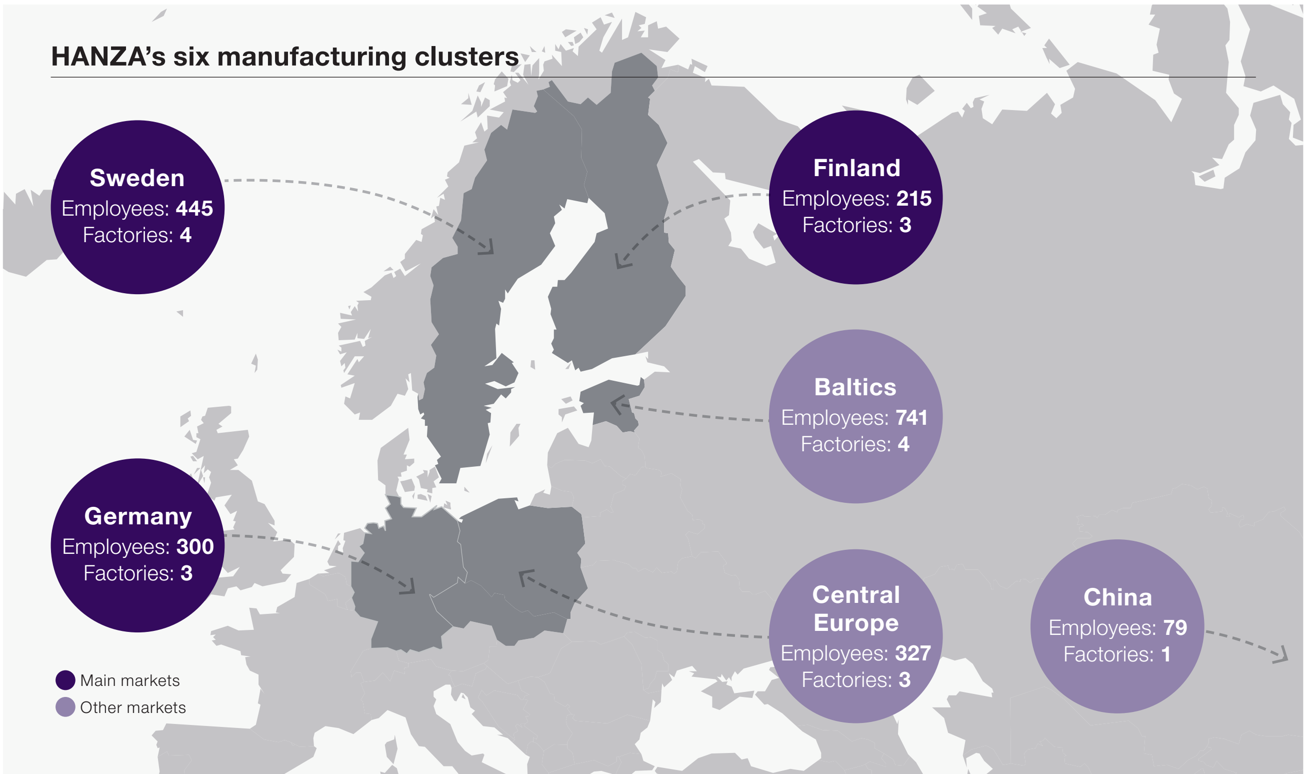
Net sales
SEK million



Operating profit, EBITA
SEK million



HANZA's six manufacturing clusters



The above refers to the number of employees and factories at the end of the year.

HANZA's team of designers, engineers and manufacturing experts thus takes customers' best innovations from initial concept to finished products – at a lower total cost.

HANZA's competitive advantages

HANZA's unique factory clusters, where we have grouped many different manufacturing technologies, strategically located close to customers and suppliers, in combination with qualified advisory services, mean that HANZA can offer a whole new level of flexibility, capacity, and quality. Instead of having to coordinate work with several different parties to put together a complete product, including final testing and logistics, customers can fully focus on their core business.

Customers who also make use of HANZA's advisory services and expertise in product design, can cut their costs significantly, and achieve a more efficient manufacturing process.

Selected customers

HANZA's customers include leading product companies such as 3M, ABB, Epiroc, GE, Getinge, John Deere, Mitsubishi Logisnext, Oerlikon, Perkin Elmer, SAAB, Sandvik, Siemens and Tomra.

Responsible business

Production carried out at HANZA's manufacturing clusters allows the customer to enjoy both environmental benefits and high-quality products with safer supply and logistics chains compared to traditional contract manufacturing. Sustainability is therefore an integral part of HANZA's strategy and long-term business.

HANZA's manufacturing solutions are primarily based on the following technologies

Sheet metal mechanics

Heavy mechanics

Wire harnesses

Electronics

Machining

Assembly

The year in brief

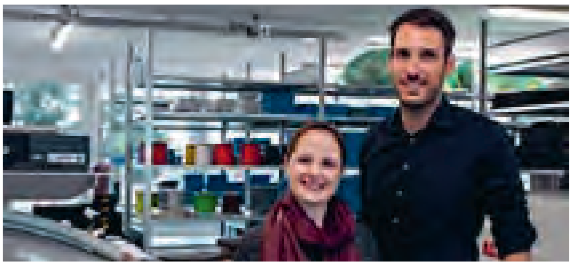
2022 was HANZA's strongest year so far. The company experienced fantastic growth, opened a new modern factory, made a strategic acquisition and investments in existing factories, strengthened, and broadened its ownership base and, above all, mapped out the future through the launch of our HANZA 2025 strategy.

Financially, HANZA achieved its strongest year yet. The company has experienced fantastic growth where, for example, net sales during the year increased by 41% to SEK 3,549 million from SEK 2,515 million. Operating profit increased by 46% to SEK 212 million from SEK 143 million.

HANZA's new building for complex assembly

In March, a newly built 12,000 m² production facility was inaugurated in Tartu, Estonia. The new factory represents an investment of approximately SEK 80 million, which increases capacity and further consolidates HANZA as a strong supplier of regional and complete manufacturing, and creates opportunities for further growth. The modern factory is a further step in HANZA's sustainability work, as solar panels account for approximately 25% of the energy supply.

In September, new factory premises were opened in Poland, the Czech Republic and China, adding a total of just over 6,000 m² of factory area. The expansion is a response to the continuing high order intake HANZA is experiencing in Germany, Scandinavia, and China.



Management of HANZA Tech Solutions, Jeannine and Christoph Budelmann.

In July, German product development company Budelmann Elektronik GmbH, now HANZA Tech Solutions, was acquired in order to meet increased demand within the sector. Tech Solutions consists of a team with cutting-edge expertise in electronics, mechanics. and software development.

HANZA's new, extended areas for electronics manufacturing and box build in Poland.

In October, a property was acquired in Tartu, Estonia, which had previously been rented, and which accommodates the cluster's sheet metal factory. The property is located directly adjacent to HANZA's newly-built factory, which was inaugurated in March. The acquisition of the factory and associated land enables future extension of the properties.

HANZA's factory for sheet metal mechanics in Estonia. Further expansion is planned in 2023.

Average number of employees

1,936

Equity ratio (%)

35

Sales (SEK million)

3,549

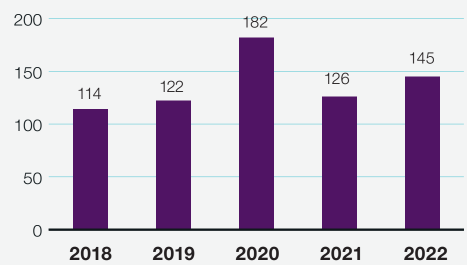
HANZA's management.

In November, in order to kick-start the new strategy and broaden ownership, a number of reputable international and institutional investors were brought in through a directed new share issue to a value of SEK 147 million. The new share issue was heavily oversubscribed, which is proof of a strong interest in HANZA and the company's business concept.

During the third quarter, the HANZA 2022 strategy reached its targets. In connection with this, HANZA 2025 was launched, an ambitious strategy with the goal of, among other things, increasing sales to over SEK 5 billion, and doubling profits over the next three years.

Cash flow from operating activities

(SEK million)



Our strongest year – so far

2022 was a record year in many ways. We achieved major sales successes while managing to meet new volumes by means of an extended capacity program.

The combination of new sales and capacity is clearly visible in our figures: We increased our annual sales by one billion - from SEK 2.5 billion in 2021 to SEK 3.5 billion in 2022 – which corresponds to a growth rate of 41%. In addition to increased growth during the year, in the fourth quarter, we exceeded SEK 1 billion in sales in a single quarter for the first time.

Furthermore, we saw how our earnings increased faster than sales.

For the full year 2022, operating profit amounted to SEK 212 million, an increase of 48% on the previous year. However, the most important thing was that we showed a continuous positive cash flow in 2022 of a total of SEK 145 million from operating activities. For some time, we have been struggling in the manufacturing industry with global material shortages, which necessitates advance ordering and thus larger stocks. This makes the positive cash flow in 2022 a real achievement.

HANZA 2025 – our strategy for the coming years

HANZA is one of the youngest contract manufacturers, and has been built up in phases with clear goals in the years 2009-2013 and 2014-2017. In 2018, the Board of Directors, together with management, decided on the next step - HANZA 2022 - with new operational and financial targets, in order to, among other things, reach sales in excess of SEK 2 billion with an operating profit of at least SEK 120 million in 2022.

We are proud to report that the operational targets have been achieved, and the financial targets have been exceeded.

A result of the success is also visible in the share price, which tripled during the period 2018-2022.

It is therefore also time for the next step in our development, which is why in November 2022 we launched a new strategy for the next phase: "HANZA 2025". This also includes new, increased financial targets, including to reach sales in excess of SEK 5 billion and an operating profit of at least SEK 400 million in 2025.

The fact that we have once again chosen an offensive growth target is due to the business model. HANZA has a unique concept that includes advisory services, product development and a unique range of manufacturing technologies.

This creates significantly greater market potential than for a classic contract manufacturer. An additional factor is the increasing trend towards regional manufacturing – backsourcing - which has been our guiding principle since the company was founded in 2008.

So, what does HANZA 2025 entail operationally? During the previous phases, HANZA has grown in two directions, partly through the inclusion of new manufacturing technologies, and partly through establishment in new territories. The new phase is also looking at a third direction – to increase the capacity of existing manufacturing clusters.

The service offering will also be developed, which we started doing back in 2022, through the acquisition of the German product development company, Budelmann Elektronik GmbH (now HANZA Tech Solutions).

Continued growth and strengthened finances

We see many advantages of having an ownership base that geographically corresponds with our customer base. Therefore, ownership was broadened in November to include some international and institutional investors, mainly in Germany, by means of a directed new share issue of SEK 147 million. The share issue was heavily oversubscribed, which indicated strong interest in HANZA and our business concept.

The share issue, together with an already strong financial position, also meant a flying start for HANZA 2025. In December 2022, it was decided to make additional machine investments of approximately SEK 100 million, and HANZA started to extend its sheet metal factory in Estonia, all in line with the group's modular expansion model. The continuous capacity increase is important, as the order intake is at a record high. The customer base is stable, diversified and relatively cyclically insensitive in areas such as the defence industry, reverse vending machines, the energy sector, and MedTech.

HANZA Sustainability 2025 – new sustainability strategy

An ever-important part of the strategy is to promote sustainable global development. In addition to reducing emissions and consumption, HANZA has a unique opportunity to reduce customer freight thanks to its business model. In order to achieve these results, clear and measurable targets that are constantly updated are required. Therefore, the sustainability targets have been revised and presented in a new sustainability strategy with more stringent requirements: HANZA Sustainability 2025.

In conclusion, it is not possible to comment on developments without mentioning what is presently going on around us. 2022 will always be associated with the Russian President's horrific attack of Ukraine. HANZA supports the Ukrainian people with donations via UNICEF and UNCHR, and helps refugees in the locations where we operate.

Together with our customer, Väderstad, and supplier, Areco, we have also produced field stoves that have been transported and donated to the Ukrainian people. We hope that it will be possible to find a way to end the war.

Erik Stenfors
CEO

> An ever-important part of our strategy is to promote sustainable global development. In addition to reducing emissions and consumption, we have a unique opportunity to reduce customer freight thanks to our business model

The future of contract manufacturing is here

A climate crisis, an ongoing war, and continual major challenges linked to the pandemic have drastically accelerated the transition to smarter and more sustainable manufacturing solutions. The shared responsibility for achieving the global sustainability goals is forcing everyone to review their production chains, not least product owning companies, who are increasingly focusing on the total cost of ownership.

Under the prevailing circumstances, with a unique offering of complete manufacturing in close proximity to customer markets, we see great opportunities to gain additional market share. Backsourcing is a trend that has so far been driven by trade barriers, transport costs, shipping problems, the pandemic, and not least, environmental issues. The invasion of Ukraine has now also created a political dimension where product companies that have manufacturing in countries with political risks are reviewing their supply chain, and for this reason are planning to relocate their production.

Market size

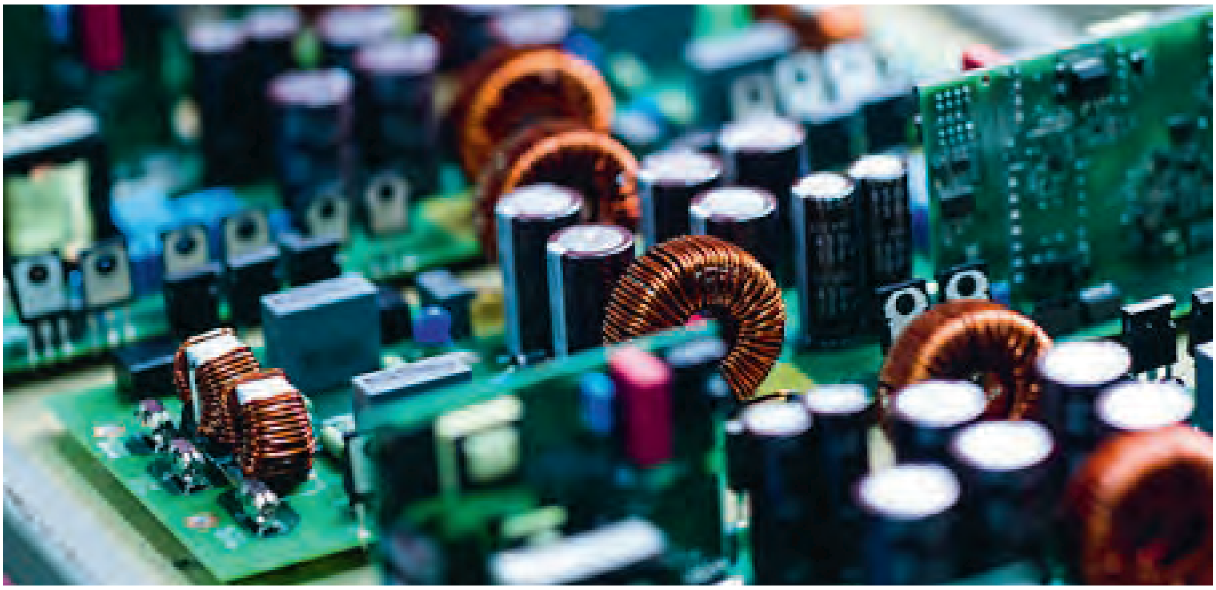
HANZA's customer markets are mainly the Nordic countries and Germany, but customers are also located in the rest of Europe, Asia, and North America. HANZA's offering consists of complete solutions for both contract manufacturers in several different segments, and for manufacturers with proprietary products. HANZA also accounts for different parts of the manufacturing chain, which means that the total market is difficult to estimate.

Trends in contract manufacturing:

TREND	HANZA'S PERSPECTIVE
Regionalization – Manufacturing close to the end market New total cost analyses have led to the relocation of manufacturing. Contract manufacturing was previously assigned essentially to low-cost countries, for example, in Asia. A growing middleclass in these countries has resulted in increased payroll expenses and, as a consequence, higher production costs. This, in combination with more stringent sustainability targets, has contributed to many customers choosing to move their production back to the home market ("backsourcing"). Furthermore, extraordinary events such as the pandemic and the invasion of Ukraine have highlighted the vulnerability of complex supply chains.	HANZA has developed its manufacturing clusters with total cost in mind, and in order to meet increasing demand for the relocation of manufacturing. Therefore, for example, HANZA's cluster in China is mainly focused on production for delivery in China, rather than exports to Europe.
Focus on total cost of ownership Business relationships between product companies and contract manufacturers have traditionally focused on achieving the lowest cost per manufactured component. Today, more and more product companies work from the concept of total cost, i.e., the customer strives to obtain the lowest possible cost for the manufacture of the complete product, throughout its 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 expertise in logistics and component development.	HANZA has taken this a step further, by offering customers the manufacturing of entire systems, including product development, logistics services, as well as aftermarket and spare parts services.
Enabling technologies New technologies such as AI, 5G, IoT, and additive manufacturing characterize today's societies. Rapid development drives growth, increases safety, and also contributes to solutions that support sustainability efforts.	HANZA invests continually in automation that both minimizes risks and provides a faster manufacturing process.
From contract manufacturers to manufacturing experts The increased focus of product companies on shorter lead times from product development to market has increased the need for broad expertise in manufacturing techniques, production efficiency, and various forms of quality assurance testing. To meet these requirements, HANZA has developed its own special service product, Manufacturing Solutions for Increased Growth and Earnings ("MIG"), which brings together all of the production technologies of a manufacturer, and analyzes and adapts the customer's entire production and logistics chain.	During the year, the product development company Budelmann Elektronik GmbH, now HANZA Tech Solutions, was acquired. HANZA has thereby developed into an intellectual assets company in the field of complex manufacturing, which provides a specific competitive advantage.
Sustainability targets in focus The climate crisis is the greatest challenge of our time, and something that everyone must take responsibility for fighting. Both customers and consumers are setting more stringent requirements for sustainable manufacturing, traceability, and more corporate responsibility, and in order to live up to these increasingly high sustainability targets, it is clear that manufacturing must be streamlined, optimized, and located close to the end market.	HANZA's business model with manufacturing clusters close to the customer is inherently sustainable. In addition to the environmental advantages, choosing processes with lower carbon emissions and efficient energy consumption normally generates cost benefits. As part of this work, HANZA has revised and updated its sustainability targets, and presents a new sustainability strategy.
Component shortages The lack of access to raw materials and components has created long lead times and increased costs.	HANZA sees some relief despite the fact that the aftermath of the pandemic and the ongoing war in Ukraine are still impacting the availability of materials. At the same time, the component shortage has contributed to the development of sourcing work and to the careful planning of purchases.
Economic situation The uncertain situation in the world around us is causing an economic squeeze from several different directions. High inflation, combined with the fact that we are at the start of a recession, is making economic development difficult to assess.	HANZA sees no slowdown – on the contrary. Should the economy falter, history has proven how the company's business model creates opportunities to gain new market share, as it is an occasion where many companies review their supply chains.

Strategies and objectives

Together with the Board of Directors, the management has evaluated HANZA's current position and developed a focused strategy with targets for the coming years - "HANZA 2025". Revised sustainability goals were adopted by the Board of Directors in the first quarter of 2023.



In 2018, the Board of Directors and management of HANZA developed a strategy for the period up to 2022 – "HANZA 2022". It included, among other things, listing on Nasdaq's main market, streamlining work on the company's manufacturing clusters, a geographical expansion into Germany, and carefully selected acquisitions.

When the strategy was presented, the Board of Directors also established new financial targets, which, among other things, involved doubling sales and increasing profitability.

The period came with major and unexpected challenges, such as the pandemic and material shortages, which is why we are proud to report that all the targets in HANZA 2022 have been achieved.

The solid development has also affected our share price, which has tripled compared to August 2018, when the financial targets were set out.

In collaboration with the Board of Directors, management has reviewed HANZA's current position, and developed a strategy with focus and targets for the coming years, called "HANZA 2025".

In connection with the launch of the new strategy, the financial targets were evaluated. Due to high market demand and the performance benefits that the group's cluster concept yields when scaling up, the Board of Directors decided to expand and raise the group's financial targets.

HANZA Sustainability 2025

Since its foundation, HANZA has put sustainability high on the agenda. It is embedded in our business concept, and HANZA is now taking the next step towards achieving climate neutrality, creating a better everyday life for our employees and ensuring that human rights are respected at all levels.

The objectives are in line with external frameworks such as the UN's global goals, Global Compact, and the EU's new legislation. They are relevant to our operations, business concept and the ambition to continue to be a company at the forefront of sustainability.

Working actively with sustainability leads to better business - for everyone. Reduced CO_2 emissions, reduced freight, and reduced waste lead to higher profitability. Employees who thrive and feel safe at work perform better, which helps to attract talent, thus benefiting our customers. Sound business ethics, secure production chains and active anti-corruption measures ensure safer business for all involved.

HANZA Sustainability 2025 is a framework and guide for the sustainability work that HANZA will use as a foundation, to monitor, and to be assessed on.

HANZA 2025

Strategies

- HANZA has established an appropriate geographical positioning for its customers' needs, and therefore aims to further develop the group's six existing manufacturing clusters.
- In order to sustain continued growth, HANZA will extend existing production facilities, as well as carry out strategic acquisitions with a focus on increased capacity.
- HANZA sees customer benefits in complementing its manufacturing offering with services, which is why the company will continue to develop the group's advisory and product development services.
- In consultation with the company's customers, HANZA will investigate the need for further geographical presence, which may lead to future geographical expansion towards the end of the period.
- HANZA's concept promotes sustainable global development, which is why the company has defined new sustainability goals, which were presented in the first quarter of 2023.

Financial targets

Growth:
Sales to reach at least SEK 5 billion by 2025.

Expanded target. Previous: Average sales growth of at least 10% a year over a business cycle

Profitability:
The operating margin (EBITA) shall reach at least 8% by the end of 2025.

Expanded target. Previous: Average operating margin (EBIT) of at least 6% over a business cycle

Capital structure:
The equity ratio shall be at least 30%.

Unchanged target

Debt ratio:
Net interest-bearing debt/adjusted EBITDA shall not exceed 2.5.

New target

Dividend policy:
The annual dividend shall be equal to 30% of the profit after tax, considering the company's financial position.

Unchanged policy

"In collaboration with the Board of Directors, management has evaluated HANZA's current position, and developed a strategy with focus and targets for the coming years, called "HANZA 2025"

SUSTAINABILITY

Promoting global sustainable development

As a global company with the goal of modernizing and streamlining the manufacturing industry, HANZA adopts a holistic approach to sustainability. Operations have an impact not only on the environment, but also in other parts of society, such as human health and safety at work.

HANZA is convinced that sustainable business choices contribute to both a better society and to increased competitiveness, which is why this is a strategic operational priority.

HANZA offers stable deliveries from environmentally and socially safe manufacturing processes. Our factories are organized in regional clusters, which minimizes transportation and therefore emissions. Our knowledge of and advice on supply chains and input materials results in sustainable production and logistics processes with high traceability.

We have a clear focus on safe work environments for employees, and make significant efforts to protect data obtained from customers against data breaches, and to otherwise maintain global trust in HANZA. Transparency and feedback on sustainability work help assure confidence and ongoing improvements. This combined, is aimed at maximizing HANZA's positive impact on society, and minimizing our negative footprint.

Organizational governance of HANZA's sustainability work

The Board of Directors set out the overall sustainability strategy with ambitions/targets as well as risk analyses and monitoring of sustainability work.

The CEO is ultimately responsible, and ensures that sustainability work is an element of the overall business strategy, and that HANZA's management of sustainability risks and approach to sustainability issues are implemented, communicated, and integrated into HANZA's business activities and acquisition strategy.

The CFO monitors and compiles the work, which is presented to the BoD annually.

The Global Quality Manager is responsible for monitoring key performance indicators, and for certification of processes within the environment and work environment.

The COO is responsible for monitoring suppliers, via the global purchasing manager of electronics and through the cluster managers in mechanics.

The Information Security Manager is responsible for the company's data security and monitoring of key performance indicators, as well as information security certification.

The Global HR Manager is responsible for monitoring employee development and other HR issues.

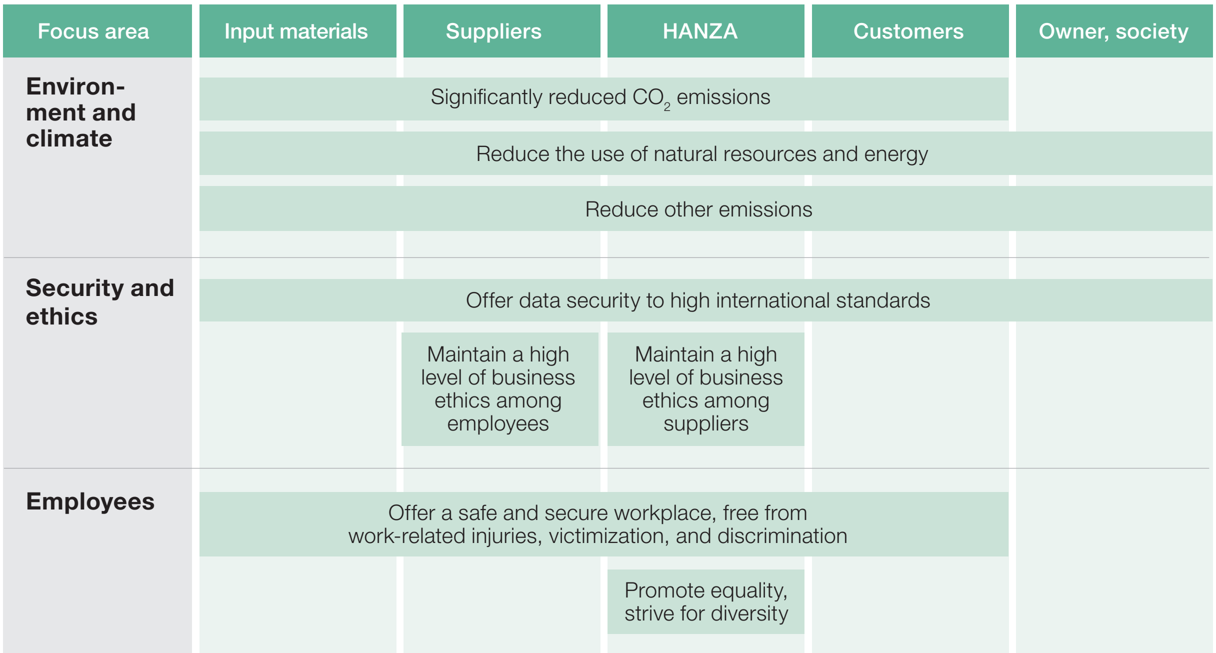
Governance of our sustainability work

External framework: HANZA complies with local and international laws, regulations, and industry standards. We support and promote the ten principles of the UN Global Compact, the global goals for sustainable development, as well as a number of international conventions and principles, such as the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and other such conventions.
Internal framework: HANZA's sustainability work is governed by HANZA's vision to create unique customer value within the manufacturing industry, shared group values

Intragroup governing document on sustainability	Responsible for monitoring
Overall	
HANZA's Code of Conduct	CEO
Insider policy	CFO
Procurement policy Code of Conduct for suppliers	COO
ISO 9001, quality management system* AS 9100, quality management aerospace* ISO 13485, quality management medical equipment* ISO 3834-2, quality management welding*	Global Quality Manager
Environment	
Environmental policy Environmental declarations (RoHS, REACH) ISO 14001 environmental management system*	Global Quality Manager
Data security	
Information security policy	CEO
ISO 27001 information security system*	Information Security Manager
Employees, human rights	
HR Policy Work Environment Policy Diversity Policy	HR Manager
Declaration Conflict Minerals ISO 45001, Occupational Health and Safety Management System*	Global Quality Manager

*Processes certified by accredited third party

HANZA's sustainability issues, value chain, and where in the value chain sustainability work is conducted



HANZA's primary impact on the environment, people and business ethics occurs both in the group's own activities and in the suppliers' and customer chain. To ensure that the principles and regulations that HANZA adheres to with regard to the environment, labor law, human rights, and business ethics, are also complied with by our suppliers, consultants and other representatives, measures are implemented to counter any negative impact, and to enhance the benefits in several parts of the group's value chain.

(see page 27), a number of intragroup policies and certified processes, and organizational responsibility (see below). HANZA has a framework for sustainable entrepreneurship within which the intragroup work is monitored and evaluated (see above). In addition to this, certain sustainability results, such as work-related injuries and sick leave, are monitored on a monthly basis.

HANZA's Code of Conduct, which is based on the ten principles of the UN Global Compact, guides HANZA on how to act as a good partner, employer, and social actor.

HANZA has decided to join the UN Global Compact, which means that we will report our progress in accordance with the Global Compact's requirements.

In recent years, key initiatives have been taken to develop and strengthen our work with regard to quality, data security, the environment, and the work environment at HANZA's 18 factories. By late 2022, the quality management of all of our factories was certified in accordance with ISO 9001, the environmental management systems of twelve factories were certified in accordance with ISO 14001, and the Occupational Health and Safety Management Systems of eleven factories were certified in accordance with ISO 45001. With regard to secure information management, work started in 2021 on the certification of all of HANZA in accordance with ISO 27001 by 2025, and at the end of 2022, the entire Swedish operation as well as the service center in Estonia were certified.

Materiality analysis

The stakeholders most affected by the business are identified on the basis of HANZA's value chain, from input materials and suppliers to our own manufacturing in the clusters and final deliveries to customers. Stakeholders' views and expectations regarding the environment, social issues, and business ethics, including corruption, etc., are taken seriously in the dialogues that HANZA conducts with stakeholders, for example, at customer meetings, investor meetings, as well as regular customer and employee surveys. These opinions, together with the company's own industry knowledge and customer due diligence, are included in the analysis conducted to identify where our most material sustainability impact occurs.

HANZA's most material sustainability issues thus consist of the impact that we believe contributes to the greatest good or greatest harm to the environment, along with other issues involving people, human rights, and business ethics, as well as corruption. In order to address stakeholders' needs and opinions, an annual review of these issues is carried out.

HANZA's framework and new sustainability targets

For HANZA's most material sustainability issues, grouped into three focus areas around the environment, people, and sustainable relationships, there are clear objectives. This framework for HANZA's sustainable operations thus constitutes the strategy for our sustainability efforts. Monitoring of sustainability work (see following pages), among other things by means of key performance indicators, ensures that we contribute to making the manufacturing industry more sustainable and attractive, while at the same time creating value for stakeholders.

At the start of 2023, HANZA adopted a new sustainability strategy with a number of strategic sustainability targets, in order to strengthen efforts towards a climate-neutral business, create a better everyday life for our employees, and to ensure business ethics and respect for human rights at every stage.

Stakeholders	Expectations, opinions	Dialog
Customers	High quality and stable supply chains. Innovation, end products with low environmental impact, social responsibility, as well as good business ethics and data security at subcontractors. Connection to systematic supplier evaluation system.	Business, customer surveys.
Employees	Good and healthy work environment, safe work environment, development, social commitment.	Employee surveys, career-development meetings, ongoing dialogue.
Investors and owners	Customer satisfaction and competitiveness, ensured environmental, social, and business ethics throughout the value chain, transparent communication, compliance.	Annual general meeting, investor meetings, press releases, financial statements.
Society	Minimal environmental impact from emissions, consumption and waste, social responsibility, good business ethics, communication.	Regulatory dialogues, meetings with municipal management, media.

The global targets for sustainable development

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 achieve these goals and change their ways. Considerable work remains to be done, and it is therefore essential that all sectors of society do their part. HANZA has selected some development goals where its operations contribute to several interim targets.

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

HANZA's new sustainability target for 2025

Goal	Target Achievement
Environment and climate	
Significantly reduced CO_2 emissions	Annually increase the proportion of energy use from fossil-free energy sources in own operations.
	Annually reduce emissions of CO_2 from energy use in own operations in relation to sales.
Reduce the use of natural resources and energy	Annually reduce energy use in own operations in relation to sales (MWh/MSEK).
	Annually reduce water consumption in own operations in relation to sales (m^3/MSEK).
	Reduce other emissions.
Reduce other emissions	Annually reduce waste and hazardous waste in relation to sales of electronics and mechanics (tons of waste/MSEK and tons of hazardous waste/MSEK).
Security and ethics	
Offer data security of a high international standard	Zero damage from data breaches.
Maintain a high level of business ethics among employees.	Zero incidents of corruption.
	All employees must be informed of HANZA's Code of Conduct for employees.
Maintain a high level of business ethics among suppliers.	All of HANZA's significant suppliers must confirm HANZA's Code of Conduct for suppliers.
	Annual audits of significant suppliers to ensure compliance with HANZA's Code of Conduct for suppliers.
Employees	
Offer a safe and secure workplace, free from work-related injuries, victimization, and discrimination	HANZA's long-term goal is zero work-related injuries. Annual reduction in the number of incidents that result in absence from work (LTIFR).
	All employees must be informed of HANZA's anonymous whistle-blowing function.
	Zero cases of confirmed discrimination.
	Annual employee survey that results in a concrete activity program.
Promote equality and strive for diversity	Annually increase the proportion of women in managerial roles.
	All employees with a managerial role must be trained in HANZA's diversity policy.

Environment and climate

In order to reduce their climate and environmental footprint, customers are looking for collaboration with suppliers that have environmentally sustainable and controlled production methods, as well as manufacturing in the customers' vicinity.

Meeting our customers' needs for eco-friendly processes is essential for HANZA's vision of creating greater customer value than traditional contract manufacturing.

Risks and opportunities

The world's environmental challenges with regard to emissions and resource use risk resulting in increased global poverty, major conflicts, and lower growth. In order to reduce the effects of the climate crisis and to achieve global climate targets, collective responsibility for climate change and a strict limit on emissions are required. Our customers' environmental emissions are usually greatest in the supply chain, i.e., with suppliers such as HANZA and our subcontractors, and from input materials used by HANZA in the production process. At the same time, legislation and the capital market are increasingly demanding controlled environmental footprints in industry, and modernized industrial processes that do not contribute to climate impact to the same extent as previously are required.

For HANZA, the environmental issue is therefore top priority, and well-integrated into our business model. Our manufacturing clusters, with shorter transportation distances, offer customers environmental benefits as well as traceability in manufacturing processes, which also strengthens our competitiveness.

Reduce CO_2 emissions to achieve a long-term carbon-neutral business

HANZA's impact: The climate footprint in HANZA's value chain is dominated, in part, by freight emissions, mainly from the haulage of subcontractors' inputs to the clusters and final deliveries to customers, and in part by the production of the inputs, as well as the energy consumption required for our manufacturing processes. Business trips represent a very small part of the group's total footprint.

Targets and efforts: One of HANZA's most important efforts to combat climate change and CO_2 emissions consists of minimizing freight. Our business model is built around the production of finished products in factories that are in geographical proximity to one another, which means less transportation and shorter transportation distances throughout the manufacturing process, compared to traditional contract manufacturing.

Total transportation to and from a cluster is reduced by placing regular bulk orders with fewer suppliers, as well as final deliveries of finished products to customers who are often located in the geographical vicinity of the cluster. The purchasing process evaluates and places requirements on our subcontractors, based on, among other factors, their climate impact, see also Suppliers page 23-24.

HANZA's energy purchases must, in the long term, consist solely of fossil-free energy sources. A gradual transition to the use of green energy has been initiated within the clusters, in parallel with energy-saving measures. In 2020, the factory in Heinävesi, Finland, was the first one in the Group to completely switch over to green energy, see also Reducing the use of natural resources and energy below.

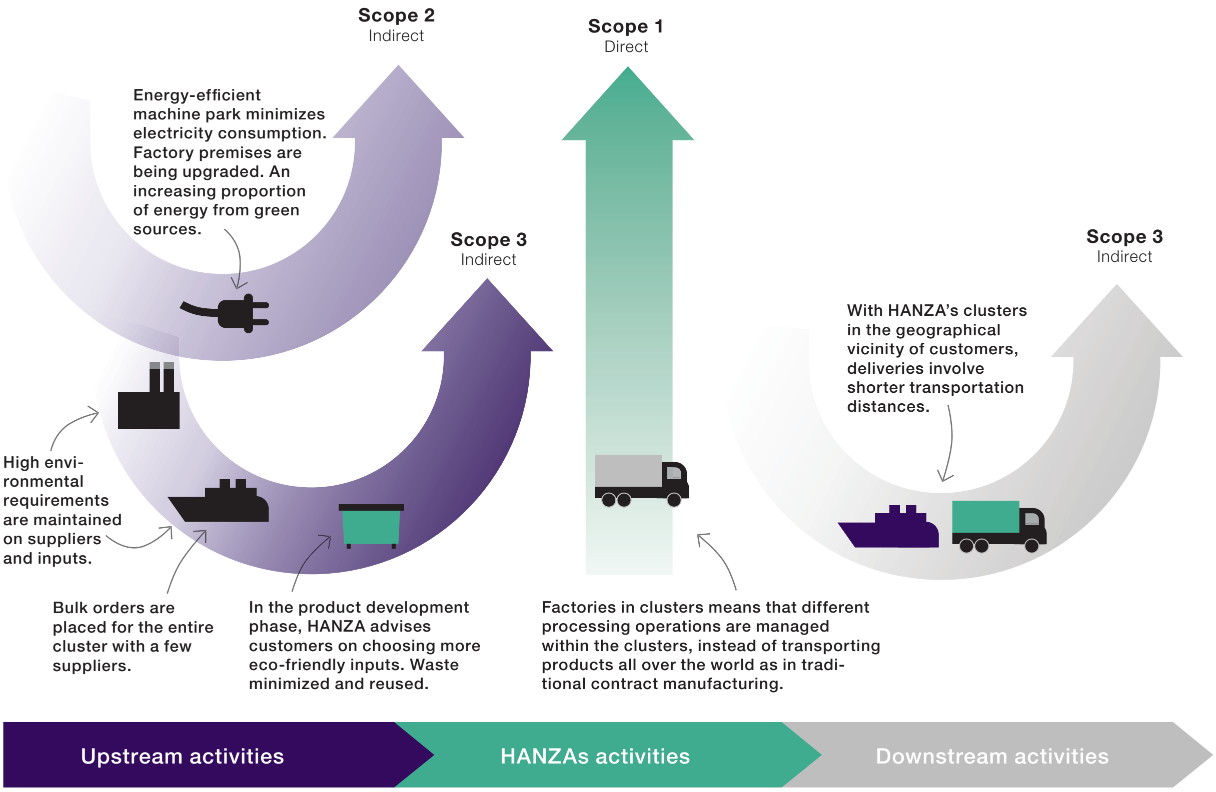
Of total energy consumption, the emissions of which constitute scope 2 in our carbon dioxide reporting, green energy accounted for 27%, i.e., fossil-free energy sources in 2022.

Measures to reduce HANZA's climate impact

Greenhouse gas emissions according to the GHG protocol, tons	2022	2021	Comments
Scope 1	193	122	The amounts presented relate to leased vehicles. HANZA's factories, clustered in geographical proximity of each other, mean less transportation during the manufacturing process.
Scope 2	15,150[1]	16,139[1]	Refers to purchased energy. An increased proportion of self-produced energy and energy-saving processes reduces consumption.
Scope 3	Measured from 2023	Measured from 2023	Refers mainly to freight and emissions from manufacturing of input materials. In 2023, HANZA will set pertinent reduction targets after mapping all CO_2 emissions from HANZA's and suppliers' freight.
Total	**15,343**	**16,361**	

1) Includes emissions from energy consumption in all of HANZA's factories. The comparison year 2021 does not include Finnish HLP, acquired in 2021, or the factory in Kunovice, Czech Republic. The figures are based on national emission estimates from the European Environment Agency, i.e., location-based method, which does not take into account own choices of energy sources.

Measures to reduce HANZA's CO_2 footprint



Governance: How our sustainability work is managed

Meeting the customer's need for environmentally friendly processes is essential to HANZA's vision of creating higher customer value than traditional contract manufacturing. In accordance with the environmental policy, HANZA strives to use eco-friendly and resource-saving technologies and production processes in its own operations as well as with suppliers and in the manufacture of input material, and to comply with environmental laws and regulations. The policy also states that HANZA's environmental progress should be reported transparently. The procurement policy regulates purchases from suppliers in more detail, read more on pages 23-24.

Our ISO 14001:2015 certified environmental management system constitutes the group-wide environmental management system that has been implemented in most of HANZA's factories. Twelve out of eighteen factories are currently certified according to the system, which includes measurements and targets for the Group's energy use and waste management. At each individual factory, specific environmental issues are identified, such as activities requiring permits, toxic emissions and environmental risks. The possibility of reducing or recycling materials and replacing hazardous materials with eco-friendly alternatives is considered. Targets are set for each factory and monitored annually.

Customers also impose their own evaluation requirements on HANZA regarding sustainability aspects, which also include systematic reporting of their own operations and HANZA's suppliers' impact on the environment, labor and human rights, business ethics and sustainable procurement.

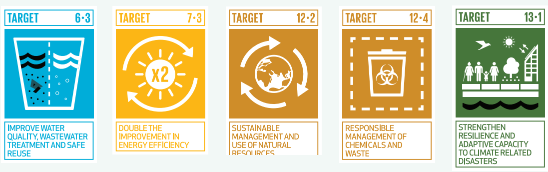
Reduce other emissions

HANZA's impact: Emissions in the form of waste refers to both residual materials from production, and heavy metals, which is hazardous waste that affects biodiversity.
Targets and efforts: HANZA strives for minimal use of materials that generate hazardous emissions.

Customer demand for end products with lower environmental impact is met, among other ways, by granting their product development personnel access to HANZA's previous experiences from production processes with more eco-friendly alternatives. At the group level for 2022, the target is to maintain or reduce the cost of waste management in relation to sales. The target from 2023 is an annual reduction in waste and hazardous waste in relation to turnover for electronics and mechanics. In 2022, the amount of waste decreased in relation to sales, as a result

Goal	Achieve a carbon-neutral business	Reduce emissions	Reduce the use of natural resources and energy
Long-term targets	Annually increase the proportion of energy use from fossil-free energy sources in own operations. Annually reduce emissions of CO_2 from energy use in own operations in relation to sales.	Annually reduce waste and hazardous waste in relation to sales of electronics and mechanics (tons of waste/ MSEK and tons of hazardous waste/MSEK).	Annually reduce energy use in own operations in relation to sales (MWh/MSEK). Annually reduce water consumption in own operations in relation to sales (m³/ MSEK).
Target year 2022 ● Target achieved ● Target partially achieved ● Target not achieved	● More factories will switch over to using green energy exclusively.	● Annually reduced waste management, measured as cost in relation to sales.	● Annually reduced energy use, measured as energy use in relation to sales.
Target achievement **3-year overview**	Fossil-free energy sources, proportion of total energy use, % 2022 27 2021 8 CO_2 emissions from used energy in own production in relation to sales, tons/MSEK 2022 4.28 2021 6.42	Waste management cost/sales, % 2022 0.12 2021 0.15 2020 0.11 Mechanics waste/sales, tons/MSEK 2022 0,50 2021 1.88 Mechanics hazardous waste/ sales, tons/MSEK 2022 0.26 2021 0.30 Electronics waste/sales, tons/MSEK 2022 0.18 2021 0.05 Electronics hazardous waste/ sales, tons/MSEK 2022 0.007 2021 0.009	Energy use/sales MWh/MSEK 2022 12,4 2021 15,3 2020 13,6 Energy, use, MWh mechanics/electronics 2022 81/19 2021 84/16 Metals, consumption, tons 2022 28,822 2021 22,039 Water consumption/sales, m³/ MSEK 2022 13.0 2021 16.2 2020 18.1 All data on the environment in the table and text covers all HANZA factories. The comparison year 2021 does not include Finnish HLP, acquired in 2021, or the factory in Kunovice, Czech Republic. The comparison figure for 2021 has been updated since the 2021 Annual Report

The result of HANZA's efforts to achieve its sustainability targets contributes to the following global interim targets for sustainable development



of continual work to minimize spillage. Waste management costs in relation to sales also decreased.

Reduce the use of natural resources and energy

HANZA's impact, targets, and efforts: Our manufacturing processes have a high material content, for the manufacturing of electronics, normally 60-75%, and for mechanics, normally 40-50%. Ongoing efforts such as in quality control and recycling are made at all factories to minimize product defects and reduce material spillage. Metal consumption increased by 31% in 2022, which can be compared to an increase in sales of just over 40%. HANZA's production processes in mechanics and electronics generally have low needs for water. In the case of water use in production processes, it is purified before it is discharged.

Energy use is dominated by the heating of factories and offices, and the powering of production machinery. Over the past few years, investments have been made in more energy-efficient machines at several factories, and major efforts are being made to minimize the energy use for heating. HANZA's three largest facilities for mechanics, i.e., the factories in Estonian Tartu and Narva, as well as in Swedish Töcksfors, stands for more than half of the energy use. In 2022, the newly-inaugurated factory in Tartu, with 25% of its energy use supplied by solar panels on the factory roof, provided tangible energy savings for HANZA. The factory's existing solar panels, with a peak power of 200 kW, and the nearby sheet metal factory acquired by HANZA in 2022, are to be extended in 2023 with additional solar panels, corresponding to 172 kW. In 2023, the installation of solar panels is also planned at one of the Finnish factories, as well as at HANZA's production facility in Poland, which already has a small solar panel installation. Higher energy prices on world markets have also initiated other energy-saving measures, such as factory controls to counteract energy leakages from machines and open doors and windows, as well as switching to LED lighting and maintenance of ventilation.

EU taxonomy for green investments report

For 2022, companies must report the proportion of revenues, costs and investments that are covered by the EU taxonomy regulation's review criteria that meet EU requirements/ definition of green activities.

Sales: The assessment is that HANZA does not have any sales that fall within the taxonomy regulation's review criteria.

HANZA does not produce its own inputs, but rather purchases and processes them, which is why the group's activities cannot be considered to make a significant contribution to climate impact mitigation and adaptation, nor to fall within the taxonomy regulation's review criteria.

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 falls within the taxonomy regulation's review criteria.

Operating expenses: Our assessment is that HANZA has no operating expenses that fall within the taxonomy regulation's review criteria.

For taxonomy tables are included on the annual report published on the company's web page.

Thermia AB

Pioneering developer and producer of heat pumps

More than a quarter of Europe's CO_2 emissions come from heating, lighting, and operating home appliances. 80% of these emissions are attributable to the heating of premises and hot water. Heat pumps harvest renewable energy that is stored in the ground, air, or water, and convert it into an environmentally sustainable indoor climate for buildings. As no fossil fuels are burned, heat pumps are eco-friendly, and help you to achieve your emission targets.

HANZA has a long, shared history with Thermia AB, a global developer and manufacturer of heat pumps.

Over the years, HANZA has assisted with expertise in sheet metal processing and process optimization with a high degree of automation, and has also been invited to participate in several development projects. The importance of offering high flexibility, just in time, and efficient logistics solutions is crucial for such collaboration.

"Thermia is a valued customer that we have had the privilege to work with for over two decades. Our companies share similar cultures and values, which contributes to maintaining and developing an already strong partnership. Thanks to our geographical location, we are also well-suited when it comes to environmental work. A unique part of HANZA's business model is to reduce transportation by means of local manufacturing. Thermia's and HANZA's production facilities are located less than an hour away from each other, which I dare say is as local as you could wish for."

Veronica Svensson, Sales Director, Scandinavia

"The entire existence of Thermia is based on sustainability; ever since our first product was created almost 100 years ago. Everything we do revolves around this, from the products we launch to how we manage our waste in the factory, and how we carefully select our subcontractors.

We want sustainable products that have been developed and manufactured in a process and in a company that is steeped in sustainability thinking."

"At Thermia, we're constantly striving for improvements.

A crucial factor here is knowing our suppliers well, and after many years of collaboration, we're confident that HANZA meets our requirements. Knowing that HANZA helps us to manufacture our products in the best possible eco-friendly and most cost-effective manner means that we can focus on improvements and efficiency. Being so close to a supplier also makes it easier to solve any problems that might arise."

"Thanks in part to the fact that we are using HANZA sheet metal cabinets, when our products reach the end of their working life they can be recycled up to 92%."

Magnus Glavmo, CEO, Thermia AB

ABOUT THERMIA:

Thermia was founded in 1923 by Per Anderson, an inventor and pioneer of energy-efficient solutions. The company still lives by its founder's original vision: "The products we launch must be not only the best of their time, but before their time, over time."

Headquarters: Arvika, Sweden

Employees: 300

Turnover: SEK 1,250 million

Since April 2018, Thermia has been part of the German Stiebel Eltron group.

Security and ethics

HANZA works with customers who place high demands on their suppliers. In order to establish long-term relationships with customers as well as employees and society at large, we act with integrity when it comes to ethics and information security, and ensure the same high standards among our suppliers.

Risks and opportunities

HANZA's relationships with employees, customers and the outside world are based on how we act internally and do business. In addition to product and delivery quality, and the ability to contribute to added value, acting in a manner that is characterized by a high level of integrity and business ethics is crucial to not only maintaining customer confidence, but also the confidence of employees and society at large.

Our actions involve more than just complying with regulations and laws, and are based on proactive work within three areas: excellent business ethics including anti-corruption, secure information management, and requirements on our suppliers.

Ensuring business ethics

HANZA's impact: Our operations are characterized by an unwavering commitment to maintaining the highest ethical standards. We act and do business on the basis of clear ethical principles, where a high degree of integrity, honesty and sound judgment are some of the starting points, requirements that are also placed on our partners.
Targets and efforts, governance: The Code of Conduct, which clarifies HANZA's standpoint on matters such as ethics and anti-corruption, is clearly communicated throughout the organization, and is included in the induction training course for all new employees. An insider policy specifies the handling of share price-sensitive information.

HANZA has zero tolerance for bribery and corruption. As part of our preventive work, risks of infringements and conflicts of interest are constantly evaluated. The risk of corruption is considered greatest in the case of an individual employee's contacts with suppliers and customers. In order to never be suspected of irregularities or corruption in the course of business activities, our Code of Conduct stipulates that no employee shall receive or give gifts with the intention of influencing a decision maker. All gifts are to be recorded in both 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.

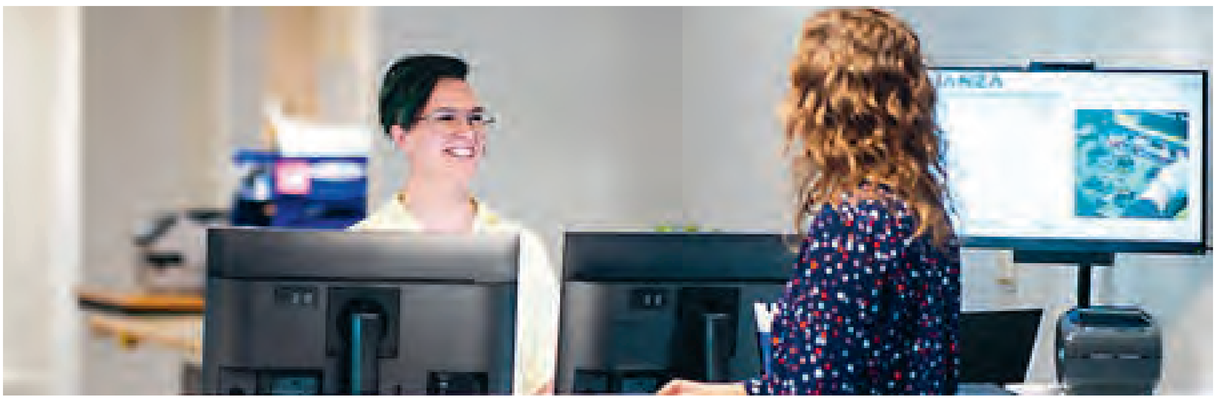
In 2022, no reports of corruption or other rule infringements were received through HANZA Hotline or through the line organization. As a result of global logistics disruptions, the workload in the organization has been very high, which has led to a delay in much internal anchoring work, such as internal monitoring of the Code of Conduct among employees.

Increased supplier requirements

HANZA's impact, targets, and efforts: Of our approx. 2,000 suppliers, the majority consists of raw material and component suppliers for the production process.

HANZA's ability to meet customer requirements for traceability of goods, and to ensure sustainable business with suppliers, requires a reliable evaluation process in the group, which we enhanced in 2022.

All suppliers are expected to share the same view on sustainability as HANZA with regard to the environment, labor law, human rights, business ethics and anti-corruption. From 2023, it is mandatory for essential suppliers to



Goal	Maintain a high level of business ethics among employees and suppliers	Offer data integrity of an international standard
Long-term targets	Zero incidents of corruption. All employees must be informed about HANZA's Code of Conduct. Annual in-depth evaluations of essential suppliers with regard to sustainability. All of HANZA's essential suppliers must acknowledge HANZA's Code of Conduct for suppliers.	Zero damage from data breaches.
Target year 2022 ● Target achieved ● Target partially achieved ● Target not achieved	● Zero incidents of corruption. ● All employees must annually acknowledge the content of HANZA's Code of Conduct.	● Zero data breaches.
Target Achievement 3-year overview	Cases of corruption, number 2022 0 2021 0 2020 0 HANZA Hotline, number of reports 2022 0 2021 0 2020 0 Proportion of employees who acknowledged the Code of Conduct Measured from 2023	Data breach, number 2022 0 2021 0 2020 0

The result of HANZA's efforts to achieve its sustainability targets contributes to the following global interim targets for sustainable development

sign the Code of Conduct for Suppliers. In addition, a more comprehensive and systematic evaluation of the largest or most strategic suppliers' impact on the environment, labor and human rights, business ethics and sustainable purchasing is performed. The target for 2025 is that all significant suppliers must undergo in-depth evaluations on an annual basis.

HANZA has implemented a number of different types of system support for its evaluation processes, to increase the quality of the supplier evaluation.

The responsibility of monitoring suppliers lies with the relevant purchasing organization within HANZA, which for mechanics means each individual factory, and for electronics means the global purchasing manager for electronics. In the event of non-compliance with the code, a dialogue is primarily conducted with the supplier, and in the absence of any action, the collaboration is terminated.

Data integrity

HANZA's impact: For a contract manufacturer, the ability to protect customer data and maintain data security is crucial for both customer confidence and competitiveness. In light of the significant increase in hacking attempts on government agencies and major corporations, the importance of the issue has also increased for us, as a supplier.

Targets and efforts, governance: It is essential to constantly maintain confidentiality and integrity when handling customer and personal data. HANZA guarantees the correct, legal, and fair handling of such data, as well as GDPR compliance.

HANZA is taking significant measures to protect customers' drawings and other production documentation. The objective is to offer data integrity of a high international standard, and to comply with the highest level of international requirements with regard to information security and customer data protection. The certified system for enhanced information security in accordance with ISO 27001, which was implemented in the group in 2021, ensures that procedures and policies, such as the Information Security Policy, are followed, and that employees are regularly updated on new risks. The goal is to obtain certification for all HANZA companies by the end of 2024. In 2022, no harmful incidents from data breaches occurred.

Employees

Our 2,000+ employees contribute significantly to HANZA's innovative thinking and profitability. Continual competence supply and employees thriving at work is vital for HANZA's continued growth.

Safe work environment and health

Risks: The manufacturing industry entails risks with regard to employees' health and safety, and perceived work environment.

Preventive work is vital to increase motivation, facilitate competence supply and maintain the confidence of society and customers. It is crucial for the confidence of the outside world that we guarantee fair working conditions and terms of employment, as well as respect for human rights, see "Human rights" below.

HANZA's impact: As a manufacturer operating in factory environments, we strive to provide a safe work environment across the Group.

Targets and efforts: The key objective of our work environment initiative is a zero vision for work-related injuries. The risk of accidents and unhealthy workloads is minimized by means of local efforts, such as fire prevention, signage of evacuation routes, safety procedures and safety training videos, as well as managerial training and work environment representatives at each work location. HANZA's work environment management system helps prevent injuries at work, and to create an even healthier and safer work environment. The systematic follow-up of incidents that resulted in or could have resulted in workplace injuries has meant fewer and less serious injuries and a lower risk of accidents for employees, see also "HANZA's work environment management".

Other health-enhancing measures include better and more functional premises such as the new assembly factory in Tartu. Locally adapted measures include wellness allowances in Sweden and Finland, private healthcare in Poland, health checks in China and Sweden, annual health weeks, as well as free daily soup lunches in Estonia.

In 2022, there were 31 workplace accidents, which was more than the 26 accidents that occurred in the previous year, but a decrease relative to the number of hours worked, 8.6 in 2022 compared to 10.6 in 2021. Most workplace accidents involve cuts to fingers and hands, as well as minor crush injuries, and are frequently caused by incorrect handling during production. In the production facilities that were acquired in Finland and Germany in 2021, the implementation of certain elements of HANZA's work environment system was completed in 2022.

The long-term ambition is that all factories within the group will be certified in environment management.

Human rights

HANZA's impact, targets, and risks: HANZA respects and works in accordance with several human rights conventions, which means that all types of child labor, unpaid overtime, forced labor and other violations against human freedoms are opposed, in both HANZA's business as well as in the rest of our value chain.

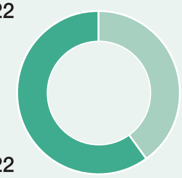
The greatest risk of contributing to violating human rights is in the production of inputs that the company uses in its production, such as the working conditions in mining to extract certain metals. Other risks include the consequences of the environmental impact of produc-

Governance: How HANZA creates safe work environments throughout the group

In accordance with the group's occupational health and safety policy, HANZA must offer physically and socially secure work environments that do not expose employees to risks. In addition to complying with local laws and regulations, HANZA undertakes to work towards its employees' well-being, and to have a zero vision for workplace accidents.

The work environment management system certified in accordance with ISO 45001 has been implemented in eleven of HANZA's eighteen factories. Within the framework of the system, internal key performance indicators are followed up on a monthly basis. Any local deviations of key performance indicators result in mandatory measures at the local factory. Each factory therefore measures the number of workplace accidents, incidents, absences due to work-related injuries, and sick leave. In addition to this, health and safety risks are evaluated on an ongoing basis, as well as any deviations from local laws and regulations. The factory then prepares customized action programs such as compulsory safety training initiatives, and directives linked to safety procedures and evacuation.

In the event of acquisitions, HANZA conducts a separate due diligence with regard to the organization and its employees where, among other matters, existing leadership and recruitment needs are evaluated. After the acquisition, HANZA's values, policies and processes are gradually implemented, such as the work environment management system, so that all the factories within the group work in accordance with the same work environment evaluation and action system.

Goal	Offer a safe and secure workplace, free of work-related injuries, victimization and discrimination	Promote equality and strive for diversity
Long-term targets	Annual reduction in the number of incidents that result in absence from work (LTIFR). Zero cases of confirmed discrimination. All employees must be informed of HANZA's anonymous whistle-blowing function. Annual employee survey that results in concrete activity programs.	Increase the proportion of women in a managerial role. All employees with a managerial role must undergo training on HANZA's diversity policy.
Target year 2022 ● Target achieved ● Target partially achieved ● Target not achieved	● Zero workplace accidents	● Increased gender equality
Target achievement 3-year overview	Workplace accidents, number 2022 31 2021 26 2020 32 Work-related injuries/million hours worked, (LTIFR) 2022 8.6 2021 10.6 2020 12.5 Cases of discrimination, number of cases investigated 2022 0 2021 0 2020 2 Sick leave % 2022 6.5 2021 4.9 2020 5.1	Gender distribution 2022 Board of Directors Women, (40%) Men, (60%)  Gender distribution 2022 group management Women, (0%) Men, (100%)  Gender distribution 2022 group Women, (32%) Men, (68%)  The gender distribution among the Board of Directors and management is unchanged compared to the last two years. In the group, the proportion of women was 39% in 2021, and 32% in 2020.

The result of HANZA's efforts to achieve its sustainability targets contributes to the following global interim targets for sustainable development

tion, possible acts of corruption, and the product safety of finished products that contain HANZA components. The aim of HANZA's work is to ensure that human rights are not violated by suppliers, or in the production of input materials used in HANZA's production, by means of annual in-depth evaluations of essential suppliers.

Actions, governance: In accordance with, among other things, HANZA's Code of Conduct, the right to freely associate with trade unions is self-evident, and all types of child labor are of course prohibited.

Wage structures, overtime pay and working conditions are based on collective agreements, laws, or industry standards. The responsible purchasing of traceable conflict minerals, i.e., gold, tantalum, tin, and tungsten, guarantees that no conflicts are financed in countries where they were mined. Supplier contacts are evaluated through HANZA's Code of Conduct for Suppliers, and a new mandatory systematic reporting system for all suppliers.

Diversity, equal treatment

HANZA's impact, opportunities: Diversity among HANZA's employees and its inclusive business culture are assets that strengthen our capacity for growth and generating good results. Differences in experience and

HANZA's values

Our values summarize the expectations that employees have of one another, in order 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 our values, which clearly permeate all current employee policies. In the case of factory acquisitions, values workshops are arranged with different employee teams who have to work together on the implications and follow-up of our values.

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 achievement of our goals.

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

WE MAKE THINGS EASY
– 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.

background spark innovation and creativity, and provide us with knowledge and perspectives to better understand our customers.

Targets and efforts, governance: HANZA opposes all types 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. The aim is that no discriminatory incidents should occur within HANZA. Perceived infringements can be reported to HANZA's whistleblowing function, HANZA Hotline, through which employees can anonymously report concerns about deviations from policies and rules, violations, or abuses of positions of trust.

No reports were made in 2022 to HANZA Hotline. Normally, perceived infringements are reported to the immediate manager who, if necessary, manages the situation together with the local HR function. An annual employee survey measures, among other things, perceived victimization. Since 2018, the survey has shown clear improvements in the matter each year. In 2022, no incidents occurred or were investigated with regard to discrimination.

The gender balance at group level is relatively good at HANZA, with 32% women and 68% men. However, individual professional categories and clusters show a poorer balance, a challenge that HANZA shares with the rest of the global engineering industry, where simpler mechanical jobs are dominated by women, and heavier tasks are dominated by men. HANZA strives to provide equal employment terms and conditions for equivalent assignments. One target is to increase the proportion of women with a managerial role within the group, who accounted for 22% in 2022. HANZA's group management, consisting of three people, is made up of entirely men.

HANZA's only female cluster manager left her position at the end of the year. Several positions within middle management are held by women, such as sales, accounting, and HR.

Develop, motivate, and attract employees

HANZA's impact, opportunities, governance: HANZA's growth has resulted in a need for skilled and committed workers. Constant competence supply and development of employees is therefore of strategic importance. HANZA's values and its leadership program basically ensure that our workers' performance is safeguarded, and a global HANZA culture is established.

Targets and efforts: Strive to safeguard internal competence, and offer workers development opportunities.

Mapping of employee skills and development needs is conducted in the annual career-development meetings, which are then matched with the skills requirements in other parts of the company. Competence exchanges between factories and internal career paths, aim at increasing exchanges of production methods between clusters, and creating a more cross-border HANZA. In this way, employees are also given the opportunity to develop, in addition to the ongoing activities that HANZA offers, such as in employer branding, as well as training in local languages in areas such as IT security.

A good induction process is the key to skilled and committed workers. All newly hired workers are given an individual induction plan, and take part in the induction training via HANZA Academy. Newly hired key functions

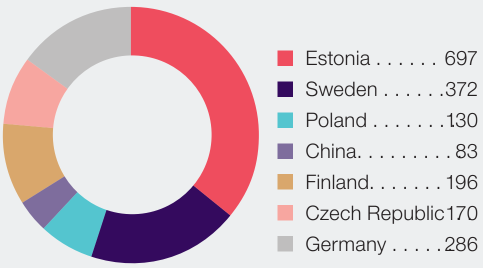
are given a global introduction to HANZA by the CEO, CFO and COO. The Intranet, where new employees, policies and news regarding the Group or local factories are presented, is the established channel for internal communication.

The annual employee surveys have, for several years, shown steady improvements, despite the uncertainty that can come from expansion and acquisitions. In particular, commitment and customer focus have shown a higher score over time. In 2022, global logistical challenges relating to components and materials resulted in high workloads among employees at times, which to some extent affected the work environment. Work that started in the year on such things as motivation-enhancing initiatives and anti-stress work environment measures continues in 2023. In order to improve the group's internal communication, Intranet development is to continue in 2023. In addition, HANZA Academy will be updated with new training programs.

HR organization

The aim is that each HANZA cluster should have at least one person responsible for recruitment and personnel-related issues, who ensures that any initiatives are adapted to the cluster's needs. In addition, their work is coordinated by a global manager stationed in Sweden. In 2022, an HR function was recruited for China, and in the Swedish cluster, another HR position has been created. Finland, Germany, and Poland also have their own HR managers. In the Baltic cluster, which is one of HANZA's largest, there is, among other positions, a dedicated recruitment manager who works with competence supply for the cluster. Partnerships also exist with universities and occupational colleges within several clusters.

Average number of employees per country



Local communities

HANZA's impact, opportunities: Adopting a long-term approach in the locations where we are a major employer, results in mutual trust between HANZA and the local community.

HANZA's operational locations are normally in communities where HANZA is a major employer, and therefore an important private-sector player for the support of local inhabitants.

Targets and actions: HANZA strives for the sustainable development of communities, and to maintain continuous dialogs with financiers, such as local government, in order to achieve working agreements, and also to clarify HANZA's long-term commitments to the operational location. HANZA's different clusters include factories that were acquired at a time when they were weighed down by weak profitability and liquidity problems, with closure as the only viable alternative for the owners at the time.

HANZA's continued operations have helped to sustain employment in several rural areas. Our collaborations with municipalities and schools at the production sites in Estonia and Finland, in order to establish mutual trust, and to ensure HANZA's capacity for growth in the long term, are further examples of our community involvement. In 2022, we were able to acquire previously rented premises in Estonia. In China, HANZA has moved to new and larger premises adapted to its operations. In all clusters, operations have thus been expanded.

Rainer Olesk, cluster manager in China

Rainer Olesk started working at HANZA in 2010, as a technician for cable production in Tartu, Estonia. After a few years, he was promoted to account manager, and in 2015 he was given the role of operations manager. In 2018, he went to China for the first time, where he was acting cluster manager for six months before returning to Tartu. At the end of the summer of 2022, Rainer and his family moved from Estonia to China, where he now acts as cluster manager for HANZA's Chinese manufacturing cluster.

A new chapter in China

It's been almost eight months since my family and I arrived in China and our new home in Suzhou. We live in a pleasant area, and our children are gradually starting to feel at home in school, and are getting used to the new languages - they're learning both Mandarin and English. Suzhou is a lively, international city with many lush green parks, very nice to live in. Covid restrictions have finally been lifted, which means it's possible to travel again. We're very pleased about that, as we plan to visit other parts of China and neighboring countries soon. As expected, the food in Suzhou is very good, and everyone in the family has discovered their favorite dish. We're looking forward to the spring, and to seeing what the Year of the Rabbit has in store for us.

Cluster China also starts a new chapter

New factory – in August 2022, we moved our factory to a new facility not far from our previous address. We are still located in Suzhou Industrial Park, close to our employees, suppliers, and customers. Thanks to good teamwork and lots of effort from all involved, the move went smoothly and without any hitches. The new production premises are more than 1,000 sqm larger than the previous one, totaling almost 4,000 sqm. Our new and modern premises are not only functional, but also enable us to receive business visitors and hold meetings with pride.

Purchasing collaboration - in October 2022, HANZA Group initiated a collaboration with an external purchasing partner, ESIC, with offices in Shenzhen, Hong Kong, and Suzhou.

ESIC has a skilled team with extensive experience in electronics and mechanical components. They support HANZA's global purchases and the Chinese cluster in developing a purchasing organization locally in China. They also help us to work with the challenges that the global component market still faces.

Electronics - after a long series of delays, we have now tooled up a production line for PCBAs, and can therefore offer our customers electronics manufacturing. In 2023, we are reaching a new milestone by bringing in new expertise to Cluster China.

We are also looking forward to creating synergies with HANZA Tech Solutions, which will strengthen our offering to customers both within and outside China.

Removed restrictions - after three years, China has finally removed all quarantine entry requirements. It is now possible to travel in and out of the country without any problems, and we have already scheduled in several visits from colleagues and partners who we look forward to seeing again in person.

Rainer Olesk, cluster manager

Strong growth and greatly increased profitability

2022 was a year in which HANZA, through improved earnings and a directed new share issue, significantly strengthened its financial position, and expanded its ownership base with international institutional owners. With high organic growth, increased profitability and previous investments to increase capacity, the foundation has been laid to achieve the new financial targets in "HANZA 2025".

Net sales amounted to SEK 3,549 million in 2022, one billion more than in 2021. Based on the year-end sales, HANZA is now a group with a turnover of around SEK 4 billion.

Operating profit continued to strengthen in 2022, and the group reached 6%. The profit margin was adversely affected by re-invoicing with no mark-up for increased prices for material and energy, as well as the acquisition of HANZA Beyers in Germany, which was completed at the end of 2021, and which had a lower margin during the integration phase.

Strong financial position - focus on cash flow

The basis for profitable growth is to have financial stability. Contract manufacturing is a capital-intensive industry with a great need for working capital, especially when there is a shortage of components and greater buffer stock are required, as was the case in 2022. Despite this, cash flow from operating activities amounted to SEK 145 million, an improvement of SEK 19 million on 2021. However, increased stock must not lead to increased risk.

HANZA purchases materials based on our customers' orders, and our business model is based on our customers taking responsibility for the material we have in stock on their behalf. We also received a lot of advance payments from customers in 2022, to enable purchase of buffer stock.

In order to cope with growth and meet the expected future expansion, this require investments in production capacity like machinery and space. These investments amounted to SEK 187 million in 2022, of which SEK 60 million was investments in buildings.

We also continued the investments to the end of 2022. We dared to do this when we saw strong demand, mainly from cyclically insensitive customers. In addition, after the new share issue at the end of the year together with strengthened profitability in 2022, we had a net interest-bearing debt in relation to adjusted EBITDA of 1.9, and a equity ratio of 35%.

Strong business model and balanced customer base

HANZA, like several other manufacturers, was affected by the pandemic and major fluctuations in customer demand. There were both volume increases and decreases, but the upshot of all that was of course a substantial drop in volume. The material shortages that we have been encountering for a few years have produced similar volatility in sales. HANZA would have been able to deliver higher volumes and report higher earnings in 2022 if it had not been for the material shortages. Our well-balanced customer base, where HANZA is not dependent on a few customers or industries, and the fact that several customers are relatively cyclically insensitive, has enabled us to cope well with these challenges. In addition, we have been successful at generating new sales. Such strong organic growth with improved profitability is the result of a strong business model and structured work.

Achievement of financial targets and new financial targets

In 2018, the Board of Directors set financial targets for HANZA. The main targets were for the company to grow by 10% over a business cycle, with an operating margin of 6%. In the autumn of 2022, the Board of Directors assessed that these targets had been achieved, and set new targets. The new targets are for HANZA to have reached SEK 5 billion in sales, with at least 8 percent EBITA, by the end of 2025. These are challenging targets, but realistic, as an average growth of 13% a year is needed to reach SEK 5 billion.

Since 2016, HANZA has recorded an average sales growth of 18%, where the most mature parts of the group already exceed the EBITA margin target of 8%.

Think long term for good development

During the pandemic, HANZA made the long-term deci-

HANZA's strategy for profitable growth

HANZA's growth and improved profitability is achieved in 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.

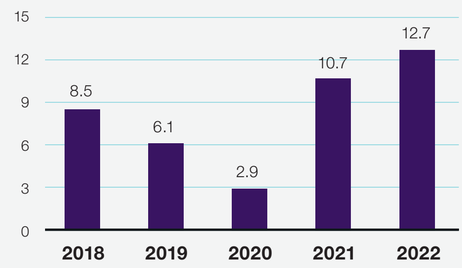
2.

CORE, CLUSTER OPERATIONAL EXCELLENCE
High quality and delivery reliability are fundamental to contract manufacturers. The creation of clusters and a wide range of technologies has also increased delivery reliability. In addition, we have internal programs for lean processes and major investments in efficiency and automation.

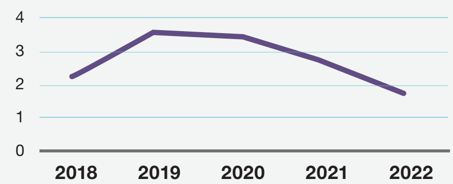
3.

ACQUISITIONS
Acquisitions are part of HANZA's strategy. The aim is to create a stronger offering by expanding into new geographical areas or by adding new technologies. We have a well-defined and established acquisition process, from identifying acquisition candidates, implementing the acquisitions, and lastly, integrating them. In 2022, we followed our strategic plan, and strengthened our offering through the acquisition of Budelmann, a German product development company. The acquisition is also intended to meet increased demand in this area.

Return on capital employed %



Net debt in relation to adjusted EBITDA
(times)



sion in 2020 to start its then largest expansion program, "Roadmap 2021", which covered all six clusters. The program was completed in 2021, and increased capacity is an important reason for the strong growth in 2022. Investments were also made in increased automation and robotics, which resulted in HANZA managing to grow by SEK 1 billion in 2022, with only a slight increase in the workforce of around 200 employees to 1,936 employees in total. In 2022, we continued to think long-term and, among other things, acquired a previously rented factory in Tartu, increased production areas in other clusters, and continued to invest in machinery.

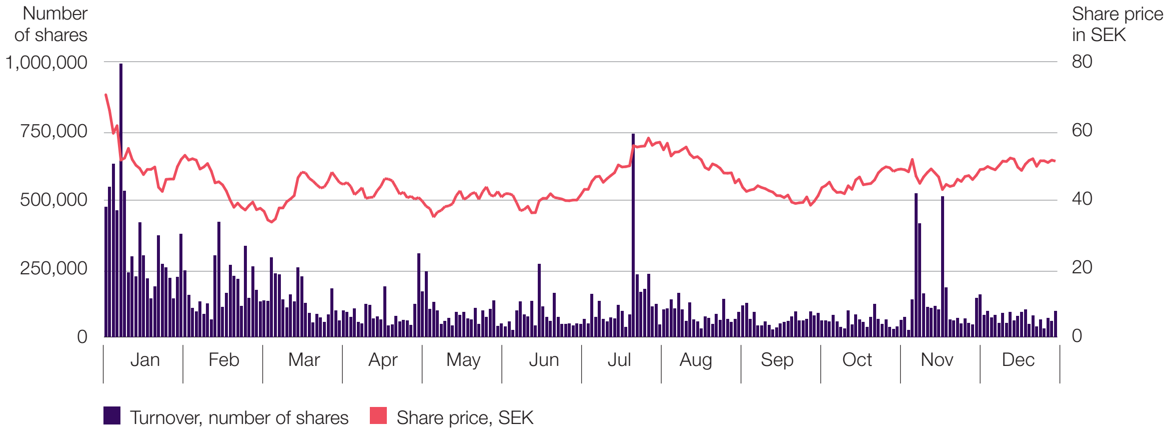
Another important part of our long-term work is sustainability. In early 2023, HANZA decided to update its sustainability targets with clearer measurable targets. We are now looking ahead to 2023. I look forward to new investments and the completion of ongoing investments, stronger customer offerings, and further growth.

Lars Åkerblom, CFO

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 51,10 (64,40).

Share price and sales 2022



At the beginning of the year, the number of shares was 35,779,928 and the share capital amounted to 3,577,993.

During the year, the number of shares increased through two directed new share issues with a total of 3,500,000 shares. This was registered with the Swedish Companies Registration Office on November 10 and December 22. This resulted in an increase of the company's registered share capital with a total of 350,000 SEK.

Share capital development

Year	Event	Quotient value SEK	Increase in share capital SEK	Number of shares	Total number of shares
2021	Share issue	0.1	180,000	1,800,000	35,779,928
2022	New share issue	0.1	325,000	3,250,000	39,029,928
2022	New share issue	0.1	25,000	250,000	39,279,928

Authorizations

At the Annual General Meeting on May 10, 2022, 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 2023 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 and were fully utilized in connection with the new share issues.

Lock-up agreement

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

Ownership

The number of shareholders at year-end amounted to 7,847 (6,852). The largest shareholders are listed below.

Ownership structure 2022-12-30	Number of shares[1]	Capital (%)	Votes (%)
Färna Invest AB[2, 3]	8,807,194	22.42	22.42
Clearstream Bankings S.A[4]	3,671,859	9.35	9.35
Francesco Franzé[2,5]	3,578,091	9.12	9.12
Håkan Halén[2]	2,357,470	6.00	6.00
SHB Luxembourg cl acct Sweden	1,880,313	4.79	4.79
Försäkringsbolaget, Avanza Pension	1,751,654	4.46	4.46
Eugen Steiner	1,000,000	2.55	2.55
Nordnet Pensionsförsäkring	948,191	2.41	2.41
Hamberg Förvaltning AB	827,992	2.11	2.11
Mikael Gunnarsson	769,988	1.96	1.96
10 largest shareholders, total	**25,597,752**	**65.17**	**65.17**
Other board members	56,000	0.14	0.14
Other senior executives	564,000	1.44	1.44
Other shareholders	13,062,176	33.25	33.25
Total number of shares	**39,279,928**	**100.00**	**100.00**

1) Refers to own holdings and those of related natural and legal persons.
2) Board members in HANZA AB
3) Färna Invest AB is a company wholly owned by board member Gerald Engström.
4) The item includes Ritter Beteligung's ownership of 3,000,000 shares
5) Francesco Franzé's controlled holding of shares in the company amounts to 2,266,000. In addition to the foregoing, Francesco Franzé owns 1,277,936 shares in the company through an endowment insurance and 39,155 shares via the wholly owned subsidiary Panarea AB. Francesco Franzé's total holding amounts to 3,578,091 shares.

Sorce: Euroclear

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 June 1 - September 30 2023.

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.

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Dividend

The Board has proposed to the AGM 2023 a dividend of 0.75 (0.50) SEK per share. The Board's proposal is based on the company's dividend policy, financial management and liquidity.

Content

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 2022.

About The Business
HANZA was founded in 2008 and has grown into a Group with a turnover exceding SEK 3.5 billion. The HANZA Group currently has operations in Sweden, Finland, Estonia, Poland, the Czech Republic, Germany and China. In these areas there are also wholly owned subsidiaries established which, together with the parent company HANZA AB, from the HANZA Group. For more information, see Note 35. Among HANZA's customers are leading industrials such as 3M, ABB, Epiroc, GE, Getinge, John Deere, Mitsubishi Logisnext, Oerlikon, Perkin Elmer, SAAB, Sandvik, Siemens and Tomra.

HANZA divides its operations into so called manufacturing clusters and applies a financial segmentation based on primary customer markets. In connection with the acquisition of Budelmann in July 2022, the definition of the Business development segment has been updated so that these activities, together with other services, will be reported within Business Development. For more information, see note 6 Segment reporting.

Operational reporting is broken down into the following 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 a high work content, extensive complex assembly and proximity to important end-customer areas.
- **Business development and services** – Revenues and costs from services provided by HANZA in advisory and development services and costs 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.

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.

Material events during 2022
Developing the Group structure
In March, HANZA inaugurated a newly built 12,000 sqm assembly hall in Tartu, Estonia. The new factory is an investment of approximately SEK 80 million and strengthens HANZA's position as a strong supplier of regional and complete manufacturing, as well as creating further opportunities for future growth

In May, the name of the parent company was changed to HANZA AB (formerly HANZA Holding AB). The company's share is traded on Nasdaq Stockholm with an unchanged short name, HANZA.

In July, HANZA acquired the product development company Budelmann Elektronik GmbH ("Budelmann") in Münster, Germany, in order to meet growing demand in this area. The acquisition is almost debt-free and has annual sales of approximately SEK 15 million. The purchase price amounted to SEK 9 million, plus a further SEK 2 million in estimated additional consideration. The company has been renamed HANZA Tech Solutions and represents an important commitment on the service side.

During the year, HANZA completed new manufacturing facilities in Poland, the Czech Republic and China. In total, HANZA's factory space was expanded by more than 6,000 square meters.

In October, HANZA acquired a previously leased property in Tartu, Estonia, which comprises the cluster's sheet metal mechanics. In addition to the property of approximately 6,300 sqm, the acquisition includes land of approximately 11,000 sqm. The sheet metal plant is located directly adjacent to HANZA's new assembly plant which opened in March 2022 (see above). The purchase price amounted to SEK 40 million.

Selected material events
During the year, HANZA had several sales successes with new manufacturing contracts, including to the logistics automation company Swisslog, the gas detection company Samon, the heat pump company Thermia and a leading developer of digital security solutions.

In November, the shareholder base was widened through a directed issue of SEK 147 million to selected international and institutional investors. The issue was significantly oversubscribed. The company's main shareholder Gerald Engström also participated in the issue following approval at an extraordinary general meeting in December.

In 2022, HANZA fulfilled the operational and financial targets presented in 2018, which is why the Board of Directors and the management have prepared a strategy with direction and targets for the coming years called "HANZA 2025". In connection with the new strategy, the Board of Directors decided in November to expand and raise the Group's financial targets. For more information, see section Market performance below.

Events after the end of the year

During 2023, HANZA will initiate the work with expanding the sheet metal factory in Estonia. The expansion is in line with strategy HANZA 2025 which, amongst other activities, includes increasing the capacity in existing clusters.

During the first quarter of 2023, the expansion in the Czech Republic and Poland will be completed. The new premises were completed in the fourth quarter of 2022 and work is now underway to finising these projects.

Five-year overview

MSEK	2022	2021	2020	2019	2018
Net sales	3,549	2,515	2,155	2,068	1,811
Operating profit (EBITA)	212	143	48	68	61
Profit/loss after tax	121	80	-1	24	21
Balance sheet total	2,541	1,951	1,414	1,528	1,096
Equity	898	586	475	498	411
Equity ratio, %	35.3	30.0	33.6	32.6	37.5

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 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.

In 2022, management, together with the Board of Directors, evaluated HANZA's current position and prepared a strategy with direction and targets for the coming years called "HANZA 2025" together with the Group's updated sustainability targets. This strategy is, among other things, based on that the Group's business model is developed and the opportunity to continue to increase organic growth is considered good. In addition, there is a continued positive structural trend towards regional manufacturing closer to the customer. Customer value will be increased, among other things, by HANZA further developing the Group's product development and advisory services.

The large market need and the profit advantages with the Group's cluster concept provides when increasing in size, the Board of Directors has found it appropriate to expand and increase the Group's financial targets. This, among other things, means that the Group's sales shall reach at least SEK 5 billion, that the operating margin (EBITA) shall be at least 8 percent at the end of 2025 and that net interest-bearing debt/adjusted EBITDA shall not exceed 2.5 times. The equity ratio shall amount to at least 30 percent.

Sales and profit

Net sales for the year amounted to SEK 3,549 million (2,515), an increase of 41 per cent. Sales have increased through new sales, increased volumes to existing customers, acquisitions and increased prices for energy and materials. The global material shortage situation has had a negative impact on sales. Changes in currency exchange rates affected the Group's sales positively by SEK 105 million.

EBITDA amounted to SEK 315 million (232), which corresponds to an EBITDA margin of 9% (9). The Group's EBITA amounted to SEK 212 million (143), which corresponds to an operating margin of 6% (6). The improvement is mainly due to higher margins in the Other Markets segment.
The margin is negatively impacted by the re-invoicing of increased material and energy costs and the acquisition in Germany of HANZA Beyers, which was completed in quarter 4 2021 since the margin has been at zero in terms of profitability. This has also negatively impacted the gross margin, which amounted to 43% (46).

The integration of HANZA Beyers and the coordination of production have resulted in reduction of staff, which has affected the result negatively with non-recurring items amounting to SEK 12 million. At the same time, an updated assessment of the additional purchase price for the acquisition of Beyers has resulted in a positive release of the reserve by SEK 10 million. The strengthening of the EUR and USD exchange rates towards SEK has negatively affected the net financial income by approximately SEK 5 million in the form of both realized and unrealized exchange rate losses.

Profit before tax amounted to SEK 143 million (100) and profit after tax amounted to SEK 121 million (80). Income tax corresponds to a tax rate of 15% (20). The lower tax rate is due to the fact that a larger proportion of the profit comes from entities with a lower tax rate. Profit per share amounted to SEK 3.35 (2.26) before dilution and to 3.30 (2.25) after dilution in the year.

For more information, see Note 6 Segment reporting.

Cash flow and investments

Cash flow from operating activities amounted to SEK 145 million (126). The change in working capital amounted to SEK -89 million (-68). Working capital requirements are driven by rapid growth. In addition, shortages of components have led to an increase in safety stocks and work in progress, while increased prepayments from customers have reduced the working capital requirements in the period.

The strong expansion has also increased the need for investments. Total investments in tangible fixed assets amounted to SEK 187 million (155) and consisted mainly of investments in buildings and other fixed assets, mainly machinery. Cash flow from investment activities amounted to SEK -184 million (-186) of which acquisitions amounted to SEK -8 million (-48). For more information on these, please refer to Note 33. The difference against cash flow from investments is due to the fact that certain investments do not affect the cash flow as they are made through leasing or are an accounts-payable at the end of the period.

Financial position

Organic growth, acquisitions, and a challenging material situation with a need for increased safety stock has led to an increase of the balance sheet total. The new share issue during quarter 4 improved the equity/assets ratio and decreased the net debt.

The balance sheet total at the end of the year amounted to SEK 2,541 million (1,951). Shareholders' equity at the end of the year amounted to SEK 898 million (586), which gives an equity/assets ratio of 35.3% (30.0).

The Group's interest-bearing net debt at the end of the year amounted to SEK 556 million (583). Net debt in relation to adjusted EBITDA for the past 12 months has thus decreased and amounts to 1.9 times (2.9).

Employees

During the year, the average number of employees in the Group was 1,936 (1,741). The number of employees at the end of the year was 2,107 compared to 2,001 at the start of the year. Of the numbers of employees at the end of the year, ten 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 2022 the ten largest customers accounted for 42 per cent (47) 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 15-29. 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	18
Governance, policies and follow-up	19
Overall risk assessment	23–24
Sustainability risks	15
Environment	18–21
Social relations	15–17
Employees	25–28
Human rights	23–24
Business ethics and anticorruption	23–24

Operations with permitting requirements

The group conducts operations that are subject to authorization (permitting) pursuant to Chapter 9 of the Swedish Environmental Code.

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, 2022 amounted to 7,847. The largest shareholder was Färna Invest AB (owned by Gerald Engström) with 22.4 per cent, Clearstream Bankings S.A with 9.4 per cent and Francesco Franzé with 9.1 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 10 May 2022. No changes in the guidelines will be proposed to the AGM 2023. 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.

Parent Company

HANZA AB is the parent company of the Group and is responsible for Group-wide services in primarily management, coordination and development. The Parent Company's net sales consist exclusively of revenue from group companies amounting to SEK 24 million (25). Profit before tax amounted to SEK 50 million (8).

Dividend

The board has proposed to the AGM on 8 May 2023 a dividend of SEK 0.75 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. The basis for the proposed dividend includes both the parent company's and the Group's consolidated needs, liquidity, financial position and ability to fulfill its obligations and commitments, both in the short and long term

Proposed appropriation of profit

The Board of Directors proposes a dividend for financial year 2022 of SEK 0.75 per share (0.50) corresponding to a total dividend of SEK 30 million (18) based on the number of outstanding shares as of 31 March 2023. Proposed record date is 10 May 2023.

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

Retained earnings	386,751,927
Profit for the year	45,818,991
Total	**432,570,918**

The Board of Directors proposes that retained funds be

Paid as dividend to the shareholders, 0.75 SEK per share, in total	29,459,946
To be carried forward	403,110,972
Total	**432,570,918**

The Boards statement over the proposed dividend

In accordance with Chapter 18, Section 4 of the Swedish Companies Act, the Board of Directors has assessed the Parent Company's and the Group's consolidation needs, liquidity, financial position in general and ability to meet its obligations in the long term.

The proposed dividend compose 7 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.

The proposed dividend does not limit the company's investment capacity or liquidity needs, and it is our assessment that the proposed dividend is well balanced with regard to the nature, scope and risks of the business.

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 2022.

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 2022. 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.

2023 AGM

The AGM will be held on Monday, May 8 2023.

Authorizations

At the AGM on May 10 2022, 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 2023 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. The Board of Directors exercised the entire authorization in connection with the new share issue carried out in the fourth quarter of 2022.

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 four members.

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 2023 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 2024 AGM.

HANZA's Nomination Committee in advance of the 2023 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	Håkan Halén	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 2022 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 98-99.

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	Yes
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 2022 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	7/7	2/2
Gerald Engström	12/13	–	2/2
Håkan Halén	13/13	7/7	–
Helene Richmond	13/13	–	–
Sofia Axelsson	13/13	7/7	–

The total number of board meetings in 2022 was 13. Of these 4 were held per capsulam.

Major shareholders

As of December 31, 2022, 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	22.4

For further information about HANZA's shares and ownership structure, please refer to the section entitled "Shares and ownership structure" on pages 32-33 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 2022 AGM, Ernst & Young AB (EY) was elected to serve as the company's auditor for the time up to the end of the AGM 2023. 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 2022	Jan–Dec 2021
Net sales	5, 6	**3,549**	**2,515**
Change of inventories in production, finished goods and work in progress on behalf of others		152	165
Raw materials and consumables		-2,170	-1,531
Other external costs	7	-453	-297
Costs of personnel	8, 31	-781	-634
Depreciation, amortizations and write-downs, tangible fixed assets	15, 30	-103	-89
Other operating income and expenses	9	18	14
Operating profit (EBITA)	6, 10	**212**	**143**
Depreciation, amortizations and write-downs, intangible fixed assets	14	-19	-16
Operating profit (EBIT)		**193**	**127**
Profit/loss from financial items			
Financial income and expenses	10, 11	-50	-27
Financial items – net		**-50**	**-27**
Profit/loss before tax		**143**	**100**
Income tax	12	-22	-20
Profit/loss for the year		**121**	**80**

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	3.35	2.26
Earnings per share after dilution, SEK	13	3.30	2.25

Consolidated comprehensive income statement

Amounts in SEK million	Note	Jan–Dec 2022	Jan–Dec 2021
Profit/loss for the year		**121**	**80**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the income statement			
Remeasurement of defined benefit pension plans	31	20	2
Tax on items that will not be reclassified to the income statement		-6	-1
Total items that will not be reclassified to the income statement, net of tax		**14**	**1**
Items that can subsequently be reversed in profit or loss			
Exchange rate differences from recalculation of foreign subsidiaries		50	11
Exchange rate difference on acquisition loan		-1	0
Tax on items that can subsequently be reversed in profit or loss		3	0
Total items that may be reclassified to the income statement, net of tax		**52**	**11**
Other comprehensive income for the year		**66**	**12**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**187**	**92**

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

Consolidated balance sheet

Amounts in SEK million	Note	31.12.2022	31.12.2021
ASSETS			
Fixed assets			
Goodwill	14	388	362
Other intangible assets	14	90	103
Buildings, land and cost of improvement	15	245	165
Machinery and equipment	15	306	241
Right-of-use assets	30	180	188
Deferred tax assets	16	17	22
Total fixed assets		**1,226**	**1,081**
Current assets			
Inventories	18		
Raw material and supplies		667	473
Work in progress		193	128
Finished products		66	58
Gods in transition		11	4
Total inventories		**937**	**663**
Accounts receivables	19	151	106
Tax receivables		20	5
Other receivables	20	51	31
Prepaid expenses and accrued income	21	19	19
Cash and cash equivalents	22	137	46
Total current assets		**1,315**	**870**
TOTAL ASSETS		**2,541**	**1,951**

Consolidated balance sheet

Amounts in SEK million	Note	31.12.2022	31.12.2021
EQUITY	23		
Equity attributable to the equity holder of the parent company			
Share capital		4	4
Other paid-in capital		610	467
Other reserves		80	28
Retained earnings		204	87
Total equity		**898**	**586**
LIABILITIES			
Long-term liabilities			
Post-employment benefits	31	102	109
Deferred taxes liabilities	16	49	44
Liabilities to credit institutions	24	223	245
Lease liabilities	24, 30	125	132
Total long-term liabilities		**499**	**530**
Current liabilities			
Overdraft facility	24	55	59
Liabilities to credit institutions	24	177	107
Lease liabilities	24, 30	41	42
Other interest-bearing liabilities	24	75	63
Accounts payable	25	487	373
Tax liabilities		24	17
Other liabilities	26	140	59
Accrued expenses and deferred income	27	145	115
Total current liabilities		**1,144**	**835**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,541**	**1,951**

Consolidated report of changes in shareholders' equity

Amounts in SEK million	Note	Share capital	Other paid-in capital	Other reserves	Profit and loss brought forward inclu-ding profit/ loss for the year	Total equity
OPENING BALANCE AS OF 1 JANUARY 2021		**3**	**440**	**17**	**14**	**475**
Profit/loss for the period		–	–	–	80	80
Other comprehensive income						
Other comprehensive income before tax		–	–	11	2	13
Tax on items in other comprehensive income		–	–	–	-1	-1
Total comprehensive income		**–**	**–**	**11**	**82**	**92**
Transactions with shareholders						
Warrant issue		1	27	–	–	28
Dividend		–	–	–	-9	-9
Total contributions from and distributions to shareholders, recognized directly in equity		**1**	**27**	**–**	**-9**	**19**
CLOSING BALANCE AS OF 31 DECEMBER 2021		**4**	**467**	**28**	**87**	**586**
OPENING BALANCE AS OF 1 JANUARY 2022		**4**	**467**	**28**	**87**	**586**
Profit/loss for the period		–	–	–	121	121
Other comprehensive income						
Other comprehensive income before tax		–	–	49	20	69
Tax on items in other comprehensive income		–	–	3	-6	-3
Total comprehensive income		**–**	**–**	**52**	**135**	**187**
Transactions with shareholders						
New share issue		–	147	–	–	147
Issue costs		–	-4	–	–	-4
Dividend		–	–	–	-18	-18
Total contributions from and distributions to shareholders, recognized directly in equity		**–**	**143**	**–**	**-18**	**125**
CLOSING BALANCE AS OF 31 DECEMBER 2022		**4**	**610**	**80**	**204**	**898**

Development of the share capital is shown in Note 23.

Consolidated statement of cash flows

Amounts in SEK million	Note	Jan-Dec 2022	Jan-Dec 2021
Cash flows from operating activities			
Profit/loss after financial items		143	100
Depreciation, amortizations and write-downs	6	122	105
Other non-cash items	32	-9	-2
Paid income tax		-22	-9
Cash flows from operating activities prior to the change in working capital		**234**	**194**
Change in working capital			
Change in inventories		-231	-244
Change in accounts receivables		-37	3
Change in short-term receivables		-19	-10
Change in accounts payables		96	140
Change in short-term liabilities		102	43
Total change in working capital		**-89**	**-68**
Cash flows from operating activities		**145**	**126**
Cash flows from investing activities			
Acquisition of subsidiaries	33	-8	-48
Investments in intangible assets	14	-1	-2
Investments in tangible fixed assets	15	-179	-139
Disposals of tangible fixed assets		4	4
Cash flows from investing activities		**-184**	**-185**
Cash flows from financing activities			
New share issue	23	143	–
New loans	24, 32	263	173
Repayment of borrowings	24, 32	-268	-186
Dividends paid		-18	-9
Cash flows from financing activities		**120**	**-22**
Increase/reduction in cash and cash equivalents		**81**	**-81**
Cash and cash equivalents at the beginning of the year	22	46	121
Exchange differences in cash and cash equivalents		10	6
Cash and cash equivalents at the end of the year	22	**137**	**46**

Parent Company income statement

Amounts in SEK million	Note	Jan-Dec 2022	Jan-Dec 2021
Operating income	34	**24**	**26**
Other external costs	7, 34	-13	-14
Costs of personnel	8	-11	-11
Total operating expenses		**-24**	**-25**
Operating profit		**–**	**1**
Profit/loss from financial items			
Profit/loss from group companies	11, 35	27	5
Other interest income and similar income items	11	1	1
Interest charges and similar income items	11	-12	-5
Total profit/loss from financial items		**16**	**1**
Profit/loss after net financial items		**16**	**2**
Appropriations	36	34	6
Profit/loss before tax		**50**	**8**
Tax on profit for the period	12	-4	-1
Profit/loss for the year		**46**	**7**

Parent Company comprehensive income statement

Amounts in SEK million	Note	Jan-Dec 2022	Jan-Dec 2021
Profit/loss for the year		**46**	**7**
Other comprehensive income, net of tax, for the year		**–**	**–**
Total comprehensive income for the year		**46**	**7**

Parent Company balance sheet

Amounts in SEK million	Note	31.12.2022	31.12.2021
ASSETS			
Fixed assets			
Financial fixed assets			
Shares in subsidiaries	35	367	367
Long-term receivables on group companies	34	137	23
Deferred tax assets	16	–	2
Total financial fixed assets		**504**	**392**
Total fixed assets		**504**	**392**
Current assets			
Short-term receivables			
Receivables on group companies	34	1	12
Prepaid expenses and accrued income	21	1	1
Total short-term receivables		**2**	**13**
Liquid funds			
Cash and cash equivalents	22	30	–
Total liquid funds		**30**	**–**
Total current assets		**32**	**13**
TOTAL ASSETS		**536**	**405**

Parent Company balance sheet

Amounts in SEK million	Note	31.12.2022	31.12.2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity	23		
Restricted equity			
Share capital		4	4
Total restricted equity		**4**	**4**
Non-restricted equity			
Share-premium reserve		387	342
Profit and loss brought forward		–	-87
Profit/loss for the year		46	7
Total non-restricted equity		**433**	**262**
Total equity		**437**	**266**
Untaxed reserves			
Tax allocation reserves	36	2	2
Total untaxed reserves		**2**	**2**
Long-term liabilities			
Liabilities to credit institutions	24	24	40
Liabilities to group companies	24, 34	34	63
Total long-term liabilities		**58**	**103**
Current liabilities			
Liabilities to credit institutions	24	28	25
Other interest-bearing liabilities	24	1	2
Accounts payable		1	1
Tax liabilities		3	1
Other liabilities	26	1	1
Accrued expenses and deferred income	27	5	4
Total current liabilities		**39**	**34**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**536**	**405**

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 inclu-ding profit/ loss for the year**	
OPENING BALANCE AS OF 1 JANUARY 2021	**3**	**315**	**-78**	**240**
Comprehensive income				
Profit/loss for the year	–	–	7	7
Total comprehensive income	**–**	–	**7**	**7**
Transactions with shareholders				
Warrant issue	1	27	–	28
Dividend	–	–	-9	-9
CLOSING BALANCE AS OF 31 DECEMBER 2021	**4**	**342**	**-80**	**266**
OPENING BALANCE AS OF 1 JANUARY 2022	**4**	**342**	**-80**	**266**
Comprehensive income				
Profit/loss for the year	–	–	46	46
Total comprehensive income	**4**	**342**	**46**	**46**
Transactions with shareholders				
New share issue	–	147	–	147
Issue costs	–	-4	–	-4
Reallocation of retained earnings	–	-80	80	–
Dividend	–	-18	–	-18
CLOSING BALANCE AS OF 31 DECEMBER 2022	**4**	**387**	**46**	**437**

Development of the share capital is shown in Note 23.

Parent Company statement of cash flows

Amounts in SEK million	Note	2022	2021
Cash flows from operating activities			
Profit/loss after financial items		16	2
Write-downs	11	–	10
Other non-cash items	32	5	1
Group contributions received		34	5
Paid income tax		-1	–
Cash flows from operating activities prior to the change in working capital		**54**	**18**
Change in working capital			
Change in short-term receivables		10	-1
Change in short-term liabilities		2	2
Total change in working capital		**12**	**1**
Cash flows from operating activities		**66**	**19**
Cash flows from investing activities			
Acquisition of subsidiaries	35	–	-29
Cash flows from investing activities		**–**	**-29**
Cash flows from financing activities			
New share issue	23	143	–
New loans	24	29	20
Repayment of borrowings	24	-48	-24
Dividends paid		-18	-9
Change in long-term receivables on group companies		-114	-4
Change in long-term payables on group companies		-28	26
Cash flows from financing activities		**-36**	**9**
Increase/reduction in cash and cash equivalents	22	**30**	**-1**
Cash and cash equivalents at the beginning of the year		–	1
Cash and cash equivalents at the end of the year	22	**30**	**–**

Notes

Amounts in MSEK, unless otherwise specified.

NOTE 1 General information

HANZA 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, 2023. 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, 8 2023.

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 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 2022, no new IFRS standards or IFRIC interpretations are applied.

New standards and interpretations that have not yet been applied by the group

The definition of IAS 1 on significant accounting principles has been changed and will enter into force from 1 January 2023. The new definition aims to further clarify what is meant by significant accounting principles. As IAS is already applied by HANZA from before, the new definition will also be implemented.

Otherwise, there are no IFRS or IFRIC interpretations that come to force on January 1, 2023 or later that are expected to have any significant impact on the group of the parent company.

2.2 Consolidated accounts and business combinations
Subsidiaries

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

Note 2 cont.

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.

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'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 31-12-2022 or 31-12-2021. 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 31-12-2022 and 31-12-2021 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 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

Note 2 cont.

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.

For manufactured goods and work in progress include direct manufacturing costs as well as a fair share of indirect costs in the acquisition value. The cost of inputs includes expenses incurred in acquiring the inventory assets as well as transportation to their current location and condition. Application of the first-in, first-out (FIFO) method is applied.

The inventory is reported net, after deduction for assessed risk of obsolescence.

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 2022 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 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 cancelled 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 2022 no new standards or accounting principles are applied. There are neither any new standards that begin to apply on 1 January 2023 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, 2022 and 2021.

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, 2022, would have been impacted by SEK 3 (0) million. In the event of a corresponding weakening relative to PLN, profit for the year would have been impacted by SEK 1 (1) million. A strengthening or weakening of the Swedish krona relative to CNY or CZK would have had only a marginal effect on profit for the year as of December 31, 2022, 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 5 million (3) and a decrease of SEK 5 million (3), 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.
Surplus liquidity in the group's operating companies in excess of the portion required to manage working capital needs is

Note 3 cont.

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 137 million (46) and unutilized overdraft facilities in the amount of SEK 122 million (96) 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 2022	**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	87	94	78	155	8
Lease liabilities	24	25	45	56	26
Overdraft facility	–	55	–	–	–
Other interest-bearing liabilities	75	–	–	–	–
Accounts payable	488	–	–	–	–
Other short-term liabilities	130	–	–	–	–
Total	**804**	**174**	**123**	**211**	**34**

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	53	55	139	119	2
Lease liabilities	23	20	41	72	29
Overdraft facility	–	59	–	–	–
Other interest-bearing liabilities	63	–	–	–	–
Accounts payable	373	–	–	–	–
Other short-term liabilities	52	–	–	–	–
Total	**564**	**134**	**180**	**191**	**31**

Parent Company 31 December 2022	**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	14	14	17	8	–
Other interest-bearing liabilities	1	–	–	–	–
Accounts payable	1	–	–	–	–
Other short-term liabilities	–	–	–	–	–
Total	**16**	**14**	**17**	**8**	–

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	13	13	23	19	–
Other interest-bearing liabilities	2	–	–	–	–
Accounts payable	1	–	–	–	–
Other short-term liabilities	–	–	–	–	–
Total	**15**	**13**	**23**	**19**	**–**

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:

	2022	**2021**
Borrowings (Note 24)	530	474
Lease liability (Note 24)	166	174
Provisions for pensions (Note 31)	102	109
Less: Cash and cash equivalents (Note 22)	-137	-46
Net debt	**658**	**712**
Total equity	898	586
Net debt/equity ratio, %	**73**	**122**

The change during the year is explained by reduced indebtedness as a result of a reduction in leasing and pension liabilities as well as an increase in both cash and equity, which is mainly due to an improved result compared to the previous year and to the new share issue that was carried out during the fourth quarter.

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 2022.

All financial liabilities are recognized on the balance sheet at accrued acquisition value, except for other interest bearing liabilities, as of the end of 2022, which in 2022 consists of a reserve for the additional purchase price for the acquisitions of Beyers and Budelmann. 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. During 2022 the reserve has been dissolved by SEK 10 million, which is reported as other operating income. The change in debt is shown in note 24.

The additional purchase price for Budelmann in based on total sales in 2022 and 2023 where the estimate and calculation were made in 2022. A reserve has been set aside, which is reported in the consolidated income statement.

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 388 million (362).

(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 85 million (94).

(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 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 173 million (153).

(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 102 million (109). 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 38 million (23).

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 cancelled 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 38 million (23). 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. In connection with the acquisition of Budelmann in July 2022, the definition of the Business development segment has been updated so that these activities, together with other services, will be reported within 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

Note 6 cont.

operations are characterized by a high work content, extensive complex assembly and proximity to important end-customer areas.

- **Business development** – Revenues and costs from services provided by HANZA in advisory and development services and costs 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.

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.

	2022				2021			
Profit by segment	**Main markets**	**Other markets**	**Business develop-ment**	**Total**	**Main markets**	**Other markets**	**Business develop-ment**	**Total**
Revenue								
Segment revenue	1,992	1,582	7	3,581	1,375	1,167	–	2,542
Less sales between segments	-16	-14	-2	-32	-13	-14	–	-27
Revenue from external customers	**1,976**	**1,568**	**5**	**3,549**	**1,362**	**1,153**	–	**2,515**
Profit/loss								
EBITA	148	71	-7	212	114	42	-12	143
Amortization of intangible assets				-19				-16
Financial items – net				-50				-27
Profit/loss before tax				**143**				**100**
EBITA excluding items affecting comparability								
EBITA	148	71	-7	212	114	42	-12	143
Adjustment for items affecting comparability, see below	1	–	1	2	-3	–	5	3
EBITA excluding items affecting comparability	**149**	**71**	**-6**	**214**	**111**	**42**	**-7**	**146**
Items affecting comparability								
Revaluation of acquisition purchase price	10	–	–	10	–	–	–	–
Transaction costs	–	–	-1	-1	–	–	-5	-5
Integration costs	-11	–	–	-11	-4	–	–	-4
Repayment AFA	–	–	–	–	6	–	–	6
Total items affecting comparability	**-1**	–	**-1**	**-2**	**2**	–	**-5**	**-3**
Cashflow information – Non-cash items								
Depreciations	-86	-34	-2	-122	-71	-32	-1	-105
Other non-cash items	-8	1	-2	-9	1	-2	-1	-2

.

Note 6 cont.

Balance information and investments per segment

	Assets		Investments[1]		Liabilities	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Main markets	1,684	1,437	79	66	1,105	955
Other markets	924	759	93	75	565	428
Business development and services	236	151	10	1	276	378
Eliminations	-303	-396	–	–	-303	-395
Total Group	**2,541**	**1,951**	**182**	**142**	**1,643**	**1,366**

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

Net sales and fixed assets per geographic market

	Net sales		Fixed assets[2]	
	2022	**2021**	**2022**	**2021**
Sweden	1,122	911	408	391
Finland	738	503	220	182
Estonia	89	67	306	251
Germany	579	346	147	141
Poland	231	149	37	25
Czech Republic	49	42	58	45
Other EU	265	135	–	–
Norway	250	205	–	–
Other Europe	23	26	–	–
Nort America	76	57	–	–
Rest of the world	127	74	33	24
Total	**3,549**	**2,515**	**1,209**	**1,059**

2) Excluding financial instruments and deferred tax assets.

Revenue from external customers split on manufacturing technology and segment.

	2022				2021			
	Main markets	**Other markets**	**Business develop-ment**	**Total**	**Main markets**	**Other markets**	**Business develop-ment**	**Total**
Mechanics	1,050	1,061	–	2,111	853	741	–	1,594
Electronics	926	507	–	1,433	509	412	–	921
Business development and services	–	–	5	5	–	–	–	–
Total Group	**1,976**	**1,568**	**5**	**3,549**	**1,362**	**1,153**	–	**2,515**

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	**2022**	**2021**	**2022**	**2021**
EY				
Audit assignments	4	3	3	2
Tax consultancy services	1	–	–	–
Total	**5**	**3**	**3**	**2**
Other auditors				
Audit assignments	1	2	–	–
Other consultancy services	1	–	–	–
Total	**2**	**2**	–	**–**
Total	**7**	**5**	**3**	**2**

Other auditors refers to local auditors in Poland, Czech Republic and China. The increase since 2021 is mainly refers to services in connection to acquisitions and the new share issue.

NOTE 8 Remunerations to employees etc.

Salaries, renumerations and social costs

Group 2022	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	26	3	9	3	35
Other employees	567	8	179	33	746
Group total	**593**	**11**	**188**	**36**	**781**

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	18	2	7	2	25
Other employees	463	7	146	36	609
Group total	**481**	**9**	**153**	**38**	**634**

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)	2022		2021	
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	15	2	21	5
Group total	**20**	**4**	**26**	**7**

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	2022		2021	
Parent Company	**Average number of employees**	**Of which women**	**Average number of employees**	**Of which women**
Sweden	**2**	**–**	**2**	**–**
Subsidiaries				
Sweden	372	124	356	118
Estonia	697	244	663	250
Finland	196	24	177	25
China	83	49	86	50
Poland	130	111	140	116
Czech Republic	170	79	162	71
Germany	286	131	155	44
Total subsidiaries	**1,934**	**762**	**1,739**	**674**
Group total	**1,936**	**762**	**1,741**	**674**

In 2022 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 7 million (7) of which bonuses SEK 2 million (1). Pension costs to board of directors and CEO amounted to SEK 1 million (2) and other social security fees according to contracts amounted to SEK 3 million (2).

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	2022	2021
Profit on disposal of fixed assets	2	4
Government grants	2	3
Repayment AFA	–	6
Exchange gains	11	1
Revaluation of acquisition purchase price	10	–
Other items	7	6
Total other operating income	**32**	**20**

Other operating expenses	2022	2021
Exchange losses	-11	-4
Other items	-3	-2
Total other operating expenses	**-14**	**-6**

NOTE 10 Exchange gains and losses

Exchange gains and losses in income statement	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
In operating income	–	-3	–	–
In net financial items	-9	-1	-9	-2
Total exchange gains and losses	**-9**	**-4**	**-9**	**-2**

NOTE 11 Income from financial items

	Group	
Financial income	**2022**	**2021**
Financial items - net	–	–
Total financial income	**–**	**–**
Financial expenses		
Interest expenses	-32	-20
Net exchange gains and losses	-9	-1
Cost sold accounts receivables	-9	-7
Total financial expenses	**-50**	**-28**
Total financial items – net	**-50**	**-28**

	Parent Company	
Profit/loss from Group Companies	**2022**	**2021**
Dividends from subsidiaries	27	14
Write-down of shares in subsidiaries, see Note 35	–	-9
Profit/loss from Group Companies	**27**	**5**
Other interest income and similar income items		
Interest income from Group Companies	1	1
Other interest income and similar income items	**28**	**1**
Interest charges and similar income items		
Interest expenses, external	-2	-2
Interest expenses to Group Companies	-1	-1
Exchange gains and losses - net	-9	-2
Interest charges and similar income items	**-12**	**-5**
Total net financial assets – Parent Company	**16**	**1**

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:	**2022**	**2021**	**2022**	**2021**
Current tax on profit for the year	-15	-16	-2	-1
Total current tax	**-15**	**-16**	**-2**	**-1**
Deferred tax (see Note 16)				
Arise and reverse of temporary differences	-6	-5	-2	–
Changes due to changed tax rates	-1	1	–	–
Total deferred tax	**-7**	**-4**	**-2**	**–**
Total income tax	**-22**	**-20**	**-4**	**-1**

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 per cent (20.6) had been applied on the consolidated profit/loss, as follows:

	Group		**Parent Company**	
	2022	**2021**	**2022**	**2021**
Profit/loss before tax	143	100	50	8
Tax according to Swedish tax rate	-29	-20	-10	-2
Tax effects from:				
Diverging tax rates abroad	9	4	–	–
Non taxable income	6	1	6	3
Non deductible costs	-2	-3	–	-2
Tax losses carried forward for which no deferred tax has been recognized	-5	-3	–	–
Adjustments for prior years	-1	-1	–	–
Changes due to changed tax rates	–	2	–	–
Tax cost	**-22**	**-20**	**-4**	**-1**

The weighted average tax rate for the group is 15 per cent (20) and 21 per cent (21) 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.

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.

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.

Values used in calculation	2022	2021
Profit/loss attributable to the parent company's shareholders, SEK million	121	80
Weighted average number of outstanding common shares	36,258,695	35,395,270
Earnings per share before dilution, SEK	**3.35**	**2.26**

Values used in calculation	2022	2021
Profit/loss attributable to the parent company's shareholders, SEK million	121	80
Weighted average number of outstanding common shares	36,258,695	35,395,270
Adjustment for calculated dilution from warrants	475,009	192,612
Weighted average number of shares after dilution	**36,733,704**	**35,587,882**
Calculated earnings per share after dilution, SEK	**3.30**	**2.25**

NOTE 14 Intangible assets

Group 2022	Goodwill	Customer relations	Other intangible assets	Total
Accumulated acquisition values				
Opening balance	362	134	23	519
Investments	–	–	1	1
Sold and scrapped	–	–	-9	-9
Acquisition of companies	9	–	–	9
Exchange rate differences	17	6	2	25
Closing balance	**388**	**140**	**17**	**545**
Accumulated amortizations				
Opening balance	–	-40	-11	-51
Sold and scrapped	–	–	5	5
This year's amortizations	–	-14	-4	-18
Exchange rate differences	–	-1	–	-1
Closing balance	**–**	**-55**	**-10**	**-65**
Accumulated write-downs				
Opening balance	–	–	-2	-2
This year's write-downs	–	–	-1	-1
Reversed write-downs	–	–	1	1
Closing balance	**–**	**–**	**-2**	**-2**
Closing value	**388**	**85**	**5**	**478**

Note 14 cont.

Group 2021	Goodwill	Customer relations	Other intangible assets	Total
Accumulated acquisition values				
Opening balance	298	118	18	434
Investments	–	–	2	2
Acquisition of companies	61	15	2	78
Exchange rate differences	3	1	1	5
Closing balance	**362**	**134**	**23**	**519**
Accumulated amortizations				
Opening balance	–	-27	-8	-35
This year's amortizations	–	-13	-3	-16
Closing balance	**–**	**-40**	**-11**	**-51**
Accumulated write-downs				
This year's write-downs	–	–	-2	-2
Closing balance	–	–	**-2**	**-2**
Closing value	**362**	**94**	**9**	**465**

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, Other markets and Business development and services . 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 2022	Goodwill 31.12.2022	EBITA margin, %	Annual volume growth, %	Long-term growth rate, %	Discount rate, %
Sweden	184	10	4	2	9
Finland	48	6	8	2	9
Germany	67	8	7	2	9
Baltics	57	6	6	2	9
Central Europe	17	5	3	2	10
China	15	5	14	2	11
Total	**388**				

Cluster 2021	Goodwill 31.12.2021	EBITA margin, %	Annual volume growth, %	Long-term growth rate, %	Discount rate, %
Sweden	180	8	5	2	9
Finland	47	6	7	2	6
Germany	52	5	7	2	8
Baltics	53	6	9	2	7
Central Europe	16	5	7	2	10
China	14	5	15	2	11
Total	**362**				

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 2022 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 centage-points higher. The analyses were performed separately with the other assumptions intact.

	2022		2021	
Cluster	**25% lower EBIT-margin**	**3 %-points higher cost of capital**	**25% lower EBIT-margin**	**3 %-points higher cost of capital**
Sweden	–	–	–	–
Finland	–	–	–	–
Germany	–	–	-13	-16
Baltics	–	–	–	–
Central Europe	-11	-15	–	–
China	-3	-3	-6	-6
Total	**-14**	**-18**	**-19**	**-22**

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

The sensitivity analysis for cluster Germany does not include HANZA Tech Solutions GmbH, which was acquiried in quarter 3 in 2022. Goodwill related to the acquisition of Tech Solutions amounts to SEK 9 million. The sensitivity analysis is based on the remaining goodwill of SEK 58 million.

In cluster China the recoverable amount exceeds the value of goodwill allocated to the cluster by SEK 14 million (6). An assumption of 25 per cent lower EBITA margin would lead to impairment requirements of SEK 3 million (6). An assumption of 3 per centage-points higher cost of capital would lead to impairment requirements of SEK 3 million (6). Impairment requirements arise either when the EBITA margin assumption is set 21 per cent (13) lower or the assumption for cost of capital is set 2 per centage-points (1) higher than in the performed impairment test.

In cluster Central Europe the recoverable amount exceeds the value of goodwill allocated to the cluster by SEK 51 million (112). An assumption of 25 per cent lower EBITA margin would lead to impairment requirements of SEK 11 million (-). An assumption of 3 per centage-points higher cost of capital would lead to impairment requirements of SEK 15 million (-). Impairment requirements arise either when the EBITA margin assumption is set 21 per cent (-) lower or the assumption for cost of capital is set 2 per centage-points (-) higher than in the performed impairment test.

NOTE 15 Tangible fixed assets

Group 2022	Buildings and land	Leasehold improvements	Machinery and technical installations	Equipment, tools and installations	Construction in progress	Total
Accumulated acquisition values						
Opening balance	131	7	518	46	95	**797**
Investments	45	7	26	3	91	**172**
Acquisition of companies	–	–	–	1	–	**1**
Sold and scrapped	-2	-2	-21	-4	–	**-29**
Reclassifications	63	–	93	6	-154	**8**
Exchange rate differences	17	1	27	3	5	**52**
Closing balance	**254**	**13**	**643**	**54**	**37**	**1,001**
Accumulated depreciations						
Opening balance	-28	-2	-325	-32	–	**-387**
Sold and scrapped	–	2	20	4	–	**26**
This year's depreciations	-6	-1	-48	-5	–	**-60**
Reclassifications	–	–	-4	–	–	**-4**
Exchange rate differences	-1	-1	-18	-2	–	**-22**
Closing balance	**-35**	**-2**	**-375**	**-35**	**–**	**-447**
Accumulated write-downs						
This year's write-downs	-1	–	-3	–	–	**-4**
Exchange rate differences	1	–	–	–	–	1
Closing balance	**0**	**–**	**-3**	**–**	**–**	**-3**
Closing value	**219**	**11**	**265**	**19**	**37**	**551**

Group 2021	Buildings and land	Leasehold improvements	Machinery and technical installations	Equipment, tools and installations	Construction in progress	Total
Accumulated acquisition values						
Opening balance	123	2	425	39	9	**598**
Investments	–	1	28	5	109	**143**
Acquisition of companies	1	4	20	2	–	**27**
Sold and scrapped	–	–	-9	-1	–	**-10**
Reclassifications	2	–	49	1	-24	**28**
Exchange rate differences	5	–	5	–	1	**11**
Closing balance	**131**	**7**	**518**	**46**	**95**	**797**
Accumulated depreciations						
Opening balance	-22	-2	-271	-28	–	**-323**
Sold and scrapped	–	–	7	1	–	**8**
This year's depreciations	-5	–	-40	-4	–	**-49**
Reclassifications	–	–	-17	–	–	**-17**
Exchange rate differences	-1	–	-3	-1	–	**-4**
Closing balance	**-28**	**-2**	**-325**	**-32**	–	**-387**
Accumulated write-downs						
This year's write-downs	-1	–	-4	–	–	**-5**
Exchange rate differences	–	–	1	–	–	**1**
Closing balance	**-1**	**0**	**-3**	**-1**	–	**-4**
Closing value	**102**	**5**	**190**	**14**	**95**	**406**

Note 15 cont.

Buildings and land mainly includes the building in Tartu, that has been under construction throughout 2021 and which have been take into use during the first quarter of 2022. The group does not own any properties in Sweden. The line construction in progress includes ongoing new installations on both buildings and machinery and technical installations. In 2022, ongoing new facilities for buildings amounted to SEK 15 million (58) and machinery and technical installations to 22 (38). Closing balance regarding reclassifications is classified as leasing, which is why the row does not equal zero.

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:

	Deferred tax assets			Deferred tax liabilities			
2022	**Tax losses carried forward**	**Other temporary differences**	**Total**	**Fixed assets**	**Other temporary differences**	**Total**	**Deferred taxes net**
Opening balance	15	7	22	-33	-11	-44	**-22**
Reported in income statement	-2	-2	-4	-1	-1	-2	**-6**
Reported in other comprehensive income	–	-3	-3	–	-1	-1	**-4**
Exchange rate differences	1	1	2	-1	-1	-2	**0**
Closing balance	**14**	**3**	**17**	**-35**	**-14**	**-49**	**-32**
Of which expected to be used/due							
– after more than 12 months	9	2	11	-28	-11	-39	**-28**
– within 12 months	5	1	6	-7	-3	-10	**-4**

	Deferred tax assets			Deferred tax liabilities			
2021	**Tax losses carried forward**	**Other temporary differences**	**Total**	**Fixed assets**	**Other temporary differences**	**Total**	**Deferred taxes net**
Opening balance	18	9	27	-40	-3	-43	**-16**
Acquisition of companies	–	2	2	-3	–	-3	**-1**
Reported in income statement	-3	-4	-7	10	-8	2	**-5**
Reported in other comprehensive income	–	-1	-1	–	–	0	**-1**
Exchange rate differences	–	1	1	–	–	–	**1**
Closing balance	**15**	**7**	**22**	**-33**	**-11**	**-44**	**-22**
Of which expected to be used/due							
– after more than 12 months	9	6	15	-25	-10	-35	**-20**
– within 12 months	6	1	7	-8	-1	-9	**-2**

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 carryforwards of SEK 142 (167). Of these, deferred tax assets have been reported for losses amounting to SEK 78 (71). Deferred tax receivables have not been recognized for tax losses amounting to 69 MSEK (96) as it is not probable that they can be utilized before they expire. The group did not recognize deferred tax assets amounting to SEK 15 million (19), 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	**31.12.2022**	**31.12.2021**
Within 1 year	3	10
Between 1 and 5 years	69	65
After more than 5 years	43	65
No due date	27	27
Total tax loss carry forward	**142**	**167**

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

Deferred tax liabilities

Other temporary differences relate primarily to tax allocation reserves in Sweden.

Note 16 cont.

Deferred tax relating to untaxed earnings in Estonia
No income tax is payable on reported earnings in Estonia. Instead, a tax of 20 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 177 million (153), corresponding to a tax liability of SEK 35 million (31).

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 31.12.2022	Financial assets measured at amortized cost	Financial assets at fair value through income statement	Total
Accounts receivables	151	–	151
Other receivables	42	–	42
Cash and cash equivalents	137	–	137
Total	**330**	–	**330**

	Financial liabilities measured at amortized cost	Financial liabilities at fair value through income statement	Total
Liabilities to credit institutions	400	–	400
Lease liabilities	166	–	166
Overdraft facilities	55	–	55
Other interest-bearing liabilities	62	13*	75
Accounts payables	487	–	487
Other liabilities	131	–	131
Total	**1,301**	**13**	**1,314**

Group 31.12.2021	Financial assets measured at amortized cost	Financial assets at fair value through income statement	Total
Accounts receivables	106	–	106
Other receivables	19	–	19
Cash and cash equivalents	46	–	46
Total	**171**	**–**	**171**

	Financial liabilities measured at amortized cost	Financial liabilities at fair value through income statement	Total
Liabilities to credit institutions	352	–	352
Lease liabilities	174	–	174
Overdraft facilities	59	–	59
Other interest-bearing liabilities	42	21*	63
Accounts payables	373	–	373
Other liabilities	52	–	52
Total	**1,052**	**21**	**1,073**

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

NOTE 18 Inventories

Group	31.12.2022	31.12.2021
Inventory value before reserves for obsolescence	962	683
Obsolescence reserves	-25	-20
Inventories net value	**937**	**663**

Changes in obsolescence write-downs in 2022 amounted to SEK -5 million (1).

The part of inventory that is values at net sales value was SEK 119 million (25) on the balance sheet date.

The change compared to the previous year mainly relates to to change of calculation in cluster Germany.

NOTE 19 Accounts receivables

Group	31.12.2022	31.12.2021
Accounts receivables	114	84
Less: reserves for doubtful accounts	-2	-1
Accounts receivables – net	**112**	**83**
Contract receivables	39	23
Total receivables from contracts with customers	**151**	**106**

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

Age analysis	31.12.2022	31.12.2021
Not due	92	67
Due 1–30 days	16	12
Due 31–60 days	3	4
Due > 60 days	1	–
Total	**112**	**83**

Change in reserve for doubtful accounts	2022	2021
Opening balance	-1	–
Reserves for doubtful accounts	-1	-1
Utgående balans	**-2**	**-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 522 million (382). In certain cases accounts receivable can be factored, the factoring debt on the balance sheet date was SEK 12 million (-); see also Note 24 Borrowing and Note 28 Pledged collateral. The factoring debts are classified as short-term part of liabilities to credit institutions.

NOTE 20 Other receivables

Group	31.12.2022	31.12.2021
VAT receivables	8	11
Receivables on suppliers	3	4
Sold accounts receivable	34	6
Other receivables	6	10
Group total	**51**	**31**

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

NOTE 21 Prepaid expenses and accrued income

Group	31.12.2022	31.12.2021
Prepaid rents	4	3
Prepaid leasing fees	1	–
Prepaid material costs	4	6
Prepaid borrowing costs	1	1
Other prepaid costs	5	4
Prepaid fixed assets	2	–
Accrued public grants	–	3
Other accrued income	2	2
Group total	**19**	**19**

Prepaid costs and accrued income in the parent company amounted to SEK 1 million (1) 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 2020	**33,979,928**	**3**	**440**	**443**
Non-cash issue	1,800,000	1	27	28
As of 31 December 2021	**35,779,928**	**4**	**467**	**471**
New share issue	3,500,000	–	143	143
As of 31 December 2022	**39,279,928**	**4**	**610**	**614**

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 (0.50) 0.25 per share was paid.

New-share issues
During 2022, the number of shares was increased on two occasions with a total of 3,500,000 shares. In November, the number increased by 3,250,000 shares and in December by a further 250,000 shares.

Non-cash issue
On 19 March 2021 SLP was acquired. 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.

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 including 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.

2022	Liabilities to credit institutions	Overdraft facilities	Lease liabilities	Other interest-bearing liabilities	Total borrowings
Opening balance	352	59	174	63	648
Repayments	-158	-27	-52	-35	-272
New loans	185	20	9	53	267
Acquisition of companies	–	–	4	1	5
Capitalized interest	–	–	3	1	4
Revaluation through income statement	–	–	–	-10	-10
Changes in existing lease contracts	–	–	17	–	17
Exchange rate differences	21	3	11	2	37
Closing balance	**400**	**55**	**166**	**75**	**696**
Of which – long-term	223	–	125	–	348
– short-term	177	55	41	75	348

2021	Liabilities to credit institutions	Overdraft facilities	Lease liabilities	Other interest-bearing liabilities	Total borrowings
Opening balance	256	44	124	37	461
Repayments	-110	-8	-55	-13	-186
New loans	147	18	21	28	214
Acquisition of companies	54	4	63	11	132
Capitalized interest	–	–	2	–	2
Changes in existing lease contracts	–	–	17	–	17
Exchange rate differences	5	1	2	–	8
Closing balance	**352**	**59**	**174**	**63**	**648**
Of which – long-term	245	–	132	0	377
– short-term	107	59	42	63	271

The Groups interest bearing debt has an average interest rate of 4 per cent (4) 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.

31.12.2022			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	313	152	155	6
Hire-purchase agreement	SEK , EUR	87	25	61	1
Total		**400**	**177**	**216**	**7**

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	96	213	2
Hire-purchase agreement	SEK	41	11	30	–
Total		**352**	**107**	**243**	**2**

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 177 million (155). These facilities are distributed among 13 (11) different subsidiaries and are renegotiated at different times. Of the overdraft facilities, SEK 55 million (59) had been utilized as of December 31, 2022. The weighted average of the interest rates on overdrafts availed is 5 per cent (3).

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 acquisition of Beyers in late 2021 was estimated at SEK 22 million. The amount was discounted to SEK 21 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 the first quarters of 2023 and 2024. In 2022, an updated assessment of the acquisition of Beyers has been made, which has meant a non-cash generating dissolution of the reserve of SEK 10 million.

The additional consideration for the acquisition of Budelmann in July 2022 was estimated to the maximum amount of SEK 2 million. The additional consideration is based on the company's performance in 2022 and 2023 and will be paid in the first quarters of 2023 and 2024.

Changes in financial liabilities at fair value through income statement in level 3	2022	2021
Opening balance	21	–
Initial discounted value at acquisition	2	23
Capitalized interest	–	-2
Revaluation through income statement	-10	–
Closing balance	**13**	**21**

Parent Company 2022	Liabilities to credit institutions	Liabilities to group companies	Other interest-bearing liabilities	Total borrowings
Opening balance	65	63	2	130
Repayments	-27	–	-21	-48
New loans	9	–	20	29
Other changes	5	-29	–	-24
Closing balance	**52**	**34**	**1**	**87**
Of which – long-term	24	34	–	58
– short-term	28	–	1	29

Parent Company 2021	Liabilities to credit institutions	Liabilities to group companies	Other interest-bearing liabilities	Total borrowings
Opening balance	67	37	2	106
Repayments	-24	–	–	-24
New loans	21	26	–	47
Other changes	1	–	–	1
Closing balance	**65**	**63**	**2**	**130**
Of which – long-term	40	63	–	103
– short-term	25	–	2	27

NOTE 25 Accounts payables

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

Accounts receivables split on currencies	31.12.2022	31.12.2021
SEK	91	89
CNY	13	12
CZK	3	4
EUR	303	208
PLN	2	1
USD	70	53
Other	4	6
Total	**487**	**373**

NOTE 26 Other liabilities

Group	31.12.2022	31.12.2021
VAT liabilities	9	7
Employee taxes withhold	30	21
Prepayments from customers	95	20
Other short-term liabilities	6	11
Group total	**140**	**59**

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

Other liabilities in the parent company amounted to SEK 1 million (1) and refers mainly to VAT liabilities.

NOTE 27 Accrued expenses and prepaid income

Group	31.12.2022	31.12.2021
Accrued wages	33	23
Accrued vacation costs	47	42
Accrued social security fees	20	15
Accrued material costs	18	7
Accrued costs for consultants and audit	3	3
Other accrued expenses and prepaid income	24	25
Group total	**145**	**115**

Parent Company	31.12.2022	31.12.2021
Accrued wages	2	1
Accrued vacation costs	1	1
Accrued social security fees	1	1
Other accrued expenses and prepaid income	1	1
Parent company total	**5**	**4**

NOTE 28 Assets pledged

Group	31.12.2022	31.12.2021
For liabilities to credit institutions and bank overdraft:		
Property mortgages	231	183
Floating charges	384	333
Machines with ownership reservations	172	130
Shares in subsidiaries	541	425
Pledged inventory	92	70
Total	**1,420**	**1,141**

Parent Company	31.12.2022	31.12.2021
For liabilities to credit institutions:		
Shares in subsidiaries	129	129
Total	**139**	**129**

NOTE 29 Contingent liabilities

Group	31.12.2022	31.12.2021
Issued guarantees	96	66
Total	**104**	**66**

Parent Company	31.12.2022	31.12.2021
Guarantee commitment	139	111
Total	**139**	**111**

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 2022	Buildings and premises	Machinery and technical installations	Equipment, tools and cars	Total
Opening balance	128	54	6	188
Extensions and revaluations of existing contracts	5	1	–	5
Investments	1	14	–	15
Acquisition of companies	3	–	1	4
Sold and scrapped	-1	–	–	-1
This year's depreciation	-30	-12	-2	-44
Reclassifications	–	1	–	1
Exchange rate differences	8	3	1	12
Closing balance	**113**	**61**	**6**	**180**

Right-of-use assets 2021	Buildings and premises	Machinery and technical installations	Equipment, tools and cars	Total
Opening balance	68	63	6	137
Extensions and revaluations of existing contracts	18	–	–	18
Investments	6	11	2	19
Acquisition of companies	62	–	1	63
Sold and scrapped	–	–	-1	-1
This year's depreciation	-28	-10	-2	-40
Reclassifications	–	-11	–	-11
Exchange rate differences	2	1	–	3
Closing balance	**128**	**54**	**6**	**188**

Lease liabilities, this year's changes	2022	2021
Opening balance	174	124
Extensions and revaluations of existing contracts	17	17
Repayments	-52	-55
New contracts	9	21
Acquisition of companies	4	63
Capitalized interest	3	2
Exchange rate differences	11	2
Closing balance	**166**	**174**

	2022		2021	
Lease liabilities, maturity dates	**Nominal values**	**Discounted values**	**Nominal values**	**Discounted values**
Short-term within 1 year	49	47	43	42
Long-term 1 – 2 years	45	44	41	39
Long-term 2 – 5 years	56	51	72	67
Long-term later than 5 years	26	23	29	26
Total future leasing fees	**176**	**166**	**18**	**174**

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	2022	2021
Leasing fees referring to contracts shorter than 1 year (included in Other external costs)	-3	-6
Leasing fees referring to contracts of smaller value (included in Other external costs)	-5	-4
This year's depreciation of right-of-use assets	-44	-40
This year's interest cost on lease liability	-3	-3
Total cost of leasing in the income statement	**-55**	**-53**

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 2022 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 3 million (3). 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 175 per cent. If Alecta's collective consolidation level falls below 125 per cent or exceeds 175 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 2022, Alecta's surplus, in the form of the collective consolidation level, ran to 172 per cent (172).

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 8 million (6).

Germany

In the German subsidiary HANZA GmbH there is a defined-benefit pension plan that covers 297 people (339), of whom 143 (161) 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 24 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	2022			2021		
	Germany	Other	Total	Germany	Other	Total
Pension costs for defined contribution plans	2	30	32	3	32	35
Pension costs for defined benefit plans	2	2	4	3	1	4
Total pension costs	**4**	**32**	**36**	**6**	**33**	**39**

Defined benefit pensions

Recognition in the balance sheet	2022			2021		
	Germany	Sweden	Total	Germany	Sweden	Total
Defined benefit obligations, funded plans	131	–	131	138	–	138
Defined benefit obligations, unfunded plans	–	8	8	–	6	6
Plan assets, fair value	-37	–	-37	–35	–	–35
Provisions for pensions	**94**	**8**	**102**	**103**	**6**	**109**

Note 31 cont.

Change in defined benefit pension obligations	2022 Present value of defined benefit pension plans	2022 Plan assets, fair value	2022 Net	2021 Present value of defined benefit pension plans	2021 Plan assets, fair value	2021 Net
Opening balance	**144**	**-35**	**109**	**142**	**-32**	**110**
Items in income statement						
Current service cost	4	–	4	3	–	3
Interest costs	1	–	1	1	–	1
	5	–	**5**	**4**	–	**4**
Revaluation in other comprehensive income:						
Actuarial gains/losses (-/+) from changes in demographic assumptions	2	–	2	1	–	1
Actuarial gains/losses (-/+) from changes in financial assumptions	-22	–	-22	-2	–	-2
Return on plan assets	–	–	–	–	-1	-1
	-20	–	**-20**	**-1**	**-1**	**-2**
Other changes:						
Employer contributions	–	-2	-2	–	-1	-1
Benefit payments	–	–	–	-3	–	-3
Exchange differences	10	–	11	2	-1	1
Closing balance	**139**	**-37**	**102**	**144**	**-35**	**109**

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 4 per cent (1) 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 3 million (5), while if it had been 0.5 percentage point lower, the liability would have been higher by SEK 4 million (5).

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 1 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	2022	2021
Result from disposal of fixed assets	-2	-3
Revaluation of acquisition purchase price	-10	–
Unrealized exchange differences	4	-1
Other	-1	2
Total	**-9**	**-2**

Paid interest during the year amounts to SEK 31 million (20).

Cash flow from new loans	2022	2021
New loans according to Note 24	267	214
New lease contracts without cash flow effect	-9	-21
New liability referring to additional purchase price	–	-21
Investments transferred to lease contracts	5	1
Cash flow	**263**	**173**

Cash flow from amortizations	2022	2021
Repayments according to Note 24	-272	-186
Other	4	–
Cash flow	**-268**	**-186**

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

NOTE 33 Acquisitions of subsidiaries

An updated assessment of the additional purchase price for the acquisition of Beyers, which was completed in 2021, has resulted in a positive release of the reserve by SEK 10 million.

Acquisitions during the year

In 2022, HANZA AB has completed one acquisition.

On July 4, 2022, all shares in Budelmann Elektronik GmbH, with domicile in Münster, Germany, were acquired. The company operates within research and development and consist of an interdisciplinary team of 10 people with expertise in electronics, mechanics, and software development. The total purchase price amounts to SEK 9 million and a variable additional purchase price of no more than SEK 2 million and is linked to turnover for the fiscal years 2022 and 2023. The additional purchase price is estimated at the maximum amount, which after discounting amounts to SEK 2 million. In addition, a goodwill of SEK 9 million is reported in the acquisition. The acquisition analysis is still preliminary.

The table below summarizes the purchase price for Budelmann and the fair value of the acquired assets and assumed liabilities that were recognized on the acquisition date and cash flow from the acquisition.

Purchase price	Budelmann
Cash and cash equivalents paid upon entry into possession	9
Estimated conditional additional purchase price due in 2023 and 2024	2
Total estimated purchase price	**11**

Reported amounts of identifiable acquired assets and assumed liabilities	
Cash and cash equivalents	1
Machinery and equipment	1
Right-of-use assets	3
Current assets	2
Short-term interest-bearing liabilities	-1
Lease liabilities	-4
Accounts payable and other liabilities	-1
Total identified net assets	**1**
Goodwill	9
Total net assets transferred	**11**
Total net assets transferred	**-8**

The table below shows reported net sales and operating profit (EBITA) from the during 2022 acquired unit Budelmann.

Net sales and EBIT in the acquired company, SEK million	
Date of acquisition	04.07.2022
Net sales before acquisition	2
Net sales after acquisition	5
Total net sales if the company had been held for the full period	**7**
EBITA before acquisition	-1
EBITA after acquisition	-1
Total EBIT if the company had been held for the full period	**-2**

EBITA above shows the results reported by the company 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 23 per cent 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 116 million (110). The sales have been conducted on market terms.

During the quarter, HANZA has repaid the short-term loan of SEK 20 million taken out from Halén Invest AB. Halén Invest AB is a family company wholly owned by board member Håkan Halén. The terms for the loan have been in line with market conditions. Otherwise, there have been no transactions between the HANZA Group and related parties during the quarter that have materially affected the Group's position or earnings, beyond the share dividend and customary payments of remunerations to the Board of Directors and Group management salaries.

Remuneration to senior executives

Complete guidelines for remuneration to senior executives appear in the management report, pages 35–40.

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. Other senior executives amounted to a total 2 people during 2022.

2022 **Amounts in SEK thousands**	**Basic salary/ Board remuneration**	**Variable remuneration**	**Pension cost**	**Other benefits**	**Total**
Chairman of the board Francesco Franzé	480	–	–	–	480
Vice chairman of the board Gerald Engström	215	–	–	–	215
Boardmember Håkan Halén	270	–	–	–	270
Boardmember Helene Richmond	200	–	–	–	200
Boardmember Sofia Axelsson	230	–	–	–	230
CEO and president Erik Stenfors	2,760	1,242	758	89	4,849
Other senior executives (2 people)	3,840	1,152	1,166	206	6,364
Total	**7,995**	**2,394**	**1,924**	**295**	**12,608**

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**

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 oj 2020, 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 to group companies amounting to SEK 137 million (23). 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 1 million (12) which comprise operating receivables of a temporary nature. Further, the parent company had short-term liabilities to HANZA GmbH amounting to SEK 34 million (63) 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	2022	2021
Sales of services to subsidiaries	24	26
Purchase of services from group companies	4	4

NOTE 35 Shares in subsidiaries

Parent Company	2022	2021
Opening acquisition values	367	319
Acquisition of HANZA Germany GmbH	–	1
Shareholder contribution to HANZA Metalliset Oy	–	57
Write-down of shares in HANZA KA Åtvidaberg AB[1]	–	-10
Closing value	**367**	**367**

Name	Identity number	Domicile	Proportion of equity[3], %	Number of share	Closing value 31.12.2022	Closing value 31.12.2021
Directly owned subsidiaries						
Holding companies						
HANZA Operations AB	556746-2436	Årjäng, Sweden	100	128,205	139	139
Manufacturing companies						
HANZA Metalliset Oy	0735704-5	Heinävesi, Finland	100	1,626	97	97
HANZA GmbH	HRB30263	Remscheid, Germany	100	1	129	129
HANZA Germany GmbH	HRB31879	Remscheid, Germany	100	10	1	1
Dormant subsidiaries						
HANZA KA Åtvidaberg AB	556404-2371	Åtvidaberg, Sweden	100	227,292	1	1
					367	**367**

Name	Identity number	Domicile	Proportion of equity, %	Antal aktier
Indirectly owned subsidiaries				
Operational companies				
HANZA 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	2424893-2	Joensuu, Finland	100	750,000
HANZA Beyers GmbH	HRB2861	Mönchengladbach, Germany	100	10
HANZA Tech Solutions GmbH [1]	HRB12729	Münster, Germany	100	1
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

1) Name at acquisition was Budelmann Elektronik GmbH

NOTE 36 Appropriations and untaxed reserves

Parent company appropriations consisted of the following items:

Appropriations	2022	2021
Group contributions from the Swedish subsidaries	34	7
Provisions to tax allocation reserve	–	-1
Total appropriations	**34**	**6**

Untaxed reserves	2022	2021
Tax allocation reserve 2020	1	1
Tax allocation reserve 2021	1	1
Total untaxed reserves	**2**	**2**

NOTE 37 Events after the end of the year

In January, HANZA has expanded and deepened its collaboration with Thermia, a world-leading supplier of heat pumps for geothermal energy. The collaboration increases annual sales by approx. SEK 35 million in 2023 and is expected to continue to increase.

In 2023, HANZA will start the expansion of the sheet metal factory in Estonia. The expansion is and in line with the HANZA 2025 strategy, which includes, among other things, increasing capacity in existing clusters.

NOTE 38 Proposed appropriation of profit

The board of directors proposes a dividend for financial year 2022 of SEK 0.75 per share (0.50) corresponding to a total dividend of SEK 30 million (18) based on the number of outstanding shares as of 31 March 2023. Proposed record date is May 10 2023.

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

Share premium reserve	386,751,927
Profit for the year	45,818,991
Total	**432,570,918**

The board of directors proposes that retained funds be

Paid as dividend to the shareholders, 0.75 SEK per share, in total	29,459,946
Carried forward	403,110,972
Total	**432,570,918**

The board of directors proposes a dividend to the shareholders of SEK 0.75 per share (0.50) corresponding to SEK 30 million (18). The proposed dividend compose 7 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, 2023. The consolidated income statement and balance sheet will be submitted for approval at the AGM on May 8, 2023.

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 14–29.

Stockholm, the day stated in our electronic signature

Francesco Franzé
Chairman of the board

Gerald Engström
Vice chairman of the board

Sofia Axelsson
Board member

Håkan Halén
Board member

Helene Richmond
Board member

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 AB, corporate identity number 556748-8399

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of HANZA AB except for the corporate governance statement on pages 41-44 and the statutory sustainability report on pages 38, 14-29 and 95-97 for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 35-89 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 2022 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 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 41-44 and the statutory sustainability report on pages 38, 14-29 and 95-97. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, however 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.

Description of the key audit matter

The turnover for 2022 amounts to 3 549 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 the company's 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 further information about the revenues, see Accounting principles and note 5 Revenues and note 6 Segment information.

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 to ensure that revenues have been reported in the correct period. In addition, we have also performed data analytics on revenue recognition.

Goodwill and shares in subsidiaries

Description of key audit matter

Goodwill amounts to 388 MSEK as of December 31, 2022. Goodwill represents 15,2% of the group's total assets. Refer to note 14 and the description of the intangible assets on page 69. Shares in subsidiaries amounts to 367 MSEK in the parent company as of December 31, 2022. Refer to note 35 and the description of shares in subsidiaries on page 87.

Goodwill with indefinite useful life is 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 and in the section "goodwill" on page 56 and in note 4 on page 62 for goodwill and note 35 for shares in subsidiaries. Changes in the 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 and in the parent company. 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 matte

We have evaluated and tested management's process for impairment test of goodwill and shares in subsidiaries and reviewed future forecasts and performed sensitivity analysis on key assumptions. We have, with support from our valuation experts, reviewed the management'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 key audit matter

The group's inventories amount to 937 mSEK as of December 31, 2022. In the group´s production units there are inventories of raw materials, work in progress, finished goods and goods in transit. In order to offer short and safe delivery times and to provide customized solutions, most customers have a certain amount of inventory that can be used for suborder.

It is demanding to accurately account for the acquisition cost when purchasing, manufacturing and logistic processes are complex. In the product calculations there are number of trade-offs that need to be made by the management that have an impact on the presented values. Important areas are determination of the method, 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

The process for calculating the product calculations is central in the valuation of the inventory and hence we have reviewed this. We have performed walkthrough and reviewed 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 items. We have also participated at physical inventory counts and performed our own sampling counts on the most significant warehouses to confirm the quantity and to test the completeness and the valuation.

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 1-33 and 98-104. 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 consider our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

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

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

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

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified. We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

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

Report on other legal and regulatory requirements

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of HANZA AB for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional 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 AB for the financial year 2022.

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

In our opinion, the Esef report 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 AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

Auditor's responsibility

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

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

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

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

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

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 41-44 has been prepared in accordance with the Annual Accounts Act.

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

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6, section 6, the second paragraph points 2-6 of the Annual Accounts Act and chapter 7, section 31, the second paragraph in 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 opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 38, 14-29 and 95-97, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory 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 statutory sustainability report has been prepared.

Ernst & Young AB with responsible auditor Charlotte Holmstrand, Box 7850 103 99 Stockholm, was appointed auditor of HANZA AB by the general meeting of the shareholders on May 10, 2022 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

Taxonomy tables

Proportion of taxonomy-eligible activities

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – information covering the year 2022				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
Economic activities	Code(s)	Absolute turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover, year 2022	Taxonomy-aligned proportion of turnover, year 2022	Category (enabling activity)	Category (transitional activity)
		SEK M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of eligible Taxonomy-aligned activities (A.1)		–	0%																	
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	0%																	
Total (A.1 + A.2)		**–**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**	**0%**	**0%**	**0%**
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Turnover of non-eligible activities (B)	3,549		100%																	
Total (A + B)	**3,549**		**100%**																	

Refer to HANZA's net sales in the income statement

Capital expenditure (Capex)

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities – information covering the year 2022				Substantial contribution criteria						DNSH criteria										
(Do No Significant Harm)	Code(s)	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, year 2022	Taxonomy-aligned proportion of CapEx, year 2022	Category (enabling activity)	Category (transitional activity)
		SEK M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of eligible Taxonomy-aligned activities (A.1)	–	0%																		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx of Taxonomy-eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	–	0%																		
Total (A.1 + A.2)	**–**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**	**0%**	**0%**	**0%**
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
CapEx of non-eligible activities (B)	195	100%																		
Total (A + B)	**195**	**100%**																		

The key figure for capital expenditure consists of investments in intangible assets of SEK 1 million, tangible assets of SEK 179 million and right-of-use assets of SEK 15 million. For further information, see the Group's cash flow and Note 30.

Operating expenses (Opex)

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – information covering the year 2022				Substantial contribution criteria						DNSH criteria (Do No Significant Harm)										
Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, year 2022	Taxonomy-aligned proportion of OpEx, year 2022	Category (enabling activity)	Category (transitional activity)
		SEK M	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	Y/N	Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of eligible Taxonomy-aligned activities (A.1)																				
A.2 Taxonomy Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of Taxonomy eligible not but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)																				
Total (A.1 + A.2)		**–**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**								**0%**	**0%**	**0%**	**0%**
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
OpEx of non-eligible activities (B)	54																			
Total (A + B)	**54**	**100%**																		

The key figure for operating expenses consists of costs for research and development of SEK 8 million, short-term leases of SEK 3 million and costs for repair and maintenance of buildings and machinery of SEK 43 million.

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 several manufacturing units abroad.
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: 3,525,000 shares.
Independent of the company, its management and the significant shareholders.

Gerald Engström
Vice chairman of the Board 2019, elected 2017.
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: 8,807,194 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: 50,000 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 and 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.
Holding: 6,000 shares.
Independent of the company, its management and the significant shareholders.

Information on shareholdings as of December 31, 2022 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: 111,000 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 AB.
Number of shares: 453,000 shares privately and through company, as well as 350,000 warrants.

Information on shareholdings as of December 31,2022 with subsequent known transactions.

Key ratios

	2022	2021	2020	2019	2018
Key ratios according to IFRS					
Net sales, SEK million	3,549	2,515	2,155	2,068	1,811
Operating profit (EBIT), SEK million	193	127	31	57	54
Profit/loss for the year, SEK million	121	80	-1	24	21
Earnings per share before dilution, SEK	3.35	2.26	-0.04	0.73	0.74
Earnings per share after dilution	3.30	2.25	-0.04	0.73	0.74
Dividend per share, SEK[1]	0.75	0.50	0.25	–	0.25
Cash flow from operating activities, SEK million	145	126	182	122	114
Average number of employees	1,936	1,741	1,543	1,603	1,407
Alternative performance measurements					
EBITDA, SEK million	316	232	139	149	113
EBITDA margin, %	8.9	9.2	6.4	7.2	6.3
Operational segments EBITA, SEK million	219	155	51	84	71
Operational EBITA margin	6.2	6.2	2.4	4.0	3.9
EBITA Business development and services, MSEK	-7	-12	-3	-16	-10
EBITA, SEK million	212	143	48	68	61
EBITA margin, %	6.0	5.7	2.2	3.3	3.4
Operating margin, %	5.4	5.1	1.5	2.7	3.0
Operating capital, SEK million	1,559	1,298	925	1,041	675
Return on operating capital, %	14.8	12.9	4.9	7.9	10.8
Capital turnover on operating capital, times	2.5	2.3	2.2	2.4	3.2
Return on capital employed, %	12.7	10.7	2.9	6.2	8.5
Net interest-bearing debt, SEK million	556	583	381	543	264
Net debt/equity ratio, times	0.7	1.0	0.7	1.1	0.6
Net debt in relation to adjusted EBITDA, times	1.9	2.9	3.4	3.6	2.3
Equity ratio, %	35.3	30.0	33.6	32.6	37.5
Equity per share at end of period, SEK[1]	22.85	16.36	13.97	14.65	13.70

1) 2022, 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 measure-ments 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 (hanza.com/investor/reports-and-presentations).

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

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

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.

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

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.

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

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.

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.

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

Net debt in relation to adjusted EBITDA is net interest-bearing debt at year end divided by adjusted EBITDA on a rolling 12-months basis.

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

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

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.

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

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

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

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

HEAD OFFICE AND SERVICES

HANZA AB (head office)
Torshamnsgatan 35
SE-164 40 Kista
+46 8 624 62 00

HANZA Tech Solutions GmbH
Kopenhagener Str. 11
D-48163 Münster
+49 2501 920 8440

CLUSTER SWEDEN

HANZA Elektromekan AB
Brännaregatan 3
Box 904, SE-672 29 Årjäng
+46 8 624 62 00

HANZA Mechanics Sweden AB
Industrigatan 8
Box 904, SE-672 21 Årjäng
+46 8 624 62 00

HANZA Wermech AB
Industrivägen 2
Box 904, SE-672 41 Töcksfors
+46 8 624 62 00

HANZA Wermech AB
Svaneholms Bruk
SE-662 03 Svaneholm
+46 8 624 62 00

CLUSTER FINLAND

HANZA Metalliset OY
Ahjotie 3
FI-79700 Heinävesi
+358 405 51 52 55

HANZA Toolfac OY
Teollisuuskatu 7
FI-74120 Iisalmi
+358 207 41 27 40

HANZA Levyprofiili OY
Kuhasalontie 18
FI-80220 Joensuu
+358 132 200 50

CLUSTER ESTONIA

HANZA Mechanics Tartu AS
Silikaadi 5
EE-60534 Vahi village
+372 746 88 00

HANZA Mechanics Narva AS
Kulgu 5
EE-20104 Narva
+372 746 88 00

CLUSTER CENTRAL EUROPE

HANZA Poland SP.Z.O.O
Aleje Jerozolimskie 38
PL-56-120 Brzeg Dolny
+48 603 755 288

HANZA Czech Republic Zábreh S.R.O
Oborník 2247/31í
CZ-78901 Zábreh
+420 732 284 547

HANZA Mechanics Kunovice S.R.O
Osvobození 1486
CZ-68604 Kunovice
+420 601 585 010

CLUSTER GERMANY

HANZA GmbH
Leverkuser Straße 65
D-42897 Remscheid

HANZA Beyers GmbH
Dohrweg 27
D-41066 Mönchengladbach

CLUSTER CHINA

HANZA Alfaram Electric Co.Ltd
3rd Floor, Building 1 Area B
Dongfang Industrial Park
No. 20 Huayun Road
Jiangsu province, China
+86-512-62868001

Production: Sthlm Kommunikation & IR AB
Print: Exakta 2023

HANZA

hanza.com

Consolidated income statement

Amounts in SEK million	Jan–Dec 2022	Jan–Dec 2021
Net sales	**3,549**	**2,515**
Change of inventories in production, finished goods and work in progress on behalf of others	152	165
Raw materials and consumables	-2,170	-1,531
Other external costs	-453	-297
Costs of personnel	-781	-634
Depreciation, amortizations and write-downs, tangible fixed assets	-103	-89
Other operating income and expenses	18	14
Operating profit (EBITA)	**212**	**143**
Depreciation, amortizations and write-downs, intangible fixed assets	-19	-16
Operating profit (EBIT)	**193**	**127**
Profit/loss from financial items		
Financial income and expenses	-50	-27
Financial items – net	**-50**	**-27**
Profit/loss before tax	**143**	**100**
Income tax	-22	-20
Profit/loss for the year	**121**	**80**

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	3.35	2.26
Earnings per share after dilution, SEK	3.30	2.25

Consolidated balance sheet

Amounts in SEK million	31.12.2022	31.12.2021
ASSETS		
Fixed assets		
Goodwill	388	362
Other intangible assets	90	103
Buildings, land and cost of improvement	245	165
Machinery and equipment	306	241
Right-of-use assets	180	188
Deferred tax assets	17	22
Total fixed assets	**1,226**	**1,081**
Current assets		
Inventories		
Raw material and supplies	667	473
Work in progress	193	128
Finished products	66	58
Gods in transition	11	4
Total inventories	**937**	**663**
Accounts receivables	151	106
Tax receivables	20	5
Other receivables	51	31
Prepaid expenses and accrued income	19	19
Cash and cash equivalents	137	46
Total current assets	**1,315**	**870**
TOTAL ASSETS	**2,541**	**1,951**

Consolidated balance sheet

Amounts in SEK million	31.12.2022	31.12.2021
EQUITY		
Equity attributable to the equity holder of the parent company		
Share capital	4	4
Other paid-in capital	610	467
Other reserves	80	28
Retained earnings	204	87
Total equity	**898**	**586**
LIABILITIES		
Long-term liabilities		
Post-employment benefits	102	109
Deferred taxes liabilities	49	44
Liabilities to credit institutions	223	245
Lease liabilities	125	132
Total long-term liabilities	**499**	**530**
Current liabilities		
Overdraft facility	55	59
Liabilities to credit institutions	177	107
Lease liabilities	41	42
Other interest-bearing liabilities	75	63
Accounts payable	487	373
Tax liabilities	24	17
Other liabilities	140	59
Accrued expenses and deferred income	145	115
Total current liabilities	**1,144**	**835**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,541**	**1,951**

Consolidated statement of cash flows

Amounts in SEK million	Jan-Dec 2022	Jan-Dec 2021
Cash flows from operating activities		
Profit/loss after financial items	143	100
Depreciation, amortizations and write-downs	122	105
Other non-cash items	-9	-2
Paid income tax	-22	-9
Cash flows from operating activities prior to the change in working capital	**234**	**194**
Change in working capital		
Change in inventories	-231	-244
Change in accounts receivables	-37	3
Change in short-term receivables	-19	-10
Change in accounts payables	96	140
Change in short-term liabilities	102	43
Total change in working capital	**-89**	**-68**
Cash flows from operating activities	**145**	**126**
Cash flows from investing activities		
Acquisition of subsidiaries	-8	-48
Investments in intangible assets	-1	-2
Investments in tangible fixed assets	-179	-139
Disposals of tangible fixed assets	4	4
Cash flows from investing activities	**-184**	**-185**
Cash flows from financing activities		
New share issue	143	–
New loans	263	173
Repayment of borrowings	-268	-186
Dividends paid	-18	-9
Cash flows from financing activities	**120**	**-22**
Increase/reduction in cash and cash equivalents	**81**	**-81**
Cash and cash equivalents at the beginning of the year	46	121
Exchange differences in cash and cash equivalents	10	6
Cash and cash equivalents at the end of the year	**137**	**46**

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 several manufacturin units abroad.
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: 3,525,000 shares.
Independent of the company, its management and the significant shareholders.

Information on shareholdings as of December 31, 2022 with subsequent known transactions.

Gerald Engström
Vice chairman of the Board 2019, elected 2017.
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: 8,807,194 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: 50,000 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 and 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.
Holding: 6,000 shares.
Independent of the company, its management and the significant shareholders.

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: 111,000 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 AB.
Number of shares: 453,000 shares privately and through company, as well as 350,000 warrants.

Information on shareholdings as of December 31,2022 with subsequent known transactions.

Key ratios

	2022	2021	2020	2019	2018
Key ratios according to IFRS					
Net sales, SEK million	3,549	2,515	2,155	2,068	1,811
Operating profit (EBIT), SEK million	193	127	31	57	54
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Earnings per share before dilution, SEK	3.35	2.26	-0.04	0.73	0.74
Earnings per share after dilution	3.30	2.25	-0.04	0.73	0.74
Dividend per share, SEK[1]	0.75	0.50	0.25	–	0.25
Cash flow from operating activities, SEK million	145	126	182	122	114
Average number of employees	1,936	1,741	1,543	1,603	1,407
Alternative performance measurements					
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EBITDA margin, %	8.9	9.2	6.4	7.2	6.3
Operational segments EBITA, SEK million	219	155	51	84	71
Operational EBITA margin, %	6.2	6.2	2.4	4.0	3.9
EBITA Business development and services, MSEK	-7	-12	-3	-16	-10
EBITA, SEK million	212	143	48	68	61
EBITA margin, %	6.0	5.7	2.2	3.3	3.4
Operating margin, %	5.4	5.1	1.5	2.7	3.0
Operating capital, SEK million	1,559	1,298	925	1,041	675
Return on operating capital, %	14.8	12.9	4.9	7.9	10.8
Capital turnover on operating capital, times	2.5	2.3	2.2	2.4	3.2
Return on capital employed, %	12.7	10.7	2.9	6.2	8.5
Net interest-bearing debt, SEK million	556	583	381	543	264
Net debt/equity ratio, times	0.7	1.0	0.7	1.1	0.6
Net debt in relation to EBITDA, times	1.9	2.9	3.4	3.6	2.3
Equity ratio, %	35.3	30.0	33.6	32.6	37.5
Equity per share at end of period, SEK[1]	22.85	16.36	13.97	14.65	13.70

1) 2022, 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 (hanza.com/investor/reports-and-presentations).

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

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

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EBITDA margin is EBITDA divided by net sales.

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

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

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.

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

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.

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.

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

Net debt in relation to adjusted EBITDA is net interest-bearing debt at year end divided by adjusted EBITDA on a rolling 12-months basis.

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

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

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.

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

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

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

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

HEAD OFFICE AND SERVICES

HANZA AB (head office)
Torshamnsgatan 35
SE-164 40 Kista
+46 8 624 62 00

HANZA Tech Solutions GmbH
Kopenhagener Str. 11
D-48163 Münster
+49 2501 920 8440

CLUSTER SWEDEN

HANZA Elektromekan AB
Brännaregatan 3
Box 904, SE-672 29 Årjäng
+46 8 624 62 00

HANZA Mechanics Sweden AB
Industrigatan 8
Box 904, SE-672 21 Årjäng
+46 8 624 62 00

HANZA Wermech AB
Industrivägen 2
Box 904, SE-672 41 Töcksfors
+46 8 624 62 00

HANZA Wermech AB
Svaneholms Bruk
SE-662 03 Svaneholm
+46 8 624 62 00

CLUSTER FINLAND

HANZA Metalliset OY
Ahjotie 3
FI-79700 Heinävesi
+358 405 51 52 55

HANZA Toolfac OY
Teollisuuskatu 7
FI-74120 Iisalmi
+358 207 41 27 40

HANZA Levyprofiili OY
Kuhasalontie 18
FI-80220 Joensuu
+358 132 200 50

CLUSTER ESTONIA

HANZA Mechanics Tartu AS
Silikaadi 5
EE-60534 Vahi village
+372 746 88 00

HANZA Mechanics Narva AS
Kulgu 5
EE-20104 Narva
+372 746 88 00

CLUSTER CENTRAL EUROPE

HANZA Poland SP.Z.O.O
Aleje Jerozolimskie 38
PL-56-120 Brzeg Dolny
+48 603 755 288

HANZA Czech Republic Zábreh S.R.O
Oborník 2247/31í
CZ-78901 Zábreh
+420 732 284 547

HANZA Mechanics Kunovice S.R.O
Osvobození 1486
CZ-68604 Kunovice
+420 601 585 010

CLUSTER GERMANY

HANZA GmbH
Leverkuser Straße 65
D-42897 Remscheid

HANZA Beyers GmbH
Dohrweg 27
D-41066 Mönchengladbach

CLUSTER CHINA

HANZA Alfaram Electric Co.Ltd
3rd Floor, Building 1 Area B
Dongfang Industrial Park
No. 20 Huayun Road
Jiangsu province, China
+86-512-62868001

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hanza.com