ALL YOU NEED IS ONE™

Complete and regional manufacturing

HANZA

Annual and Sustainability Report 2023

Contents

Financial calendar

- Interim report quarter 1, 2024: Tuesday May 7, 2024
- Interim report quarter 2, 2024: Tuesday, July 23, 2024
- Interim report quarter 3, 2024: Tuesday, October 29, 2024

Annual General Meeting

HANZA AB's AGM 2024 will be held on **May 14, 2024**.

HANZA IN BRIEF

Smarter, more sustainable manufacturing

HANZA is a global manufacturing group that offers a unique combination of product development and consulting, with its own factories grouped in regional clusters. We have been in business for 15 years and have an industry-leading growth rate.

Who we are

A global knowledge-based manufacturing company that modernizes and streamlines the manufacturing industry. We were founded in 2008 and with the acquisition of Orbit One, we now have around 2,800 employees and annual net sales of SEK 5 billion.

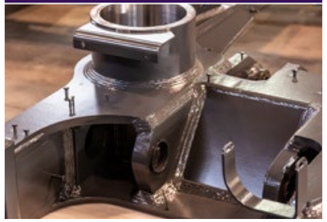
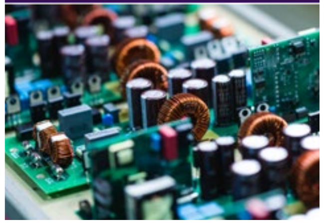
What we do

Advisory services for optimized supply chain and product development are provided alongside a broad spectrum of manufacturing technologies in our own factories, which are organized into regional manufacturing clusters at geographically strategic locations.

Why we do it

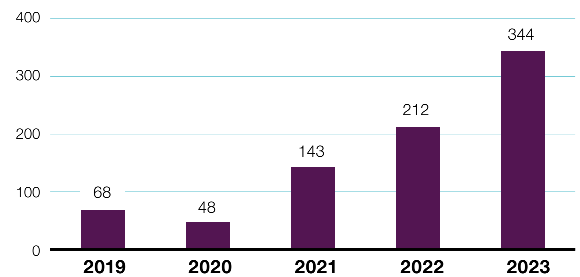
To be a comprehensive, value-adding business partner. Our regional manufacturing ensures more reliable deliveries and a climate-smart manufacturing process for our customers. Our aim is to enhance customer value while achieving greater growth and profitability.

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

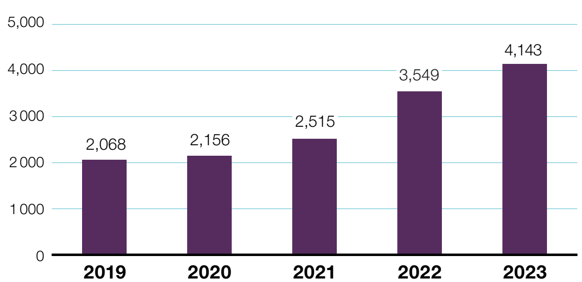
Sheet metal mechanics	Heavy mechanics	Wire harnesses	Electronics	Machining	Assembly
					

HANZA IN BRIEF

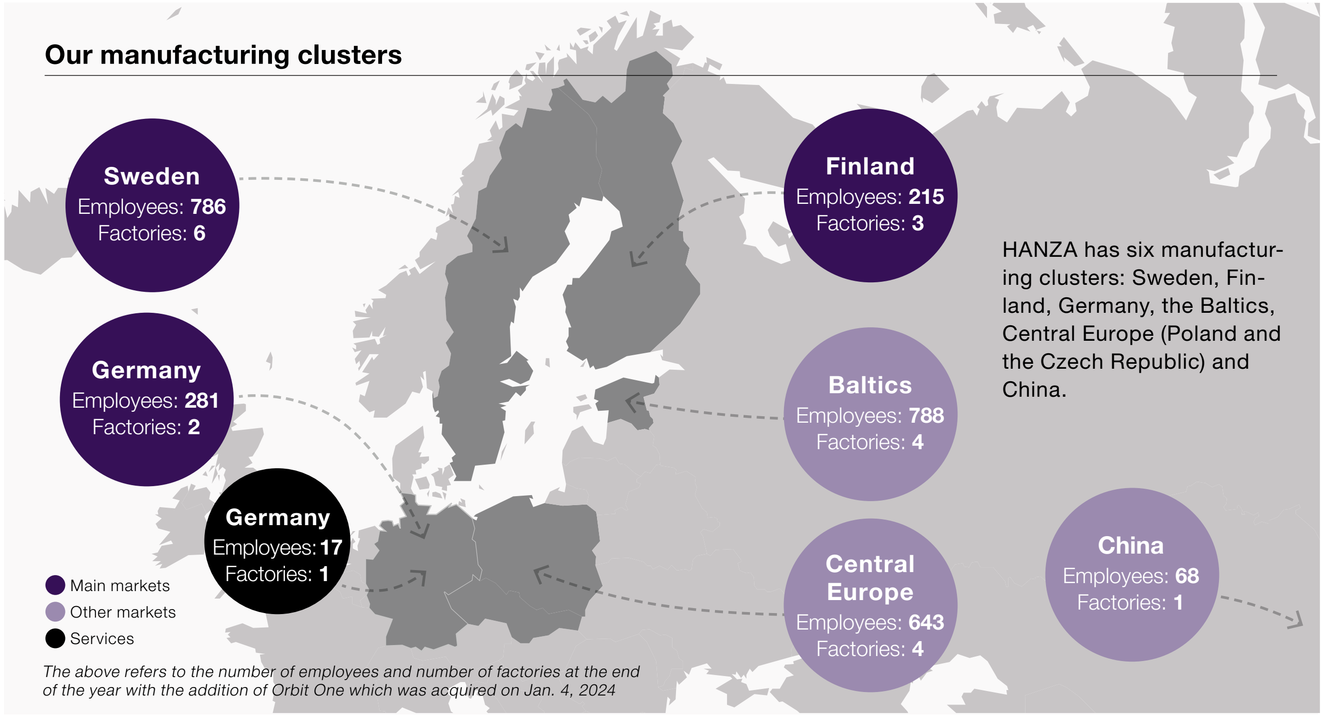
Operating profit, EBITA SEK million



Sales SEK million



Our manufacturing clusters



HANZA has six manufacturing clusters: Sweden, Finland, Germany, the Baltics, Central Europe (Poland and the Czech Republic) and China.

The above refers to the number of employees and number of factories at the end of the year with the addition of Orbit One which was acquired on Jan. 4, 2024

A winning business model

HANZA's business model, with regional manufacturing clusters, product development and advisory services, guarantees fast, efficient and stable deliveries. This strengthens customer control over the manufacturing chain and promotes efficient production, while facilitating growth during economic upturns and market share gains during challenging periods. By developing factory parks (clusters), and offering value-added advisory services, we aim to increase growth and profit for customers, while reducing costs and environmental impact compared to traditional contract manufacturing.

Responsible business

Sustainability is at the core of our strategy and long-term business plan. By locating production in our manufacturing clusters, customers can benefit from environmental gains such as lower transportation needs. This approach also offers more reliable supply and logistics chains than traditional contract manufacturing.

Broad customer base

Our broad customer base includes successful companies across various industries, including energy, defense, mining, reverse vending and agricultural equipment.

Advisory services and product development

Our advisory services help customers streamline their supply chains. MIG™ (Manufacturing Solutions for increased Growth and earnings) is the name of the service where we analyze a product company's supply chain and propose an optimized version. Product development and design are managed by our own R&D department, Tech Solutions, which has extensive experience in transforming innovative ideas into finished products for both national and international companies across various market segments, such as mechanical engineering, medical technology, energy and mining. Our dedicated team of designers, engineers and manufacturing experts drive customers' key innovations from concept to final product at a substantially lower total cost.

Our competitive advantage

Through our unique factory clusters, which integrate diverse manufacturing technologies and are strategically located near customers and suppliers, coupled with our expert advisory services, HANZA delivers superior flexibility, capacity and quality. Instead of coordinating different parties to achieve a complete solution, including final testing and logistics, customers can fully focus on their core business. By leveraging our advisory services and product design expertise, customers can substantially cut costs and achieve a more efficient manufacturing process.

THE YEAR IN BRIEF

High growth and new milestones

HANZA has had an eventful and fantastic year, highlighted by a major acquisition, our largest order ever, the opening of a new production facility, and our 15-year anniversary.

Average number of employees

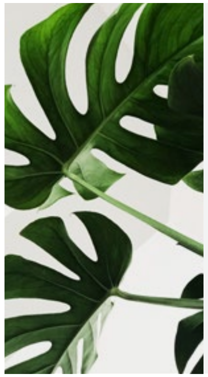
2001

Equity ratio (%)

46

Sales (SEK million)

4143



Ensuring sustainable growth

We have broadened our sustainability strategy which, combined with the strategy and financial targets outlined in "HANZA 2025," will ensure long-term profitable and sustainable growth.

Germany celebrates

China celebrates

15th anniversary

HANZA turned 15 in August, and this significant milestone was celebrated across all our clusters by our employees.

New acquisition

The year culminated with the acquisition of Swedish Orbit One AB, specializing in the manufacturing of electronics and electromechanics, with two production facilities in Sweden and one in Poland. The acquisition bolsters our manufacturing clusters in Sweden and Central Europe, raises our capacity and expertise in electronics manufacturing, expands our customer base, is expected to boost earnings per share and brings about 620 new employees on board.

Grand opening for new production facility

In Narva, Estonia, we celebrated the grand opening of our new factory, specializing in final assembly and heavy constructions.

COO Andreas Nordin, Narva's Deputy Mayor Oleg Karpikov, and Cluster President Baltics Liivar Kongi, cut the ribbon at the opening ceremony in December.

Our largest order ever

Last summer, we secured our largest order to date, surpassing SEK 100 million through an expanded agreement with Mitsubishi Logisnext Europe, a leading provider of custom-designed forklifts and logistics solutions. The deal is a clear endorsement of our MIG process.

Building purchased in Töcksfors

We purchased an 11,000 square meter building with a plot of land adjacent to the current production facility, enabling a significant expansion of capacity.

Upgraded to Nasdaq Mid Cap

Nasdaq announced that HANZA is being upgraded to the Mid Cap segment because of the company's increased market capitalization.

Directed share issue

In December, we conducted a directed share issue of 3,529,412 shares targeting Swedish and international institutional investors, resulting in an infusion of around SEK 300 million.

Virtual factory tour launched in VR headset

We launched our proprietary VR app with a virtual factory tour of 15 of our production facilities, providing detailed insight into the advanced technologies used in production.

CEO'S STATEMENT

Successful year and continued expansion

We are proud to report a successful 2023. Highlights of the year include factory expansions, new customers and a strategic acquisition. We have also strengthened our financial position, creating new business opportunities for the coming year.

At its core, HANZA is a growth-oriented company. Since our inception over 15 years ago, we have maintained an average growth rate of 19 percent. This growth through diverse economic cycles can be attributed to our introduction of a novel concept — regional and complete manufacturing — in a traditional industry. This approach has continually generated new market shares, resulting in a corresponding need for continual expansion.

Consequently, in 2023, we expanded HANZA using our two fundamental methods. The first involved expanding existing operations. We celebrated two major facility launches: a robotized sheet metal line in cluster Sweden, and a new assembly plant in Estonia. The second involved expanding through acquisitions. In December, we acquired Orbit One, a leading electronics manufacturer in the Nordic region, adding new skills and capacity to a key part of our comprehensive offering.

Financial strength and Nasdaq upgrade

In 2023, we increased our sales to SEK 4.1 billion, up 17 percent from SEK 3.5 billion in 2022. Operating profit rose to SEK 344 million, from SEK 212 million in the previous year. Our cash flow has been stable for many years and 2023 continued on the same trajectory with a cash flow from operating activities of SEK 277 million.

A directed share issue in December of SEK 300 million further strengthened our financial position. The equity ratio exceeded 45% at the end of 2023 and the leverage ratio dropped to 0.8. This provides us with the financial readiness to seize new business opportunities and flexibility for our acquisition strategy.

Our profitable growth has also increased our market value. Consequently, at the start of 2024, our stock was upgraded on Nasdaq from the Small Cap segment to the Mid Cap segment. A significant endorsement of the HANZA group's progress.

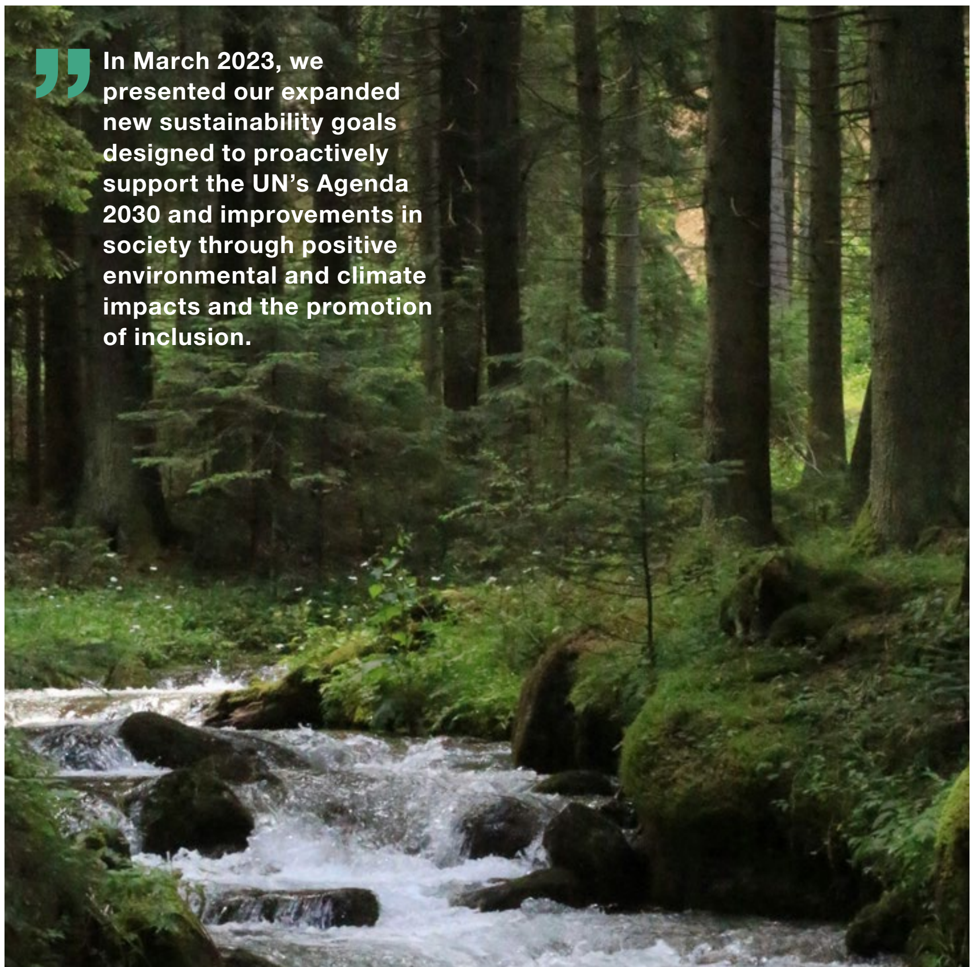
New sustainability initiatives

Sustainability is part of our strategy and integrated into our business model. Through regional manufacturing, we not only reduce freight, but also actively contribute to a more sustainable future. Our aim is to ensure that every investment we make reduces our impact on the climate and the environment. This includes everything from selecting energy-efficient machinery to deploying software that aids in communicating our sustainability standards to suppliers.

In March 2023, we unveiled ambitious new sustainability goals designed to support the UN's Agenda 2030 through positive environmental and climate impacts and the promotion of inclusion. We also joined the UN Global Compact, committing ourselves to the ten principles related to human rights, working conditions, environmental stewardship and anti-corruption.

Security for employees

It is crucial that employees experience a workplace that is safe and secure, devoid of



victimization and discrimination. Our aim is zero workplace accidents.

Initiatives and activities to promote gender equality and diversity continue. Our ongoing effort to raise the percentage of women in executive positions continues, though there were few managerial hires in 2023.

Last year, we committed to installing cabinets stocked with complimentary menstrual products in our factories and offices.

The outcome of our annual employee survey revealed highly encouraging improvements across all indices for 2023.

Development and expansion

To meet our long-term growth goals, we are investing SEK 75 million in early 2024 to expand our operations with a new factory space of 8,800 square meters in Töcksfors, Sweden. Its main purpose will be to offer additional space for assembly, with commissioning planned for the turn of 2024/2025. Expansion is also underway in Tartu, within the Cluster Baltics, where a new production hall for sheet metal mechanics is being built alongside a new transport system for welded, painted and finished metal boxes destined for our nearby assembly plant. The opening is planned for spring 2024.

We also recognize the need for another strategic acquisition in the coming years.

Ready to meet our new targets

An eventful time awaits us. The beginning of 2024 reveals that some customers are experiencing weaker demand, while others are maintaining growth. Nonetheless, our extensive and steady track record of growth provides us with confidence in overcoming economic fluctuations and capitalizing on new market prospects.

In March, we initiated an extensive efficiency program following the acquisition of Orbit One. This initiative represents a key element of our integration strategy and addresses a slightly softer market. The majority of the program will be implemented during the third quarter of 2024, with full financial impact expected by the end of 2024.

Step by step, we continue our journey toward becoming one of Europe's leading contract manufacturing companies.

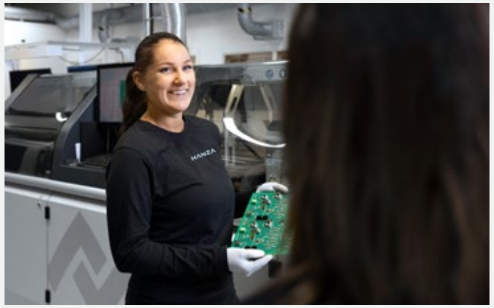
Erik Stenfors
CEO and President

Stockholm
March 2024

Five trends in 2024

Looking ahead, we note these trends that will have the most significant impact on HANZA and our operations. Here we outline our perspective on these trends and how we intend to harness them to benefit growth at HANZA.

Trends in contract manufacturing:

	TREND	HANZA'S PERSPECTIVE
	**AI enters the manufacturing industry** The Internet of Things (IoT) has been integrated into the manufacturing industry for several years, enabling electronic products to communicate through connectivity. AI will lead factories toward further development as "smart factories," a term commonly associated with "Industry 4.0," representing the fourth industrial revolution centered on digitalization. Alongside IoT, AI can be harnessed to predict failures, enhance quality and optimize operations.	**AI reduces downtime and improves product quality** Unexpected machine downtime and ensuring costs present a challenge for all contract manufacturers. By leveraging IoT analysis of machine and equipment sensors in factories, AI can be deployed for predictive maintenance, reducing maintenance costs and downtime, while boosting Overall Equipment Effectiveness (OEE). Automated processes and AI-driven quality checks improve product quality by anticipating and preventing quality issues. AI optimization of production lines reduces downtime, enhances efficiency and decreases consumption/waste. The customer can track their product in real-time through the purchasing, planning and manufacturing processes, thereby fostering greater integration and transparency.
	**Changing skill requirements in a dynamic job market** Crafting fresh recruitment strategies is becoming a crucial trend in the manufacturing industry due to evolving workforce dynamics such as increased automation through IoT and AI. With declining demand for manual labor and a growing emphasis on technical skills, employees need a new skill set, including proficiency in understanding processes, programming and various production techniques. Leaders need to cultivate new skills to adapt to changes in industry. The growing challenge of finding suitable labor, especially among young individuals who may not find the industry appealing, is exacerbated by impending retirements, thereby amplifying the urgency of recruitment needs.	**Advanced recruitment strategies** Long-range replacement strategies are essential, particularly in sparsely populated areas, and partnership with local stakeholders such as municipalities is paramount. Offering personal growth opportunities is an effective strategy for attracting talent, especially among the younger generation, and helps to build a robust employer brand. Fostering diversity and inclusion is another crucial area, particularly given the underrepresentation of women in the manufacturing industry. Action plans to enhance diversity are becoming more widespread, creating a virtuous cycle by streamlining recruitment and promoting diversification within the industry.

Trends in contract manufacturing:

TREND

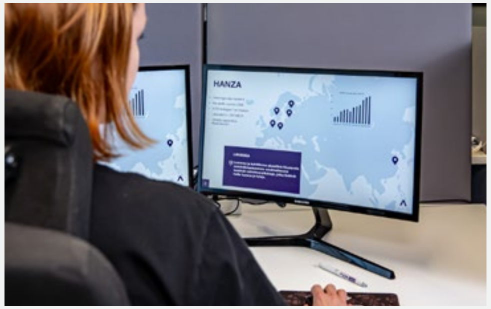
Sustainable manufacturing

The industry produces significant carbon dioxide emissions, and many manufacturing companies are pursuing carbon neutrality through "eco-manufacturing." The rising trend toward smart factories with automation and AI optimization is contributing to the SDGs through more efficient use of energy and resources, thereby reducing environmental impact. Energy savings can be achieved through preventive maintenance by optimizing machine usage, and a green reputation aids in recruitment and other business practices.

HANZA'S PERSPECTIVE

Climate-focused brand benefits customers and labor market

Climate-focused manufacturers build a reputation for environmental responsibility, which bolsters the brand and facilitates recruitment. This approach can also appeal to new customers who prioritize sustainability or whose end customers demand more eco-friendly products. Environmental initiatives typically include optimizing processes and adopting energy-efficient technologies, which reduces energy consumption and yields cost savings.



Escalating cyber attacks, especially against the manufacturing industry

Cyber attacks are on the rise, resulting in both disruptions and information leaks. There is also a rising trend in attacks targeting the manufacturing industry. The threats have escalated to a new level, especially following the attack on Ukraine, with potential state funding behind the cybercriminals.

Manufacturing companies are prime targets, partly because of the significant costs incurred from operational stoppages and partly because IT security is generally weaker in production equipment. Ransomware is becoming increasingly common.

Focus on cybersecurity to stay one step ahead

With the ongoing digitalization of manufacturers, cybersecurity is becoming more critical to safeguard the valuable customer data held by product companies. Consequently, cybersecurity efforts will be a critical area of focus for HANZA from 2024 onward.

To address the constantly evolving threat landscape, technology and processes must be regularly adapted and updated to keep pace with the dynamic threat environment and remain a step ahead of cyberattacks.

From global to regional supply chains

After experiencing component shortages, product owners are eager to revert to just-in-time delivery methods, but structural obstacles persist. Global supply chains have faced disruptions from a range of events, from accidents and natural disasters to the pandemic, wars and the recent terrorist attacks in the Red Sea. Changes in supply chain management impact more than just where production is located; they also require fresh approaches to sourcing raw materials and components. Contract manufacturers are increasingly important as knowledge-based companies, assisting product owners in developing flexible, intelligent, sustainable and tailored supply chains.

Regional manufacturing is emerging as the only reliable option

The unpredictability of risks underscores the growing necessity of regional manufacturing to ensure a reliable supply chain. HANZA's business model with local production facilities and various manufacturing technologies meets this need. This approach reduces transportation costs and carbon footprint, promotes proximity to the product owner for closer collaboration and improves quality. Moreover, regional manufacturing can substantially shorten lead times from production to market, facilitating faster adaptation to market fluctuations.

STRATEGIES AND OBJECTIVES

HANZA strategy and targets

Initiated in 2022, the "HANZA 2025" strategy focuses on enhancing capabilities and expertise across existing manufacturing clusters and services. At the same time, the present sustainability strategy was formulated, designed to work in conjunction with the overarching strategy to ensure that HANZA achieves long-term profitable and sustainable growth.

Revised financial targets

In February 2024, HANZA revised the financial targets for 2025 by raising the targets for sales and the operating margin. The rationale includes substantial organic growth, improved profitability and the acquisition of Orbit One. Although affected by Orbit One's lower margin and a slowing economy, synergies are anticipated to boost the margin in 2024. Other financial targets and the dividend policy remain unchanged. HANZA is optimistic about long-term organic growth and potential additional acquisitions as outlined in "HANZA 2025".

Sustainability goals under global frameworks

Active sustainability has always been a priority and benefits business performance by reducing CO_2 emissions and increasing profitability. Our progress toward climate neutrality, better working conditions and respect for human rights is guided by our sustainability strategy. The SDGs align with global frameworks such as the UN's 2030 Agenda, the Global Compact and EU legislation, and are woven into our business concept and our commitment to lead in sustainability.

Vision

Create unique customer value in the manufacturing industry.

HANZA strives to create more customer value than traditional contract manufacturers can offer.

Business concept

We deliver greater growth and earnings for product-owning companies through sustainable manufacturing clusters, product development and advisory services.

HANZA develops factory parks and manufacturing clusters, where products can be made more efficiently, more cost-effectively and with a smaller environmental footprint compared with traditional contract manufacturers. HANZA also provides value-added advisory services related to product manufacturing.

Financial targets

- Sales of at least SEK 6.5 billion for full-year 2025
- Operating margin of at least 8% for full-year 2025
- Net interest-bearing debt/adjusted EBITDA shall not exceed 2.5
- Equity/assets ratio of at least 30%
- Annual dividend of around 30% of profit after tax

Strategy

HANZA achieves its targets through:

Customer value

– Focus on creating growth and profit for our customers

Long-term perspective

– Investments and expansion with a multi-year perspective

Expansion model

– Organic development of the group supported by selected acquisitions

Sustainability

– Focus on climate, health, safety and ethics

Responsible business conduct

Sustainability initiatives are organized into three focused areas with specific goals, measurable metrics and targeted activities, all contributing to HANZA's long-term business strategy while promoting positive social development.

Focus areas and goals:

Environment and climate

– Significantly reduced carbon emissions
– Reduce the use of natural resources and energy
– Reduce other emissions

Security and ethics

– Provide data security meeting high international standards
– Maintaining a high level of business ethics among employees
– Maintain a high level of business ethics among suppliers

Employees

– Provide a safe and secure workplace, free from work-related injuries, victimization and discrimination

CASE

SAMON AB

– global manufacturer specializing in gas detection for the refrigeration industry.

SAMON, based in Vellinge south of Malmö, is a leading global manufacturing company specializing in gas detection for the refrigeration industry and other areas with potentially hazardous gases. Since its inception in 1990, SAMON has delivered over 400,000 detectors worldwide.

The company, owned by a Nordic investment fund, has seen remarkable growth over the past few years, which is particularly exciting given the tightening regulations in the refrigeration industry.

SAMON develops and manufactures the products in a dedicated factory. Great emphasis is placed on consistently providing the highest quality to meet or surpass customer expectations.

The key product is gas detectors that reduce emissions and the risk of injury from gas leaks by providing an early warning of a potential leak. In their search for manufacturers for their new product platform, SAMON prioritized reducing the CO_2 footprint and minimizing supply chain disruptions from geopolitical risks. During the search, HANZA was recommended as a new supplier, and the partnership began in 2022.

Alexander Larsson, CEO of SAMON, discusses the cooperative arrangement:

"Our collaborative effort with HANZA has been successful mainly because of our geographical proximity to each other and HANZA's modern and efficient production facility. Initially, there was frustration on both sides of the collaboration due to a component shortage, but these challenges were overcome, and the products were successfully produced.

"When I assumed the position of CEO, my primary objective was to triple our revenue, mainly by identifying and cultivating large customers. HANZA has made a significant impact on our customer relationships through their professionalism and deep knowledge. For example, we have brought customers to HANZA to do audits, with excellent results. HANZA has been instrumental in our expansion by investing in increased capacity and ensuring a reliable supply chain, both key to our ongoing growth. Moreover, HANZA's status as a growing enterprise provides us with the opportunity to grow alongside them."

CEO Alexander Larsson: "HANZA has played a key role in our growth"

FACTS ABOUT SAMON AB

- Specialists in detecting refrigerant gas
- Founded in 1990
- Sales SEK 85 million (2023)
- Number of employees 38 (2023)

CASE

Acquisition of Orbit One

On December 1, 2023, HANZA signed an agreement to acquire all shares in Orbit One AB, a Swedish company that offers contract manufacturing of electronics and electromechanics with annual sales of about SEK 1.1 billion. The acquisition was completed on January 4, 2024.

The purchase price was SEK 382 million. There is also an additional purchase price that will only be paid if Orbit One continues to show positive financial performance in 2024 compared with 2023. The additional purchase price cannot exceed SEK 91 million.

Orbit One's CEO, Mattias Lindhe, will continue in the HANZA group and has received 30,000 shares in the company as part of the purchase price. He has entered into a 12-month lock-up commitment for these shares.

The acquisition of Orbit One brings HANZA approximately 620 employees and three production facilities, two of which are in the Swedish manufacturing cluster and one in the Central Europe cluster. Orbit One has a strong position in the Nordic market, with a stable and diversified customer base. The acquisition strengthens HANZA's manufacturing clusters in Sweden and Central Europe, adds capacity and expertise in electronics manufacturing and helps boost earnings per share.

The integration process has begun and will continue throughout 2024.

FACTORIES

Ronneby:	**Stockholm:**	**Prabuty:**
Headquarters and factory	Factory	Factory
12,500 m²	2,500 m²	8,500 m²
About 250 employees	About 30 employees	About 340 employees

FACTS

- Leader in robotics and automation
- LEAN experts (winners of the 2022 Swedish LEAN award)
- Business model based on partnership
- Knowledge-based, decentralized and data-driven organization

Headquarters and factory in Ronneby.

Promoting 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 on the environment, but also in other parts of society, such as people's health and safety at work.

We are aware that sustainable business practices improve both society and our competitive edge. Our vision is to create higher customer value than traditional contract manufacturing by reducing the climate and environmental footprint. HANZA's business model incorporates essential processes that minimize adverse effects on people and the environment, while maximizing our positive contribution.

From 2024, the EU mandates that all large enterprises take substantial steps forward in the area of sustainability. Mandatory sustainability reporting under a new CSRD standard provides an incentive to increase environmental investments and eventually reach climate neutrality. Companies also become responsible for identifying and addressing their negative impacts on human rights and the environment. In 2023 and 2024, HANZA will review the relevant processes to adapt them if necessary and further strengthen our sustainability initiatives.

External frameworks

HANZA complies with local and international laws, regulations, and industry standards. We

Internal framework

- **The vision is to be a unique value-adding business partner in manufacturing.**
- **Group-wide values.**
- **Group-wide policies and certified processes.**
- **Organizational responsibility.**
- **Sustainability framework based on materiality analysis with overall objectives and targets set by the Board of Directors that are followed up annually.**
- **Transparent reporting on sustainability performance.**

Sustainability is integrated in the entire organization

Board of Directors and Audit Committee (preparatory)

Area of responsibility:

Based on a materiality analysis, determines HANZA's sustainability risks and overall sustainability strategy*.

Decides on overall sustainability goals.

CEO

Area of responsibility:

Ensures that sustainability impact is part of HANZA's overall business strategy, that sustainability risks are managed, that adopted sustainability practices are integrated into business operations, processes and acquisitions.

Decides on policies, action plans and resources.

Reporting

CFO

Area of responsibility:

Annual monitoring and compilation of the year's sustainability work

Coordination with auditors of annual accounts

Head of Quality

Area of responsibility:

Environmental and health and safety certifications

Monitoring of key performance indicators

Sustainability coordinator

Area of responsibility:

Materiality analysis basis for HANZA's impacts and sustainability risks

Draft policy

Sustainability reporting

Implementation of sustainability

COO

Area of responsibility:

Sustainability monitoring of suppliers

Head of HR & Communication

Area of responsibility:

Monitoring of Employee health, safety and development

Head of IM

Area of responsibility:

Data security in HANZA

Monitoring of key performance indicators

Certifications in information security

Head of ESS

Area of responsibility:

Assessment of electronics suppliers regarding sustainability

Kodiak (Supplier Relationship Management)

Cluster Presidents

Area of responsibility:

Assessment of mechanical suppliers regarding sustainability

Employee health and safety, development and motivation

Head of Sales

Area of responsibility:

Customer Dialogue

Business plan for sustainability

Provision of information: Monthly monitoring of key performance indicators in the work environment and quarterly environmental reviews are conducted within the clusters and reported to the CEO. Overall sustainability goals and the results of customer and employee surveys are followed up annually in the Board of Directors.

*For the Board's preparation, treatment and risk management of sustainability issues and internal control of the sustainability report, see also the Corporate Governance Report.

HANZA's primary stakeholders	Expectations, opinions	Trend in recent years' dialogues	Key dialog events
Customers	High quality and stable supply chains. Innovation. End products with low environmental impact, social responsibility and good business ethics and data security among subcontractors. Connection to systematic supplier evaluation system.	Need to reduce carbon emissions, traceability of inputs in the value chain and increased protection against hostile data breaches.	Customer survey, annual. Customer meetings, ongoing. Evaluations, ongoing.
Employees and local communities	Safe and healthy working environment, development, social engagement.	Safe working conditions and development opportunities.	Employee survey, annual. Trade union negotiations, annual. Career development meetings, annual. Employee dialogue, ongoing.
Investors and owners	Customer satisfaction and competitiveness, ensured environmental, social and business ethics throughout the value chain, transparent communication, compliance.	Climate issue. Uphold human rights in both input materials and the customer chain, ensuring that no violations occur such as child labor, the use of conflict minerals, or involvement in the production of war materials such as cluster bombs and landmines.	Investor meetings, ongoing. Annual General Meeting, annual.
Environment, people and communities in the supply chain	Minimal environmental impact from emissions, consumption and waste, social responsibility, good business ethics, communication.	Protection of people and the environment.	Supplier evaluations, ongoing.

are a signatory to and have been participating in the UN Global Compact since 2023, which means that we promote the ten principles of the Global Compact and report our progress accordingly. Furthermore, we promote the Sustainable Development Goals and comply with several 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.

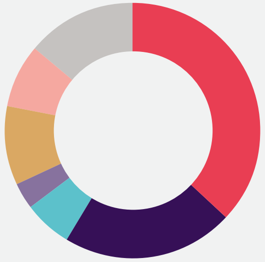
Stakeholders in the HANZA value chain

HANZA's mechanical and electronics factories produce components for customers' manufacturing processes based on customers' drawings and material choices. Input materials consist mainly of metals, electronic components, plastics and chemicals purchased from major suppliers who in turn purchased these processed goods. Customers decide on the design and specification of components, their use and life cycle after delivery. As a complement to component production, HANZA offers processes and expertise that can increase the sustainability properties of components, for example through material choices that reduce the use of chemicals. HANZA employs around 2,200 [1] people, most of whom work in the group's six clusters. Other employees are active in management, support functions and in HANZA's development company.

Based on HANZA's value chain, we have identified the primary stakeholders of our business. This group includes stakeholders who either influence or are influenced by our activities related to environmental, social, and business ethics issues, as well as those who rely on HANZA's sustainability information. We consider their perspectives in stakeholder dialogues and within HANZA's analysis of the external environment. In meetings with these

1) Refers to 2023, before the acquisition of Orbit One.

Average number of employees per country



Distribution of employees*	Number	Percentage of women	Percentage of men
Estonia	739	38	62
Sweden	436	38	62
Poland	120	84	16
China	70	56	44
Finland	197	13	87
Czech Republic	160	42	58
Germany	277	44	56

*Refers to the average number of employees during the year.

Revenue breakdown by manufacturing area	% of total revenue
Electronics	41
Mechanics	59

HANZA's sustainability goals

Focus area	Sustainability goal
Environment and climate	Increase the proportion of fossil-free energy sources Reduce CO_2 emissions/sales Reduce energy use/sales Reduce water consumption/sales Reduce waste and hazardous waste/sales in electronics and mechanics
Security and ethics	Zero damage from data breaches Zero incidents of corruption All employees must be informed about the HANZA Code of Conduct All suppliers must confirm that they have received and will comply with the HANZA Supplier Code of Conduct Significant suppliers must undergo sustainability audits.
Employees	Reduce the number of incidents leading to sick leave All employees must be informed of HANZA's whistle-blowing function Zero cases of confirmed discrimination Annual employee survey and action plan. Increase the proportion of women in managerial roles Training for all supervisors on the diversity policy

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

<table>
<tr><th>Input materials</th><th>Suppliers</th><th>HANZA</th><th>Customers</th><th>Owner, society</th></tr>
<tr><td colspan="4">Significantly reduced carbon dioxide emissions</td><td></td></tr>
<tr><td colspan="5">Reduce the use of natural resources and energy</td></tr>
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<tr><td></td><td>Maintain a high level of business ethics among suppliers</td><td>Maintain a high level of business ethics among employees</td><td></td><td></td></tr>
<tr><td colspan="4">Provide a safe and secure workplace, free from occupational injuries, victimization and discrimination</td><td></td></tr>
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HANZA's main impact on the environment, people and business ethics arises both in the group's own operations and in the supplier and customer chain. To ensure that the principles and rules that HANZA follows regarding the environment, labor law, human rights and business ethics are also followed by our suppliers, consultants and other representatives, measures are taken to counteract negative impact and promote benefits in several parts of the group's value chain.

stakeholders, we provide feedback on our sustainability priorities and how the business model is being adapted.

Materiality analysis

HANZA has identified a number of issues that either give rise to major actual or potential impacts on people and the environment, or major risks and opportunities for HANZA related to sustainability. Material sustainability issues have been organized into three focus areas in which there are clear objectives, either through commitments in policies or specific sustainability goals.

The most recent major materiality analysis was conducted in 2020 and has since been subject to annual reviews and modifications. The materiality analysis is based on all activities and business relationships in the traditional component manufacturers' value chain. The aim is to identify material issues over which HANZA has some influence, including those already addressed in HANZA's strategy and business model. The analysis is based on industry knowledge, experience from internal processes, customers' requirements, results from employee surveys, employee interviews and work environment development, investor requirements, information on suppliers' sustainability challenges, competitors' sustainability reports, interviews with the management team and laws, regulations and international

Group-wide policies related to sustainability	Purpose and content, objectives	Link to the HANZA management system and other declarations	Responsibility for follow-up
HANZA Code of Conduct	Based on national and international legislation, industry standards, the 10 principles of the Global Compact, international conventions such as the ILO, the UN on children's rights and anti-discrimination, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights. HANZA opposes all types of human rights violations, including child labor, unpaid overtime, forced labor, human trafficking and discrimination. The HANZA Code of Conduct outlines prohibited grounds of discrimination. HANZA is committed to providing and advocating for a safe working environment, freedom of association, reasonable working conditions and fair compensation. HANZA is committed to reducing its environmental footprint and opposing all types of corruption.	Declaration Conflict Minerals	CEO
Insider policy	Clarifies the handling of share price sensitive information		CFO
Procurement policy	In all purchases, the same requirements are imposed on suppliers as on HANZA in accordance with the HANZA Code of Conduct and environmental and work environment processes. Conflicts of interest should be avoided. Suppliers must participate in quarterly sustainability assessments and meet HANZA's requirements for responsible purchasing.	Declaration Conflict Minerals	COO
HANZA Supplier Code of Conduct*	HANZA's expectations of suppliers and their supply chain on environmental, social and business ethics/corruption issues. Complies with the principles of the HANZA Code of Conduct. Suppliers should ensure and have processes for compliance and be available for audits. Non-compliance may lead to termination of collaboration.		COO
Quality policy	The quality policy, which is fundamental to HANZA's long-term strategy, includes aims for key performance indicators. In addition to excellence in business development, operations and finance, HANZA's goal is to provide a highly motivated work environment without accidents, harassment or corruption, as well as an environmental approach that minimizes freight, consumption and emissions.	ISO 14001 environmental management system	Head of Quality
Environmental policy	HANZA shall strive to use more environmentally friendly technologies and products, as well as offer services through manufacturing in clusters that reduce transport and improve resource utilization, use structured environmental processes, comply with environmental laws and regulations with regular follow-ups, and clearly measure, monitor and transparently communicate environmental key performance indicators.	ISO 14001 environmental management system Environmental declarations (RoHS, REACH)	Head of Quality

Group-wide policies related to sustainability	Purpose and content, objectives	Link to the HANZA management system and other declarations	Responsibility for follow-up
Information security policy	An overall secure data management policy to protect HANZA and its customers, linked to a number of internal data security policies. HANZA undertakes to maintain a high level of information security by following clearly defined responsibilities and roles in various information security issues for all HANZA's sites, suppliers and others with access to HANZA's systems.	ISO 27001 information security system	CEO
HR Policy	Policy for HANZA's overall and strategic management of employee resources, linked to a number of other employee policies. HANZA aims to set high standards for its employees, fostered by clear leadership, a safe working environment, skills and staff development, internal collaborations, ethical business practices and effective internal communication.		Head of HR & Communication
Health and Safety Policy*	HANZA shall provide physically and socially safe working environments that do not expose employees to risks. In addition to local laws and regulations, HANZA undertakes to work for employee well-being, have a zero vision for workplace accidents and structured work environment processes with follow-up. It also clarifies the responsibility of employees to contribute to a good work environment by following rules and instructions.	ISO 45001, health and safety management system	Head of HR & Communication
Diversity policy	HANZA strives for a corporate culture of inclusion and diversity, with zero tolerance for discrimination in the group and with partners and suppliers. The policy clarifies the responsibilities of HANZA and its employees.		Head of HR & Communication
Policy on sponsorship and donations *	Clarifies how HANZA's sponsorship and donations will be used to help support the community.		CEO Cluster Presidents locally

*policies updated in 2023.

conventions. The materiality analysis will be updated in 2024 in accordance with CSRD requirements.

In the following chapters on our focus areas, we will outline where in the value chain and in which specific activities HANZA has the most significant impact, and discuss the associated risks and opportunities. The report covers how HANZA met its 2023 sustainability goals and efforts, both individual and through adjustments to the strategy and business model, aimed at reducing negative impacts, promoting benefits and managing risks and opportunities.

A resilient business model

Unlike traditional contract manufacturers, HANZA employs a strategy and business model designed to minimize environmental damage and reduce the risk of injury to people.

Our factory parks are organized in regional clusters with a broad offering, which minimizes transport and thus climate emissions.

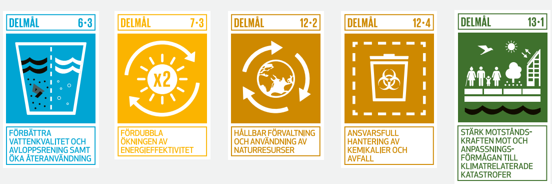
- We have a clear focus on safe working environments for employees.
- Our knowledge of and advice on supply chains and input materials results in sustainable production and logistics processes with high traceability.
- Significant measures are taken to maintain high standards of business ethics, fight corruption and protect customer data from breaches to preserve global trust in HANZA.

As a result of our customers' need to reduce their total carbon emissions, HANZA's climate-related risks are expected to rise, which will require additional measures in the coming years.

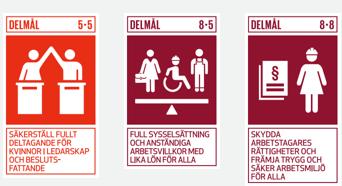
Our contributions to the Sustainable Development Goals (SDGs)

Major global challenges such as the climate crisis, poverty, injustice, inequality and corruption pose 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.

Environment and climate



Employees



Security and ethics

Environment and climate

The actual and potential environmental impact of HANZA's operations consists mainly of climate emissions, resource consumption and pollution. Environmental issues are a top priority at HANZA, with our efforts deeply embedded in the business model.

The world's environmental challenges with regard to emissions and resource use risk resulting in increased global poverty, major conflicts and lower growth. Reducing the impact of the climate crisis and achieving the global climate goals requires collective responsibility for the transition.

Mitigating climate change and achieving carbon-neutral operations

HANZA's impact: The climate footprint in our value chain is dominated in part by emissions from freight transport, mainly consisting of freight of input goods to our factories and final deliveries to customers, and in part by energy use in the production of input goods, as well as in our factories' manufacturing processes.

Risks and opportunities: The transition toward a limited carbon footprint resulting from legislation, capital market requirements and public opinion represents a significant risk and driver for all industrial companies. Our customers demand industrial processes in line with their climate goals, which requires us to adapt to climate change as well, since customers' environmental emissions are usually greatest in the supply chain. As component manufacturers are increasingly evaluated on their ability to control climate emissions, and our cluster strategy close to customers leads to reduced emissions, climate change may also present opportunities for HANZA.

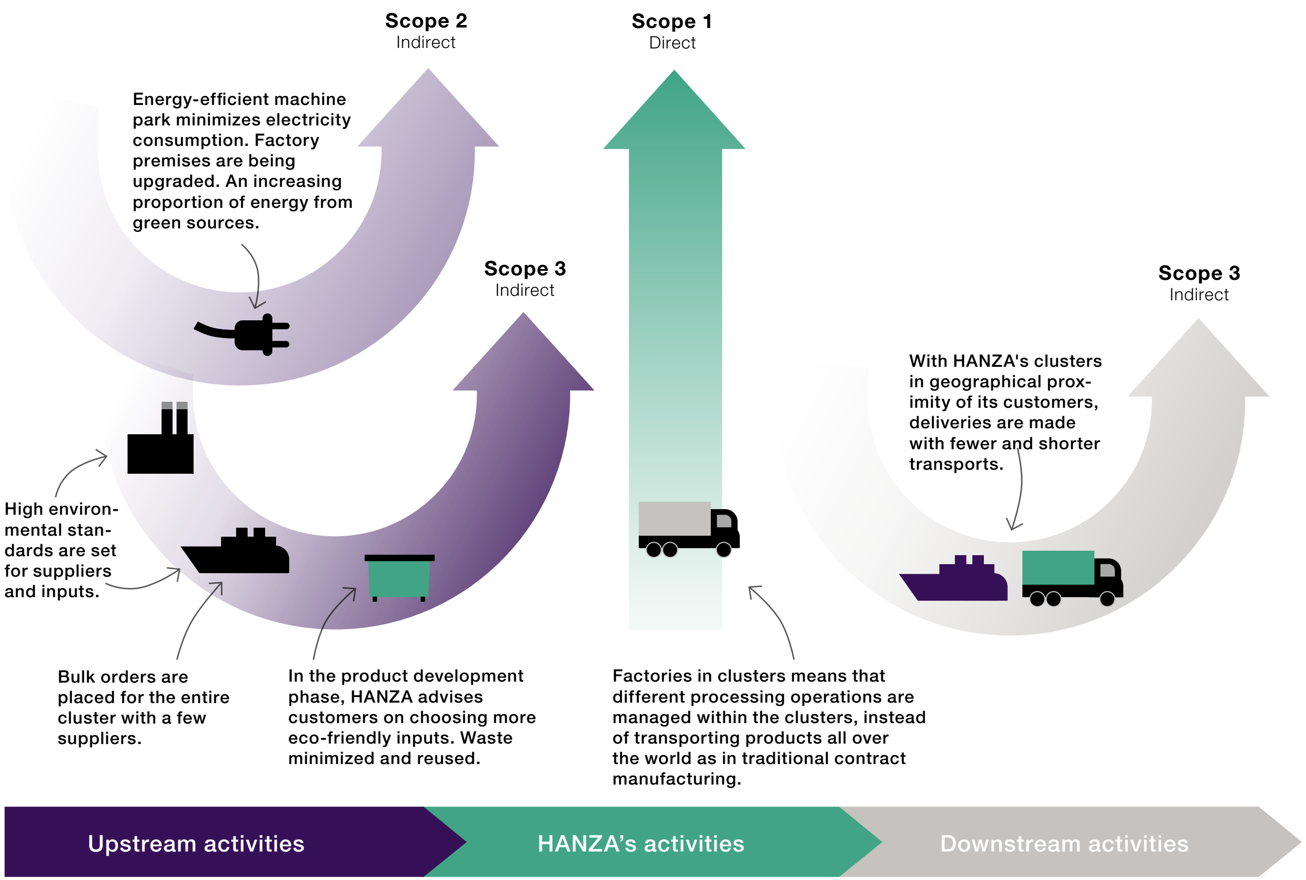
Efforts:

- Unlike traditional contract manufacturers, HANZA employs a strategy and business model designed to minimize environmental damage. Minimization of freight is one of HANZA's most important actions against climate change and is integrated into our business model. Complete products are manufactured in factories that are based in clusters geographically close to our customers, which reduces emissions from shipping and increases our resilience to climate risks. Total transports to the cluster are minimized by our frequent large purchases from a limited number of suppliers.
- Energy savings through investments and efficiency improvements with the goal of annually reducing energy use in relation to sales. Energy use is dominated by the heating of factories and offices and the power supply for production machinery; more than half of the group's energy use is in the mechanical factories in Tartu, Estonia, Narva and Töcksfors, Sweden. In 2023, several machine lines were replaced by more energy-efficient machines, including in Töcksfors. Ongoing efforts such as factory inspections are carried out to prevent problems such as energy leaks.
- A gradual transition to green energy sources. The factory in Heinävesi, Finland, was the first in the group to fully switch to green energy in 2020, and all factories in Sweden use only green energy. Following investments in solar cell expansion, HANZA's mechanical factories in Tartu are supplied with 218 MWh, and the Polish operations are supplied with 63 MWh. HANZA Tech Solutions in Germany has moved into a new building that is estimated to be 85% solar powered.
- HANZA offers processes, expertise and services related to climate-smart alternatives that make it possible to incorporate input materials such as green steel into customers' designs. In 2024, HANZA's materiality analysis will include an analysis of indirect climate emissions in the supply chain.
- In 2024, HANZA will analyze and plan for long-term quantitative emission targets in line with the Paris Agreement. The target will be based on a clear transition plan. At the same time, climate risks will also be integrated into the group's overall risk management strategy. Work began in 2023 to map emissions outside our own production processes.

Goal	Target Achievement	Essential policy (see page 17)
Environment and Climate		
Significantly reduced carbon dioxide emissions	● Annually increase the proportion of energy use from fossil-free energy sources in own operations. ● Annual reduction of CO_2 emissions from energy use in its own operations in relation to sales.	Environmental policy Procurement policy HANZA Supplier Code of Conduct
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	● Annual reduction of waste in relation to sales of electronics (tons of waste/MSEK) ● Annual reduction of waste in relation to sales of mechanics (tons of waste/MSEK) ● (yellow) Annual reduction of hazardous waste in relation to sales of electronics (tons of hazardous waste/MSEK) ● Annual reduction of hazardous waste in relation to sales of mechanics (tons of hazardous waste/MSEK).	

● Target achieved ● Target partially achieved ● Target not achieved

Measures to reduce HANZA's CO_2 footprint



Climate emissions according to GHG protocol, tons

	2023[1]	2022	2021	Refers to
Scope 1	1,538	193	122	Fuel for vehicles and machinery
Scope 2[2]	9,449	15,150	16,139[3]	Energy consumption in factories
Scope 3[4]	–	–	–	Freight, emissions from production of inputs
Total	**10,987**	**15,343**	**16,261**	

1) For 2023, HANZA developed and improved its GHG calculation compared to previous years. This includes a significant increase in Scope 1 due to increased data collection for fuel use.
2) In 2021 and 2022, data were calculated based on national emission estimates from the European Environment Agency, i.e. location-based method that does not take into account own choices of energy sources. In 2023, the calculation is market-based.
3) Includes all HANZA factories, except HANZA Mechanica Joensuu (Finland) which was acquired in 2021 and HANZA Mechanics Kunovice (Czech Republic).
4) HANZA is mapping its indirect climate emissions in the value chain.
All environmental impact measurements are carried out within HANZA and are not externally verified.

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. Thirteen out of a total of fifteen factory parks are currently certified under the system, which includes measurements and targets for energy consumption 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 more eco-friendly alternatives is being considered. All factories will be certified by the end of 2024.

86% **of our factories are certified according to environmental management systems**

EU taxonomy for green investments report

Since 2021, companies must report the proportion of revenues, costs and investments covered by the EU taxonomy screening criteria that meet the EU requirements/definition of green activities. In the 2023 taxonomy reporting, HANZA has chosen to classify all production as taxonomy-non-eligible activities. The reason for this is that HANZA does not produce its own inputs but purchases and processes them, so the group's activities can neither be considered to make a significant contribution to climate change mitigation and adaptation, nor are they covered by the taxonomy's screening criteria. Other than some capital expenditures related to building energy efficiency and solar panels, HANZA does not have any capital expenditures covered by the taxonomy's screening criteria. In addition, our assessment is that HANZA does not have any operating expenditure that falls under the taxonomy, either. HANZA plans to explore the question of whether its activities are covered by the description of economic activities in the taxonomy's delegated acts in 2024.

For taxonomy tables, see pages 90-92.

Resource consumption and circularity

HANZA's impact: The manufacturing processes, which are based on customers' drawings and choice of materials, have a high proportion of input materials: for electronic components typically 60-75% and mechanics typically 40-50% of the manufacturing cost. The processes generally have low water requirements, with the exception of galvanization at HANZA Mechanics Tartu.

Risks and opportunities: Waste in production processes results in handling and material costs.

Efforts:

- Continuous quality control and recycling are carried out at all factories to minimize product defects and material waste.
- Customers are regularly offered component design focused on recyclable and recycled metals.
- All water use is treated in accordance with rules and regulations before being discharged.
- Metal consumption in 2023 decreased by 28% compared to the increase in sales of just over 17%.

Emission

HANZA's impact: Chemicals are used mainly in our mechanical processes, but also in some electronics manufacturing processes. After use, wastes containing heavy metals remain, which are designated as environmentally hazardous, since potential emissions affect biodiversity.

Risks and opportunities: HANZA strives to minimize the use of materials that generate hazardous waste, which are associated with risks and management costs. Potential mismanagement results in environmental crime.

Efforts:

- HANZA's sustainable manufacturing processes allow customers to benefit from our past experience of production using more environmentally friendly alternatives. In mechanical processes, which account for 98% of the hazardous waste generated, the share of hazardous waste in relation to turnover decreased in 2023.

Energy and climate	2023	2022	2021	2020
Fossil-free[2] energy sources, share of total energy use, %	36	27	8[1]	N/A
Emission intensity from energy consumption in own factories, in relation to sales, tons/CO CO_2	2.28	4.28	6.42	N/A
Energy, use, MWh	42,038	44,002	38 451[1]	29,201
Mechanics: share of energy used, %	80	81	84	N/A
Electronics: share of energy used, %	20	19	16	N/A
Energy consumption in relation to sales, MWh/MSEK	10.1	12.4	15.3	13.6

Resource consumption and circularity	2023	2022	2021	2020
Mechanics waste/sales, tons/MSEK	0.26	0.24	1.58	N/A
Electronics waste/sales, tons/MSEK	0.12	0.17	0.09	N/A
Total waste, tons	819	750	2,439	N/A
Metal use in relation to sales, tons/MSEK*	5.5	7.6	10	N/A
Metal use, tons*	22,740	26,792	25,190	N/A
Water use, m^3	46,849	46,093	40,784	39,084
Water use in relation to sales, m^3/MSEK	11.3	13	16.2	18.1

Waste	2023	2022	2021	2020
Mechanics hazardous waste/sales, tons/MSEK	0.21	0.26	0.30	N/A
Electronics hazardous waste/sales, tons/MSEK	0.007	0.007	0.009	N/A
Total hazardous waste, tons	516	583	449	495

1) Includes all factories in HANZA, except Finnish HLP which was acquired in 2021 and Czech Kunovice.
2) Nuclear power is classified as a fossil-free energy source.
3) Includes hazardous waste management and spills etc.
All environmental impact measurements are carried out within HANZA and are not externally verified.

*Figures for 2021 and 2022 have been adjusted due to the addition of previously missing data.

Security and ethics

In order to maintain 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 that our suppliers act according to the same high sustainability requirements as HANZA.

Ensuring business ethics

HANZA's impact: A high level of business ethics is our starting point for sound business. Our relationships with employees, customers and the outside world are based on how HANZA acts internally and in business transactions.

Risks and opportunities: In order to maintain confidence in HANZA, it is essential that our business is characterized by an unwavering commitment to maintaining the highest ethical standards.

Targets and efforts:

- Our actions are based on a proactive approach to a high standard of internal business ethics and anti-corruption.
- Leadership at all levels of decision-making that emphasizes and acts on clear ethical principles characterized by high integrity, honesty and good judgment. See also HANZA's corporate values on page 28. Learnings around HANZA's corporate culture are discussed at quarterly internal conferences.
- A clearly communicated HANZA Code of Conduct, which clarifies HANZA's positions on matters such as ethics and anti-corruption. The content is included in onboarding training and communicated internally through various channels. Introduction of the new mobile-friendly intranet in 2024 will facilitate interaction with employees.
- HANZA's zero tolerance for bribery and corruption. As part of our prevention efforts, the risks of breaches and conflicts of interest are constantly assessed, which are considered to be the highest for those (less than 100) staff members who have contacts with suppliers and customers. In order to never raise suspicions of irregularities or corruption in the business, the HANZA Code of Conduct clarifies that no employee should accept or give gifts with the intention of influencing the decision-maker.
- In 2024, an updated whistleblowing function with strengthened procedures will be implemented. The whistleblower function enables employees to anonymously report violations of laws, the HANZA Code of Conduct, or other irregularities. Several channels are offered, including the HANZA Hotline via the intranet. Whistleblowers are protected from reprisals. Complaints are investigated by the local HR function and reported to the CEO or Head of HR and Communication. In 2023, one whistleblower complaint was investigated and managed; no reports of corruption or other breaches of rules have been identified. The group has no ongoing legal processes related to corruption, and no judgments or fines have been imposed.

Increased supplier requirements

HANZA's impact: The majority of suppliers provide raw materials and components for HANZA's production processes. All suppliers are expected to share the same view on sustainability as HANZA with regard to the environment, fair labor practices, human rights, business ethics and corruption.

Risks and opportunities: Our ability to meet customers' demands for product traceability and ensure sustainable business practices requires thorough evaluation processes of our suppliers preceding the company's purchases.

Targets and efforts: 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 HANZA Supplier Code of Conduct has been linked to all suppliers since 2023. However, system implementation has taken longer than expected. Supplier follow-up will be initiated during 2024.

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 sourcing manager for electronics. In the event of non-compliance with the HANZA Supplier Code of Conduct, a dialog is held with the supplier, and if deficiencies persist, the collaboration is terminated. No

Goal	Target Achievement 2023	Essential policy (see page 17)
Security and ethics		
Offer data security of a high international standard	🟢 Zero damage from data breaches.	Information security policy
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.	HANZA Code of Conduct
Maintain a high level of business ethics among suppliers	🔴 All of HANZA's significant suppliers must confirm that they have received and will comply with the HANZA Supplier Code of Conduct. 🔴 Annual audits of significant suppliers to ensure compliance with HANZA's Supplier Code of Conduct.	HANZA Supplier Code of Conduct Procurement policy

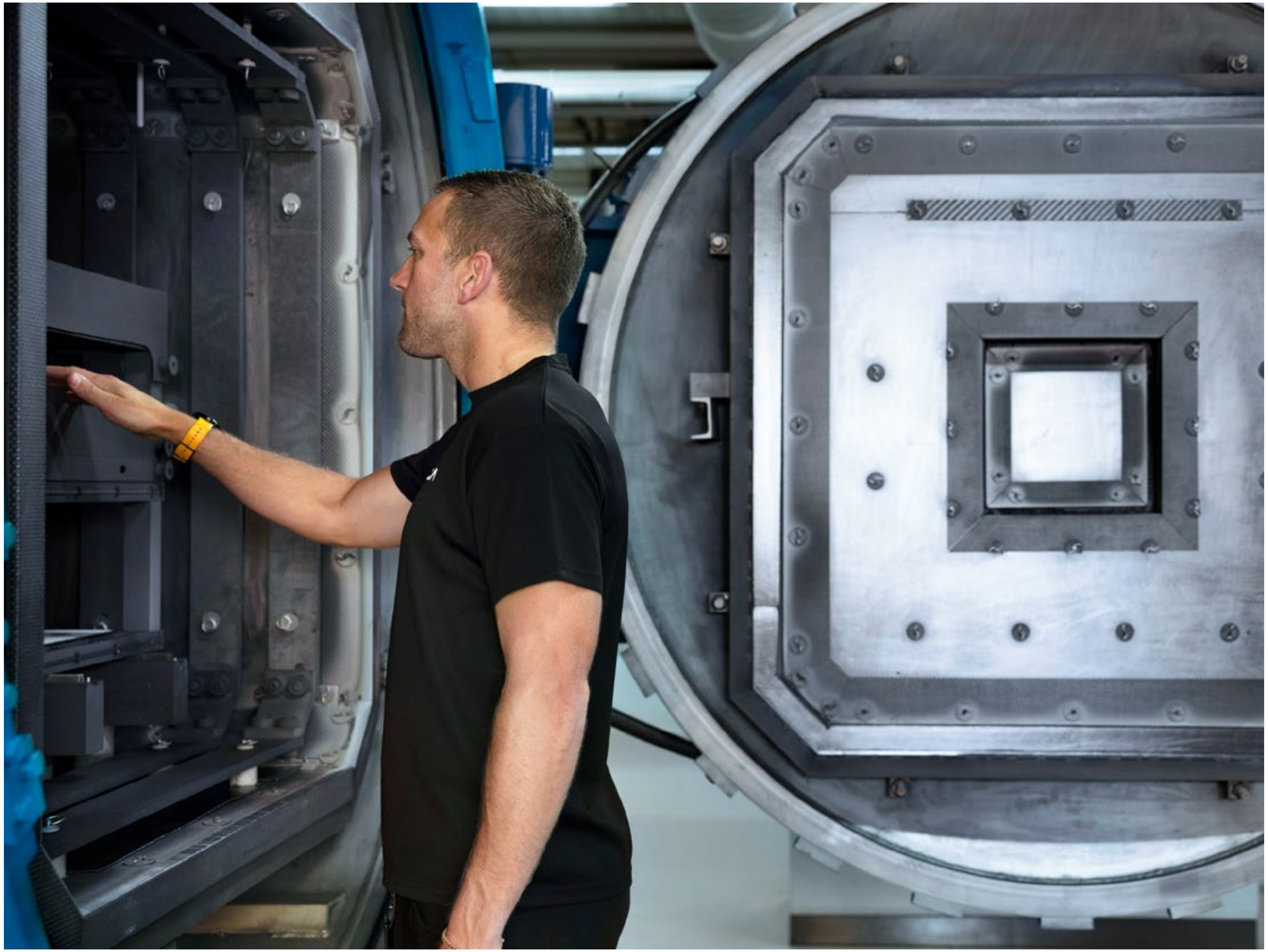
🟢 Target achieved 🟡 Target partially achieved 🔴 Target not achieved supplier contracts were terminated in 2023 as a result of non-compliance.

Data integrity

HANZA's impact: 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. We manage information about customers and components for their products as well as individuals, who could potentially be harmed if the information is disclosed.

Risks and opportunities: For a contract manufacturer, the ability to protect customer data and maintain data security is crucial for both customer confidence and competitiveness.

Targets and efforts: 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. At year-end 2023, three factories in Sweden and the Baltics, HANZA's headquarters and administration in Sweden and Estonia were all certified.



Employees

Our approximately 2,200 employees contribute significantly to HANZA's innovative thinking and profitability. Maintaining a steady supply of expertise and all employees feeling safe and secure at work are essential for HANZA's continued growth.

A safe and secure workplace, free from occupational injuries and discrimination

HANZA's impact: In the factory setting of the manufacturing industry, employees are exposed to occupational health and safety risks.

Risks and opportunities: HANZA aims to provide safe workplaces without physical injuries, stress and a negative work climate. Ensuring good working conditions is essential to boost motivation, facilitate skills development and maintain the trust of society and customers.

Targets and efforts: We work against all types of discrimination and have a zero vision for occupational injuries. To achieve these targets, we are implementing a range of preventive measures:

- Risk of accidents is reduced through local measures such as fire safety, clearly marked evacuation routes, safety protocols, instructions in local languages, safety videos, as well as training for supervisors and safety representatives at every workplace.
- HANZA's occupational health management system is gradually being implemented in acquired factories, with the aim of certifying work environment processes in all factory parks. Systematic follow-up of incidents creates healthier and safer working environments. In 2023, 40 workplace accidents occurred, which was more than the 31 accidents that occurred in 2022. One mechanics factory stands out in the statistics and an improvement program has been implemented. Occupational injuries in relation to number of hours worked (LTIFR) also increased. HANZA has adopted a number of measures to reduce the injury rate. Most workplace accidents involve mechanical processes with cuts on fingers and hands or minor burns and crush injuries, often caused by improper handling. HANZA also follows up incidents in the work environment where a situation could have resulted in a workplace accident, so-called near-miss cases. In 2023, 433 incidents were reported, compared to 500 the year before.
- Annual activity programs are developed based on staff surveys and our regular dialogues with trade union representatives (see also "Development and good working conditions").
- All types of discrimination based on gender, age, ethnicity, political opinion, etc. are discouraged. Cases of perceived victimization are particularly tracked in employee surveys. Since 2018, the survey has shown clear improvements each year. Perceived infringements are normally reported to the immediate manager who, if necessary, manages the situation together with the local HR function. In 2023, two cases of harassment were investigated, one of which falls within the scope of confirmed harassment. The investigation is carried out in cooperation with the local management team, HR, safety representatives, trade union representatives and occupational health services. Measures initiated include training for managers in organizational and social work environment with a focus on victimization and harassment, and support for those involved via occupational health services.
- An internal whistleblowing function is available. Staff can anonymously report concerns

Goal	Target Achievement 2023	Essential policy (see pages 17, 18)
Employees		
Provide a safe and secure workplace, free from occupational injuries, victimization, and discrimination	● HANZA's long-term goal is zero occupational i njuries. 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.	Health and Safety Policy Diversity policy HANZA Code of Conduct HR Policy Whistleblowing policy
Promote equality and strive for diversity	● Annually increase the proportion of women in managerial roles. ● All employees with a managerial role must complete HANZA's diversity policy training course.	Diversity policy

● Target achieved ● Target partially achieved ● Target not achieved

Employees and individuals engaged by the group

	Office workers	Factory workers	Total
Number of employees at year-end	464	1,714	2,178
Number of people who terminated employment*	45	277	322
Number of people hired	N/A	N/A	342

*Refers to all persons who have left, i.e. voluntarily, as well as retirement, downsizing, termination of fixed-term contracts, etc.

about non-compliance with policies and rules, harassment or abuse of a position of trust. The accessibility of the function among employees is expected to increase with a mobile-friendly intranet in 2024.

- Health improvement measures include investments in purpose-built premises, such as the new assembly plant in HANZA Mechanics Tartu, the decision to expand HANZA Mechanics Töcksfors including renovation and rebuilding of the factory in Svanskog with a new canteen and changing rooms. We offer free sanitary protection in our factories and offices. In Poland, hybrid work is offered to parents; some factories offer working hours adapted to childcare; in the Czech Republic and Poland, daytime shifts are offered. Other examples 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.

Human rights

HANZA impact, risks: Respect for human rights is fundamental to HANZA. Our biggest risk of contributing to violations is in the production of inputs used in our production processes, such as in some metal mining where both child labor and unfair working conditions can occur. The risks are often linked to countries with weak human rights legislation and where violations affect not only employees but also people in communities through environmental impacts, corruption and the financing of wars.

Targets and efforts: Our starting point is to respect and act in accordance with a number of conventions regarding human rights described in the HANZA Code of Conduct, which means that all types of child labor, unpaid overtime, forced labor, discrimination and other violations of human freedom are opposed. To ensure that human rights are not violated at suppliers or in the production of the input materials included in HANZA production, suppliers are evaluated through the HANZA Supplier Code of Conduct (see Increased supplier requirements, page 24). 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. No reported or investigated human rights incidents have occurred during the year such as lawsuits, allegations or compensation paid.

Development and good working conditions

HANZA's impact: In our operations, we create growth opportunities for our employees. Most of HANZA's employees are employed within the EU, where there is a high level of worker protection.

Risks and opportunities: HANZA's growth has resulted in a need for skilled and committed workers. Constant competence supply and development of employees is of strategic importance.

Targets and efforts:

- HANZA's values and its leadership program basically ensure that our workers' performance is safeguarded, and a global HANZA culture is established. In 2024, HANZA is redefining the responsibility for employee-related issues; the HR function will be geared toward developing and supporting managers,

The work environment management system certified in accordance with ISO 45001 has been implemented in eleven of HANZA's fifteen 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 occupational 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 case of company acquisitions, HANZA conducts a separate due diligence regarding the organization and employees when, among other things, 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 factories in the group follow the same work environment evaluation and action system. All factories will have certification by 2024.

	2023	2022	2021	2020
Occupational injuries/million hours worked, (LTIFR)	10.6	8.6	10.6	12.5
Workplace accidents, number	40	31	26	32
Sick leave, %	6.5	6.5	4.9	5.1
Cases of discrimination, number of cases investigated	0	0	0	2
Number of reports to the whistleblowing function	1	0	0	0

while managers will take on greater responsibility for employees and individual development than in the past.

- Employees' opinions are continually gathered in annual employee surveys and through dialogue with local managers, along with union representatives. Feedback regarding HANZA is provided by managers who convey the outcomes and create activity plans for their teams. The 2023 action plan focuses on increasing internal communication, which apart from local initiatives, involves launching a new intranet and expanding the leadership program. A newly introduced mobile-compatible intranet offers improved accessibility to factory staff. The Intranet, where new employees, policies and news regarding the group or local factories are presented, is the established channel for internal communication, in addition to the employee magazine. In 2024, a leadership program for managers at management and cluster level will be implemented.
- Work that started in the year on such things as motivation-enhancing initiatives and anti-stress work environment measures continued in 2023. The employee surveys have shown steady improvements for several years, despite the uncertainty that can come from expansion and acquisitions. In particular, commitment and customer focus have shown a higher score over time.
- A continued resource reinforcement of the HR organization with the goal that each HANZA cluster should have at least one person responsible for personnel-related issues to ensure that the efforts are adapted to the needs of the cluster. In addition, their work is coordinated by a global manager stationed in Sweden. By 2023, operations in all countries had local HR managers.
- Annual performance and development reviews are conducted. Internal talents are preserved, and employees' needs for development are identified in the yearly employee reviews, subsequently matching these with the competency demands elsewhere in the company. Ongoing activities are also offered on employer branding and training in local languages in areas such as IT security.
- Pay, overtime, sickness, parental leave, pension and other conditions are based on collective agreements, legislation or industry standards. Employment contracts and company communications are in local languages. 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.
- The "Competence Exchange" program, involving competence exchanges between factories, helps develop internal career opportunities and enhances the sharing of production methods across clusters, creating a more cross-border HANZA. Four major skill shifts were implemented in 2023 as part of this program. A good induction process is the key to skilled and committed workers and managers. All newly recruited officials and managers have an individual induction plan. Newly hired key functions are given a global introduction to HANZA by the CEO, CFO and COO.

Promote gender equality and strive for diversity

Risks and opportunities: Diversity among HANZA's employees and its inclusive business culture are assets that strengthen our capacity for growth and generating good results. Diversity of experience and background creates innovation, improves our recruitment opportunities and gives us new perspectives to better understand our customers. Although our gender balance is relatively good with 40 percent women and 60 percent men, individual occupational categories and clusters show a poorer balance, which is a challenge that HANZA shares with the rest of the global engineering industry, where simpler mechanical work is dominated by women and heavier tasks are dominated by men.

Targets and efforts: The aim is to achieve greater gender balance and promote diversity awareness, with an interim target of increasing the percentage of women in managerial positions within the group.

- HANZA strives to provide equal employment

HANZA's values

Our values summarize the expectations that employees have of one another, in order for HANZA to achieve its vision of becoming a unique and value-generating partner within manufacturing. The current employee policies reflect these values. The annual staff appraisals are based on the values. These values are an essential starting point in the analysis of factory acquisitions.

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 toward 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.

Gender distribution at HANZA

	Women %			Men %		
	2023	2022	2021	2023	2022	2021
Group	40	40	39	60	60	61
Supervisory role	22	22	N/A	78	78	N/A
Group management	0	0	0	100	100	100
Board of Directors	40	40	40	60	60	60

terms and conditions for equivalent assignments.
- In case of equal qualifications, we select the under-represented gender (or other minority).
- Targeted recruitment efforts are made to increase the local gender balance.
- Increased focus on staff turnover where we measure and follow up who chooses to leave, in which departments, gender, how long they have worked in the company and the reason for leaving. This helps us to detect patterns and see if there are differences between women and men, or if some workplaces have higher turnover than others

Local communities

HANZA's impact: In some locations, HANZA is a major employer and a significant contributor to the livelihood of residents. The purpose of sponsorships and donations to local activities is to support the local communities where HANZA is involved.

Risks and opportunities: A long-term approach and active community involvement results in mutual trust between HANZA and the local community.

Targets and efforts: HANZA is committed to sustainable community development through ongoing dialog and engagement with funders, municipal authorities and other community entities. In some rural areas, HANZA has acquired factories at a time when closure was the only option for the previous owners and our continued operation has helped to maintain employment. In other locations in Estonia and Finland, for example, our partnerships with municipalities and schools also contribute to ensuring HANZA's long-term capacity for growth.

The strong performance 2023 provides a solid basis for reaching financial targets 2025

2023 was both eventful and successful for HANZA. We continued our growth trajectory by organically expanding 12 percent under improved profitability. At the close of the year, we made our largest acquisition yet, purchasing Orbit One with SEK 1.1 billion in sales. Moreover, we bolstered our financial position through a new share issue of SEK 400 million. We are therefore well-prepared for further expansion and to reach the new, higher financial targets set out in "HANZA 2025."

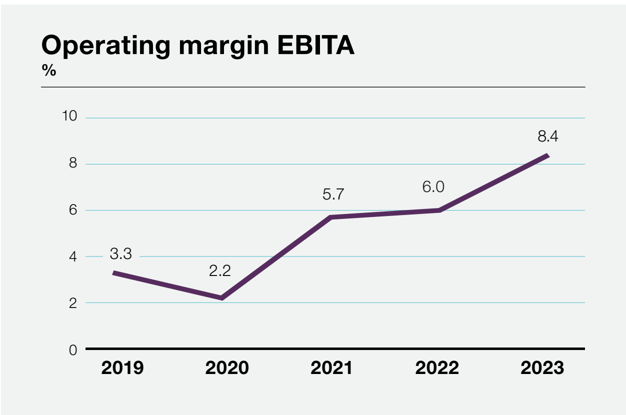
Financial position – focus on cash flow
Net sales in 2023 amounted to SEK 4.1 billion, which is just over half a billion higher than in 2022. With the acquisition of Orbit One, we enter 2024 with sales of SEK 5.2 billion. Strong growth both organically and through acquisitions. The operating margin continued to strengthen in 2023, with the group achieving 8.4 percent for the full year, which already exceeds the previously set financial target of an 8 percent operating margin by the end of 2025, two years ahead of schedule.

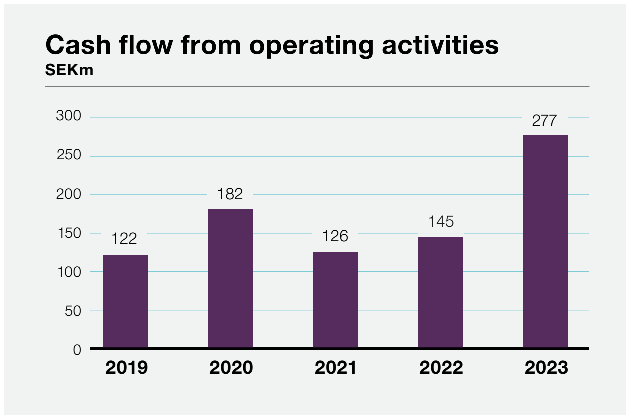
Profit after tax increased by over 75 percent and reached SEK 214 million, which translates to earnings per share of SEK 5.36, a 60 percent improvement.

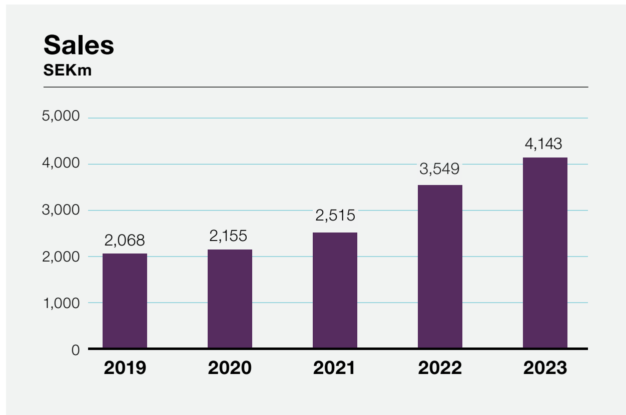
To sustain our projected future growth, we must invest in expansion and efficiency improvements, which demands strong cash flows. Cash flow from operating activities in 2023 reached SEK 277 million, almost twice the SEK 145 million posted in 2022.

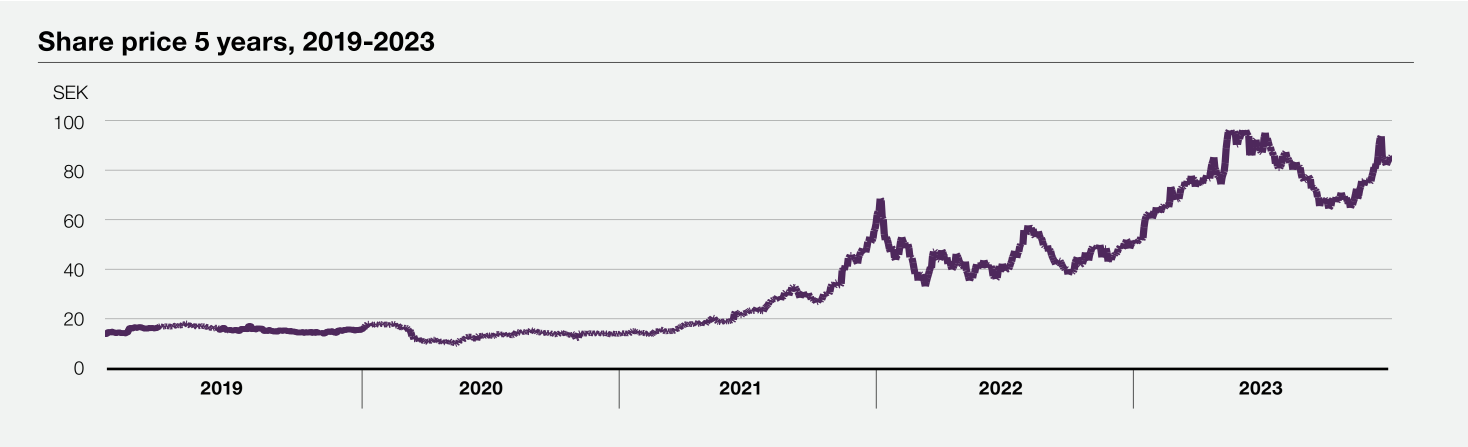
Share issue – focus on shareholder base and earnings per share
Historically, HANZA has financed organic growth through positive cash flows. Shares have been issued in connection with acquisitions. However, in 2022 and 2023, two directed issues were carried out. The purpose of the 2022 issuance was to expand the shareholder base and align it geographically with our customer base, as well as to fund the exceptionally strong growth through acquisitions and the construction of production facilities. The 2023 issue was carried out to allow HANZA to secure new larger manufacturing projects, such as the one withMitsubishi Logisnext Europe that we acquired in 2023. We can also make strategic acquisitions.

Thanks to the issuance carried out at the end of the year and our improved profitability, we have a robust balance sheet with a net interest-bearing debt to EBITDA ratio of 0.8 times and an equity ratio of 46 percent. The addition of Orbit One will of course change the balance sheet, but it will continue to be a stable platform for our continued growth.









The HANZA share as an investment

The share

Over the past five years, the share price has increased in value from SEK 13.85 at the end of 2018 to SEK 85.30 at the end of 2023. Since 2018, we have paid dividends every year (with the exception of 2020 due to the pandemic). The share price trend, along with the dividend paid have resulted in value growth of over 500 percent.

Ownership

The main owner is Färna Invest (Gerald Engström) with just over 21 percent of the shares. Färna has demonstrated considerable confidence in HANZA, including by participating in the issuances carried out in 2022 and 2023. The issuances have led to a widened base of owners, with numerous institutional investors joining, such as the Tredje AP fund, Lupus Alpha, and Odin funds. In 2023, management increased its ownership stake and today holds 850,000 shares, corresponding to 2 percent.

Growth and improved profitability

Over the past five years, HANZA has doubled its sales from SEK 2.1 billion in 2019 to SEK 4.1 billion in 2023, a compound annual growth rate (CAGR) of 19 percent. At the same time, the EBITA margin rose from 3.3 percent to 8.4 percent, while earnings per share surged from SEK 0.73 to 5.36.

Strong and proven business model

HANZA's progress has demonstrated that the cluster manufacturing approach works, leading to growth alongside enhanced profitability and robust cash flows. The scalable organization and business model are adapted for profitable growth – both organically and through carefully selected acquisitions.

High ambition for continued growth and profitability

The new financial targets set at the beginning of 2024 reflect a continued high ambition for profitable growth. The targets for 2025 are sales exceeding SEK 6.5 billion, with an operating margin of at least 8 percent for the 2025 financial year.

The external factors influencing

HANZA's business model are supported by the trend toward complete and regional manufacturing. This trend has so far been driven by factors such as trade barriers, transport costs, delivery times, environmental aspects and the pandemic. 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. A further geopolitical risk has recently been added by the escalating unrest around the Red Sea.

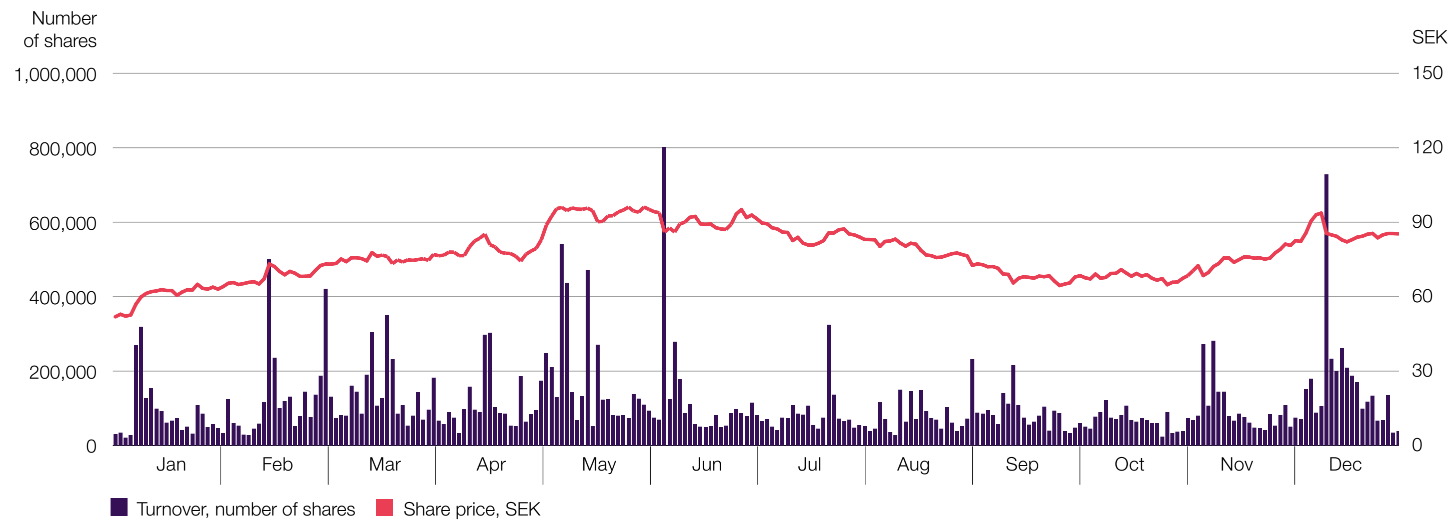
Lars Åkerblom, Vice President and CFO

The share and ownership structure

HANZA's share has been listed on Nasdaq Stockholm since March 25, 2019. From January 2, 2024, the share is traded on Mid Cap. Before the listing on Nasdaq Mid Cap, the share was listed on Nasdaq First North Premier since 2014. The share price at year-end was SEK 85.30 (51.10).

At the beginning of the year, the number of shares was 39,279,928 and share was SEK 3,927,993. During the year, the number of shares increased through management's exercise of warrants in June, which increased the number of shares by 850,000, as well as a directed issue in December totaling 3,529,412 shares. The first tranche of 3,058,912 shares was implemented at the beginning of December 2023 and the second tranche of 470,500 shares was implemented at the beginning of January 2024 after approval by an extraordinary general meeting. As a result of these issues, the number of shares at year-end amounted to 43,188,840 and the share capital was SEK 4,318,884; at the date of this annual report, the number of shares is 43,659,340.

Share price and sales 2023



Share capital development

Year	Event	Quotient value SEK	Increase in share capital SEK	Number of shares	Total number of shares
2023	Exercise of warrant program	0.1	85,000	850,000	40,129,928
2023	New share issue	0.1	305,891	3,058,912	43,188,840
2024	New share issue	0.1	47,050	470,500	43,659,340

Authorizations

At the Annual General Meeting on May 8, 2023, 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 2024 Annual General Meeting, decide to increase the company's share capital by SEK 392,000 (corresponding to 3,920,000 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 with deviation from shareholders' preferential rights and/or with provisions for non-cash, set-off or other conditions in accordance with the Swedish Companies Act. The authorization corresponded to approximately 9.9 percent of the share capital at the time of issuance and was used in the December 2023 and January 2024 issues of 3,529,412 shares. The remaining authorization amounts to 390,588 shares.

Lock-up agreement

At the time of the publication of this annual report, there are no lock-up agreements regarding the board of directors, principal owners or senior executives in HANZA.

Other commitments

In connection with the directed issue on December 6, the company has undertaken, with customary exceptions, not to issue additional shares for a period of 6 months.

Share-savings scheme

The Annual General Meeting on May 8, 2023 decided to introduce a long-term share savings scheme, LTIP 2023. The scheme targets up to 13 senior executives and key individuals within the company, who were offered performance share rights entitling them to receive a number of HANZA shares, contingent upon the participant's personal investment in HANZA shares and/or the fulfillment of specific performance criteria. Should LTIP 2023 achieve its maximum potential, up to 175,000 performance shares could be allocated. Participation in the share savings scheme has been high, with the 13 people offered the scheme investing in 32,600 of a maximum of 33,450 shares.

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 maneuverability. Business development permitting, the dividend must correspond to approximately 30 percent of profit after tax.

Dividend

The Board has proposed to the AGM 2024 a dividend of 1.20 (0.75) SEK per share. The Board's proposal is based on the company's dividend policy, financial management and liquidity.

Ownership

The number of shareholders on January 31, 2024 amounted to 9,858 (Dec. 31, 2022: 7,847). The largest shareholders are listed below.

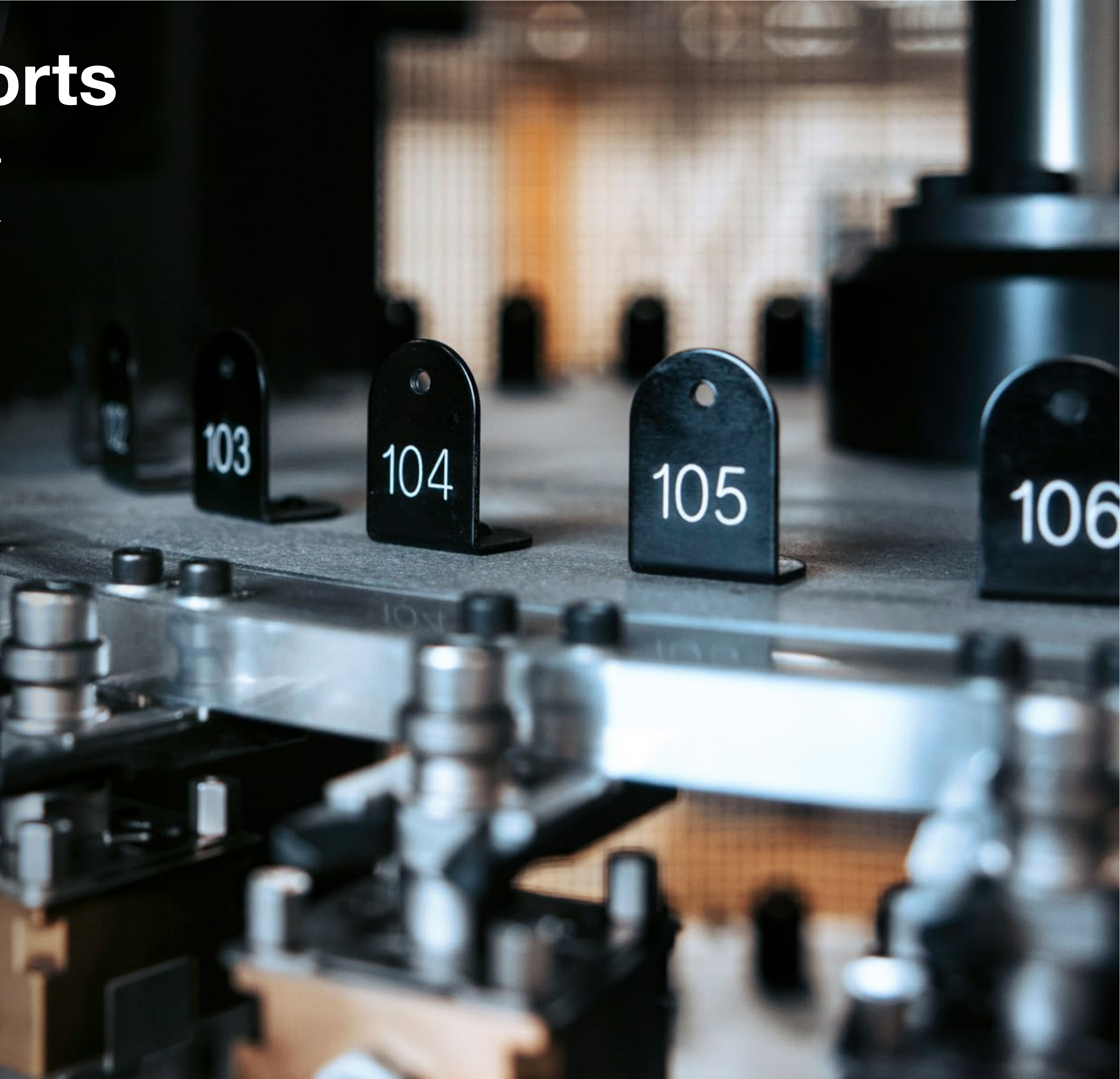
Ownership structure Jan. 31, 2024	Number of shares[1]	Capital (%)	Votes (%)
Färna Invest AB [2, 3]	9,277,694	21.25	21.25
Clearstream Bankings S.A [4]	4,016,969	9.20	9.20
Francesco Franzé [2, 5]	3,525,000	8.07	8.07
Håkan Halén	2,357,470	5.40	5.40
Nordnet Pensionsförsäkring AB	1,896,717	4.34	4.34
SHB Luxembourg cl acct Sweden	1,758,654	4.03	4.03
Tredje AP Fund	1,315,177	3.01	3.01
Odin small cap	998,000	2.29	2.29
Avanza Pension	975,821	2.24	2.24
State Street Bank and Trust Co, W9	708,982	1.62	1.62
10 largest shareholders	**26,830,484**	**61.45**	**61.45**
Other board members	327,367	0.75	0.75
Group management	850,000	1.95	1.95
Other shareholders	15,651,489	35.85	35.85
Total number of shares	**43,659,340**	**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 1,229,000 shares in the company through an endowment insurance and 30,000 shares via the wholly owned subsidiary Panarea AB. Francesco Franzé's total holding amounts to 3,525,000 shares.

Source: Euroclear

Financial Reports

Contents



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 2023 financial year.

About the Business

HANZA was founded in 2008 and has grown into a Group with a turnover exceeding SEK 4.1 billion in 2023.

In 2023, HANZA Group had operations in Sweden, Finland, Estonia, Poland, the Czech Republic, Germany and China. There are also wholly owned subsidiaries established, which together with the parent company HANZA AB form the HANZA Group. For more information, see Note 33. 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 manufacturing operations into "manufacturing clusters" and applies a financial segmentation model based on primary customer markets. Operations are also conducted in a third segment, Business Development and Services. 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. Therefore, the Main Markets segment currently includes HANZA's manufacturing clusters in 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** – Other manufacturing clusters outside HANZA's primary geographic customer markets. Today, the Other Markets segment includes HANZA's manufacturing clusters in 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** – Revenue and expenses from services offered by HANZA in consulting and development services and costs not allocated to the manufacturing clusters, which are mainly group-wide functions within the parent company, and group-wide adjustments not allocated to the other two segments. For more information, see note 6 Segment reporting.

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. In concrete terms, HANZA is developing factory parks and manufacturing clusters, where products can be manufactured more efficiently, at lower cost and with less environmental impact, compared with traditional contract manufacturers. This also happens when HANZA develops value-creating advisory services linked to product manufacturing.

Significant events in 2023

- In March an expanded sustainability strategy was presented. Together with the strategy and financial goals in "HANZA 2025," this will ensure long-term profitable and sustainable growth.
- In June, HANZA acquired a previously rented property in Töcksfors of 11,000 square meters and approximately 28,000 square meters of associated land. The aim is to prepare for further expansion in Sweden and to reduce costs for premises.
- In July, HANZA signed a manufacturing agreement with Mitsubishi Logisnext Europe, a leading provider of logistics solutions with custom designed forklifts. The agreement covers the complete production of a series of forklifts for the European market. Annual revenue is expected to exceed SEK 100 million per year, and reach full operational capacity in the first half of 2024.
- In December, HANZA signed an agreement to acquire the Swedish electronics manufacturer Orbit One, adding new capacity and expertise in this area. The company generates around SEK 1.1 billion in revenue, has two production facilities in Sweden and one in Poland, and employs approximately 620 people. The acquisition was completed on January 4, 2024.
- In December, HANZA carried out a directed share issue of SEK 300 million, of which SEK 260 million was raised in December and SEK 40 million in January 2024, with shares going to the company's main owner Gerald Engström following approval at an extraordinary general meeting.
- In December, HANZA celebrated the opening of a new 5,000 square meter assembly plant in Narva, Estonia, which expands the group's offering in heavy mechanics.
- On March 13, 2024 HANZA launched an efficiency program linked to the integration of Orbit One. As part of the program, a maximum of 50 employees at the Ronneby factory would be given notice of redundancy, at an estimated cost of a maximum of SEK 20 million.

Events after the end of the year

- On February 13, 2024, the Board decided on new financial targets, increasing the 2025 sales target to SEK 6.5 billion (previously SEK 5 billion) and the operating profit target to 8% for the full year 2025 (previously 8% at the end of 2025).
- To meet increasing volumes, HANZA decided in January 2024 to invest about SEK 75 million in building a new factory section of 8,800 square meters in Töcksfors, Sweden.

Five-year overview

SEK million	2023	2022	2021	2020	2019
Net sales	4,143	3,549	2,515	2,155	2,068
Operating profit (EBITA)	344	212	143	48	68
Profit/loss after tax	214	121	80	-1	24
Balance sheet total	2,929	2,541	1,951	1,414	1,528
Equity	1,345	898	586	475	498
Equity ratio, %	45.9	35.3	30.0	33.6	32.6

Market performance

Although HANZA's customer markets are mainly in the Nordic region and Germany, customers are also located in the rest of Europe, Asia and North America. 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. Customers operate in various industries such as logistics companies, mining industry, defense industry, energy companies, agricultural and forest products and recycling companies. Geographically, customers are mainly located in the Nordic region and Germany, but there are also customers in the rest of Europe, Asia and America. HANZA has noted a slowdown in incoming orders from some customers in early 2024, though part of the customer base remains on an upward trajectory. Even after the acquisition of Orbit One, HANZA has an evenly distributed customer base where no customer reaches 10% of HANZA's sales and where the ten largest customers together account for less than 50% of annual sales.

HANZA offers a competitive alternative to traditional contract manufacturers, which is especially in demand during economic downturns. A decrease in order intake can therefore be expected to be offset by new market share during the year. Furthermore, HANZA's business model is supported by the trend toward complete and regional manufacturing. This trend has so far been driven by factors such as trade barriers, transport costs, delivery times, environmental aspects and the pandemic. 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. A further geopolitical risk has recently been added by the escalating unrest around the Red Sea.

Sales and profit

Net sales for the year amounted to SEK 4,143 million (3,549), an increase of 17%. Sales have increased through new sales, increased volumes from existing customers, acquisitions and currency effects. Excluding currency effects of approximately SEK 217 million and acquisitions of SEK 7 million, growth amounts to 11%. EBITDA amounted to SEK 464 million (316), which corresponds to an EBITDA margin of 11% (9). The group's operating profit before amortization of intangible assets (EBITA) amounted to SEK 344 million (212), corresponding to an operating margin of 8.3% (6.0). Non-recurring items (mainly energy subsidies and acquisition costs) had a net negative impact on earnings of SEK 6 million (2). Excluding these items, operating profit amounted to SEK 350 million, an operating margin of 8.4% (6.0). The margin is positively affected by increases in the margin of both operational segments. In the main market, this improvement was mainly attributable to continued efficiency enhancements, along with the increase in margin for the manufacturing cluster in Germany through the coordination project implemented in 2022, following the acquisition of electronics manufacturer Helmut Beyers GmbH in late 2021. In other markets, the improvement is attributable to investments in capacity and efficiency enhancements, including the new assembly plant in Tartu that was commissioned in Q1 2022 and the expansion projects implemented in 2022 in Poland, the Czech Republic and China.

Exchange rate fluctuations had a positive impact on net financial items of SEK 3 million (-9), while the higher interest rates led to an increase in interest and other financial expenses of SEK 42 million, from SEK -41 million in 2022 to SEK -83 million in 2023. Profit before tax amounted to SEK 247 million (143). Profit after tax amounted to SEK 214 million (121). Income tax corresponds to a tax rate of 13% (15). The lower tax rate is mainly due to a higher share of earnings coming from entities in countries with lower tax rates. Earnings per share before dilution amounted to SEK 5.36 (3.35) and after dilution to SEK 5.31 (3.30). For more information, see Note 6 Segment reporting.

Cash flow and investments

Cash flow from operating activities amounted to SEK 277 million (145). Change in working capital amounted to SEK -102 million (-89). Working capital needs are driven by growth. In addition, a shortage of components leads to a continued need for buffer stock. The continued expansion has also increased the need for investment. Total investments in property, plant and equipment amounted to SEK 306 million (187), of which buildings accounted for SEK 107 million (60). The remaining SEK 199 million (127) consisted mainly of other fixed assets, mainly machinery.

Cash flow from investing activities amounted to SEK -295 million (-184), of which business combinations have affected cash flow by SEK -2 million (-8). See note 31 for further information. The difference in cash flow from investments arises because certain investments do not affect cash flow, as they are made through leases or are an accounts-payable at the end of the period.

Financial position

Growth, the challenging material situation with the need for a larger buffer stock and the new share issue at the end of the year have led to an increased balance sheet total. Positive results and new issues, warrants in June and a directed share issue at the end of the year improved the equity ratio and reduced net debt. The balance sheet total at the end of the year amounted to SEK 2,929 million (2,541). Shareholders' equity at the end of the year amounted to SEK 1,345 million (898), which gives an equity/assets ratio of 45.9% (35.3). The Group's net interest-bearing debt at year-end amounted to SEK 363 million (556). Net debt in relation to adjusted EBITDA has thus decreased in 2023 and amounted to 0.8 times (1.9). Both the equity ratio and net debt will be affected in connection with the acquisition of Orbit One, which took place on January 4, 2024.

In connection with the acquisition of Orbit One, in December 2023 the group renegotiated most of its contracts by refinancing with a smaller number of larger loans in the parent company from a consortium of three banks, a "club deal." These loans have a maturity of 5 years and carry a variable interest rate.

Personnel

During the year, the average number of employees in the Group was 2,001 (1,936). At the end of the year, the number of employees was 2,178 (2,107).

Group-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 variety of applications. In 2023, the ten largest customers accounted for 44% (42) 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 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 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. Any loss of one or more key personnel could give rise to negative 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 14-29. 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. Since HANZA's financing consists to some extent of interest-bearing liabilities, the group's net income is also 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 at least 90% of 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 mainly has tax losses in Finland, Germany, Czech Republic and China. 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

The sustainability report is prepared in accordance with Chapter 6 10-14 §§ of the Annual Accounts Act and covers the 2023 financial year. The sustainability report contains the sustainability information needed to understand the company's development, position and performance and the impact of its activities, including information relating to the environment, social conditions, employees, respect for human rights and anti-corruption. The report was submitted to the company's auditors at the same time as the annual report. The sustainability report is integrated into the management report with reference to other parts of the annual report where statutory information is available. 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. It also describes the overall approach to risk assessment by the Board and management.

The following table provides a reference to the different elements to be considered part of the sustainability report.

Contents	Page
Business model	11
Governance, policies and monitoring	14-18
Overall risk assessment	37-38, 44
Sustainability risks	14
Environment	20-22
Social relations	19, 24-27
Employees	19, 26-29
Human rights	19, 24-27
Business ethics and anticorruption	24-25

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 share has 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 January 31, 2024 was 9,858. The largest shareholders were Färna Invest AB (owned by Gerald Engström) with 21.25%, Clearstream Bankings S.A. owns 9.2% and Francesco Franzé owns 8.07%. 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 following guidelines for remuneration to senior executives were adopted by the Annual General Meeting on May 8, 2023. No changes to these principles will be proposed to the 2024 AGM. The remuneration is considered necessary for the company to be able to recruit and retain a management team with the right skills and capacity to achieve set targets. These guidelines contribute to the company's business strategy, long-term interests and sustainability by enabling the Company to offer senior executives competitive remuneration.

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% of annual fixed salary for the CEO and 30% 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% of the executive's annual fixed salary. Other benefits may include company car benefits, occupational health care, life and health insurance and other similar benefits. Other benefits must constitute a minor proportion of total remuneration and may amount to a maximum of 8% 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 32 million (24). Profit before tax amounted to SEK 6 million (50).

Dividend

The Board has proposed to the Annual General Meeting on May 14, 2024 that a dividend of SEK 1.20 per share 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 2023 of SEK 1.20 per share (0.75), corresponding to a total dividend of SEK 52 million (29) based on the number of outstanding shares as of March 28, 2024. The proposed record date is expected to be May 3 2024.

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

Share premium reserve	672,380,113
Profit for the year	6,807,336
Total	**679,187,449**

The Board of Directors proposes that retained funds be

paid as dividend to the shareholders, SEK 1.20 per share, in total	52,391,208
Carried forward	626,796,241
Total	**679,187,449**

The Board's opinion on 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 represents 8% of the company's profits on the balance sheet date. The Board has also taken into account the results and financial position of the parent company and the position of the group in general.

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 (the "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 2023.

Deviations from the code

Rule 2.4 of the Code, as well as the instructions for the Nomination Committee adopted by the 2023 AGM, states that neither the Chairman of the Board nor any other board member shall serve as Chair of the Nomination Committee. Gerald Engström is a board member and Chair of the Nomination Committee. Consequently, this is a deviation from the aforementioned rule in the Code and the Nomination Committee instructions. Gerald Engström is, through Färna Invest AB, the company's largest shareholder, has extensive industrial experience and in-depth knowledge of the company's operations. Engström's chairmanship of the Nomination Committee is not deemed to affect the Nomination Committee's ability to perform the tasks incumbent on the Nomination Committee or to safeguard the interests of all shareholders.

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% 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.

2024 AGM

The AGM will be held on Tuesday, May 14, 2024.

Authorizations

At the Annual General Meeting on May 8, 2023, it was resolved, in accordance with the Board's proposal, to authorize the Board to, at one or more occasions, during the period up to the 2024 Annual General Meeting, decide to increase the company's share capital by SEK 392,000 (corresponding to 3,920,000 shares) through the issue of shares, warrants and/or convertibles. 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 represented approximately 9.9% of the share capital at the time of the authorization decision. At the time of this annual report, the Board of Directors has used the authorization to increase share capital by 352,941.20 shares (3,529,412) in connection with two new issues carried out in December 2023 and January 2024.

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 of the appointed nomination committee shall run until 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 Chairman and Vice-Chairman of the Board of Directors
- Election of auditors, and
- Proposal for principles for the composition and work of the Nomination Committee for the AGM 2024.

HANZA's nomination committee for the AGM 2024 has consisted of the following individuals:

	Appointed by	Independent of the company and its management	Independent of the company's largest shareholder in terms of votes
Gerald Engström	Own holding	Yes	No
Håkan Halén	Own holding	Yes	Yes
Massimo Franzé	Ritter Beteiligungs GmbH	Yes	Yes
Francesco Franzé, Chairman of the Board of Directors	–	Yes	No

Board of Directors

The Board of Directors bears 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 2023 AGM, Francesco Franzé, Gerald Engström, Per Holmberg, 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 93.

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
Per Holmberg	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 or her 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. In addition to these meetings, meetings were held in 2023 in connection with quarterly accounts, investment decisions and decisions on new issues. In accordance with the rules of procedure of the Board, the Board continuously evaluates its work through open discussions in the Board and through an annual Board evaluation. The outcome of the annual evaluation is submitted to the Nomination Committee.

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 preparatory body and has no independent decision-making power, unless the Board has explicitly authorized the audit committee to take decisions on a specific issue. The Audit Committee consists of Per Holmberg (chair), Francesco Franzé and Sofia Axelsson (members). The main tasks of the Audit Committee are:

- monitoring and quality assurance of the company's financial reporting;
- meeting the company's auditor on an ongoing basis for information and considerations regarding the focus, scope and content of the audit services and of the annual report and consolidated financial statements, and discussing coordination between external and internal auditing and the view of the company's risks;
- reviewing and monitoring the auditor's impartiality and independence and establishing guidelines for the permissible procurement of other services by the company's auditor;
- evaluating the audit effort and informing the Nomination Committee of the results;
- assisting the Nomination Committee in the procurement of the audit, preparing the election and remuneration of the auditor and making recommendations to the nomination committee on these matters;
- with regard to financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management;
- dealing with any disagreements between management and the auditor;
- addressing considerations regarding the application of current accounting policies and the adoption of future accounting policies and other accounting requirements imposed by law, generally accepted accounting principles, listing agreements 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 company management, evaluation of programs for variable remuneration to the company management and follow-up and evaluation of the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting. The Remuneration Committee is a preparatory body and has no independent decision-making power, unless the Board of Directors has explicitly authorized the Remuneration Committee to decide on a specific issue. The Remuneration Committee consists of Francesco Franzé (Chair) and Gerald Engström (member). The main tasks of the Remuneration Committee will be to prepare and monitor issues related to:

- decisions on remuneration principles, remuneration and other terms of employment for senior management;
- monitoring and evaluating ongoing and completed variable remuneration programs for company management;
- monitoring and evaluating the application of the guidelines for remuneration to senior executives adopted by the Annual General Meeting and preparing proposals for guidelines for remuneration to senior executives for the Annual General Meeting; and
- current remuneration structures and levels in 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	5/5	3/3	–
Per Holmberg	7/7	3/3	–
Helene Richmond	13/13	–	–
Sofia Axelsson	13/13	7/7	–

Major shareholders

As of December 31, 2023, and with changes known up to the submission of this annual report, the following shareholders had, directly or indirectly, a shareholding in HANZA representing at least one tenth of the votes for all shares in the company:

Shareholder	Percentage of votes in HANZA,%
Färna Invest AB	21.25

For further information on HANZA's share and ownership structure, see the section The share 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. The 2023 AGM elected Ernst & Young AB (EY) as the company's auditor for the period until the end of the AGM to be held in 2023. EY has appointed authorized public accountant Linn Haslum Lindgren as auditor in charge. 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 shall ensure that HANZA has good internal control and formalized procedures that ensure compliance with established principles for financial reporting and internal control and that there are appropriate systems for monitoring and controlling the company's operations and the risks to which the company and its operations are associated. In order to maintain good internal control, the Board has prepared a number of policy documents, such as rules of procedure for the Board, instructions for the CEO, instructions for financial reporting, financial policy and 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 2023	Jan–Dec 2022
Net sales	5, 6	**4,143**	**3,549**
Change in inventories in production, finished goods and work in progress on behalf of others		33	152
Raw material and supplies		-2,334	-2,170
Other external costs	7	-484	-453
Personnel costs	8, 29	-904	-781
Depreciation, amortization and impairment, property, plant and equipment	15, 28	-120	-103
Other operating income and expenses	9	10	18
Operating profit (EBITA)	6, 10	**344**	**212**
Amortization and impairment of intangible fixed assets	14	-17	-19
Operating profit (EBIT)		**327**	**193**
Profit/loss from financial items			
Financial income and expenses	10, 11	-80	-50
Financial items – net		**-80**	**-50**
Profit/loss before tax		**247**	**143**
Income tax	12	-33	-22
Profit for the year		**214**	**121**

Profit for the year is attributable in its entirety to the shareholders of the parent company

Earnings per share, calculated on profit or loss attributable to the shareholders of the parent company			
Earnings per share before dilution, SEK	13	5.36	3.35
Earnings per share after dilution, SEK	13	5.31	3.30

Consolidated statement of comprehensive income

Amounts in SEK MILLION	Note	Jan–Dec 2023	Jan–Dec 2022
Profit for the year		**214**	**121**
OTHER COMPREHENSIVE INCOME			
Items that will not to be reversed in profit or loss			
Remeasurement of post-employment benefits	29	-7	20
Tax on items not to be reversed in profit or loss		2	-6
Total items not to be reversed in profit or loss, net of tax		**-5**	**14**
Items that can subsequently be reversed in profit or loss			
Exchange rate differences on translation of foreign subsidiaries		-4	50
Exchange rate difference on acquisition loans		–	-1
Tax on items that can subsequently be reversed in profit or loss		–	3
Total items that can subsequently be reversed in profit or loss, net of tax		**-4**	**52**
Other comprehensive income for the year		**-9**	**66**
COMPREHENSIVE INCOME FOR THE YEAR		**205**	**187**

Comprehensive income is attributable in its entirety to the shareholders of the parent company.

Consolidated balance sheet

Amounts in SEK MILLION	Note	Dec. 31, 2023	Dec. 31, 2022
ASSETS			
Fixed assets			
Goodwill	14	387	388
Other intangible assets	14	77	90
Buildings, land and improvements	15	345	245
Machinery and equipment	15	369	306
Right-of-use assets	28	186	180
Deferred tax assets	16	23	17
Total fixed assets		**1,387**	**1,226**
Current assets			
Inventory	18	936	937
Accounts receivable	19	175	151
Current tax assets		5	20
Other receivables	20	56	51
Prepaid expenses and accrued income	21	30	19
Cash and cash equivalents		340	137
Total current assets		**1,542**	**1,315**
TOTAL ASSETS		**2,929**	**2,541**

Amounts in SEK MILLION	Note	Dec. 31, 2023	Dec. 31, 2022
EQUITY	22		
Equity attributable to parent company shareholders			
Share capital		4	4
Other paid-in capital		881	610
Reserves		76	80
Retained earnings including profit for the year		384	204
Total equity		**1,345**	**898**
LIABILITIES			
Non-current liabilities			
Post-employment benefits	29	102	102
Deferred taxes liabilities	16	57	49
Liabilities to credit institutions	23	326	223
Lease liabilities	23, 28	114	125
Total non-current liabilities		**599**	**499**
Current liabilities			
Overdraft facility	23	99	55
Liabilities to credit institutions	23	86	177
Lease liabilities	23, 28	53	41
Other interest-bearing liabilities	23	11	75
Accounts payable		450	487
Tax liabilities		21	24
Other liabilities	24	120	140
Accrued expenses and deferred income	25	145	145
Total current liabilities		**985**	**1,144**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,929**	**2,541**

Consolidated statement of changes in equity

Amounts in SEK MILLION	Note	Share capital	Other paid-in capital	Reserves	Retained earnings including profit for the year	Total equity
OPENING BALANCE AS OF JANUARY 1, 2022		**4**	**467**	**28**	**87**	**586**
Profit for the year		–	–	–	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 DECEMBER 31, 2022		**4**	**610**	**80**	**204**	**898**
OPENING BALANCE AS OF JANUARY 1, 2023		**4**	**610**	**80**	**204**	**898**
Profit for the year		–	–	–	214	214
Other comprehensive income						
Other comprehensive income before tax		–	–	-4	-7	-11
Tax on items in other comprehensive income		–	–	-	2	2
Total comprehensive income		**–**	**–**	**-4**	**209**	**205**
Transactions with shareholders						
New share issue		–	277	–	–	277
Issue costs		–	-7	–	–	-7
Share-savings scheme 2025		–	1	–	–	1
Dividend		–	–	–	-29	-29
Total contributions from and distributions to shareholders, recognized directly in equity		–	**271**	–	**-29**	**242**
CLOSING BALANCE AS OF DECEMBER 31, 2023		**4**	**881**	**76**	**384**	**1,345**

Share capital development and dividends paid are shown in Note 22.

Consolidated statement of cash flows

Amounts in SEK MILLION	Note	2023	2022
Cash flow from operating activities			
Profit/loss after financial items	30	247	143
Depreciation, amortization and impairment	6	137	122
Other non-cash items	30	12	-9
Income tax paid		-17	-22
Cash flow from operating activities before changes in working capital		**379**	**234**
Cash flow from change in working capital			
Change in inventories		4	-231
Change in accounts receivables		-23	-37
Change in current receivables		-15	-19
Change in accounts payable		-39	96
Change in current liabilities		-29	102
Total change in working capital		**-102**	**-89**
Cash flow from operating activities		**277**	**145**
Cash flows from investing activities			
Acquisition in subsidiaries	31	-2	-8
Acquisition of assets	31	-49	–
Investments in intangible fixed assets	14	-3	-1
Investments in property, plant and equipment	15	-246	-179
Disposals of property, plant and equipment		5	4
Cash flows from investing activities		**-295**	**-184**
Cash flow from financing activities			
New issue after deduction of issue costs	22	270	143
New loans	23, 30	517	263
Repayment of loans	23, 30	-541	-268
Dividend		-29	-18
Cash flow from financing activities		**217**	**120**

Amounts in SEK MILLION	Note	2023	2022
Decrease/increase in cash and cash equivalents		**199**	**81**
Cash and cash equivalents at beginning of year		137	46
Exchange differences in cash and cash equivalents		4	10
Cash and cash equivalents at end of year		**340**	**137**

Parent Company income statement

Amounts in SEK MILLION	Note	2023	2022
Operating income	32	**32**	**24**
Other external costs	7, 32	-17	-13
Personnel costs	8	-13	-11
Total operating expenses		**-30**	**-24**
Operating profit		**2**	**–**
Profit/loss from financial items			
Profit/loss from shares in group companies	11, 33	-1	27
Other interest income and similar items	11	6	1
Interest expense and similar items	11	-9	-12
Total profit/loss from financial items		**-4**	**16**
Profit/loss after financial items		**-2**	**16**
Appropriations	34	8	34
Profit/loss before tax		**6**	**50**
Tax on profit for the year	12	–	-4
Profit for the year		**6**	**46**

Parent Company statement of comprehensive income

Amounts in SEK MILLION	Note	2023	2022
Profit for the year		**6**	**46**
Other comprehensive income, net of tax, for the year		**–**	**–**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6**	**46**

Parent Company balance sheet

Amounts in SEK MILLION	Note	Dec. 31, 2023	Dec. 31, 2022
ASSETS			
Fixed assets			
Financial fixed assets			
Shares in group companies	33	377	367
Non-current receivables from group companies	32	509	137
Total financial fixed assets		**886**	**504**
Total fixed assets		**886**	**504**
Current assets			
Current receivables			
Receivables on group companies		9	1
Prepaid expenses and accrued income	21	20	1
Total current receivables		**29**	**2**
Cash and cash equivalents			
Cash and bank balances		164	30
Total cash and cash equivalents		**164**	**30**
Total current assets		**193**	**32**
TOTAL ASSETS		**1,079**	**536**

Amounts in SEK MILLION	Note	Dec. 31, 2023	Dec. 31, 2022
EQUITY AND LIABILITIES			
Equity	22		
Restricted equity			
Share capital		4	4
Total restricted equity		**4**	**4**
Unrestricted equity			
Share premium reserve		674	387
Profit for the year		6	46
Total unrestricted equity		**680**	**433**
Total equity		**684**	**437**
Untaxed reserves			
Tax allocation reserves	34	2	2
Total untaxed reserves		**2**	**2**
Non-current liabilities			
Liabilities to credit institutions	23	216	24
Liabilities to group companies	23, 32	–	34
Total non-current liabilities		**216**	**58**
Current liabilities			
Liabilities to credit institutions	23	54	28
Overdraft facility	23	99	–
Other loan liabilities	23	–	1
Accounts payable		3	1
Tax liabilities		1	3
Other liabilities	24	3	1
Accrued expenses and deferred income	25	17	5
Total current liabilities		**177**	**39**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,079**	**536**

Parent Company changes in shareholders' equity

	Restricted equity	Unrestricted equity		Total equity
Amounts in SEK MILLION	**Share capital**	**Share premium reserve**	**Retained earnings including profit for the year**	
OPENING BALANCE AS OF JANUARY 1, 2022	**4**	**342**	**-80**	**266**
Comprehensive income				
Profit for the year	–	–	46	46
Total comprehensive income	–	–	**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 DECEMBER 31, 2022	**4**	**387**	**46**	**437**
OPENING BALANCE AS OF JANUARY 1, 2023	**4**	**387**	**46**	**437**
Comprehensive income				
Profit for the year	–	–	6	6
Total comprehensive income			**6**	**6**
Transactions with shareholders				
New share issue	–	277	–	277
Issue costs	–	-7	–	-7
Reallocation of retained earnings	–	17	-17	–
Dividend	–	–	-29	-29
CLOSING BALANCE AS OF DECEMBER 31, 2023	**4**	**674**	**6**	**684**

Share capital development is shown in Note 22.

Parent Company statement of cash flows

Amounts in SEK MILLION	Note	2023	2022
Cash flow from operating activities			
Profit/loss after financial items		-2	16
Other non-cash items	30	1	5
Group contributions received		–	34
Taxes paid		-1	-1
Cash flow from operating activities before changes in working capital		**-2**	**54**
Cash flow from change in working capital			
Change in current receivables		-27	10
Change in current liabilities		16	2
Total change in working capital		**-11**	**12**
Cash flow from operating activities		**-13**	**66**
Cash flows from investing activities			
Shareholder contributions to subsidiaries	33	-11	–
Cash flows from investing activities		**-11**	**–**
Cash flow from financing activities			
New issue after deduction of issue costs	22	270	143
New loans	23	399	29
Repayment of borrowings	23	-83	-48
Dividend		-29	-18
Change in non-current receivables from group companies		-364	-114
Change in non-current group liabilities		-35	-28
Cash flow from financing activities		**158**	**-36**
Decrease/increase in cash and cash equivalents		**134**	**30**
Cash and cash equivalents at beginning of year		30	–
Cash and cash equivalents at end of year		**164**	**30**

NOTES

Notes

Amounts in SEK million, unless otherwise specified.

NOTE 1 General information

HANZA AB (the parent company), corporate identity number 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 annual accounts were approved for publication by the Board of Directors on March 28, 2024. The consolidated income statement and balance sheet and the parent company's income statement and balance sheet will be submitted for approval at the Annual General Meeting on May 14, 2024.

All amounts are presented in millions of SEK (SEKm) unless otherwise stated. Figures in parentheses refer to the previous year.

NOTE 2 Summary of important accounting policies

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 going concern assumption has been applied.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities at fair value through profit or loss, see note 17.

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.

2.2 Changes in accounting principles

This annual report applies for the first time the updated requirements of IAS 1 on significant accounting policies.

No adopted IFRS or IFRIC interpretations effective on or after January 1, 2024 are expected to have a material impact on the group or the parent company.

2.3 Parent company accounting policies

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.

The income statement and balance sheet follow the presentation format of the Swedish Annual Accounts Act. The statement of changes in equity also follows the group's format but contains the columns specified in the Swedish Annual Accounts Act. Furthermore, there are differences in terms in the annual accounts, compared to the consolidated accounts, mainly regarding financial revenue and expenses and equity.

Shares in subsidiaries are recognized at cost less any impairment losses. The cost basis includes acquisition-related costs and any earn-outs. When there is an indication that shares in subsidiaries have decreased in value, the recoverable amount is calculated. If this is lower than the carrying amount, an impairment loss is recognized in the item "Profit from shares in group companies".

The parent company has signed guarantees in favor of subsidiaries. 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.

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

2.4 Consolidated accounts and business combinations

Subsidiaries are all companies over which the group has controlling influence. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date control 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 cash transferred, the fair value of other 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. 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 are recognized as other operating income or other operating expenses.

Acquisition-related expenses are recognized as expenses as incurred.

Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value as of the acquisition date. Goodwill is initially valued as the amount by which the total purchase price 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. All subsidiaries consistently apply the group's policies.

2.5 Foreign currency translation

Functional currency and reporting currency

Items included in the financial statements of the group's various subsidiaries are measured in the functional currency of each entity, which in all cases is the local currency of the subsidiary. Swedish kronor (SEK) are used in the consolidated accounts. SEK is the group's reporting currency and the parent company's functional currency.

The income statements and balance sheets of all group entities that have a functional currency other than the reporting currency are translated into the group's reporting currency. Balance sheets are translated at the closing rate. The income statements are translated at the average exchange rate (provided that 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). 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. Translation differences arising from currency translation 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.

2.6 Segment reporting

HANZA practices a form of cluster-based segmentation that is considered to best reflect its business model, organization and the manner in

Note 2 cont'd.

which the Board of Directors and management team follow up on and assess the business. See also note 6.

2.7 Net sales

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.

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.

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 right, revenue is recognized when the project is completed and the right to compensation has been established.

2.8 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 as of the balance sheet date in the countries where each company operates. 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 tax assets on tax loss carryforwards are recognized to the extent that it is probable that future taxable profits will be available and are offset when there is a legal right to offset.

2.9 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 property, plant and equipment or intangible assets reduce the asset's cost basis and thus the depreciable amount.

2.10 Financial items

Financial income and expenses consist of interest income on bank balances and receivables, interest expense on loans and lease liabilities and exchange rate differences. Interest income and expenses are recognized using the effective interest method.

2.11 Intangible assets

Goodwill arises from business combinations and is tested for impairment annually or more frequently if there are indications of impairment. See also 2.19 below.

Customer relationships have been identified upon acquisition and constitute 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 residual values and useful lives of customer relationships are tested at the end of each reporting period and adjusted if necessary.

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.

2.12 Property, plant and equipment

Property, plant and equipment 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. Incremental expenditure is added to the carrying amount of the asset or recognized as a separate asset, as appropriate. All forms of repairs and maintenance are recognized as expenses in the income statement during the period in which they arise. Construction in progress refers to ongoing investments in fixed assets under construction. The costs accumulate throughout the construction period and are not amortized until the project is completed and reclassified to the relevant category. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately. No depreciation is applied to land. Depreciation on other assets, to allocate their cost down to their estimated residual value over their estimated useful lives, is calculated on a straight-line basis as follows:

Buildings........ See below

Leasehold improvements Contract period, but not more than 20 years

Machinery and other technical facilities........5–10 years

Equipment, tools and installations........5–10 years

Component depreciation is applied to buildings where the estimated useful life of the components is the basis for depreciation. The following main groups of components have been identified and form the basis for depreciation of buildings:

Buildings........10-50 years

Frame:........50 years

Additions to framework, interior walls, etc.: ....20-40 years

Fixtures, fittings, heating, electricity, plumbing, ventilation etc.: 20-40 years

External surfaces; facades, roof etc.:........20-30 years

Interior finishes; mechanical equipment etc.:........10-15 years

The residual values and useful lives of assets are tested at the end of each reporting period and adjusted if necessary.

2.13 Leases

Leased assets are recognized as right-of-use assets and the liabilities under these agreements as lease liabilities in the balance sheet unless the asset is of low value or the lease term 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. 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 items of property, plant and equipment, see 2.12. 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.

2.14 Inventories

Inventories have been valued at the lower of either their cost basis or net realizable value as of the balance sheet date. 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 first-in, first-out (FIFO) valuation method is applied. Inventories are reported net of estimated obsolescence risk.

2.15 Financial instruments

Financial instruments are included in most balance sheet items and are described in paragraphs 2.16 to 2.18.

Note 2 cont'd.

2.16 Classification
Financial assets and liabilities are classified either as financial assets and liabilities at fair value through profit or loss or as assets and liabilities measured at amortized cost. The classification depends on the purpose for which the financial asset or liability was acquired. In the 2023 annual report, all financial assets have been recognized in the balance sheet at amortized cost. All financial liabilities are recognized in the balance sheet at amortized cost except for certain other interest-bearing liabilities on the balance sheet date, which in 2023 consisted of reserves for the earn-outs for the acquisitions of HANZA Electronics Mönchengladbach GmbH and HANZA Tech Solutions GmbH. The revaluation of this liability is recorded under other operating income and expenses.

2.17 Accounts receivable
Accounts receivable are financial instruments that consist of amounts to be paid by customers for goods and services where payment is expected within one year. 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 customer's stability are used. See also Note 19.

The group's companies have entered into agreements regarding the divestment and mortgaging of customer invoices (factoring). In the majority of contracts, accounts receivable are sold and derecognized from the balance sheet as control is transferred to the buyer at the time of sale. For these, the guarantees provided are recognized as a contingent liability. Accounts receivable that have been sold but where, due to timing, payment has not yet been received are recognized as a receivable under other receivables. In the few cases where control remains with the group, these accounts receivable are recognized as assets and the loans raised are recognized as current liabilities to credit institutions. The mortgaged accounts receivable are then also recognized under pledged collateral. Mortgaged accounts receivable are eliminated from the balance sheet when the right to receive cash flows from the account receivable has expired or been transferred and the group has transferred control to the buyer. Costs for factoring are recognized as a financial expense. See also notes 19 and 23.

2.18 Borrowing
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.

2.19 Impairment
For HANZA, intangible assets with an indefinite useful life consist solely of goodwill items. These are not amortized but are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount and is recognized whenever there is an indication that the carrying amount may not be recoverable. When assessing the need for impairment, assets are grouped at the lowest levels having essentially independent cash flows (cash-generating units). See also note 14. Impairment losses on goodwill are not reversed.

For non-financial assets other than goodwill, an assessment of impairment is made when there are indications that this may be the case. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. 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.

For financial assets accounted for at amortized cost (loans and accounts receivable), the group applies the simplified approach to credit provisioning, i.e. the provision represents the expected loss over the entire life of the receivable. Since HANZA's credit losses have historically been very low, the nominal value is thought to reflect the fair value.

2.20 Equity 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 in equity as a deduction from the issue proceeds.

During the year, senior executives exercised warrants and 850,000 new shares were issued. This is reported as a new issue.

During the year, a share saving scheme was introduced whereby senior executives can be allocated shares in 2026. This is accounted for as a share-based payment under IFRS 2, whereby an estimated cost is recognized in the income statement directly against equity.

2.21 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.

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

Group companies have various plans for post-employment benefits, including defined-benefit and defined-contribution pension plans. 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. HANZA has defined benefit pension plans at HANZA Assembly Remscheid GmbH in Germany and at HANZA Mechanichs Årjäng AB through insurance with PRI. The latter has previously been accounted for under local rules but from 2023 onwards is accounted for under IAS 19 whereby the revised valuation of the opening balance has been recognized in operating profit. The pension plans are further described in note 29.

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.

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. Benefits that fall due more than 12 months after the end of the reporting period are discounted to present value.

2.23 Statement of cash flows
The statement of cash flows is prepared according to the indirect method. This means that operating profit is adjusted for material 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.

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 and interest rate risk), 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 denominated 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 60 to 70 percent 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, 2023 and 2022.

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 managed in part through borrowing in EUR where the greatest exposure is found. There is no hedging of net assets of subsidiaries other than borrowings in EUR.

If the Swedish krona had weakened by 5 percent in relation to EUR with all other variables constant, the result for the year as of December 31, 2023 would have been affected by SEK 4 million (3), while an equal weakening in relation to PLN would have affected the result by SEK 1 million (1). 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, 2023, 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 from 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. Simulations show that the effect on the result of a change in the interest rate level by 1 percentage point would be a maximum increase of SEK 4 million (5) and a decrease of SEK 4 million (5).

(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 evaluators are accepted. If customers' creditworthiness is assessed by independent evaluators, 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 23) 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. During the year, cash flow generated was mainly used for investments in machinery, buildings and acquisitions of companies, dividends and amortization of loans.

Surplus liquidity in the group's operating companies in excess of the portion required to manage working capital needs is transferred to Group Finance. Surplus liquidity is used primarily to reduce the balance of overdraft credits. In the alternative, Group Finance invests surplus liquidity in interest-bearing current accounts, fixed-term deposits, money market instruments and marketable securities, depending on which instrument has the appropriate maturity or sufficient liquidity to meet the scope requirement as determined by the aforementioned forecasts. On the balance sheet date, the group had liquid funds in an amount of SEK 340 million (137) and unutilized overdraft facilities in the amount of SEK 12 million (122) for managing the liquidity risk.

NOTES

Note 3 cont'd.

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 December 31, 2023	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	34	55	73	303	8
Lease liabilities	28	25	41	59	23
Overdraft facility	–	99	–	–	–
Other interest-bearing liabilities	11	–	–	–	–
Accounts payable	450	–	–	–	–
Other short-term liabilities	102	–	–	–	–
Total	**625**	**179**	**114**	**362**	**31**

Group December 31, 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**

Parent Company December 31, 2023	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	27	28	59	195	–
Accounts payable	3	–	–	–	–
Total	**30**	**28**	**59**	**195**	–

Parent Company December 31, 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	–	–	–	–
Total	**16**	**14**	**17**	**8**	–

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:

	2023	2022
Borrowings (Note 23)	522	530
Lease liability (Note 23)	167	166
Provisions for pensions (Note 29)	102	102
Less: Cash and cash equivalents	-340	-137
Less: liabilities for leased properties and premises (Note 23)	-88	-105
Net debt	**363**	**556**
Total equity	1,345	898
Net debt/equity ratio, %	**27**	**62**

The comparative figures have been amended as the definition has been changed to exclude lease liabilities for rented properties and premises from net debt.Net interest-bearing debt has decreased during the year. The change during the year is mainly attributable to a new share issue and a strong cash flow.

3.3 Fair value measurement

All financial assets have been recognized in the balance sheet at amortized cost.

All financial liabilities are recognized in the balance sheet at amortized cost except for certain other interest-bearing liabilities on the balance sheet date, which in 2023 consisted of reserves for the earn-outs for the acquisitions of HANZA Electronics Mönchengladbach GmbH and HANZA Tech Solutions GmbH. This shall be reported at fair value in level 3. The earn-out was based on HANZA Electronics Mönchengladbach GmbH's sales in 2022 and 2023, where an estimate and calculation based on future sales development was made in 2021 and a reserve was set aside of SEK 21 million, which was recognized in the consolidated income statement. During 2022 the reserve was dissolved by SEK 10 million, which was recognized as other operating income. The change in debt is shown in note 24. In 2023, a payment of SEK 2 million was made; the remaining debt was increased by SEK 1 million, which was recognized as other operating expenses. The outstanding debt, SEK 10 million, is expected to be paid in the first half of 2024. The earn-out for HANZA Tech Solutions is based on the company's sales in 2022 and 2023, where an estimate and calculation were made in 2022 and a reserve of SEK 2 million was set aside and

Note 3 cont'd.

recognized in the consolidated income statement. In 2023, a payment of SEK 1 million was made. The remaining SEK 1 million was paid in the first quarter of 2024.

The majority of the Group's borrowing at the balance sheet date consists of a small number of loans in the parent company. These carry a variable interest rate. The group's other borrowing consists of a small 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 amount is considered to reflect fair value.

NOTE 4 Critical estimates and judgments

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.

Critical accounting estimates and judgements

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 2.9. 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 387 million (388).

(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 71 million (85).

(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 in Germany and parts of those in Finland, the Czech Republic and China, as it is considered likely that these loss carryforwards can be used against future profits. See also Note 16.

(d) Valuation of deferred tax liability

No income tax is payable on reported earnings in Estonia. Instead, tax (currently 20 percent) 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 236 million (177).

(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 (102). Operating profit and profit for the year are less affected by changes in the assumptions, as changes due to changed actuarial assumptions are recognized in other comprehensive income. See Note 29 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.

(g) Acquisition of assets

Two properties in Töcksfors were acquired through the acquisition of a company. This was classified as an asset acquisition as the purpose was to acquire the properties and the company has no management organization or other administration. When acquiring assets, no deferred tax attributable to the property acquisition is recognized. Had the acquisition been classified as a business combination, the value of the properties in the balance sheet would have been higher, as would the deferred tax liability.

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.

Note 5 cont'd.

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 47 million (39). 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, revenue is recognized when the services are delivered according to the contract and the performance commitment is thus fulfilled. HANZA's range of services is an important part of HANZA's total offering, but revenue from these services have only represented a small part of the group's sales. HANZA has therefore chosen not to recognize these separately in the income statement. Note 6 Segment information shows net sales for the Business Development and Services segment, which includes both internal and external sales of services.

Contractual assets and contractual liabilities on the balance sheet date

The contractual assets as of the balance sheet date amounted to SEK 47 million (39).

Group-wide disclosures

The group's revenue essentially relates to the sale of goods. No individual customer accounts for 10 percent 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 Chief Executive Officer assesses operations based on a cluster-based organization primarily at the EBITA level.

HANZA divides the operations into so called manufacturing clusters and applies a financial segment classification based on primary customer markets. Operations are conducted in six clusters that are reported in 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. Therefore, the Main Markets segment today includes HANZA's manufacturing clusters in 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 located outside HANZA's primary geographical customer markets. Today, the Other Markets segment includes HANZA's manufacturing clusters in 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.

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.

NOTES

Note 6 cont'd.

Profit by segment	2023 Main markets	2023 Other markets	2023 Business develop-ment	2023 Total	2022 Main markets	2022 Other markets	2022 Business develop-ment	2022 Total
Net sales								
Segment net sales	2,404	1,785	20	4,209	1,992	1,582	7	3,581
Less sales between segments	-55	-8	-3	-66	-16	-14	-2	-32
Revenue from external customers	**2,349**	**1,777**	**17**	**4,143**	**1,976**	**1,568**	**5**	**3,549**
Profit/loss								
EBITA	255	110	-21	344	148	71	-7	212
Amortization of intangible assets	-16	-1	–	-17	-18	-1		-19
Financial items	-45	-26	-9	-80	-23	-14	-13	-50
Profit/loss before tax	**194**	**83**	**-30**	**247**	**107**	**56**	**-20**	**143**
Income tax	-33	-5	5	-33	-24	-3	5	-22
Profit for the year	**161**	**78**	**-25**	**214**	**83**	**53**	**-15**	**121**
EBITA excluding items affecting comparability								
EBITA	255	110	-21	344	148	71	-7	212
Adjustment for items affecting comparability, see below	1	–	12	13	1	–	1	2
EBITA excluding items affecting comparability	**256**	**110**	**-9**	**357**	**149**	**71**	**-6**	**214**
Items affecting comparability in operating result								
Revaluation of acquisition purchase price	-1	–	–	-1	10	–	–	10
Transaction costs	–	–	-10	-10	–	–	-1	-1
Integration costs	–	–	-2	-2	-11	–	–	-11
Total items affecting comparability	**-1**	**–**	**-12**	**-13**	**-1**	**–**	**-1**	**-2**
Cash flow information – Non-cash items								
Depreciation/amortization	-95	-40	-2	-137	-86	-34	-2	-122
Other non-cash items	11	-1	2	12	-8	1	-2	-9

Net sales and fixed assets per geographic market

	Net sales 2023	Net sales 2022	Fixed assets[2] 2023	Fixed assets[2] 2022
Sweden	1,572	1,122	459	408
Finland	737	738	208	220
Estonia	123	89	408	306
Germany	700	579	141	147
Poland	137	231	45	37
Czech Republic	85	49	74	58
Other EU	265	265	–	–
Norway	283	250	–	–
Other Europe	66	23	–	–
North America	65	76	–	–
Rest of the world	110	127	29	33
Total	**4,143**	**3,549**	**1,364**	**1,209**

2) Excluding deferred tax assets.

Note 6 cont'd.

Balance information and investments per segment

	Assets		Investments[1]		Liabilities	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Main markets	1,723	1,684	141	79	1,002	1,105
Other markets	1,133	924	155	93	628	565
Business development and services	597	236	3	10	478	276
Eliminations	-524	-303	–	–	-524	-303
Total group	**2,929**	**2,541**	**299**	**182**	**1,584**	**1,643**

1) Investments refers to investments in property, plant and equipment and intangible fixed assets.

Net sales from external customers by manufacturing technology and segment

	2023				2022			
	Main markets	**Other markets**	**Business development**	**Total**	**Main markets**	**Other markets**	**Business development**	**Total**
Mechanics	1,166	1,181	–	2,347	1,050	1,061	–	2,111
Electronics	1,183	596	–	1,779	926	507	–	1,433
Business development and services	–	–	17	17	–	–	5	5
Total group	**2,349**	**1,777**	**17**	**4,143**	**1,976**	**1,568**	**5**	**3,549**

NOTE 7 Remuneration of auditors

Audit services refer to the 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. Everything else is referred to as other services.

	Group		Parent Company	
Group	**2023**	**2022**	**2023**	**2022**
EY				
Audit services	6	4	3	3
Tax consultancy services	–	1	–	–
Total	**6**	**5**	**3**	**3**
Other audit firms				
Audit services	2	1	–	–
Other consultancy services	1	1	–	–
Total	**3**	**2**	–	–
Total	**9**	**7**	**3**	**3**

Other audit firms refers to local auditors in Poland, Czech Republic, Germany and China.

NOTE 8 Employee benefits

Salaries, other remuneration and social security costs

Group 2023	Salaries and remuneration	(of which bonuses)	Social security contributions	(of which pension costs)	Total salaries and social security costs
Board of Directors, CEO and other senior executives	28	4	10	3	38
Other employees	660	9	206	38	866
Group total	**688**	**13**	**216**	**41**	**904**

Group 2022	Salaries and remuneration	(of which bonuses)	Social security contributions	(of which pension costs)	Total salaries and social security 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**

For further information on remuneration of senior executives, see note 29 Post-employment benefits and note 32 Related party transactions.

Distribution by sex of board members and top management in the group (including subsidiaries)

Group	2023 Number on balance sheet date	2023 Of which women	2022 Number on balance sheet date	2022 Of which women
Board members of the parent company	5	2	5	2
Managing directors and other top management and Board members in subsidiaries	15	2	15	2
Group total	**20**	**4**	**20**	**4**

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, with each person being counted only once.

Average number of employees with geographical distribution by country

Parent Company	2023 Average number of employees	2023 Of which women	2022 Average number of employees	2022 Of which women
Sweden	**2**	**–**	**2**	**–**
Subsidiaries				
Sweden	436	166	372	124
Estonia	739	284	697	244
Finland	197	25	196	24
China	70	39	83	49
Poland	120	101	130	111
Czech Republic	160	67	170	79
Germany	277	122	286	131
Total subsidiaries	**1,999**	**804**	**1,934**	**762**
Group total	**2,001**	**804**	**1,936**	**762**

During the year, the parent company had 2 male employees (2) who are both included in the category senior executives. Salaries and remuneration paid to the Board, CEO and other senior executives during the year amounted to SEK 8 million (7), of which bonuses amounted to SEK 1 million (2). Pension costs for the Board of Directors, the CEO and other senior executives amounted to SEK 1 million (1) and other contractual social security contributions amounted to SEK 3 million (3).

No salaries or benefits were paid in the parent company to the category of other employees.

NOTES

NOTE 9 Other operating income and operating expenses

Group

Other operating income	2023	2022
Profit on disposal of fixed assets	2	2
Revaluation of acquisition proceeds	–	10
Government grants	7	2
Exchange gains	15	11
Other items	3	7
Total other operating income	**27**	**32**

Other operating expenses	2023	2022
Revaluation of acquisition proceeds	-1	–
Exchange losses	-15	-11
Other items	-1	-3
Total other operating expenses	**-17**	**-14**

NOTE 10 Exchange gains and losses

	Group		Parent Company	
Exchange rate differences in the income statement	**2023**	**2022**	**2023**	**2022**
In operating profit	–	–	1	–
In net financial items	3	-9	-4	-9
Total exchange rate differences	**3**	**-9**	**-3**	**-9**

NOTE 11 Profit/loss from financial items

	Group	
Financial income	**2023**	**2022**
Interest income	1	–
Exchange gains and losses - net	3	–
Total financial income	**4**	**–**
Financial expenses		
Interest expense	-66	-32
Exchange gains and losses - net	–	-9
Cost of divested accounts receivable	-18	-9
Total financial expenses	**-84**	**-50**
Total financial items – net group	**-80**	**-50**

	Parent Company	
Income from shares in group companies	**2023**	**2022**
Dividends from subsidiaries	–	27
Impairment of shares in subsidiaries, see Note 33	-1	–
Total profit/loss from shares in group companies	**-1**	**27**
Other interest income and similar income items		
Interest income from group companies	6	1
Other interest income and similar income items	**6**	**1**
Interest expense and similar items		
Interest expense, external	-5	-2
Interest expense to group companies	–	-1
Exchange gains and losses – net	-4	-9
Interest expense and similar items	**-9**	**-12**
Total financial items – net parent company	**-4**	**16**

NOTE 12 Income tax/tax on profit for the year

Tax expense in the income statement	Group		Parent Company	
Current tax:	**2023**	**2022**	**2023**	**2022**
Current tax on profit for the year	-30	-15	–	-2
Total current tax	**-30**	**-15**	–	**-2**
Deferred tax (see Note 16)				
Origination and reversal of temporary differences	-3	-6	–	-2
Change due to change in tax rates	–	-1	–	–
Total deferred tax	**-3**	**-7**	–	**-2**
Total income tax	**-33**	**-22**	–	**-4**

Reconciliation of tax expense to profit before tax
The income tax on profit differs from the theoretical amount that would have arisen using the Swedish tax rate, 20.6 percent (20.6) for the consolidated profit before tax as follows:

	Group		Parent Company	
	2023	**2022**	**2023**	**2022**
Profit/loss before tax	247	143	6	50
Tax according to Swedish tax rate	-51	-29	-1	-10
Tax effects from:				
Diverging tax rates abroad	14	9	–	–
Non taxable income	3	6	1	6
Non deductible expenses	-4	-2	–	–
Tax losses carried forward for which no deferred tax has been recognized	7	-5	–	–
Adjustments for prior years	-2	-1	–	–
Tax cost	**-33**	**-22**	–	**-4**

The effective tax rate for the group is 13 percent (15) and for the parent company 0 percent (21). 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 percent for calculation purposes. Therefore, the effective tax rate and the tax effect of different tax rates in foreign countries vary depending on the proportion of profit before tax originating from Estonia and from entities where the company has determined that additional deferred tax assets cannot be recognized due to uncertainty about the ability to utilize the losses in the future.

NOTE 13 Earnings per share

Before dilution
Basic earnings per share are calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of common shares outstanding during the period.

After dilution
To calculate diluted earnings per share, the weighted average number of common shares outstanding is adjusted for the dilutive effect of all potential common shares. A warrant program issued in May 2020 has had a dilutive effect in 2022 and 2023. The long-term share savings program introduced in 2023 has had a dilutive effect as of the third quarter of 2023. For further information on warrants and share saving schemes see note 22.

Values used in calculation	**2023**	**2022**
Profit attributable to parent company shareholders, SEKm	214	121
Weighted average number of outstanding common shares	39,987,799	36,258,695
Earnings per share before dilution, SEK	**5.36**	**3.35**

Values used in calculation	**2023**	**2022**
Profit attributable to parent company shareholders, SEKm	214	121
Weighted average number of outstanding shares	39,987,799	36,258,695
Adjustment for estimated dilution from warrants	347,689	475,009
Weighted average number of shares after dilution	**40,335,488**	**36,733,704**
Calculated earnings per share after dilution, SEK	**5.31**	**3.30**

NOTE 14 Intangible assets

Group 2023	Goodwill	Customer relation-ships	Other intangible assets	Total
Accumulated cost				
Opening balance	388	140	17	545
Purchasing	–	–	3	3
Translation difference	-1	–	–	-1
Closing balance	**387**	**140**	**20**	**547**
Accumulated depreciation/amortization				
Opening balance	–	-55	-10	-65
Depreciation/amortization for the year	–	-14	-3	-17
Translation difference	–	–	1	1
Closing balance	**–**	**-69**	**-12**	**-81**
Accumulated impairment				
Opening balance	–	–	-2	-2
Closing balance	**–**	**–**	**-2**	**-2**
Closing book value	**387**	**71**	**6**	**464**

Group 2022	Goodwill	Customer relation-ships	Other intangible assets	Total
Accumulated cost				
Opening balance	362	134	23	519
Purchasing	–	–	1	1
Sales and disposals	–	–	-9	-9
Business combinations	9	–	–	9
Translation difference	17	6	2	25
Closing balance	**388**	**140**	**17**	**545**
Accumulated depreciation/amortization				
Opening balance	–	-40	-11	-51
Sales and disposals	–	–	5	5
Depreciation/amortization for the year	–	-14	-4	-18
Translation difference	–	-1	–	-1
Closing balance	**–**	**-55**	**-10**	**-65**
Accumulated impairment				
Opening balance	–	–	-2	-2
Impairment for the year	–	–	-1	-1
Reversal of impairment losses	–	–	1	1
Closing balance	**–**	**–**	**-2**	**-2**
Closing book value	**388**	**85**	**5**	**478**

Other intangible assets consist mainly of capitalized software license costs, such as training costs and capitalized software implementation costs.

Impairment testing 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 German subsidiary Tech Solutions GmbH is not included in the Germany cluster and is reported under Business Development and Services. This company was not tested for impairment last year as it was newly acquired. The following table presents a summary of goodwill by operating segment, along with the assumptions used in the impairment test.

Note 14 cont'd.

Cluster 2023	Goodwill Dec. 31, 2023	EBITA margin, %	Annual volume growth, %	Long-term growth rate (after 5 years), %	Discount rate, %
Sweden	183	12	5	2	12
Finland	49	5	5	2	12
Germany	58	7	2	2	11
Baltics	57	6	5	2	12
Central Europe	17	4	1	2	13
China	14	3	18	2	14
Business Develop-ment and Services	9	5	12	2	12
Total	**387**				

Cluster 2022	Goodwill Dec. 31, 2022	EBITA margin, %	Annual volume growth, %	Long-term growth rate (after 5 years), %	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**				

The recoverable amount of a cash-generating unit has been determined based on value-in-use calculations. These calculations use estimated future pre-tax cash flows based on financial budgets approved by 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 each period are the main reason for the development of results and thus cash flows.

Annual volume growth is based on past performance and the company's expectations regarding market trends. 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 shown in the Long-term growth rate column.

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 discount rate is pre-tax and reflects specific risks that apply to the different operating segments.

The impairment test has not identified any need for impairment.

Sensitivity analysis

The table below shows the impairment needs that would have arisen in 2023 if the budgeted EBITA margin used in the calculation had been reduced by 25 percent and if the cost of capital used in the preparation of the discount rate had been 3 percentage points higher. The analyses were performed separately with the other assumptions intact.

	2023		2022	
Cluster	**25% lower EBITA margin**	**3 percentage points higher cost of capital**	**25% lower EBITA margin**	**3 percentage points higher cost of capital**
Sweden	–	–	–	–
Finland	-3	-7	–	–
Germany	-5	–	–	–
Baltics	–	–	–	–
Central Europe	-36	-40	-11	-15
China	–	–	-3	-3
Business development and services	–	-1	–	–
Total	**-44**	**-47**	**-14**	**-18**

In the Sweden, Baltic or China clusters, a reasonable change in any of the assumptions would not result in an impairment. In cluster Germany, the recoverable amount calculated in the impairment test exceeds the value of the goodwill allocated to the cluster by SEK 148 (99) million. An assumption of a 25 percent lower EBITA margin would lead to an impairment requirement of SEK 5 million (-). An assumption of 3 percentage points higher cost of capital would not lead to an impairment. An impairment requirement arises when the EBITA margin assumption is set 24 (-) percent lower than in the impairment test performed.

In cluster Finland, the recoverable amount calculated in the impairment test exceeds the value of the goodwill allocated to the cluster by SEK 66 million (96). An assumption of a 25 percent lower EBITA margin would lead to an impairment requirement of SEK -3 million (-). An assumption of 3 percentage points higher cost of capital would lead to an impairment requirement of SEK -7 million (-). An impairment requirement arises when either the EBITA margin assumption is set 24 (-) percent lower or the cost of capital assumption is set 2.6 (-) percentage points higher than in the impairment test performed.

Note 14 cont'd.

In the Central Europe cluster, the recoverable amount calculated in the impairment test exceeds the value of the goodwill allocated to the cluster by SEK 25 million (51). An assumption of a 25 percent lower EBITA margin would lead to an impairment requirement of SEK 36 million (11). An assumption of 3 percentage points higher cost of capital would lead to an impairment requirement of SEK 40 million (15). An impairment requirement arises when either the EBITA margin assumption is set 10 (21) percent lower or the cost of capital assumption is set 1 (2) percentage points higher than in the impairment test performed.

In the Business Development and Services cluster, the recoverable amount calculated in the impairment test exceeds the value of the goodwill allocated to the company by SEK 3 million (e t). An assumption of a 25 percent lower EBITA margin would lead to a marginal impairment requirement. An assumption of 3 percentage points higher cost of capital would lead to an impairment requirement of SEK 1 million (e t). Impairment occurs when the cost of capital assumption is set 2 (e t) percentage points higher than in the impairment test performed.

NOTE 15 Property, plant and equipment

Group 2023	Buildings and land	Leasehold improvements	Machinery and other technical installations	Equipment, tools and installations	Construction in progress	Total
Accumulated cost						
Opening balance	254	13	643	54	37	1,001
Purchasing	8	1	44	4	189	246
Acquisition of assets	50	–	–	–	–	50
Sales and disposals	–	–	-2	-2	–	-4
Reclassifications	22	–	64	9	-135	-40
Translation difference	-2	–	-3	–	-2	-7
Closing balance	**332**	**14**	**746**	**65**	**89**	**1,246**
Accumulated depreciation/amortization						
Opening balance	-35	-2	-375	-35	–	-447
Sales and disposals	–	–	–	1	–	1
Depreciation/amortization for the year	-10	-3	-58	-6	–	-77
Reclassifications	–	–	-8	–	–	-8
Translation difference	–	–	2	–	–	2
Closing balance	**-45**	**-5**	**-439**	**-40**	**–**	**-529**
Accumulated impairment						
Opening balance	–	–	-3	–	–	-3
Reversal of impairment losses	–	–	–	–	–	0
Closing balance	**–**	**–**	**-3**	**0**	**–**	**-3**
Closing book value	**287**	**9**	**304**	**25**	**89**	**714**

NOTES

Note 15 cont'd.

Group 2022	Buildings and land	Leasehold improve-ments	Machinery and other technical installations	Equipment, tools and installations	Construction in progress	Total
Accumulated cost						
Opening balance	131	7	518	46	95	797
Purchasing	45	7	26	3	91	172
Business combinations	–	–	–	1	–	1
Sales and disposals	-2	-2	-21	-4	–	-29
Reclassifications	63	–	93	6	-154	8
Translation difference	17	1	27	3	5	52
Closing balance	**254**	**13**	**643**	**54**	**37**	**1,001**
Accumulated depreciation/ amortization						
Opening balance	-28	-2	-325	-32	–	-387
Sales and disposals	–	2	20	4	–	26
Depreciation/amorti-zation for the year	-6	-1	-48	-5	–	-60
Reclassifications	–	–	-4	–	–	-4
Translation difference	-1	-1	-18	-2	–	-22
Closing balance	**-35**	**-2**	**-375**	**-35**	**–**	**-447**
Accumulated impairment						
Opening balance	-1	–	-3	–	–	-4
Reversal of impair-ment losses	1	–	–	–	–	1
Translation difference	**–**	**–**	**-3**	**–**	**–**	**-3**
Closing book value	**219**	**11**	**265**	**19**	**37**	**551**

The item buildings and land mainly includes the property in Tartu that has been under construction throughout 2022 until it was occupied in the first quarter of 2023. The additional value in 2023 relates mainly to the previously leased property in Töcksfors and the building in Poland, both of which were acquired in the second quarter of 2023. The item 'construction in progress' includes construction in progress on both buildings and machinery and equipment. In 2023, construction in progress for buildings amounted to SEK 49 million (15) and machinery and technical facilities to 40 (22). The transfer of property, plant and equipment to leases has taken place, which is accounted for as a reclassification to right-of-use assets (see note 28). Consequently, the total reclassifications in this note are not zero.

NOTE 16 Deferred taxes

Deferred tax assets and liabilities

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

	Deferred tax assets			Deferred taxes liabilities			
2023	**Tax loss carryfor-wards**	**Other temporary differences**	**Total**	**Fixed assets**	**Other temporary differences**	**Total**	**Deferred taxes net**
Opening balance	14	3	17	-35	-14	-49	-32
Recognized in the income statement	4	2	6	2	-11	-9	-3
Recognized in other comprehensive income	–	–	–	–	1	1	1
Closing balance	**18**	**5**	**23**	**-33**	**-24**	**-57**	**-34**
Of which expected to be used/ expired							
– after more than 12 months	12	1	13	-22	-19	-41	-28
– within 12 months	6	4	10	-11	-5	-16	-6

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

There were no offsets between deferred tax assets and liabilities in the years under review.

Deferred tax assets

Deferred tax assets are recognized for tax loss carryforwards to the extent that it is probable that they can be utilized through future taxable profits. The Group has total loss carryforwards amounting to SEK 146 million (142). Of these, deferred tax assets have been recognized for losses amounting to SEK 76 million (78) while deferred tax assets have not been recognized for losses amounting to SEK 70 million (69) as it is not considered likely that they can be utilized before they expire. The tax value of the unrecognized losses amounts to SEK 14 million (15). The losses for which deferred tax assets are not recognized are predominantly in Finland but also in the Czech Republic and China. The Finnish deficits expire after 10 years from the date they were incurred, while the Czech and Chinese deficits expire after 5 years.

Group loss carryforwards by expiration date	**Dec. 31, 2023**	**Dec. 31, 2022**
Within 1 year	7	3
Between 1 and 5 years	64	69
After more than 5 years	51	43
No expiration date	24	27
Total tax loss carryforwards	**146**	**142**

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

Deferred taxes liabilities

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

Deferred tax relating to untaxed earnings in Estonia

No income tax is payable on reported earnings in Estonia. Instead, tax – currently 20 percent – 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 236 million (177), corresponding to a tax liability of SEK 47 million (35).

NOTE 17 Financial instruments by category

Carrying amounts of the Group's financial instruments by category are presented below. No significant differences between carrying amounts and fair values have been identified. See also note 3.3 Fair value measurement.

Group Dec. 31, 2023	Assets measured at amortized cost	Assets at fair value through profit or loss	Total
Accounts receivable	175	–	175
Other receivables	43	–	43
Cash and cash equivalents	340	–	340
Total	**558**	**–**	**558**

Group Dec. 31, 2022	Assets measured at amortized cost	Assets at fair value through profit or loss	Total
Accounts receivable	151	–	151
Other receivables	42	–	42
Cash and cash equivalents	137	–	137
Total	**330**	**–**	**330**

	Liabilities measured at amortized cost	Liabilities at fair value through profit or loss	Total
Liabilities to credit institutions	509	–	509
Lease liabilities	167	–	167
Overdraft facility	99	–	99
Other interest-bearing liabilities	2	9*	11
Accounts payable	450	–	450
Other liabilities	102	–	102
Total	**1,232**	**9**	**1,241**

	Liabilities measured at amortized cost	Liabilities at fair value through profit or loss	Total
Liabilities to credit institutions	400	–	400
Lease liabilities	166	–	166
Overdraft facility	55	–	55
Other interest-bearing liabilities	62	13*	75
Accounts payable	487	–	487
Other liabilities	131	–	131
Total	**1,301**	**13**	**1,314**

* Refers to the earn-out for the acquisition of HANZA Electronics Mönchengladbach GmbH and HANZA Tech Solutions GmbH which were measured at fair value through profit or loss in level 3. See Note 23 and Note 33 for further information.

NOTE 18 Inventory

Group	Dec. 31, 2023	Dec. 31, 2022
Raw materials and supplies	692	667
Work in progress	170	193
Finished goods and goods for resale	69	66
Goods in transit	5	11
Total	**936**	**937**

Group	Dec. 31, 2023	Dec. 31, 2022
Inventory value before reserve for obsolescence write-down	963	962
Obsolescence write-down	-27	-25
Net inventories	**936**	**937**

Changes in obsolescence amounted to SEK -9 million (-5) in 2023.

The value of inventory measured at net realizable value on the balance sheet date was SEK 98 million (119).

NOTE 19 Accounts receivable

Group	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable	129	114
Reserves for doubtful accounts	-1	-2
Accounts receivables – net	**128**	**112**
Contract receivables	47	39
Total receivables from contracts with customers	**175**	**151**

Age analysis	Dec. 31, 2023	Dec. 31, 2022
Not due	91	92
Due 1–30 days	24	16
Due 31–60 days	3	3
Due > 60 days	10	1
Total	**128**	**112**

A significant portion 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 not yet settled by customers amounted to SEK 487 million (522). In some cases, accounts receivable can be mortgaged through factoring; on the balance sheet date, factoring liabilities amounted to SEK 16 million (12), see also Note 23 Borrowing and Note 27 Contingent liabilities.

NOTE 20 Other receivables

Group	Dec. 31, 2023	Dec. 31, 2022
VAT receivables	13	8
Receivables from suppliers	5	3
Accounts receivable sold	37	34
Other receivables	1	6
Group total	**56**	**51**

NOTE 21 Prepaid expenses and accrued income

Group	Dec. 31, 2023	Dec. 31, 2022
Prepaid rents	2	4
Prepaid lease payments	1	1
Prepaid material costs	2	4
Prepaid borrowing costs	9	1
Other prepaid costs	9	5
Prepaid fixed assets	4	2
Other accrued income	3	2
Group total	**30**	**19**

For the parent company, prepaid expenses and accrued income amounted to SEK 20 million (1) and related mainly to prepaid acquisition costs, SEK 10 million, and accrued loan arrangement costs, SEK 8 million.

NOTE 22 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 December 31, 2021	**35,779,928**	**4**	**467**	**471**
New share issue	3,500,000	0	143	143
As of December 31, 2022	**39,279,928**	**4**	**610**	**614**
New share issue	3,908,912	0	271	271
As of December 31, 2023	**43,188,840**	**4**	**881**	**885**

On the balance sheet date, the share capital consisted of 43,188,840 shares with a quota value of SEK 0.10. Each share carries the right to one vote. All shares issued by the parent company are fully paid. During the year, a dividend of SEK (0.75) 0.50 per share was paid.

Exercise of warrant program
In 2023, the number of shares was increased by 850,000 shares in the second quarter through the exercise of warrants.

New share issue
In December, a directed share issue was carried out whereby 3,058,912 shares were issued.

Share-savings scheme
According to a decision by the AGM in 2023, a share savings program aimed at 13 senior executives was introduced during the year, through which participants can be allocated shares in 2026, provided that the participant invested in shares in HANZA during the second quarter of 2023 and that the financial targets for 2025 are met. Participation in the share savings scheme was high, with participants investing in 32,600 out of a maximum of 33,450 shares. A maximum of 163,000 shares can be allocated to participants.

Other paid-in capital
Other contributed capital consists entirely of contributions from shareholders and premiums paid in connection with new issues.

Retained earnings and reserves
Reserves
Reserves in equity consist entirely of foreign currency translation reserves.

Retained earnings including profit for the year
Retained earnings including profit for the year consist of profits earned in the parent company.

NOTE 23 Borrowings

Group

In connection with the acquisition of Orbit One, the group renegotiated most of its contracts by refinancing with a smaller number of larger loans in the parent company from a consortium of three banks, a "club deal." These loans have a maturity of 5 years and carry a variable interest rate. The group's other borrowings consist of a small number of contracts entered into at different times and with different maturities that are essentially variable rate. Changes in borrowings during the year are shown in the tables below.

2023	Liabilities to credit institutions	Check overdraft	Lease liabilities	Other interest-bearing liabilities	Total borrowings
Opening balance	400	55	166	75	696
Repayment of borrowings	-357	-58	-64	-66	-545
New loans	366	100	74	1	541
Capitalized interest	–	–	2	–	2
Revaluation through profit and loss	–	–	–	1	1
Changes in existing leases	–	–	-10	–	-10
Translation difference	3	2	-1	–	4
Closing balance	**509**	**99**	**167**	**11**	**689**
Of which – long-term	326	–	114	–	440
– short-term	86	99	53	11	249

2022	Liabilities to credit institutions	Check overdraft	Lease liabilities	Other interest-bearing liabilities	Total borrowings
Opening balance	352	59	174	63	648
Repayment of borrowings	-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 profit and loss	–	–	–	-10	-10
Changes in existing leases	–	–	17	–	17
Translation difference	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

The Group's interest-bearing liabilities have an average interest rate of 8 percent (4) per year.

Liabilities to credit institutions

After refinancing, the group's borrowing from credit institutions is mainly raised in the parent company and is divided between loans in SEK and EUR. Other borrowings consist mainly of real estate loans denominated in EUR, CZK and PLN. The table below shows a summary of the breakdown of loans by currency, type and maturity.

			Maturity date			
Dec. 31, 2023 Type of borrowing	**Currency**	**Recognized value**	**Less than 6 months**	**Between 6 months and 1 year**	**Between 2 and 5 years**	**Later than 5 years**
Bank loans	SEK, EUR, CNY, CZK, PLN	411	33	52	319	7
Installment contract	SEK, EUR	1	1	–	–	–
Total		**509**	**34**	**52**	**319**	**7**

			Maturity date			
Dec. 31, 2022 Type of borrowing	**Currency**	**Recognized value**	**Less than 6 months**	**Between 6 months and 1 year**	**Between 2 and 5 years**	**Later than 5 years**
Bank loans	SEK, EUR, CNY, CZK, PLN	313	73	79	155	6
Installment contract	SEK	87	13	12	61	1
Total		**400**	**86**	**91**	**216**	**7**

Note 23 cont'd.

Liabilities related to leases
Information on the maturity dates and other details of lease liabilities can be found in note 28.

Overdraft facility
After refinancing in connection with the acquisition of Orbit One, the group's entire overdraft facility, which is denominated in EUR, is held by the parent company. Utilized overdraft facilities amounted to SEK 99 million (177) on the balance sheet date. Credit granted amounts to SEK 111 million.

Other interest-bearing liabilities
Other interest-bearing liabilities included deferred payment of social security contributions in Sweden and Finland, which were granted as part of support to the business community in connection with the corona-virus pandemic. These were paid off at the end of 2023. Other interest-bearing liabilities also include expected earn-out for acquisitions as described in the next paragraph. These are financial liabilities measured at fair value through profit or loss in Level 3. The change in these liabilities is shown in the table below.

The earn-out for the acquisition of Beyers at the end of 2021 was initially estimated at a total of SEK 22 million and is discounted with 2.5 percent interest to SEK 21 million. The earn-out is based on the company's performance in 2022 and 2023. Following an updated assessment in 2022, the liability at the beginning of the year amounted to SEK 11 million. The earn-out for the acquisition of Budelmann in July 2022 was estimated at the maximum amount of SEK 2 million. The earn-out is based on the company's sales for financial years 2022 and 2023. During the year, the liability for Beyers was increased by SEK 1 million through profit or loss. Payments relating to both acquisitions have been made totaling SEK 3 million. The remaining debt, SEK 11 million, is expected to be settled in Q1 with no further impact on earnings.

Change in financial liabilities at fair value through profit or loss in Level 3	2023	2022
Opening balance	13	21
Initial discounted value at acquisition	–	2
Repayment of loans	-3	–
Revaluation through profit and loss	1	-10
Closing debt	**11**	**13**

Parent Company 2023	Liabilities to credit institutions	Check overdraft	Liabilities to group companies	Other interest-bearing liabilities	Total borrowings
Opening balance	52	–	34	1	87
Repayment of loans	-81	-1	–	-1	-83
New loans	299	100	–	–	399
Other changes		–	-34	–	-34
Closing balance	**270**	**99**	**–**	**–**	**369**
Of which – long-term	216	–	–	–	216
– short-term	54	99	–	–	153

Parent Company 2022	Liabilities to credit institutions	Check overdraft	Liabilities to group companies	Other interest-bearing liabilities	Total borrowings
Opening balance	65	–	63	2	130
Repayment of loans	-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

NOTE 24 Other liabilities

Group	Dec. 31, 2023	Dec. 31, 2022
VAT liabilities	18	9
Employee taxes withheld	40	30
Prepayments from customers	57	95
Other short-term liabilities	5	6
Group total	**120**	**140**

Other current liabilities consist largely of staff-related liabilities such as salaries and fixed social security contributions due the following month.

For the parent company, other liabilities amounted to SEK 3 million (1) and mainly relate to liabilities concerning VAT.

NOTE 25 Accrued expenses and prepaid income

Group	Dec. 31, 2023	Dec. 31, 2022
Accrued wages	28	33
Accrued vacation costs	49	47
Accrued social security contributions	17	20
Accrued material costs	21	18
Accrued consultancy and audit costs	14	3
Other accrued expenses and prepaid income	16	24
Group total	**145**	**145**

The parent company's accrued expenses and prepaid income amounted to SEK 17 million (5) and mainly relate to accrued consulting and auditing costs.

NOTE 26 Pledged assets

Group	Dec. 31, 2023	Dec. 31, 2022
For liabilities to credit institutions and bank overdraft:		
Real estate mortgages	219	231
Business mortgages	120	384
Machines with retention of title	30	172
Shares in subsidiaries	786	541
Mortgaged stock	–	92
Total	**1,155**	**1,420**

Parent Company	Dec. 31, 2023	Dec. 31, 2022
For liabilities to credit institutions:		
Shares in subsidiaries	139	129
Total	**139**	**139**

NOTE 27 Contingent liabilities

Group	Dec. 31, 2023	Dec. 31, 2022
Guarantees issued	30	96
Total	**30**	**104**

Parent Company	Dec. 31, 2023	Dec. 31, 2022
Guarantee commitments of subsidiaries	38	139
Total	**38**	**139**

Guarantees issued by the group and guarantees given by the parent company are not expected to result in an outflow of resources.

NOTE 28 Leases

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. During the year, a property previously rented in Töcksfors was acquired, which reduced right-of-use assets linked to buildings and premises by SEK 11 million. See also note 31.

Right-of-use assets 2023	Buildings and premises	Machinery and technical installations	Equipment, tools and cars	Total
Opening balance	113	61	6	180
Extension and revaluation of existing contract	4	–	–	4
Purchasing	6	–	4	10
Sales and disposals	-11	–	–	-11
Depreciation/ amortization for the year	-27	-12	-4	-43
Reclassifications	–	44	4	48
Translation difference	–	-2	–	-2
Closing book value	**85**	**91**	**10**	**186**

The transfer of property, plant and equipment to leases has taken place, which is accounted for as a reclassification from property, plant and equipment (see note 15). Consequently, the total reclassifications in this note are not zero.

Note 28 cont'd.

Right-of-use assets 2022	Buildings and premises	Machinery and technical installations	Equipment, tools and cars	Total
Opening balance	128	54	6	188
Extension and revaluation of existing contract	5	1	–	5
Purchasing	1	14	–	15
Business combinations	3	–	1	4
Sales and disposals	-1	–	–	-1
Depreciation/ amortization for the year	-30	-12	-2	-44
Reclassifications	–	1	–	1
Translation difference	8	3	1	12
Closing book value	**113**	**61**	**6**	**180**

Lease liabilities, change during the year	2023	2022
Opening balance	166	174
Extension and revaluation of existing contract	-10	17
Repayment of borrowings	-64	-52
New contracts	74	9
Business combinations	–	4
Capitalized interest	2	3
Translation difference	-1	11
Closing balance	**167**	**166**

Lease liabilities, maturity dates	2023		2022	
	Nominal amounts	Discounted amounts	Nominal amounts	Discounted amounts
Short-term within 1 year	53	53	49	47
Long-term 1 – 2 years	41	40	45	44
Long-term 2 – 5 years	59	54	56	51
Long-term later than 5 years	23	20	26	23
Total future lease payments	**176**	**167**	**176**	**166**

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.

Total lease costs in the consolidated income statement	2023	2022
Lease payments referring to contracts shorter than 1 year (included in Other external costs)	-3	-3
Lease payments referring to low value assets (included in Other external costs)	-3	-5
Depreciation of right-of-use assets for the year	-43	-44
Interest expense on lease liabilities for the year	-5	-3
Total lease costs in the income statement	**-54**	**-55**

The Group has no leases with variable lease payments.

NOTE 29 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 from the Swedish Financial Reporting Board, UFR 10 Accounting for the ITP 2 pension plan financed by insurance in Alecta, this is a multi-employer defined benefit plan. For the 2023 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 insurance policies taken out with Alecta run to SEK 2 million (SEK 2 million paid in 2023). 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 are not in line with IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 175 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 175 percent, 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 could be to increase the agreed contractual price for taking out a new policy and increasing existing benefits. In the event of high consolidation, one measure could be to introduce premium reductions. At the end of 2023, Alecta's surplus, in the form of the collective consolidation level, ran to 158 percent (172). A Swedish subsidiary has a PRI plan covering 30 people (32) of which 5 (8) are active in the company. This is accounted for as a defined benefit plan. It was previously accounted for in accordance with the pension institution's own valuation but will be accounted for in accordance with IAS 19 from 2023 onwards. At year-end, the defined-benefit pension plan in Sweden amounted to SEK 11 million (8).

Germany
In the German subsidiary HANZA Assembly Remscheid GmbH, there is a defined benefit pension plan covering 287 people (297), of which 125 (143) are active in the company and the rest are paid-up policy-holders and retirees. The plan, which is administered by an external trustee, covers the majority of employees, but not those hired in 2018 or later. At year-end, the funding ratio for the plan amounted to 29 percent (24).

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 the income statement	2023			2022		
	Germany	Other	Total	Germany	Other	Total
Pension costs for defined contribution plans	1	37	38	2	30	32
Pension costs for defined benefit plans	2	1	3	2	2	4
Total pension costs	**3**	**38**	**41**	**4**	**32**	**36**

Defined benefit pensions

Recognition in the balance sheet	2023			2022		
	Germany	Sweden	Total	Germany	Sweden	Total
Defined benefit obligations, funded plans	131	–	131	131	–	131
Defined benefit obligations, unfunded plans		11	11	–	8	8
Plan assets, fair value	-40	–	-40	-37	–	-37
Provisions for pensions	**91**	**11**	**102**	**94**	**8**	**102**

Note 29 cont'd.

Change in defined benefit pension obligations	2023 Present value of defined benefit pension plans	2023 Plan assets, fair value	2023 Net	2022 Present value of defined benefit pension plans	2022 Plan assets, fair value	2022 Net
Opening balance	**139**	**-37**	**102**	**144**	**-35**	**109**
Items in income statement:						
Cost of service in the current period	3	–	3	4	–	4
Interest expense	5	-1	4	1	–	1
	8	**-1**	**7**	**5**	–	**5**
Revaluation in other comprehensive income:						
Actuarial gains/losses (-/+) from changes in demographic assumptions	2	–	2	2	–	2
Actuarial gains/losses (-/+) from changes in financial assumptions	5	–	5	-22	–	-22
Actual return on plan assets	–	–	–	–	–	–
	7	–	**7**	**-20**	–	**-20**
Other changes:						
Employer contributions	-12	-2	-14	–	-2	-2
Benefit payments	–	–	–	–	–	–
Translation differences	–	–	–	10	–	11
Closing balance	**142**	**-40**	**102**	**139**	**-37**	**102**

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 percent (4) was used in calculating the German pension liability. 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 SEK 3 million (3) lower and if it had been 0.5 percentage points lower, the liability would have been SEK 4 million (4) higher. In Sweden, a discount rate of 3% has been used. If the discount rate used had been 0.5% higher or lower, this would have had only a minor effect.

Demographic assumptions
The Heubeck 2018 G table was used in the calculation of the German pension plan. An increase in life expectancy of one year could increase the liability by SEK 1 million (1).

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

NOTE 30 Items in the statement of cash flows

Group

Other non-cash items	**2023**	**2022**
Profit/loss on disposal of fixed assets	-2	-2
Revaluation of acquisition purchase price	1	-10
Cost of share saving program	2	–
Unrealized exchange losses	1	4
Other	10	-1
Total	**12**	**-9**

Interest paid during the year amounted to SEK 64 million (31).

Cash flow from loans	**2023**	**2022**
Borrowings according to Note 23	541	267
New leases with no cash flow	-74	-9
Investment transferred to lease	50	5
Cash flow	**517**	**263**

Cash flow from amortization	**2023**	**2022**
Amortization according to Note 23	-545	-272
Other	4	4
Cash flow	**-541**	**-268**

Parent Company
Other non-cash items in the parent company relate to impairment of shares in subsidiaries. Interest paid during the year amounted to SEK 4 million (3).

Note 31 Asset acquisitions and acquisitions of subsidiaries

Acquisitions during the year
On June 29, HANZA acquired all shares in Fastator Venture 38 AB. fastigheter AB (now renamed HANZA Fastigheter AB). The company owns two properties in Töcksfors, Sweden of just over 11,000 square meters, with an associated plot of approximately 28,000 square meters. The properties were previously rented by HANZA's manufacturing cluster in Sweden. As the acquisition was entirely related to real estate, the acquisition is classified as an asset acquisition. The acquired company had no external revenues and only marginal external costs during the year. The purchase price amounted to a total of SEK 49 million and was financed through bank loans and own funds. Contributed net assets amount to a total of SEK 49 million and relate, in addition to buildings and land valued at SEK 50 million, to a current liability for title deed fees of SEK 1 million. The acquisition analysis is still preliminary.

During the year, additional earn-outs totaling SEK 3 million were paid. The amount represents parts of agreed earn-outs for HANZA Electronics Mönchengladbach GmbH acquired in 2021 and HANZA Tech Solutions GmbH acquired in 2022. At the same time, the reserve for the earn-out for HANZA Electronics Mönchengladbach GmbH was increased, which had a negative impact of SEK 1 million on profit for the year.

Acquisitions after the balance sheet date
On January 4, 2024, all shares in Orbit One AB, based in Ronneby, were acquired. The company offers electronics manufacturing in Sweden and Poland and employs around 620 people.

The initial purchase price after final adjustment in February 2024 amounted to SEK 382 million and is based on the company's balance sheet as of November 30, 2023. Furthermore, there is an earn-out linked to an expected improvement in earnings in 2024 compared to 2023 and which can amount to a maximum of an additional SEK 91 million. The acquisition analysis assessed the earn-out at SEK 46 million, which has been discounted to SEK 43 million.

An intangible asset in the form of customer relationships of SEK 76 million was identified during the acquisition analysis. The amortization period for these customer relationships is estimated at 10 years. The deferred tax liability for this item amounts to SEK 16 million. In addition, goodwill of SEK 117 million is recognized in the acquisition. This goodwill consists mainly of market position and personnel as well as synergies with HANZA's other operations in Sweden and Poland. It will not be tax deductible. The acquisition analysis is still preliminary.

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

Purchase price, SEK million	
Cash paid on possession	382
Estimated contingent earn-out due in 2025	43
Total estimated purchase price	**425**

Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	11
Intangible fixed assets	76
Property, plant and equipment	42
Right-of-use assets	33
Shares in associated companies	6
Non-current receivables	3
Inventory	380
Accounts receivable and other receivables	185
Deferred tax liability	-28
Liabilities to credit institutions	-180
Lease liabilities	-33
Accounts payable and other liabilities	-187
Total identified net assets	**308**
Goodwill	117
Total net assets transferred	**425**

Cash flow effect of the acquisition	
Cash paid on possession	-382
Cash and cash equivalents in the company	11
Cash flow from business combinations	**-371**

NOTE 32 Related party transactions

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. For the parent company, all subsidiaries in the group are also included in the group of related parties. The parent company's transactions with them are disclosed separately at the end of this note.

The largest shareholder is Gerald Engström who owned, as of the balance sheet date, just over 21 percent 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 258 million (116). The sale was made on market terms.

Otherwise, there have been no transactions between the HANZA Group and related parties, other than the above-mentioned subscription of options, that have significantly affected the group's position and results, other than the share dividend and customary payments of fees to the Board of Directors and salaries to the company's management.

Remuneration to senior executives

Complete guidelines for remuneration to senior executives appear in the management report, page 39. Fees are paid to the Chairman and members of the Board of Directors as decided by the Annual General Meeting. Remuneration is also paid for work on the Audit Committee and the Remuneration Committee.

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. Senior executives in the parent company amounted to 2 persons (2) in 2023.

2023 Amounts in SEK thousand	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Other benefits	Total
Chairman Francesco Franzé	510	–	–	–	510
Vice Chairman Gerald Engström	233	–	–	–	233
Former board member Håkan Halén	135	–	–	–	135
Board member Sofia Axelsson	250	–	–	–	155
Board member Per Holmberg	155	–	–	–	215
Board member Helene Richmond	215	–	–	–	250
CEO Erik Stenfors	2,953	907	770	95	4,725
Other senior executives (2 people)	4,035	832	1,223	231	6,321
Total	**8,486**	**1,739**	**1,993**	**326**	**12,544**

2022 Amounts in SEK thousand	Basic salary/ Directors' fees	Variable remuneration	Pension cost	Other benefits	Total
Chairman Francesco Franzé	480	–	–	–	480
Vice Chairman Gerald Engström	215	–	–	–	215
Board member Håkan Halén	270	–	–	–	270
Board member Helene Richmond	200	–	–	–	200
Board member Sofia Axelsson	230	–	–	–	230
CEO 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**

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

During the second quarter of 2023, the number of shares was increased by 850,000 by exercising all of the warrants that were subscribed for during the second quarter by the company's management team at market price. Each warrant entitled the holder to subscribe for one share in the company at a subscription price of SEK 20.

The Annual General Meeting on May 8, 2023 decided to introduce a long-term share savings scheme, LTIP 2023. The scheme targets up to 13 senior executives and key individuals within the company, who were offered performance share rights entitling them to receive a number of HANZA shares, contingent upon the participant's personal investment in HANZA shares and/or the fulfillment of specific performance criteria. Should LTIP 2023 achieve its maximum potential, up to 175,000 performance shares could be allocated.

Pensions

The retirement age for the CEO is 65. The pension premium shall amount to 25 percent 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.

Note 32 cont'd.

Severance pay

A mutual notice period of six months applies between the company and the CEO. In the event of dismissal by the company, a severance payment of six months' salary is paid. 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 six months applies between the company and other senior executives. For the company's CFO and COO, there is a severance pay agreement amounting to six months.

Parent company's balances and transactions with group subsidiaries

Receivables from and liabilities to group companies

On the balance sheet date, the parent company had non-current receivables to group companies amounting to SEK 509 million (137). These receivables consist of intra-group loans that bear market interest rates. The large increase is attributable to the group's external borrowing, which after refinancing at the end of 2023 (see also note 23), is mainly held by the parent company. The subsidiaries are then largely financed by internal loans.

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

Services to group companies are bought and sold on normal commercial terms, the amounts shown below.

SEK million	2023	2022
Sales of services to subsidiaries	32	24
Purchase of services from group companies	7	4

NOTE 33 Shares in group companies

Parent Company	2023	2022
Opening cost	367	367
Shareholder contribution to HANZA Metalliset oy	11	–
Impairment of shares in HANZA KA Åtvidaberg AB	-1	–
Closing book value	**377**	**367**

					Recognized value	
Name	Corporate ID no.	Domicile	Proportion of equity, %	Number of shares	Dec. 31, 2023	Dec. 31, 2022
Directly owned subsidiaries						
Holding companies						
HANZA Operations AB	556746-2436	Årjäng, Sweden	100	128,205	139	139
HANZA Germany GmbH	HRB31879	Remscheid, Germany	100	1	130	1
Manufacturing subsidiaries						
HANZA Mechanics Heinävesi Oy (HANZA Metalliset Oy)	0735704-5	Heinävesi, Finland	100	1,626	108	97
HANZA GmbH (no longer directly owned by the parent company)						129
Dormant subsidiaries						
HANZA KA Åtvidaberg AB	556404-2371	Åtvidaberg	100	227,292	–	1
					377	**367**

Note 33 cont'd.

Name	Corporate ID no.	Domicile	Proportion of equity, %	Number of shares
Indirectly owned subsidiaries				
Manufacturing subsidiaries				
HANZA Electric (Suzhou) Co. Ltd.	9132059472801435XQ	Suzhou, China	100	1
HANZA Electronics Årjäng AB (HANZA Elektromekan AB)	556253-8289	Årjäng, Sweden	100	20,000
HANZA Mechanics Årjäng AB (HANZA Mechanics Sweden AB)	556497-3237	Årjäng, Sweden	100	2,210
HANZA Mechanics Tartu AS	10019012	Tartu, Estonia	100	75,000
HANZA Electronics Brzeg Dolny Sp. Z.o.o (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 Mechanics Iisalmi Oy (HANZA Toolfac Oy)	1895668-4	Iisalmi, Finland	100	199
HANZA Mechanics Töcksfors AB (HANZA Wermech AB)	556560-4187	Årjäng, Sweden	100	1,000
HANZA Assembly Zabrehs.r.o (HANZA Czech Republic s.r.o)	25862839	Ostrava, Czech Republic	100	1
HANZA Mechanics Joensuu Oy (HANZA Levyprofiili Oy)	2424893-2	Joensuu, Finland	100	750,000
HANZA Electronics Mönchengladbach GmbH (HANZA Beyers GmbH)	HRB2861	Mönchengladbach, Germany	100	10
HANZA Assembly Remscheid GmbH (HANZA GmbH)	HRB17168	Remscheid, Germany	100	1

Name	Corporate ID no.	Domicile	Proportion of equity, %	Number of shares
Research and development subsidiaries				
HANZA Tech Solutions GmbH (HANZA Tech Services GmbH)	HRB12729	Münster, Germany	100	1
Subsidiaries for intra-group services				
HANZA Shared Service Center AB	556893-0449	Årjäng, Sweden	100	500
HANZA Shared Service Tartu OÜ	12775321	Tartu, Estonia	100	1
HANZA Fastigheter AB (Fastator Venture 38 AB)	559368-5083	Årjäng, Sweden	100	250
Dormant subsidiaries				
HANZA Alfaram Finland Oy	1065763-9	Kaarina, Finland	100	55
HANZA Tarkon Sweden AB	556833-2257	Stockholm, Sweden	100	100,000

A number of the group's subsidiaries changed their names during the year. In these cases, the previous name is given in parentheses.

NOTE 34 Appropriations and untaxed reserves

Parent company appropriations consist of the following items:

Appropriations	2023	2022
Group contributions received from Swedish group companies	8	34
Total appropriations	**8**	**34**

Untaxed reserves	2023	2022
Tax allocation reserve 2020	1	1
Tax allocation reserve 2021	1	1
Total untaxed reserves	**2**	**2**

NOTE 35 Events after the balance sheet date

On January 4, 2024, HANZA completed the acquisition of Orbit One AB announced on December 1, 2023. See note 31.

On January 8, an extraordinary general meeting decided on a directed new issue of 470,500 shares to Färna Invest AB.

On February 13, 2024, the Board decided on new financial targets, increasing the 2025 sales target to SEK 6.5 billion (previously SEK 5 billion) and the operating profit target to 8 percent for the full year 2025 (previously 8 percent at the end of 2025).

To meet increasing volumes, HANZA decided in January 2024 to invest about SEK 75 million in building a new factory section of 8,800 square meters in Töcksfors, Sweden.

On March 13, 2024, HANZA launched an efficiency program linked to the integration of Orbit One. As part of the program, a maximum of 50 employees at the Ronneby factory would be given notice of redundancy, at an estimated cost of a maximum of SEK 20 million.

NOTE 36 Proposed appropriation of profit

The Board of Directors proposes a dividend for 2023 of SEK 1.20 per share (0.75), corresponding to a total dividend of SEK 52 million (29) based on the number of outstanding shares as of March 28, 2024. The proposed record date is expected to be May 3, 2024.

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

Share premium reserve	672,380,113
Profit for the year	6,807,336
Total	**679,187,449**

The Board proposes that these retained funds be

paid as dividend to the shareholders, SEK 1.20 per share, in total	52,391,208
Carried forward	626,796,241
Total	**679,187,449**

The board of directors proposes a dividend to the shareholders of SEK 1.20 per share (0.75) corresponding to SEK 52 million (29). The proposed dividend represents 8 percent of the company's profits on the balance sheet date. The Board is of the opinion that the proposed dividend is consistent with the prudence principle of the Swedish Companies with regard to the requirements on the company's equity, investment needs, liquidity and financial position and the risks associated with the type and size of the business.

Declaration

The annual report and the consolidated financial statements have been approved for publication by the board of directors on March 28, 2024. The consolidated income statement and balance sheet will be submitted for approval at the AGM on May 14, 2024.

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 group's 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

Per Holmberg
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

Linn Haslum Lindgren
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 the consolidated accounts of HANZA AB for the year 2023 with the exception of the corporate governance report and the sustainability report on pages 41-44 and pages 14-29 and 90-92 respectively. The company's annual accounts and consolidated accounts are included on pages 35-84 of 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 December 31, 2023 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 December 31, 2023 and its financial performance and cash flows 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 and sustainability report on pages 41-44, 14-29 and 90-92 respectively. 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.

Revenue

Description of key audit matter

Net sales for 2023 amount to SEK 4,143 million in 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 manufactured to the customers' specification, but with the company's involvement in customizing the manufacturing process. This means that the price model, manufacturing process and delivery terms are individual for each single customer agreement. Revenue recognition requires a well-functioning process, including orders, invoicing, deliveries and terms of delivery.

These conditions apply to most subsidiaries and require policies and procedures as well as management judgment to determine the appropriate method and period for proper revenue recognition.

We have identified revenue recognition as a key audit matter based on the size of revenue in relation to other income items and the volume of transactions.

For information on revenue, see Accounting policies and note 5 Revenue and note 6 Segment information.

How our audit addressed this key audit matter

We have reviewed the group's revenue recognition policies to verify compliance with IFRS.
Review and evaluation of internal controls to ensure that revenue is recognized at the right time and in the right amount.

We have conducted analytical reviews of revenues by customer contracts and geographical markets.

Detailed testing of delivery documents to ensure that revenue has been recorded in the correct period. Furthermore, we examined significant contracts and checked credit notes after the balance sheet date.

In addition, we have also performed data analytics on revenue recognition. We have also assessed the disclosures made in the annual report.

Goodwill and shares in subsidiaries

Description of key audit matter

Goodwill is reported at SEK 387 million as of December 31, 2023. Overall, goodwill represents 15.2% of the group's total assets. See also Note 14. Shares in group companies amount to SEK 377 million in the parent company as of December 31, 2023. See also note 33.

Goodwill with an indefinite life shall be tested for impairment annually. HANZA tests at least annually, and when there is an indication of impairment, that the carrying amounts do not exceed the recoverable amount of the assets. Shares in group companies are assessed throughout the year for indications of impairment and if so, the recoverable amount of the asset is calculated.

The recoverable amounts of goodwill and shares in group companies are determined by calculating the present value of future cash flows per cash flow generating unit and are based on the expected outcome of a number of factors based on management's business plans and forecasts. A description of the impairment test is provided in note 2 and in the section "intangible assets" on page 54 and the section "impairment" on page 55. Further information is provided in note 14 on page 65 for goodwill and note 33 on page 81 for shares in group companies. Changes in management's assumptions underlying the assessment of recoverable amounts such as future cash flows, growth, discount rate and investment needs could lead to an impairment requirement with a significant financial impact on the group and the parent company. We therefore considered the valuation of goodwill and shares in group companies to be a key audit matter.

How our audit addressed this key audit matter

We evaluated and tested management's process for preparing impairment tests for goodwill and shares in group companies, evaluated future projections and performed sensitivity analyses on key assumptions. With the support of our valuation specialists, we reviewed management's model and methodology for performing impairment tests for goodwill and shares in group companies and evaluated the reasonableness of the discount rate assumptions, using peer group data and applied long-term growth rates. We have also assessed the disclosures made in the annual report.

Valuation of inventories

Description of key audit matter

As of December 31, 2023, the group's inventory amounts to SEK 936 million. The group's production units hold stocks of raw materials and supplies, work in progress, finished goods and goods for resale, and goods in transit. In order to offer short and reliable delivery times and provide customized solutions, most customers have a certain amount of stock that can be used for call-offs.

Accurately accounting for the acquisition cost is challenging when purchasing, manufacturing and logistics processes are complex. In product costing, there are a number of trade-offs that need to be made by management that have an impact on the reported values. Important areas are the determination of methodology, establishing normal production and allocation keys for direct and indirect costs. The valuation also includes assessments such as estimating the net realizable value by applying the lowest value principle and assessing the obsolescence of inventories. We have therefore considered the valuation of inventories to be a key audit matter.

How our audit addressed this key audit matter

In our audit, we have gained an understanding and evaluated the group's processes for product costing, raw material purchasing, manufacturing, inventory and obsolescence assessment.

We have carried out price tests on raw materials, checks on calculations and tests on the accrual of incoming and outgoing deliveries.

We have taken note of management's considerations regarding inventory obsolescence and their assessment of slow moving products.

We have also participated in inventories and carried out our own control calculations at the most important storage sites in order to confirm numbers. We have also assessed the disclosures made in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-33 and 93-98. 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 skepticism throughout the audit. We also:

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

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

- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.

- we conclude on the appropriateness of the Board of Directors and the Managing Director using 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 circumstances may render a company unable 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 financial statements. 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 2023 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we have examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Swedish 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 2023.

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 ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management, including policies
and procedures regarding compliance with professional ethical requirements, professional standards and applicable 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 the corporate governance statement on pages 41-44 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's recommendation

RevR 16 The auditor's review of the corporate governance report. This means that our review of the corporate governance 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 review has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6 Section 6, second paragraph, points 2-6 of the Annual Accounts Act and Chapter 7 Section 31, second paragraph of the same Act are consistent with the other parts of the annual accounts and consolidated accounts and 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 14-29 and 90-92, 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 was appointed auditor of HANZA AB by the general meeting on May 8, 2023 and has been the company's auditor since June 3, 2016.

The date stated in our digital signature
Ernst & Young AB

Linn Haslum Lindgren
Authorized public accountant

Taxonomy tables

Turnover

Financial year 2023	Year			Substantial contribution criteria						Criteria for Do No Significant Harm (DNSH)									
Economic activities	Code	Turnover	Proportion of turnover 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity or biological diversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity or biological diversity	Minimum safeguards	Proportion of taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category enabling activity	Category transitional activity
		SEK M	%	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	M	O
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of electronic equipment			0														0		
Turnover of environmentally sustainable (taxonomy-aligned) activities (A.1)		0	0														0		
Of which enabling activities			0														0		
Of which transitional activities			0														0		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of electronic equipment																	0		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0														0		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		0	0														0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
Turnover of taxonomy-non-eligible activities		4,143	100																
TOTAL		**4,143**	**100**																

HANZA produces electronic equipment on behalf of product-owning customers. The produced equipment usually constitutes components in larger products, but in some cases HANZA assembles a finished product ready for delivery to the end customer. However, the products are manufactured according to the specification of the brand owner who is the one who can mainly influence the environmental impact of the product over its life cycle through the choice of input materials, through its design in terms of how it will affect the environment and climate during its lifetime and the extent to which it will be recyclable. Nevertheless, HANZA can reduce the environmental impact of the product by engaging in energy-efficient manufacturing, minimizing waste and influencing the choice of input materials in some cases. In the 2023 taxonomy reporting, HANZA has chosen to classify all production as taxonomy-non-eligible activities. HANZA plans to explore the question of whether its activities are covered by the description of economic activities in the taxonomy's delegated acts in 2024. Turnover for activities that could be classified as taxonomy-eligible was SEK 1,779 million in 2023, representing 43% of the group's total turnover.

Investments (CAPEX)

Financial year 2023		Year		Substantial contribution criteria						Criteria for Do No Significant Harm (DNSH)									
Economic activities	Code	Turnover	Proportion of turnover 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity or biological diversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity or biological diversity	Minimum safeguards	Proportion of taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category enabling activity	Category transitional activity
		SEK M	%	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	M	O
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of electronic equipment			0														0%		
CapEx of eligible Taxonomy-aligned activities (A.1)		0	0														0%		
Of which enabling activities			0														0%		
Of which transitional activities			0														0%		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of electronic equipment			0														0%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0														0%		
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		0	0														0%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of non-eligible activities		314	100																
TOTAL		**314**	**100**																

HANZA produces electronic equipment on behalf of product-owning customers. The produced equipment usually constitutes components in larger products, but in some cases HANZA assembles a finished product ready for delivery to the end customer. However, the products are manufactured according to the specification of the brand owner who is the one who can mainly influence the environmental impact of the product over its life cycle through the choice of input materials, through its design in terms of how it will affect the environment and climate during its lifetime and the extent to which it will be recyclable. Nevertheless, HANZA can reduce the environmental impact of the product by engaging in energy-efficient manufacturing, minimizing waste and influencing the choice of input materials in some cases. In the 2023 taxonomy reporting, HANZA has chosen to classify all production as taxonomy-non-eligible activities. HANZA plans to explore the question of whether its activities are covered by the description of economic activities in the taxonomy's delegated acts in 2024. The activities that could be classified as taxonomy-eligible made investments of SEK 38 million in 2023, representing 11% of the group's total investments.

In 2023, HANZA acquired a property in Sweden through an asset acquisition and developed existing properties in Estonia, Poland and the Czech Republic. These properties are used for own production. There is no subletting. As the properties relate to buildings that are not intended to be sold or rented out, HANZA has assessed that these investments should be classified as taxonomy-non-eligible activities. This assessment will also be reviewed in 2024. Total investments in buildings and land in 2023 amounted to SEK 107 million, representing 25% of the group's total investments.

Operating expenses (Opex)

Financial year 2023	Year			Substantial contribution criteria						Criteria for Do No Significant Harm (DNSH)									
Economic activities	Code	Turnover	Proportion of turnover 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity or biological diversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity or biological diversity	Minimum safeguards	Proportion of taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category enabling activity	Category transitional activity
		SEK M	%	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y; N; N/EL (b) (c	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	M	O
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacture of electronic equipment			0														0		
OpEx of eligible Taxonomy-aligned activities (A.1)		0	0														0		
Of which enabling activities			0														0		
Of which transitional activities			0														0		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Manufacture of electronic equipment			0														0		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0														0		
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		0	0														0		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OpEx of non-eligible activities		57	100																
TOTAL		**57**	**100**																

HANZA produces electronic equipment on behalf of product-owning customers. The produced equipment usually constitutes components in larger products, but in some cases HANZA assembles a finished product ready for delivery to the end customer. However, the products are manufactured according to the specification of the brand owner who is the one who can mainly influence the environmental impact of the product over its life cycle through the choice of input materials, through its design in terms of how it will affect the environment and climate during its lifetime and the extent to which it will be recyclable. Nevertheless, HANZA can reduce the environmental impact of the product by engaging in energy-efficient manufacturing, minimizing waste and influencing the choice of input materials in some cases. In the 2023 taxonomy reporting, HANZA has chosen to classify all production as taxonomy-non-eligible activities. HANZA plans to explore the question of whether its activities are covered by the description of economic activities in the taxonomy's delegated acts in 2024. Operating expenses for the activities that could be classified as taxonomy-eligible totaled SEK 12 million in 2023, representing 21% of the group's total operating expenses.

Nuclear and fossil gas related activities

- HANZA does not have any business that conducts, finances or is exposed to fossil gas related activities.
- HANZA does not have any business that conducts, finances or is exposed to nuclear energy-related activities.

Board of Directors

From the left

Francesco Franzé
Chairman of the Board since 2019, elected in 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.
Shareholding: 3,525,000 shares.
Independent of the company and its management, but not of the company's significant shareholders.

Gerald Engström
Chairman of the Board since 2019, elected in 2017.
Member of the Remuneration Committee. Founder of Systemair AB. 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 and RVM Systems AB. Board member of Färna Herrgård AB, Masbohallen AB, AnkerAndersen AS (Denmark) and Coppersmith's AB.
Shareholding: 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
Active in various subsidiary boards within the NIBE Group. Former CEO of CTC AB and manager in the SKF group.
Born: 1960
Education: Master of Science in Mechanical Engineering at Lund University of Technology.
Shareholding: 50,000 shares.
Independent of the company, its management and the significant shareholders.

Per Holmberg
Member of the Board since 2023.
Chair of the Nomination Committee.
CEO of Adrian Michael Group (Switzerland). Previously worked in operational, management and executive roles within the Electrolux Group and Hexagon.
Born: 1959
Education: MSc in Business Administration from the Stockholm School of Economics.
Other assignments: None
Shareholding: 269,367 shares.
Independent of the company, its management and the significant shareholders.

Sofia Axelsson
Member of the Board since 2018
CEO of Corroventa avfuktnings AB. Member of the Audit Committee. Previously President Residential EPAC in Husqvarna Group and President and CEO of Svedberg.
Born: 1973
Education: Master of Science in Public Finance/Business Administration at the University of Gothenburg.
Shareholding: 8,000 shares.
Independent of the company, its management and the significant shareholders.

Information on shareholdings as of December 31, 2023 with subsequent known transactions.

AUDITORS

Registered audit firm
Ernst & Young AB

Auditor in charge
Linn Haslum Lindgren
Authorized Public Accountant, Ernst & Young AB
Born: 1977
Auditor for HANZA since 2023
Shareholding: 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.
Shareholding: 45,000 shares. Of these, 6,650 refer to shares invested in HANZA's long-term share savings program 2023.

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 Area Manager KPMG, CFO at listed Pricer and Nocom (now IAR), CFO Scandinavian Biogas, Financial manager Sweco AB, CFO and CEO at Wonderful Times Group AB.
Shareholding: 200,000 shares. Of these, 6,650 refer to shares invested in HANZA's long-term share savings program 2023.

Erik Stenfors
CEO and President
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.
Shareholding: 612,000 shares privately and wholly owned through companies. Of these, 6,650 refer to shares invested in HANZA's long-term share savings program 2023.

Information on shareholdings as of December 31, 2023 with subsequent known transactions.

Five-year overview

	2023	2022	2021	2020	2019
Key ratios according to IFRS					
Net sales, SEK million	4,143	3,549	2,515	2,155	2,068
Operating profit (EBIT), SEK million	327	193	127	31	57
Profit/loss for the year, SEK million	214	121	80	-1	24
Earnings per share before dilution, SEK	5.36	3.35	2.26	-0.04	0.73
Earnings per share after dilution	5.31	3.30	2.25	-0.04	0.73
Dividend per share, SEK[1]	1.20	0.75	0.50	0.25	–
Cash flow from operating activities, SEK million	277	145	126	182	122
Average number of employees	2,001	1,936	1,741	1,543	1,603
Alternative performance measurements					
EBITDA, SEK million	464	315	232	139	149
EBITDA margin, %	11.2	8.9	9.2	6.4	7.2
Operational segments EBITA, SEK million	365	219	155	51	84
Operational EBITA margin	8.8	6.2	6.2	2.4	4.0
EBITA Business development and services, SEK million	-21	-6.7	-11.7	-3.4	-15.7
EBITA, SEK million	344	212	143	48	68
EBITA margin, %	8.3	6.0	5.7	2.2	3.3
Operating margin EBIT, %	7.9	5.4	5.1	1.5	2.7
Operating capital, SEK million	1,796	1,559	1,298	925	1,041
Return on operating capital, %	20.5	14.8	12.9	4.9	7.9
Capital turnover on operating capital, times	4.9	2.5	2.3	2.2	2.4
Return on capital employed, %	17.1	12.7	10.7	2.9	6.2
Net interest-bearing debt, SEK million	363	556	583	381	543
Net debt/equity ratio, times	0.3	0.7	1.0	0.7	1.1
Net debt in relation to adjusted EBITDA, times	0.8	1.9	2.9	3.4	3.6
Equity ratio, %	45.9	35.3	30.0	33.6	32.6
Equity per share at end of period, SEK[1]	31.14	22.85	16.36	13.97	14.65

1) proposed dividend 2023

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 and motives for using each measurement are published on the company's web page (hanza.com/investor/reports-and-presentations).

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).

Return on capital employed is the operating profit with reversal of financial items divided by the average capital employed.

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

EBITA Business development and services includes business development costs.

EBITDA (Earnings before interest, taxes, depreciation and amortization) refers to earnings before interest, taxes, depreciation and amortization and impairment of tangible and intangible assets.

EBITDA margin is EBITDA divided by net sales.

EBITA (Earnings before interest, taxes and amortization) refers to earnings before depreciation and amortization of intangible assets, net financial items, appropriations and taxes.

Equity per share is equity at the balance sheet date adjusted for unregistered share capital divided by the registered number of shares at the balance sheet date.

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

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

Operational segment EBITA (operational EBITA) is the EBITA for segments Main Markets and Other markets.

Operating segments' operating profit (operating EBIT) is the operating profit of the Main Markets and Other Markets segments.

Operating EBITA margin is operating segment EBITA divided by net sales.

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

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

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

Net interest-bearing debt refers to interest-bearing liabilities including provisions for post-employment benefits excluding estimated financial liabilities for right-of-use assets for leased properties and premises under IFRS 16 minus cash and similar assets and short-term investments.

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

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

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

CONCEPTS – Definitions established by HANZA CORE
(Cluster Operational Excellence) is a method used by HANZA to develop factories operationally and is conducted in project form over a period of time.

MIG (Manufacturing Solutions for Increased Growth & Earnings) is a service developed by HANZA that analyzes and proposes improvements to the customer's total manufacturing and logistics chain.

MCS (Material Compliance Services) is a service developed by HANZA that helps the customer ensure that a product meets regulatory requirements for constituent components.

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

Calculations of alternative performance measures can be found on HANZA's website: hanza.com/investor/reports-and-presentations

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HANZA

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