



Hitachi Energy Sweden AB
(corporate identity no.
556029- 7029)

The Board of Directors'
and CEO's
Annual Report for the year
1 April 2022 - 31 March 2023

HITACHI
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Hitachi Energy Sweden AB

Annual Report 2022

Hitachi Energy Sweden AB
is a subsidiary of Hitachi
Energy Ltd in Zürich, Switzerland,
which is ultimately owned by
Hitachi Ltd in Tokyo, Japan.

Hitachi Energy Sweden AB
has its registered office
in Västerås, Sweden.

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I certify that this is a true and accurate translation of the Swedish document.

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Preface of Annual Report

2022 was an eventful year for Hitachi Energy. We saw many positive signals in the energy transition and the work towards a carbon-neutral future.

During the year, we received many large and small strategically important orders in Sweden and globally that enable a sustainable, safe, flexible electricity system for a more sustainable society. At the same time, the general world situation, with inflation and high energy costs, has continued to lead to high material prices and transport costs.

A portrait of a middle-aged man with glasses, wearing a dark suit jacket over a light blue button-down shirt. He is looking directly at the camera with a neutral expression. The background is blurred, showing green foliage and a building.

Shape tomorrow today

The electrification of industry and the transport sector entails huge energy demand. Studies show that it will double by 2050 and the power system will need to transmit three times as much energy as today. Electricity will be the backbone of the energy system of the future. To meet demand, the power system needs:

- To be strengthened to be more reliable and secure
- To expand to increase its reach and scalability
- To be developed to make it more sustainable and resilient

It is clear that we need more fossil-free generation to succeed. At the same time, we need to phase out fossil fuels to achieve the objectives of the Paris Agreement. However, it also means that we need to invest in our power grid, both to add new transmission networks and to use the technology available today to make them as efficient as possible. At Hitachi Energy, we can offer just that, and we see the energy transition driving demand for our products, services and solutions that contribute to a better world for millions of people globally.

The increasing demand for our offerings also means that we need to grow and recruit more staff in Sweden. During the year, we doubled our workforce in northern Sweden, where huge development is taking place right now. We recruited over 800 people in Sweden and we see a need to recruit over 2,000 more in the next two years. And we are not alone. There is an enormous need for skilled employees both in the energy sector in general and for new industrial facilities.

This development was one reason why we have now launched a trainee programme for production, with the first cohort starting in Ludvika this autumn. With our partner universities and other actors, we are doing what we can to encourage more people to apply for technical educational programmes and discover the exciting energy sector. If you want to work with world-class technology and colleagues and make a real contribution to a better world, Hitachi Energy is the place to be. As we say: 'Shape tomorrow today'.

We will continue to invest in our people, world-leading technology and collaboration with customers and partners. Our aim, 'To accelerate a sustainable energy future for all' is motivational and shows us the way forward. Together we are creating a sustainable energy future for people today and future generations.

Join us on our journey!



Tobias Hansson
CEO of Hitachi Energy Sweden AB

Directors' report

Hitachi Energy Sweden AB is a subsidiary of Hitachi Energy Ltd in Zürich, Switzerland, which is ultimately owned by Hitachi Ltd in Tokyo, Japan. Hitachi Energy Sweden AB has its registered office in Västerås, Sweden. The company's accounting currency is the Swedish krona (SEK). All amounts are recognised in multiples of million Swedish krona, unless stated otherwise.

About Hitachi Energy Sweden AB and its operations

Hitachi Energy Sweden AB is a world-leading supplier of pioneering technology that drives a sustainable energy future for all. The company helps customers in energy, industry and infrastructure with innovative solutions and services across the entire value chain. With our customers and partners, we are enabling the digital transformation needed to accelerate the energy transition towards a carbon-neutral future. We are developing the world's energy systems to be more sustainable, flexible and secure while balancing social, environmental and economic values.

The company's products, systems and solutions focus in part on meeting the growing need for integration of renewable energy and electrification of industry, as well as on sustainable mobility, smart cities, energy storage and data centres. The company also offers a complete range of consultancy services, plus service and management services based on a lifecycle perspective.

Hitachi Energy Sweden AB had approximately 4,100 employees in Sweden at the end of the year. The biggest operating locations are Ludvika, with approximately 2,800 employees, and Västerås, with approximately 1,000 employees. The company also has production sites in Piteå, Figeholm, Smedjebacken and Landskrona, and a number of sales offices throughout the country.

Operations are divided into four business areas that work in close cooperation with each other.

Grid Automation

Our Grid Automation business area has a comprehensive portfolio of solutions. These range from transformer substation automation, communication networks, grid automation services and microgrid solutions to enterprise software solutions. These solutions address all key segments of the energy system, including generation, distribution, industry, transport and infrastructure.

The business area's hardware, software and services portfolio combines deep domain knowledge and innovative technology that enable customers worldwide to optimise the critical systems that power, move and connect us. Together we are building a more productive, sustainable world.

Grid Integration

The Grid Integration business unit has delivered more than 4,000 projects worldwide over the past 15 years. The portfolio spans a wide range of transmission, distribution and transformer substation solutions that facilitate reliable, efficient system integration of the future digital power grid with minimum environmental impact.

Grid Integration creates integrated systems, solutions and services for DC and AC networks, including HVDC, transformer substations, FACTS and power quality solutions. The business area also offers Power Consulting for key segments of the energy system, such as renewables, distribution and e-mobility.

High Voltage Products

Hitachi Energy is a leader in high voltage technology, offering a wide range of high voltage products up to 1,200 kilovolts (kV) for AC and 1,100 kilovolts for DC. The business area helps improve the safety, reliability and efficiency of the power grid, while minimising environmental impact with offerings for switchgear, high voltage circuit breakers, surge dissipators, disconnectors, measuring transformers and service.

Our portfolio of high voltage products includes active technology, power quality and energy storage, eco-efficient switchgear, digital generator circuit breakers and hybrid and integrated switchgear. Our technological leadership continues to facilitate innovations in areas such as ultra-high voltage power transmission, enabling flexible smart grids and improved eco-efficiency.

Transformers

A sustainable energy future is made possible with our innovative, versatile Transformers team and cutting-edge technology. Hitachi Energy offers a complete range of power transformers, insulation and components, digital sensors and services. Our transformers span applications for power generation, transmission and distribution, metals and mining, oil and gas, commercial and infrastructure projects, and mobility. With the increasing complexity of the grid, our transformers are also increasingly used to improve power quality and network management.



Significant events during the financial year

The energy transition is in full swing with capacity increases and power quality solutions in our power grids. There is a push from the industry to become more sustainable in the future. The energy transition is driving the level of investment, which is generally high and increasing in all segments. We saw continued strong growth in all business areas during the year. Year-on-year growth was +81% and +41% for base orders.

The general world situation with the war in Ukraine, increased material prices and transport costs, and scarcity of materials and components also affected our delivery times and earnings levels during the financial year.

Order entry and net sales

Order entry of SEK 34,704 million (SEK 21,216 million) was recognised for the financial year.

Export sales accounted for approximately 92% (93%) of total order entry and amounted to SEK 31,778 million (SEK 19,670 million). Although export sales increased by 62%, the export share of total sales decreased on account of continued strong domestic demand.

Net sales amounted to SEK 14,224 million (SEK 13,475 million).

With a strong domestic Swedish market, the export share decreased slightly during the year and amounted to SEK 12,436 million (SEK 12,496 million), which corresponds to 87% (93%).

Major projects and events for Hitachi Energy Sweden AB during the financial year

During the year, Hitachi Energy's industry-leading experience and cutting-edge technology continued to accelerate the global energy transition. Hitachi Energy Sweden AB was awarded several important projects, both abroad and in Sweden:

During the year, the company was awarded the largest framework agreement in Hitachi Energy's corporate history and one of Sweden's largest export orders. In partnership with Petrofac, the company will deliver several offshore and onshore HVDC inverter stations and associated infrastructure to accelerate the integration of bulk renewable energy in the European power grids. The agreement includes an initial commitment to install six renewable energy integration systems, five of which will connect offshore wind farms to the Dutch grid and the sixth to the German grid.

Hitachi Energy also won another major order to support Germany's energy transition. Hitachi Energy will supply a transmission solution for the SuedLink DC4 HVDC link between the north and south of the country. The HVDC Light® transmission system will transmit 2,000 MW of renewable energy to up to 5 million households and help Germany achieve its carbon neutrality target by 2045. A large part of the supply of the inverter stations will come from Hitachi Energy's operations in Sweden, mainly in Ludvika.

Urban energy needs are increasing, especially in densely populated areas where land is already scarce, and difficulties can arise in securing new utility easements for traditional transmission lines. In such situations, the company's HVDC technology can make it possible to deliver large volumes of high-quality power to the places where it is most needed with complete control and in a very compact footprint by using underground or submarine cables that are not visible.

During the year, the company won two orders in this area. One in the US where, via an inverter station for the Champlain Hudson Power Express HVDC link, Hitachi Energy is helping transmit renewable energy from Canada to over 1 million households in New York. The second is in Mumbai, India, where the technology will provide almost 50% more energy to 20 million people.

Hitachi Energy will also connect the Hornsea 3 wind farm, one of the world's largest offshore wind farms, to the UK grid. The HVDC Light® transmission system, much of which is supplied by the company's operations in Sweden, will help provide renewable energy to more than three million households.

In Poland, the company will integrate two offshore wind farms with Poland's power grid and provide emission-free electricity to more than 2 million Polish households. Hitachi Energy will provide each of the two wind farms with an offshore AC link to transmit power from the wind turbines to shore, a grid connection to the mainland to transmit power to the national grid, and a power quality STATCOM to ensure that power flows reliably and stably at optimum capacity and at all times, despite the often highly variable nature of wind power.

Driving the national development of a sustainable energy system

Hitachi Energy is also involved as an enabler of a sustainable, flexible, secure electricity system in Sweden. To ensure the stability and reliability of the grid, the company will deliver two STATCOM installations to the Hamra and Hall substations in central Sweden. STATCOM provides continuously variable reactive power in response to voltage variations, strengthening the grid and improving power quality to enable additional grid capacity.

Transformers and reactors are also an important component of a stronger grid. Hitachi Energy will supply three large power transformers and nine shunt reactors, with an option for a further six reactors, to three substations in central Sweden to meet the increased demand for power and directly reinforce the grid.

Hitachi Energy also supplied a transformer to the Tovåsen wind power cluster near Ånge. The transformer was transported by road and sea through Sweden and, with its total weight of 700 tonnes, was the heaviest object ever transported on Swedish roads. The transformer will be the heart of the substation and when the wind farms are completed they will form the largest wind power cluster in Sweden. Together, they are expected to produce as much electricity as Greater Stockholm consumes per year, up to 1,500 MW. For purposes of comparison, this is the same annual consumption as 15 cities the size of Karlstad.

Hitachi Energy will also provide Mariestad and Töreboda with a battery-based energy storage system via a partnership with Re-cap and VänerEnergi. The energy storage system in Mariestad will be located adjacent to a large logistics facility and will contribute to a stable, flexible power grid with good capacity to manage peak demand at increased load. The company is supplying the e-mesh™ control system combined with the Power-Store™ energy storage system that will integrate more renewable energy. Energy storage will provide benefits such as a more stable, more flexible grid by managing peaks in consumption, reduced emissions, improved power quality and frequency regulation.

Investments in operations in Sweden

Hitachi Energy is growing in Sweden and is investing in both its operations and its employees. During the year, the company opened a new factory in Smedjebacken to manufacture HVDC and power quality products. At the same time, investments were made in operations in Ludvika and staff numbers at the office in



Luleå were doubled to support customers and partners in the enormous development that is taking place in Norrland right now.

Profit and financial position

Operating profit/loss amounted to SEK -1,113 million (SEK 492 million). The operating profit was adversely affected in three main areas.

- The timing effect of recognition of currency hedges for the order book.
Currency hedging of projects and deliveries received is done on an ongoing basis to hedge future flows in foreign currency. The total currency hedging stock is remeasured at the accounting year-end at the current exchange rate. This remeasurement had a negative impact on earnings during the year, as the Swedish krona weakened, mainly in relation to the export currencies USD, CHF and EUR. The negative impact is a timing effect and if the Swedish krona strengthens or when payments are made in foreign currency and the foreign exchange contracts are redeemed, there will be a corresponding positive effect on earnings.
- A one-off expense related to intra-group acquisition.
Earnings were affected by a one-off expense related to the intra-group acquisition of rights to sell certain products within the Group. This acquisition will already generate higher profits from 2023.
- Initial negative effects of increased material prices and transport costs, and scarcity of materials and components affected our delivery times and earnings levels during the financial year.

Profit/loss for the year amounted to SEK -886 million (SEK 372 million).

Return on capital employed during the financial year was -29.3% (12.6%).

The equity/assets ratio amounted to 17.2% (31.7%).

Hitachi Energy Sweden AB's net cash and cash equivalents (cash and cash equivalents less short-term and medium-term loans) amounted to SEK 1,497 million, which may be compared with the previous year, when net cash and cash equivalents amounted to SEK 885 million.

The order book for Hitachi Energy Sweden AB at the end of the financial year was SEK 45,439 million, which is a large increase compared to the previous year, when it amounted to SEK 26,976 million.

The average number of employees was 4,104 during the financial year, compared with 3,931 in the previous year. The company continues to recruit in certain growth areas.

Research, development and other investments

During the year, Hitachi Energy Sweden AB invested SEK 931 million (SEK 834 million) in research and development.

Technology and research and development remain central to Hitachi Energy Sweden AB's long-term operations. In line with this, a strategy for universities and higher education institutions was prepared to promote the company's core operations. The strategy focuses on initiatives that have a positive impact on the company's research, innovation and technology development, for example through exchange of knowledge and joint research projects, as well as important partnerships to enable the company to recruit the best talent and develop the employees of the future.

During the year, Hitachi Energy signed a memorandum of understanding with H2 Green Steel to leverage electrification, digitalisation and hydrogen to help decarbonise the steel industry. The memorandum of understanding describes a partnership based on three components: (1) Hitachi Energy's investment in H2 Green Steel; (2) products and services from Hitachi Energy needed to build and improve the electrical infrastructure to power steel production and the green hydrogen plant; and (3) green steel to be used in the manufacture of Hitachi Energy's products once H2 Green Steel is in production.

To meet the increasing need to recruit staff, Hitachi Energy announced during the year that it will start a trainee programme for production in Ludvika in the autumn of 2023. The company already has a trainee programme for graduate engineers. The new production trainee programme lasts for 10 months, with permanent employment from day one. The programme includes three placements lasting three months each in different operating units in Ludvika and after the last period the trainees are allocated a permanent position.

Hitachi Energy Sweden AB invested SEK 290 million (SEK 206 million) in machinery, equipment, land and buildings during the financial year.

Internal control

Hitachi Energy Sweden AB works in a structured manner on internal control based on Japan's Financial Instruments and Exchange Law (J-SOX), which comprises a set of standards and rules relating to internal control for companies listed on the Japanese stock exchange. The company works constantly to simplify and standardise operational processes, resulting in continuous improvements to the efficiency of the control environment.

Foreign branches

Hitachi Energy Sweden AB has branches in Norway, Algeria, Ghana, India, Iraq, Pakistan and Tajikistan.

Outlook for the coming financial year

Hitachi Energy Sweden AB will continue to be a world-leading supplier of power technology solutions for the entire value chain. With innovative technology, the company will continue to create the sustainable energy landscape of the future to enable a more sustainable, flexible, secure power grid.

Demand for transmission of energy, integration of renewable energy and interconnection of countries' power grids continues to grow, while industry and whole societies are being increasingly electrified. This means that the company is well placed with an attractive offer that drives profitable growth.

Sustainability report

This sustainability report constitutes the company's statutory sustainability report and is part of the directors' report for Hitachi Energy Sweden AB, corporate identity number 556029-7029.

The report covers the financial year 1 April 2022 -31 March 2023. The report has been prepared in accordance with Chapter 6, Section 12, of the Swedish Annual Accounts Act. The sustainability report describes the company's approach to sustainability issues.

'Sustainability 2030' is the company's plan for global sustainability through which the company aims to contribute social, environmental and economic value. The strategy is based on the UN Sustainable Development Goals and focuses on: planet, people, peace and partnership.

These global goal areas are in line with the four areas that Hitachi Energy Sweden AB is working on locally in terms of governance and risk management, for example:

1. Environment
2. Respect for human rights
3. Personal and social relations
4. Integrity including countering corruption

The report is available at www.hitachienergy.com/se/sv.

Sustainability a necessity for development

Sustainability is the top priority at Hitachi Energy. The aim of operations is a sustainable energy future, and the company helps achieve this with cutting-edge solutions to make the world's power grids more sustainable, flexible and secure.

Hitachi Energy develops the world's energy systems to make them more sustainable, flexible and secure. We work with our customers and partners to make this possible. As more renewable power sources are connected to the grid to gradually replace fossil fuel-based power sources, we need to ensure that the grids remain reliable and can handle both an increasing share of unplanned electricity generation (for example wind and solar power) and variable electricity demand. This can only be delivered by effective digitisation of all parts of the electricity value chain .

Certified management system and policies

Hitachi Energy in Sweden has a certified management system covering quality, health and safety, the environment and energy. This means that the company works systematically across all departments and functions to make improvements in these areas. This is an important part of our business strategy.

Our Targets

 <p>Planet</p> <p>Carbon-neutral in our own operations (Scope 1 and 2)</p> <p>↓50% CO₂ emissions along the value chain (Scope 3)</p> <p>↓50% waste disposed</p> <p>↓25% freshwater use</p> <p>↓25% hazardous substances and chemicals</p>	 <p>People</p> <p>Zero harm</p> <p>Top quartile health absence rates</p> <p>Lifelong learning culture, increase female diversity from 19% to 25% by 2025</p>	 <p>Peace</p> <p>Zero incidents of corruption and bribery</p>	 <p>Partnerships</p> <p>Increase involvement in multi-stakeholder partnerships</p>
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3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

Figure 1. Hitachi Energy's global strategy, 'Sustainability 2030'. The 8 identified UN Sustainable Development Goals are those to which the company believes it can contribute most based on the underlying descriptions of the goals.



In our Swedish sustainability policies, we are committed to complying with laws and other binding requirements and to continuously improving our governance to achieve greater sustainability.

A new global policy for health, safety, the environment and sustainability was published at the end of the year and we will therefore phase out our Swedish policies in 2023. The new policy states that the company's ambition is to create environmental and social value with our partners and we undertake to:

- Ensure safe, healthy working conditions in our operations and promote safety throughout the value chain;
- Contribute to the acceleration of the electrification and decarbonisation of society, to strive for carbon neutrality in our own operations and to identify/assess/reduce/eliminate business risks related to climate change;
- Create and protect social and environmental value by taking responsibility in our value chain: design, purchasing, manufacture, transport, operation of our products and systems at our customers' sites and the scrapping phase.

Our ambition is to apply a circular approach to optimise the use of energy, water, materials and hazardous substances, and reduce and prevent waste and pollution in our operations and throughout the life cycles of our products and systems.

Energy efficiency is a key parameter in the development of our products and systems, and also in our own operations when acquiring new equipment, in major renovations and in new construction and design;

- Regularly engage with customers, partners, communities and other external stakeholders to understand their expectations, support the achievement of the UN Sustainable Development Goals and create value.
- Support and implement internationally recognised guidelines such as the UN Sustainable Development Goals, ISO standards, the Science Based Target Initiative, the ILO Core Labour Conventions and the UN Guiding Principles on Business and Human Rights.

1. Environment

Hitachi Energy in Sweden works not only to improve its product portfolio, especially in terms of efficiency and losses, but also to improve the environmental impact of its operations in factories and offices and also in the value chain, by working actively with both suppliers and customers.

Once a year, operations are audited by Bureau Veritas to verify compliance with the requirements of the ISO 9001, ISO 45001, ISO 14001 and ISO 50001 standards.

Hitachi Energy operates at six locations in the country, three of which require permits and one must be registered under the Swedish Environmental Code:

- Figeholm – Manufacture of insulation components for transformers, A permit.
- Ludvika – Manufacture of products for high voltage power transmission, B permit.
- Piteå – Manufacture of composite parts for transformers, B permit.
- Landskrona – Manufacture of cooling systems for electrical appliances, C permit.
- Västerås – Mostly offices, manufacturing on a small scale.
- Smedjebacken – manufacture of valve-type surge arresters.

No permits were renewed during the year and no permits will be renewed next year, but in Ludvika a process is under way to extend the operating permit to handle our growing order book. Many orders mean that our equipment will be located close to the sea, which means customers require higher corrosion resistance. This in turn means that we have to use paint systems with a higher solvent content. In addition, we will apply for an amendment to the permit regarding the use of epoxy resin owing to the transition from oil-filled or SF6-filled equipment to dry equipment.

Risks

In normal operation, Hitachi Energy consumes electricity, heat and fuels, and we handle metals, plastic/rubber materials and pulp, as well as oils and other chemicals. This generates emissions in the form of carbon dioxide equivalents, other emissions into the air associated with combustion, solvent discharges, discharges into water and waste.

Environmental risks associated with abnormal operations, i.e. incidents and accidents, include the release of oils and other chemicals and fire.

We prevent incidents by means of systematic work on risk assessments and detailed communicated procedures, and we mitigate the consequences of those that do occur by means of good emergency preparedness.

Environmental strategy

Hitachi Energy's environmental impact is mainly associated with the following areas:

- energy and greenhouse gases
- chemicals and hazardous substances
- the flow of materials through the business

Energy and greenhouse gases

Hitachi Energy's energy strategy in Sweden includes energy management according to ISO 50001. The company works systematically, using energy audits and implementing energy saving measures, to reduce energy intensity. The measures carried out in the 2022 financial year include, for example, switching to LED lighting, new pumps and fans, improved fan control, switching to more energy-efficient processes (cooling, fan filters) and decommissioning an oil central. Compared to 2013 energy consumption, energy saving measures were implemented up to the end of the first quarter of 2023 which together correspond to a theoretical energy saving of 22%. The current target is to reach 25% by the end of 2023.

The energy strategy also includes reducing carbon dioxide equivalent emissions. Low-carbon electricity is purchased for our operations and, where possible, the company ensures that buildings are heated or cooled with the lowest possible emissions through district heating and, in some places, district cooling or residual heat from its own industrial processes and, in Ludvika, using lake source heat. Fossil fuels are still used in two industrial processes, one in Figeholm and one in Ludvika. The volume used is linearly linked to our production volumes, i.e. when more is produced, carbon dioxide emissions are correspondingly higher.

The company is working to find solutions to reduce and/or replace these fossil fuels. In Figeholm, an investment project is being prepared to reduce energy use and phase out fossil fuels. The plan is to complete the project by the end of 2025. The feasibility study on phasing out fossil fuel use in Ludvika has been slightly delayed and is expected to start in 2023.

SF₆ gas (sulphur hexafluoride) used to insulate high voltage equipment is technically very good, but is a very powerful greenhouse gas. The containment of pressurised gas is always a challenge and there is systematic work both on improvements to SF₆-related equipment and alarm systems, and on procedures to keep emissions at a low level. During the financial year, there were nevertheless a number of leaks, partly owing to two incidents, but also small leaks linked to the connection and disconnection of equipment, totalling almost 72 kg, which corresponds to approximately 1,635 tonnes of carbon dioxide equivalents. The investigations into the incidents resulted in a number of improvements.

We have been working for many years to phase out SF₆ and have developed circuit breakers for lower voltage levels up to 145 kV that are insulated with carbon dioxide instead. In 2024, the company expects to launch a 420 kV carbon dioxide insulated circuit breaker. In terms of transformer bushings, the trend is to move to epoxy-cast variants where neither SF₆ nor oil is needed for insulation.

Chemicals and hazardous substances

Hitachi Energy's chemicals strategy in Sweden involves systematically phasing out hazardous substances.

The target is to reduce the number of operations involving hazardous chemicals by 15% by the end of 2023, compared with the beginning of 2020. So far, hazardous chemicals have been eliminated from 12 operations, representing 17% of workplaces involving hazardous chemicals at the beginning of 2020.

Hazardous substances are being phased out in collaboration with our chemicals suppliers. Sometimes it is easy, but phasing out may also pose challenges, for example in terms of personal safety and product quality. Research and development is therefore part of our efforts to find replacements for hazardous chemicals.

The goal of not having any hazardous substances in the business is variable, as knowledge of the hazardousness of chemicals is constantly growing, which means that more and more are being classified as hazardous. For example, in 2021, around 100 chemicals were reclassified as hazardous based on our own assessment criteria, owing to their content of endocrine disruptors. Our assessment criteria in Sweden are based on legislation and also on the BASTA criteria of the construction industry.

As our facility in Ludvika processes large quantities of hazardous chemicals, it is classed as a Seveso site. The Seveso Directive imposes especially strict requirements for knowledge, risk assessments and emergency planning adapted for this, which is part of our management system and subject to continuous improvement.

Some Hitachi Energy products must be insulated with oil or other insulating fluids. The possibility of using fluids based on biological raw materials has been explored for some time now. Customers can already buy a transformer insulated with bio-based oil.

Material flow through the business

The flow of materials through the business causes environmental impacts at many stages: extraction of raw materials, processing and transformation of the material into the form we buy, transport, storage in heated areas, truck driving, electricity consumption, chemicals use, waste management, transport again, etc. Reducing the flow of materials benefits both the environment and profitability. This work starts in the design phase and continues in the construction phase and also in the manufacturing phase of our products. The aim is to try to avoid waste so that the volume of material purchased can be reduced.

The waste that is still generated is managed in partnership with the waste suppliers so that as much as possible can be recycled. The possibility that third parties could reuse some of the waste in some way is also being considered.

The long-term goal is to send nothing to landfill or incineration. The target for 2030 is to halve these volumes compared with 2013. Several different projects are in progress to achieve this target, including improved sorting at source and more fractions, reduced transport by compressing waste, single-use packaging being replaced by returnable boxes, reduced resource use through smarter packaging, and investigation of the recycling of specific substances that previously went to landfill. In addition, more measurements of waste have been introduced, further improving the conditions for a more systematic approach to waste reduction.

Other environmental impact

In addition to the environmental impact described above, there are dust emissions and solvent discharges. In Ludvika there is a small treatment plant for a specific process step, in which the treated water is discharged into the nearby lake, and a number of oil separators that treat the surface water from the industrial area before it enters the lake. There are also a considerable number of transport movements to and from the site.

Hitachi Energy uses cooling water from a lake in Ludvika and from a lake in Figeholm, but it is released back into the respective watercourses a few degrees warmer than before. Otherwise, almost no process water is used.

Events during the year

Operations were carried out according to plan over the past year and the conditions of our permits were met. No major incidents or disruption occurred.

2. Respect for human rights

Respect for human rights is a cornerstone of the behaviour expected of everyone who works for us, both as an employee and in our supply chain. We have a strict zero tolerance policy for any breaches of the law or our code of conduct.

Respecting human rights is a matter of course for Hitachi Energy. A lack of respect for human rights can harm people and have a negative effect on our business, with potential legal, financial and reputational consequences.

The company has several different processes and policies that ensure compliance with human rights in our operations and value chains. In addition to our policies (see the section on Certified management system and policies), these include the company's Code of Conduct and Supplier Code of Conduct, as well as supplier and contractor forms.

If there are suspected violations of human rights or our policies, several channels are available to report them, both for Hitachi Energy employees and external stakeholders. (Read more in the section Integrity and countering corruption)

Risk assessment

Hitachi Energy is committed to operating ethically and minimising the risk of impacts on human rights in our own operations and supply chains.

Risk management is structured around four processes:

- Our Human Rights Due Diligence (HRDD) process is the core of risk management, and focuses on assessing where human rights can be impacted, the degree of difficulty and the likelihood of such impact, and measures to counter this.
- Raising awareness of the issues within Hitachi Energy and building internal expertise.
- Collaborating with and learning from external organisations and stakeholders.
- Continuous improvement work by identifying failings, acting on these failings, and then communicating this process.

Successful compliance with human rights is a journey that requires transparency, taking responsibility and cooperation with different stakeholders, including suppliers.

The focus will continue to be on striving to become even better at identifying potential risks and on reinforcing the management of these risks through a more systematic HRDD approach.

Training

To address human rights risks, Hitachi Energy works to raise awareness and build expertise. In line with the UN Sustainable Development Goals, the fourth of which concerns quality education, the focus is on four main areas:

- Management training at different levels in our organisation
- to equip decision-makers with relevant know-how to be able to identify and manage risks related to human rights.
- Developing awareness of these issues in the supply chain through the Supplier Sustainability Development Program.
- Promoting open reporting and a transparent corporate culture by highlighting and encouraging the use of existing channels for reporting suspected human rights abuses.

In addition to continuing to work on the above points, the future will also see a focus on training for those functions most exposed to human rights issues.

Partnerships

Hitachi Energy supports a number of leading organisations in their efforts to increase corporate understanding of human rights issues. This allows the company to contribute and learn from others at the same time.

3. Social relations and staff

Our employees are the company's primary asset. It is their effort that lays the foundations for a sustainable business. Ensuring that all Hitachi Energy employees feel safe and secure and are able to perform at their best is critical to the company's success.

The company's policies on diversity, gender equality and health and safety form the basis of its work on social relations and employees.

Health strategy lays the foundations

The company's vision is of a workplace in which all employees have the opportunity to flourish, develop and thrive. If the business is able to harness the potential and skills of each employee, they will perform better, enabling the company to develop.

The company's health strategy that sets the direction for the work performed. Our health strategy is divided into four focus areas: organisational and social working environment, ergonomics and lifestyle and well-being are three of them. Within these areas, the company focuses on healthy leadership, work-life balance, anti-harassment and the importance of inclusion and clear goals. Each unit carries out regular health checks and all employees are trained in stress management.

The fourth focus area is the borderless digital workplace, an area that gained greater relevance in the past year due to the pandemic. Many of our office-based employees have been working from home since March 2020. To prevent physical risks and contribute to a safe workplace at home, all employees were offered the opportunity to borrow equipment such as a desk, chair and monitor for their home office.

The pandemic did not lead to increased sickness rates or sickness absence, nor have we seen any psychosocial consequences. However, the latter is a consequence that is difficult to identify and there are ongoing assessments of the risks associated with working from home, including to identify ill-health of various kinds. We support the company's managers to manage remotely in the challenges and opportunities this presents.

The evolution of the borderless digital workplace has resulted in the future new normal – post-pandemic.

As the world of work is undergoing a huge change and the world around us changes, the company strives to evolve with it to remain an attractive employer.

The company believes that greater flexibility about where and how work is done will increase the chances of attracting, developing and retaining employees.

The ambition is to adapt the company to digital evolution and continue to develop in the field of virtual meetings and interaction in a hybrid working environment. Increased flexibility also enables a sustainable work-life balance for employees and increased productivity. Setting a framework for the new normal is the first step towards a new way of working and creating the workplace of the future.

The intention is to create a new way of working based on the best from before the pandemic, what the company learned during the pandemic and the improvements that can be made in the future.

Talent management

Over the next ten years, Hitachi Energy has a major need for new recruitment, and also for replacement recruitment in connection with retirements.

One of our foremost challenges is accordingly to attract new talent that can be mixed with the experience possessed within the company. We operate in a labour market in which many companies compete for the same talent and we see our advantage in developing and producing world-leading technologies.

To reduce the risk of a loss of talent, we are looking to increase interest in technology in general and energy provision in particular. Our aim is to create an accompanying journey for young people from meeting them at secondary school and onwards to upper secondary school, university and other higher education institutions. For example, we participate in local projects in Dalarna and Västmanland, support various community initiatives to increase interest in technology and offer summer jobs and opportunities for students to write academic papers and do degree projects with us.

Gender distribution

Hitachi Energy actively promotes gender balance in the company, including through various initiatives targeting women at the end of their university education and by ensuring that we always have a man and a woman as final candidates in our recruitment processes. We have already passed the Group's 2025 target of 25% women in the company and currently have 26% female employees and 26% female managers. In 2022, we recruited 850 employees, 32% of whom are women.



Diversity

Hitachi Energy believes that people with diverse experience and perspectives are essential to create the innovative climate required for long-term business success. As a global company, we know that our success depends on the diversity and skills of our employees.

At Hitachi Energy, we believe that diversity is the difference that makes us all unique. This includes visible differences such as age, gender, ethnicity and physical capabilities, plus underlying differences such as religion, beliefs and ways of thinking and acting. We should treat everyone with respect and dignity in accordance with our business principles.

Our Diversity Policy states that Hitachi Energy is committed to:

- Working actively to ensure that both the physical and psychosocial working environment is suitable for all employees.
- Making it easier for all employees to reconcile work and parenthood.
- Preventing and avoiding harassment.
- Investigating all cases of discrimination and harassment in the workplace and taking appropriate action.
- Giving all employees opportunities for development and training.
- Actively promoting gender balance in our activities.
- Ensuring that no employee suffers pay discrimination.

There are clear, structured processes in place to counter risks associated with diversity. Starting in 2021, and continuing in 2022, all employees were trained in awareness of their unconscious bias. All managers also undergo a people-centered leadership training course that focuses on creating an inclusive working environment in which everyone can contribute and develop based on their own abilities.

Health and safety

The aim of Hitachi Energy's health and safety work is to create a physically, organisationally and socially healthy workplace in which all employees can develop. The premise is that we influence each other's working environment and that work-related ill health and accidents can be prevented. We work closely with customers, suppliers and contractors to achieve these aims. We also ensure that our contractors comply with our health and safety rules in accordance with the management system.

The systematic health and safety work is subject to a health and safety management system in accordance with the requirements of the ISO 45001 standard. All units formulate health and safety goals for improvement work based on the focus of their own activities and on our overall health and safety goals and our health and safety policy, which is based on the global policy for health, safety, the environment and sustainability.

Everyone in the company has responsibility for health and safety. Managers coordinate and drive the ongoing health and safety work and create a good, safe working environment with the participation and shared responsibility of employees. Active participation is key to success. We attach great importance to the preventive health and safety work that takes place in close collaboration between management, employees, the safety organisation and occupational health services, and to internal health and safety expertise. To allow us to make continuous improvements, health and safety performance is evaluated on an ongoing basis, for example via management reviews, internal audits, safety inspections and day-to-day management.

Some of the main operational risks are electrical work, working at height and cutting and crushing injuries. The systematic work done to prevent, reduce and eliminate risks includes:

- Registration of hazards, which is an important parameter for risk prevention. All employees have a responsibility to be aware of and respond to hazards, abnormalities or risks that could lead to accidents and ill-health.
- Risk assessments, including activity-based risk assessments (ABRA) for specific tasks and Stop Take 5, which is carried out before the start of any work, regardless of the task.
- 10 Life Saving Rules applied to raise awareness of hazards and how to prevent events/incidents in critical high-risk activities.
- Ensuring that the correct personal protective equipment is used at all times.
- Ensuring that all employees are properly trained for the task at hand. For example, all new employees undergo general induction training, and training is provided in areas such as electrical safety, fall protection and hand safety.

Hitachi Energy's long-term, systematic health and safety work has paid off. The TRIFR value (total recordable injury frequency rate, the number of incidents resulting in a fatal or serious injury, a lost or limited working day, incidents involving medical treatment and occupational diseases) has decreased significantly, from 2.04 in 2012 to 0.36 in 2022.

Events during the year

A dominant feature of the past year was the pandemic and the return to normality after the restrictions were increasingly relaxed. Managing this has been a focus of Hitachi Energy's health and safety work. Among other things, the company has developed a strategy for the new normal and rules have been put in place to allow staff to continue to work from home. Those working from home also have access to ergonomic support and adapted furniture.

4. Integrity including countering corruption

Hitachi Energy does not tolerate breaches of the law or our Code of Conduct. The values expressed by the company on safety and integrity are a cornerstone that ensures we do not operate in a way that puts people at risk or involves unethical practices.

The Swedish company's integrity programme is part of Hitachi Energy's global integrity programme. Integrity is at the heart of all of Hitachi Energy's operations. With us, integrity starts with leadership and taking responsibility. The message from company management is that we are clearly committed to our safety, integrity and quality undertakings, which are essential to our operations, and that we refrain from doing business that does not meet our requirements. In regular videos, articles and letters to employees, Hitachi Energy's global CEO and senior management emphasise the commitment to operate without ever violating rules and regulations. All local business unit managers hold regular discussions on integrity issues to ensure that messages about integrity come from the person who sets the business goals: integrity and business go hand in hand.

Everyone who works for or with Hitachi Energy must comply with the integrity standards set out in the company's Code of Conduct and Supplier Code of Conduct (available at: <https://www.hitachienergy.com/about-us/integrity/standards/code-of-conduct>).

Our personal integrity commitments are also set out in the Code of Conduct. The personal commitments are as follows:

- we are honest, sincere and accountable to each other for our actions – we immediately address any questions or concerns about suspected violations of our Code of Conduct;
- we are polite and respectful towards each other and our stakeholders – we are fair, reliable and cooperative in all our business activities;
- we create creative solutions that are consistent with our Code of Conduct – we comply with applicable laws and our principles of ethics and integrity;
- we help build a sustainable future – we protect the environment, apply sound health and safety procedures and respect human rights;
- we work with a strong sense of personal responsibility for our company – protecting its reputation, brand and assets.

Our internal policies and instructions are designed to ensure compliance with the Code of Conduct.

Training

To prevent problems, it is important to be aware of the risks that exist. Training in integrity is therefore important. All new employees are required to take a course in integrity, and, in the first quarter of 2021, an online refresher course on integrity was launched for employees who have a company email address. In addition, a new mandatory annual online training course, Hitachi Global Ethics and Compliance, was introduced in October 2022.

Systems for reporting

Systems to detect and address ethical misconduct are central to the company's integrity programme. In addition to several other channels for reporting integrity concerns (reporting can be to your immediate manager, a representative from Legal & Integrity, the local or regional Head of Legal or Head of Integrity or the global Head of Integrity), there is a web portal for anyone who prefers to use the internet: Hitachi Energy EthicsPoint (<https://secure.ethicspoint.eu/domain/media/en/gui/109107/index.html>).

There is also an Ethics hotline phone service that is available 24/7 in over 180 languages. The Ethics hotline and web portal are managed by a third party and reporting can be anonymous.

In light of Swedish legislation and a Swedish Authority for Privacy Protection decision, reporting via the Ethics hotline and web portal is only possible about employees in key positions or executive management. Only matters involving serious accounting irregularities, internal controls related to bookkeeping, bribery and other serious cases affecting Hitachi Energy's vital interests or health and safety issues may be reported via the Ethics hotline and the web portal. For other matters, employees in Sweden may use any of the other reporting channels unless the policy on reporting integrity issues applies.

All reports received will be treated confidentially, reviewed and investigated appropriately. Appropriate actions will be taken against any wrongdoing exposed, including disciplinary measures that may entail termination of employment, subject to local employment law rules.



Hitachi Energy has a strict zero tolerance policy for breaches of the law or our Code of Conduct. Nor do we tolerate acts of revenge, or other types of punishment, ostracisation, harassment, unwanted reassignment, or any other type of discrimination against an employee who has, in good faith, reported something to the company about illegal or unethical conduct.

As part of our health and safety at work requirements, harassment, whether face-to-face, in writing, digital or verbal, will not be tolerated. We want all employees to feel welcome and comfortable and we will address any integrity concerns they may possibly have. To this end, we continuously strive to ensure that our employees, partners and anyone who does business with us is not harassed in any way.

Our integrity programme is being developed

As befits a leading technology company, we intend to use data analytics and other advanced tools to further improve our integrity work. In this way, our integrity programme will evolve with our business as it grows, changes and develops.

Events during the year

In 2022/first quarter of 2023, Hitachi Energy was not subject to any significant fines or sanctions owing to non-compliance with laws and regulations.

As previously mentioned, a new mandatory annual online training course, Hitachi Global Ethics and Compliance, was introduced.

In the first quarter of 2023, Hitachi Energy, including Hitachi Energy Sweden AB, was certified compliant with ISO 37 001 Anti-Bribery Management Systems.

Proposed appropriation of profit

Proposed appropriation of profit (SEK)

The following funds are at the disposal
of the Annual General Meeting:

Profit brought forward	3,096,777,173.42
Profit for the year	- 886,371,265.16
Total	2,210,405,908.26

The Board of Directors and the CEO propose that the
profits available for distribution be appropriated as follows:

Dividend to shareholders	0
and carried forward	2,210,405,908.26
Total	2,210,405,908.26

Key ratios – Five-year review

The financial year 1 January 2020 – 31 March 2021 was 15 months long and the other years are 12 months long.

The review is as per the legal structure at each reporting date. Up to 31 October 2019, the former ABB Group in Sweden was also included, which also comprised Hitachi Energy Sweden AB.

(SEK m)	2022/2023	2021/2022	2020/2021	2019	2018
Order entry	34,704	21,216	15,507	32,321	26,804
– of which exports	31,778	19,670	13,851	27,187	20,471
Net operating sales	14,224	13,475	16,189	25,693	30,245
– of which exports	12,436	12,496	13,810	20,930	24,869
Profit after financial items	-1,108	516	-1,965	225	2,033
Profit for the year	-886	372	-1,853	189	1,658
Net cash and cash equivalents	1,497	885	1,008	2,107	1,117
Equity/assets ratio	17.2%	31.7%	31.1%	23.3%	34.8%
Return on capital employed	-29.3%	12.6%	-49.5%	3.5%	18.2%
Return on equity	-26.7%	9.9%	-52.4%	3.4%	17.5%
Order book	45,439	26,976	18,891	20,428	21,060
Average number of employees	4,104	3,931	3,852	6,784	7,916
R&D expenses	931	834	1,175	2,191	2,481
Investments in machinery and properties	290	206	231	406	612



Income statement

Income statement (SEK m)	Note	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Net sales	3	14,224	13,475
Cost of goods sold		-11,991	-10,330
Gross profit		2,233	3,145
Selling expenses	4	-1,014	-972
Research and development expenses	4	-931	-834
Administrative expenses	4, 5	-1,128	-852
Other operating income	6	8	4
Other operating expenses	7	-281	0
Operating profit		-1,113	492
Profit from financial items:			
Interest income and similar profit items	8	25	30
Interest expenses and similar profit items	8	-20	-6
Total profit from financial investments		5	24
Profit after financial items		-1,108	516
Appropriations	9	2	-37
Tax on profit for the year	10	220	-107
Profit for the year		-886	372

Balance sheet

Assets (SEK m)	Note	31 March 2023	31 March 2022
Non-current assets			
Intangible assets	11, 27		
Software for own use		31	14
		31	14
Property, plant and equipment	12, 27		
Land and buildings		1,548	1,595
Plant and machinery		666	708
Equipment, tools, fixtures and fittings		400	376
Construction in progress		314	262
		2,928	2,941
Financial assets			
Deferred tax assets	17	526	302
Other securities held as non-current assets	13	384	405
Other non-current receivables	13	0	1
		910	708
Total non-current assets		3,869	3,663
Current assets			
Stock, etc.			
Raw materials and consumables		1,688	1,104
Products in progress		1,044	897
Finished goods and goods for resale		153	132
Work in progress	16	4,215	2,998
Advance payments to suppliers	2	149	98
		7,249	5,229
Current receivables			
Accounts receivable – trade	2	3,921	2,596
Tax assets		105	103
Other receivables	2, 24, 26	2,487	1,899
Prepaid expenses and accrued income	2, 14	76	86
		6,589	4,684
Cash and bank balances	2, 24	67	29
Total current assets		13,905	9,942
Total assets		17,774	13,605

Equity and liabilities (SEK m)	Note	31 March 2023	31 March 2022
Equity			
Restricted equity			
Share capital		400	400
Statutory reserve		80	80
		480	480
Non-restricted equity	15		
Profit brought forward		3,097	3,097
Profit for the year		-886	372
		2,210	3,469
Total equity		2,690	3,949
Untaxed reserves	9	460	462
Provisions			
Provisions for pensions and similar obligations	18	384	405
Other provisions	19	880	750
Total provisions		1,264	1,155
Current liabilities			
Advance payments from customers	2	1,091	948
Accounts payable – trade	2	3,892	2,576
Other liabilities	2, 16, 24	6,108	2,332
Accrued expenses and deferred income	2, 20	2,269	2,183
Total current liabilities		13,360	8,039
Total equity and liabilities		17,774	13,605

Change in equity

Change in equity	Share capital	Statutory reserve	Fair value reserve	Profit brought forward	Total equity
Opening balance, 1 January 2021	400	80	0	3,097	3,577
Profit for the year				372	372
Closing balance, 31 March 2022	400	80	0	3,469	3,949
Opening balance, 1 April 2022	400	80	0	3,469	3,949
Profit for the year				-886	-886
Dividend as proposed at the Annual General Meeting				-372	-372
Closing balance, 31 March 2023	400	80	0	2,210	2,690

Hitachi Energy Sweden AB's share capital consists of 3,604,000 class B shares with 1/10 of a vote each.

Cash flow statement

Cash flow statement (SEK m)	Note	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Operating activities			
Operating profit		-1,113	492
Adjustment for depreciation and amortisation		307	305
Adjustment for change in provisions		110	75
Adjustment for market value of derivatives		996	186
Adjustment for other liabilities not affecting cash flow		10	0
		310	1,058
Interest received	25	25	0
Interest paid	25	-13	-5
		12	-5
Income tax paid		-7	-11
Cash flow from operating activities before changes in working capital		315	1,042
Change in accounts receivable – trade		-1,325	354
Change in other current receivables		319	-270
Change in stock, etc.		-2,019	-1,272
Change in accounts payable – trade		1,316	371
Change in advance payments from customers		143	235
Change in other current liabilities		2,529	-389
		963	-971
Cash flow from operating activities		1,278	71
Investing activities			
Change in non-current receivables		1	5
Acquisition of property, plant and equipment		-290	-205
Acquisition of intangible assets		-18	-6
Acquisition of financial assets		13	12
Sale of non-current assets		0	0
Cash flow from investing activities		-294	-194
Financing activities			
Dividend paid		-372	0
Cash flow from financing activities		-372	0
Increase/decrease in cash and cash equivalents		612	-123
Cash and cash equivalents at start of year	24	885	1,008
Cash and cash equivalents at year-end	24	1,497	885

Notes

Note 1

Accounting policies

The annual report has been prepared in accordance with the Swedish Annual Accounts Act and BFNAR 2012:1, applying the accounting policies specified below.

Amounts are presented in millions of Swedish krona (SEK million) unless stated otherwise. Due to rounding, there may be differences in the balance sheet and income statement.

Revenue recognition

Revenue from the sale of products is recognised when the title and significant risks have passed to the buyer. Transfer of title and risks to the buyer is governed by the contracts' terms of delivery.

Revenue and profit from projects are recognised as projects are completed in accordance with the percentage of completion method. The percentage of completion is calculated by actual expenses being related to forecast total expenses. The forecast expenses are revised and updated continuously. The accumulated effect of a change in the forecast is recognised in the period in which the change is implemented. Revenue recognised but not invoiced is classified as Work in progress and Revenue invoiced but not recognised is classified as Other current liabilities in the balance sheet.

Revenue from service transactions is normally recognised when the service has been performed. For long-term service contracts, revenue is recognised in a straight line over the term of the contract or, if the service is not linear by nature, when the service has been performed. The percentage of completion method is used for service projects.

For loss orders, provisions are made in full to cover expected losses as soon as such losses are feared. These are included in the item Provisions.

Research and development

Expenditure on research and development is recognised as expenses as it arises. Development expenses for customer orders in progress are included in stock and entered as expenses as the project is completed.

Leases

The company uses assets under leases that may be finance leases or operating leases. All leases in the company are recognised as operating leases.

Taxes

The company's total tax comprises current tax and deferred tax. Deferred tax is recognised when, on the balance sheet date, there are differences between carrying amounts and tax values for assets and liabilities. The tax benefit of loss carry-forwards and other future tax deductions is recognised as deferred tax assets if it is probable that the deductions can be set off against future surpluses within the foreseeable future.

Receivables

Receivables are recognised at the lower of nominal value and the amount expected to be received.

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated to SEK at the time of the transaction. On the balance sheet date, receivables and liabilities are translated at the closing day rate and exchange differences are included in profit for the year. Advance payments from customers and to suppliers are recognised at the exchange rate at the time of payment as no liability to repay is anticipated.

Derivatives

All derivatives are recognised at fair value in the balance sheet. Changes in value of derivatives are recognised on a current basis in the income statement. Income and expenses are hedged, as well as other known or expected cash flows. Hedge accounting is not applied.

Stock

Stock is valued at the lower of cost, using the FIFO method, and net realisable value. The necessary deduction is made for obsolescence. Expenses for deliveries of plant that have not been completed at the end of the financial year are recognised in the balance sheet as stock.

Endowment insurance

A number of direct pension agreements have been secured with endowment insurance policies. The pension commitments are directly linked to the amount due from the pledged company-owned endowment insurance policies. The endowment insurance policies are recognised as financial assets and the pension commitment as Provisions for pensions. The company's pension solution consists of an insurance solution with recognition of current expenses in the income statement.

Software for own use

Expenses for software for internal use are entered in the balance sheet if they are expected to produce future economic benefits. The depreciation period for software is 3–5 years. Capitalisation is under intangible assets and the heading 'Software for own use'.

Property, plant and equipment

Property, plant and equipment are recognised at historical cost less straight-line, accumulated depreciation and any impairment. Each part of property, plant and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately. This primarily comprises components in properties and of mechanical equipment.

Land is not subject to depreciation as it is deemed to have an unlimited economic life. However, other depreciation periods are calculated using the straight-line method and are based on the following expected useful lives:

• Buildings and land development	20–60 years
• Investments in leased premises (lease term)	2–17 years
• Machinery and equipment	3–15 years
• Production tools	3–5 years
• Computer equipment	3–5 years

Impairment of assets

Non-current assets are tested for impairment every year if events and changes occur that indicate that the carrying amount of an asset is not recoverable. An asset that has fallen in value is impaired to its market value based on the best available information.

Provisions

Other provisions cover identifiable guarantee expenses, penalties, loss orders, special employer's contribution and a restructuring reserve.

Cash and cash equivalents

The cash and cash equivalents recognised are cash and bank balances, plus investments in securities, etc. that have a remaining term of no more than three months at the acquisition date.

Orders received

Orders received and the order book are specified at the price at the expected delivery time.

Accounting estimates

In the preparation of the annual report, the company management used accounting estimates in the recognition of assets and liabilities. This applies to accounting policies which, in their application, require more extensive subjective assessments by the company management in terms of estimates and assumptions in matters that, by their very nature, are difficult to assess. The company management considers the most critical estimates to be:

- assumptions and forecasts, primarily related to future material, labour and project-related expenses, that are used to determine the percentage completion of projects.
- estimates associated with product warranties, environmental damage, regulations and legal disputes or impending disputes.
- assumptions used to determine obsolescence and net realisable value.

Definition of key ratios

(Where they are not described above)

Return on capital employed, %

Profit after financial items, plus interest expenses and exchange differences related to average capital employed. The average is calculated using the capital employed at the start and end of the year.

Return on equity, %

Profit for the year related to average equity. The average is calculated using the equity at the start and end of the year.

Equity/assets ratio, %

Adjusted equity as a percentage of balance sheet total.
Adjusted equity: $\text{Equity} + (\text{Untaxed reserves} \times (1 - \text{tax rate}))$.

Information about the parent company

Hitachi Energy Sweden AB is ultimately owned by Hitachi Ltd 0100-01-008844 (Kabushiki Kaisha Hitachi Seisakusho), which prepares the consolidated financial statements in which the company is included. The registered office of the parent company is 6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8280 Japan.

The closest parent company is Hitachi Energy Ltd in Zürich; CHE-339.599.331, Switzerland. The ultimate parent company prepares the consolidated financial statements, which are available at www.hitachi.com.

Note 2

Inter-company balances

	Group companies 31 March 2023	31 March 2022
Other non-current receivables	-	-
Accounts receivable – trade	2,480	1,762
Other receivables	2,041	1,147
Prepaid expenses and accrued income	8	12
Work in progress	1,612	1,196
Advance payments to suppliers	125	77
Total assets	6,266	4,193
Non-current liabilities	-	-
Advance payments from customers	426	346
Accounts payable – trade	1,428	754
Other liabilities	3,680	1,136
Accrued expenses and deferred income	375	300
Total liabilities	5,908	2,537
Net assets/liabilities	359	1,656

	31 March 2023	31 March 2022
Purchases and sales		
Purchases from and sales to Group companies are shown below.		
Purchases	8,689	7,866
Sales	7,182	5,635

Note 3

Distribution of net sales between units and geographical areas.

Net sales are distributed between units as follows:	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Power Grid Integration	6,837	6,863
Power Grid Transformers	3,396	3,405
Power Grid High Voltage Products	2,140	1,732
Power Grid Automation	1,486	1,155
Others	365	321
Net sales	14,224	13,475

Net sales are distributed between geographical areas as follows:	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Sweden	1,788	979
Europe	6,637	6,562
Asia, Middle East & Africa	3,623	3,625
North and South America	1,528	1,710
Others	648	599
Net sales	14,224	13,475

Note 4

Salaries, other benefits, social security contributions and average number of employees.
Gender distribution of the Board of Directors and management team

Average number of employees in Sweden	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Women	1,086	1,009
Men	3,018	2,922
Total	4,104	3,931

Salaries and other benefits	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Senior executives ^{1) 2)}	16	12
Bonus, etc. to Board and CEO	7	7
Other employees	2,473	2,376

¹⁾ Excluding bonus, etc.

²⁾ Senior executives means directors, deputy directors, the CEO and deputy CEO (excluding employee representatives).

Social security contributions, all employees	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Social security contributions, excluding pension expenses	764	733
Pension expenses	446	471

Of the company's pension expenses, SEK 2 million (SEK 2 million) concerns senior executives²⁾.

Severance payment

On termination, the company's CEO is entitled to the equivalent of 6 months' salary.

If the company issues notice of termination, the CEO is entitled to the equivalent of 12 months' salary.

The Board of Directors and company management had the following members at the end of the financial year:	Board of Directors	Company's other management team, including CEO
Women	0	6
Men	8	9
Total	8	15

Note 5

Audit fees

Accounting firms, 1 April 2022 - 31 March 2023	Audit engagement	Audit business in addition to the audit engagement	Tax advice	Other services	Total
Ernst & Young	7	-	-	-	7
PricewaterhouseCoopers	-	-	1	1	2
Audit fees	7	0	1	1	9

Accounting firms, 1 April 2021 - 31 March 2022	Audit engagement	Audit business in addition to the audit engagement	Tax advice	Other services	Total
Ernst & Young	7	3	-	-	10
PricewaterhouseCoopers	-	-	-	2	2
Audit fees	7	3	0	2	12

Note 6

Other operating income

Operating income	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Rental income	7	4
Other income	1	0
Total	8	4

Note 7

Other operating expenses

	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Other expenses	281	0
Total	281	0

During the financial year, the company took over the rights to sell certain products within the Group.
The effect on profit of SEK 281 million is recognised in the income statement as other operating expenses on a separate line.

Note 8

Interest income, interest expenses and similar profit items

Interest income and similar profit items	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Interest	25	1
Financial income, market valuation of endowment policies	-	29
Total	25	30
Of which interest to Group companies	4	-

Interest expenses and similar profit items	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Interest	-13	-6
Financial income, market valuation of endowment policies	-7	-
Total	-20	-6
Of which interest to Group companies	-3	-3

Note 9

Appropriations and untaxed reserves

	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Appropriations		
Difference between book depreciation and depreciation according to plan	2	-37
Appropriations	2	-37
Untaxed reserves		
Excess depreciation	460	462
Untaxed reserves	460	462

Note 10

Tax on profit for the year

	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Tax on profit for the year		
Current tax	-11	-17
Adjustment of current tax in relation to previous year's profit	6	-
Deferred tax	224	-90
Tax on profit for the year	220	-107

The average effective tax rate is 20% (22%).

	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Reconciliation of effective tax rate		
Profit before tax	-1,106	479
Tax at the applicable tax rate, 20.6% (20.6%)	228	-99
Tax effect of:		
Non-taxable income	1	6
Non-deductible expenses	-5	0
Deductible items booked against equity	-	-
Adjustment in relation to taxes for previous year	6	-
Other	-10	-14
Total recognised tax	220	-107
Effective tax rate, %	20%	22%

Note 11

Intangible assets

	Concessions, patents, licences, trade marks and similar rights		Goodwill	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Opening cost	1	71	0	0
Acquisitions for the year	-	-	-	-
Sales and divestments	-	45	-	-
Asset transferred*	-	-45	-	-
Reclassifications	-1	-70	-	0
Closing accumulated cost	0	1	0	0
Opening amortisation	-1	-71	0	0
Sales	-	-	-	-
Amortisation for the year	-	-	-	-
Asset transferred*	-	-	-	-
Reclassifications	1	70	0	0
Closing accumulated amortisation	0	-1	0	0
Opening impairment	0	0	0	0
Impairment for the year	-	-	-	-
Reclassification	-	-	-	-
Closing accumulated impairment	0	0	0	0
Closing book value	0	0	0	0

* Asset transferred in connection with assets and liabilities.

Software for own use	31 March 2023	31 March 2022
Opening cost	159	269
Acquisitions for the year	18	6
Sales and divestments	0	-1
Reclassification	0	-115
Closing accumulated cost	177	159
Opening amortisation	-143	-256
Sales	0	1
Amortisation for the year	-1	-3
Reclassification	0	115
Closing accumulated amortisation	-144	-143
Opening impairment	-2	-2
Impairment for the year	-	-
Closing accumulated impairment	-2	-2
Closing book value	31	14

Note 12

Property, plant and equipment

	Land and buildings		Plant and machinery		Equipment, tools, fixtures and fittings	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Opening cost	2,413	2,379	3,133	3,120	1,298	1,174
Purchases	25	4	15	11	50	31
Sales and disposals	0	-4	-26	-14	-24	-8
Reclassifications	14	34	75	16	62	101
Closing accumulated cost	2,452	2,413	3,197	3,133	1,386	1,298
Opening impairment	-38	-38	-61	-60	-28	-25
Impairment for the year	-	-	0	-1	-1	-3
Closing accumulated impairment	-38	-38	-61	-61	-29	-28
Opening depreciation	-780	-702	-2,364	-2,280	-894	-803
Sales and disposals	0	4	26	14	24	8
Reclassifications	0	2	0	35	0	-18
Depreciation for the year	-86	-84	-132	-133	-87	-81
Closing accumulated depreciation	-866	-780	-2,470	-2,364	-957	-894
Closing book value	1,548	1,595	666	708	400	376

Construction in progress	31 March 2023	31 March 2022
Opening balance	262	272
Expenses during the year	200	160
Reallocations during the year	-148	-170
Closing balance	314	262

Note 13

Financial assets

Endowment insurance	31 March 2023	31 March 2022
Opening book value	405	387
New premiums for the year	17	22
Payments for the year	-31	-34
Market value for the year	-7	30
Closing book value	384	405

The cost of the above endowment insurance policies is SEK 332 million (SEK 313 million).

Other non-current receivables	31 March 2023	31 March 2022
Opening book value	1	6
Additional receivables	0	0
Deductible receivables	-1	-5
Closing book value	0	1

Note 14

Prepaid expenses and accrued income

	31 March 2023	31 March 2022
Insurance expenses	5	7
Prepaid rent	19	15
Pension premiums	7	5
Accrued income	2	9
Other items	43	50
Total	76	86

Note 15

Proposed appropriation of profits

The following funds are at the disposal of the Annual General Meeting:	31 March 2023	31 March 2022
Profit brought forward	3,096,777,173.42	3,096,576,198.20
Profit for the year	-886,371,265.16	372,202,975.21
Total	2,210,405,908.26	3,468,779,173.41

The Board of Directors and the CEO propose that the profits available for distribution be appropriated as follows:	31 March 2023	31 March 2022
Dividend to shareholders	0.00	372,000,000.00
and carried forward	2,210,405,908.26	3,096,779,173.41
Total	2,210,405,908.26	3,468,779,173.41

Note 16

Work in progress

	31 March 2023	31 March 2022
Income earned for uncompleted projects	35,735	29,955
Invoiced	-31,520	-26,957
Income earned but not invoiced, asset	4,215	2,998

	31 March 2023	3/31/2022
Of the invoiced amounts, the amount withheld by the customer under the terms of the contract is:	0	0

	31 March 2023	31 March 2022
Invoiced	10,522	13,690
Income earned for uncompleted projects	-6,786	-12,338
Income invoiced but not yet earned, liability	3,736	1,352

	31 March 2023	31 March 2022
Of the invoiced amounts, the amount withheld by the customer under the terms of the contract is:	0	0

Income earned but not invoiced and income invoiced but not yet earned is recognised gross per project. The projects in which income earned exceeds income invoiced are recognised as current assets in the item 'Work in progress'. The projects in which income invoiced exceeds income earned are included in current liabilities in the item 'Other liabilities'. Earned and invoiced values relate to accumulated values for projects and may therefore include values earned and invoiced over several financial years.

Note 17

Deferred tax

Deferred tax assets relating to	31 March 2023	31 March 2022
Derivatives	242	37
Provisions	94	72
Pensions	98	104
Loss carry-forwards	47	48
Other	45	41
Total closing deferred tax assets:	526	302

Change between financial years:	31 March 2023	31 March 2022
Change in income statement	224	-90
Of which change in balance sheet	224	-89

Note 18

Provisions for pensions

	31 March 2023	31 March 2022
Provisions for other pensions	384	405
Provisions for pensions	384	405

Provisions for other pensions relate to pledged endowment insurance policies.

Obligations relating to pensions and similar benefits for directors and CEOs (including deputies and deputy CEOs)	31 March 2023	31 March 2022
Provisions for other pensions (part of the item above)	16	15
Total obligations	16	15

Note 19

Other provisions

	Loss order reserve ¹⁾	Warranty reserve ²⁾	Restructuring reserve ³⁾	Other reserves ⁴⁾	Total
Provisions at start of year	26	505	46	173	750
Provisions during the period	51	348	8	19	426
Amounts utilised during the period	-10	-85	-1	-14	-110
Amounts reversed during the period	-25	-114	-8	-39	-186
Closing balance	42	654	45	139	880

¹⁾ Loss order reserve

The reserve for loss orders concerns orders for which a negative gross profit margin is expected. A provision is made as soon as a final loss on the order can be expected. In exceptional cases, this may be made at the time the order is accepted. This provision normally concerns large, complex orders for which the final margin is less certain.

²⁾ Warranty reserve

Provisions for warranties are intended to cover warranty risks on account of faults in design, materials and execution or guaranteed performance. This also applies to product repairs or replacements on account of faults in design/solutions outside the warranty period. Provisions for warranties are recognised when:

- Hitachi Energy Sweden AB has an obligation to make repairs or replace products, i.e. at the start of the warranty period specified in the contract with the customer.
- Previous experience indicates that claims under the warranty are likely.
- The expenses for meeting warranty undertakings can be reasonably estimated.

³⁾ Restructuring reserve

Provisions for restructuring usually concern the closure of plants or the closure or relocation of production lines, operations, functions, etc. or a reduction in the number of employees in connection with an economic downturn.

⁴⁾ Other reserves

Other reserves concern various provisions that do not come under any of the above categories.

Note 20

Accrued expenses and deferred income

	31 March 2023	31 March 2022
Accrued employee benefit expenses	701	727
Provisions for additional expenses	713	800
Other items	855	656
Total	2,269	2,183

Note 21

Bank overdraft facility

The company has a bank overdraft facility totalling SEK 100 million (SEK 100 million).

The company has a revolving credit facility with Hitachi Energy's internal bank, Hitachi Energy Finance AG, for SEK 2,800 million (SEK 2,800 million).

Note 22

Pledged assets and contingent liabilities

Pledged assets	31 March 2023	31 March 2022
For own pension commitments	384	405
	384	405

Contingent liabilities

The company's business activities include guarantees for the performance of various contractual undertakings. Some of these are on-demand. There is no indication that such guarantees will result in any significant payment for which no provision has been made.

Note 23

Leased assets

The company leases office premises, trucks, company cars, computers, machinery and equipment.

	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Lease/rent payments made during the financial year	101	99
Lease/rent payments which:		
- Are due within one year	89	82
- Are due later than one year but within five years	110	142
- Are due later than five years	18	24

Note 24

Cash and cash equivalents

Cash and cash equivalents	31 March 2023	31 March 2022
Cash and bank balances	67	29
Part of Group account in foreign Hitachi company and similar investments	1,430	856
Cash and cash equivalents	1,497	885

Intra-Group receivables and liabilities in the cash pool	31 March 2023	31 March 2022
Intra-Group receivables	-	-
Intra-Group liabilities	-	-

Intra-Group receivables and liabilities are recognised as other current receivables and liabilities in the balance sheet and cash flow statement.

Note 25

Interest paid/received

	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Interest received during the period	25	0
Interest paid during the period	13	5

Note 26

Financial instruments

The book value of derivative assets and liabilities is as follows:	31 March 2023	31 March 2022
Hitachi derivative receivable (current), foreign currency	609	257
Hitachi derivative receivable (current), raw materials	3	30
Total derivative assets:	612	287
Hitachi derivative liability (current), foreign currency	1,773	462
Hitachi derivative liability (current), raw materials	14	5
Total derivative liabilities:	1,787	467

Derivative assets are recognised as other receivables and other non-current receivables.
Derivative liabilities are recognised as other liabilities.

SEK 0 million (SEK 0 million) of the book value of the foreign currency derivatives was recognised in the fair value reserve.
The remaining changes in value were recognised in the income statement.

Note 27

Depreciation and amortisation

Profit includes depreciation and amortisation for the following amounts:	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Amortisation, intangible assets	-1	-3
Depreciation, property, plant and equipment	-307	-298
Total	-308	-301

Depreciation/amortisation is attributable to:	1 April 2022 - 31 March 2023	1 April 2021 - 31 March 2022
Cost of goods sold	-246	-239
Selling expenses	-19	-19
Administrative expenses	-20	-23
Research and development expenses	-23	-20
Total	-308	-301

Note 28

Significant events after the end of the financial year

The general world situation with the war in Ukraine has affected the company in terms of increased material prices and transport costs.

Västerås, 30 June 2023



Johan Söderström
Chair




Tobias Hansson
CEO



Mikael Hjort
Director



Dennis Bäckman
Director



Ismo Haka
Director



Peter Jansson
Director



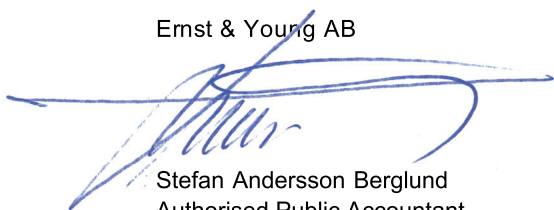
Niklas Persson
Director



Patrik Strandin
Director

Our auditor's report was submitted on 30 June 2023

Ernst & Young AB



Stefan Andersson Berglund
Authorised Public Accountant

Auditor's report





Auditor's report

To the Annual General Meeting of Hitachi Energy Sweden AB, corporate identity number 556029-7029

Report on the annual report

Opinions

We have audited the annual report for Hitachi Energy Sweden AB for the financial year 1 April 2022 to 31 March 2023, with the exception of pages 4-5 and the sustainability report on pages 10-19.

In our opinion, the annual report has been prepared in accordance with the Swedish Annual Accounts Act and presents a true and fair view, in all material respects, of the financial position of Hitachi Energy Sweden AB as at 31 March 2023 and of its financial performance and cash flow for the year in accordance with the Swedish Annual Accounts Act. Our opinions do not cover pages 4-5 and the sustainability report on pages 10-19.

The directors' report is consistent with the rest of the annual report.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet.

Basis for opinions

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility under these standards is described in further detail in the *Responsibility of the auditor* section. We are independent of Hitachi Energy Sweden AB in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards.

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

Information other than the annual report

This document also contains information other than the annual report. This is on pages 4-5 and 10-19. The Board and the CEO are responsible for this other information.

Our opinion concerning the annual report does not include this information and we do not give an assured opinion on this other information.

In connection with our audit of the annual report, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual report. In this review, we also take into account the knowledge we have obtained during the audit and assess whether the information appears to contain material misstatements in other respects.

If, based on the work performed concerning this information, we conclude that the other information contains a material misstatement, we are liable to report this. We have nothing to report in this respect.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for preparing an annual report that provides a true and fair view in pursuance of the Swedish Annual Accounts Act. The Board of Directors and the CEO are also responsible for the internal control they deem necessary to prepare an annual report that does not contain material misstatements, whether these are due to fraud or error.

In connection with the preparation of the annual report, the Board of Directors and the CEO are responsible for assessing whether the company is a going concern. Where applicable, they report factors that may affect the company's status as a going concern and use of the going concern assumption. However, a going concern assumption is not applied if the Board of Directors and the CEO intend to wind up the company or cease operations or have no realistic alternative to exercising one of these options.

Responsibility of the auditor

Our aim is to obtain reasonable assurance that the annual report as a whole does not contain any material misstatements, whether due to fraud or error, and to submit an auditor's report that contains our opinions. Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always identify a material misstatement if such a misstatement is present. Misstatements may occur due to fraud or error and are deemed material if, taken individually or in combination, they may reasonably be expected to affect the financial decisions that users make based on the annual report.

As part of an audit in accordance with ISA, we employ our professional judgement and assume a professionally sceptical attitude throughout the audit. In addition:

- We identify and assess the risks of material misstatements in the annual report, whether they are due to fraud or error, design and perform audit procedures based partly on these 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 due to fraud is higher than that of a material misstatement due to error as fraud may involve conspiracy, forgery,

intentional omissions, incorrect information or breach of internal controls.

- We gain an understanding of the part of the company's internal control that is relevant to our audit to design audit procedures that are appropriate to the circumstances but not to comment on the effectiveness of internal control.
- We evaluate the appropriateness of the accounting policies applied and the reasonableness of the estimates by the Board of Directors and the CEO in the financial statements and related disclosures.
- We draw a conclusion about the appropriateness of the Board of Directors and the CEO assuming that the company is a going concern in connection with the preparation of the annual report. We also draw a conclusion, based on the audit evidence obtained, about whether there is any material uncertainty concerning events or circumstances that may lead to significant doubt about the company's status as a going concern. If we draw the conclusion that there is material uncertainty, we must, in the auditor's report, draw attention to the disclosures in the annual report concerning the material uncertainty or, if such disclosures are insufficient, modify our opinion about the annual report. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or circumstances may mean that a company is no longer a going concern.
- We evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report presents the underlying transactions and events in a manner that provides a true and fair view.

We must inform the Board of Directors about matters including the planned scope, focus and date of the audit. We must also provide information about significant observations during the audit, including any significant deficiencies in the internal control we have identified.



Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual report, we also reviewed the Board of Directors' and the CEO's management of Hitachi Energy Sweden AB for the financial year 1 April 2022 to 31 March 2023, and the proposed appropriation of the company's profit or loss.

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the directors' report, and that the members of the Board of Directors and the CEO 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 responsibility under these standards is described in further detail in the *Responsibility of the auditor* section. We are independent of Hitachi Energy Sweden AB in accordance with generally accepted auditing standards in Sweden and have fulfilled our ethical responsibility under these standards.

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

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. In connection with the proposed dividend, this partly involves an assessment of whether the dividend is fair in respect of the requirements made by the nature of the operations, scope and risks of the company for the size of the company's equity, consolidation requirements, liquidity and position in other respects.

The Board of Directors is responsible for the organisation of the company and management of the company's affairs. Among other things, this involves continual assessment of the financial situation of the company and ensuring that the company is organised so that the bookkeeping, asset management and other financial affairs of the company are adequately monitored. The CEO is responsible for ongoing management in accordance with guidelines and instructions issued by the Board of Directors, in addition to taking the necessary steps to ensure that the company's books are kept in accordance with legislation and that its assets are managed in a satisfactory manner.

Responsibility of the auditor

The aim of our audit of the management of the company, and thus our opinion on discharge from liability, is to obtain audit evidence to be able to assess, with a reasonable level of assurance, whether any Board member or the CEO has, in any material respect:

- taken any action or been guilty of any negligence that may result in liability for damages for the company, or
- in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

The aim of our audit of the proposed appropriation of the company's profit or loss, and thus our opinion on this, is to assess, with a reasonable level of assurance, whether the proposal is consistent with the Swedish Companies Act.

Reasonable assurance is a high level of assurance, but is no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always identify actions or negligence that may result in the company being liable for damages, or identify that a proposal for appropriation of the company's profit or loss is not consistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we employ our professional judgement and assume

a professionally sceptical attitude throughout the audit. Our examination of the company's management and the proposed appropriation of the company's profit or loss is based primarily on our audit of the accounts. Any additional audit procedures performed are based on our professional judgement with reference to risk and materiality. This means that we focus the audit on actions, matters and conditions that are material to operations, where departures and non-compliance would be of particular importance to the company's situation. We review and test decisions made, decision data, actions taken and other matters that are relevant to our opinion on discharge from liability. As the basis of our opinion on the Board of Directors' proposal for appropriation of the company's profit or loss, we examined whether the proposal is consistent with the Swedish Companies Act.

The auditor's opinion concerning the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 10-19, and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

Our review took place in accordance with FAR recommendation RevR 12, 'The auditor's opinion concerning the statutory sustainability report'. This means that our review of the sustainability report has a substantially different and smaller scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

A sustainability report has been prepared.

Stockholm, date as indicated by our electronic signature

Ernst & Young AB

Stefan Andersson Berglund
Authorised Public Accountant

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"With my signature I confirm the content and all dates of this document."

STEFAN ANDERSSON BERGLUND

Authorised Public Accountant

Serial number: 19640720xxxx

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