

ANNUAL REPORT 2023

CTT:
SYSTEMS

**HUMIDIFICATION TO
ENHANCE WELL-BEING AND REDUCE JETLAG**

**ANTI-CONDENSATION TO
IMPROVE FUEL ECONOMY AND REDUCE EMISSIONS**

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FINANCIAL CALENDAR

Interim report, Jan–Mar	26 April 2024
Interim report, Apr–Jun	19 July 2024
Interim report, Jul–Sep	25 October 2024
Year-end report 2024	7 February 2025

FOR FURTHER INFORMATION, PLEASE CONTACT

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ANNUAL GENERAL MEETING

The Annual General Meeting will take place at 5pm on Monday, 6 May 2024 at the company's premises, Brukslagarvägen 5, Nyköping. Shareholders who wish to participate in the meeting in person or by postal vote must:

- be registered in the share register maintained by Euroclear Sweden AB on Tuesday 25 April 2024, and
- notify CTT of their participation by 29 April 2024, whether participating in person or by casting their postal vote according to the instructions in the invitation to attend

For further information, please see <https://www.ctt.se/investors/corporate-governance/annual-general-meeting/>

CTT Systems AB Co. reg. no. 556430-7741

THE YEAR IN BRIEF

"SYSTEM SALES WILL GROW FASTER THAN THE AFTERMARKET IN 2024"

- Henrik Höjer, CEO

- Net sales increased by **28%** to **SEK 309 million** (241)
– in comparable currencies, an increase of **23%**
- Operating profit (EBIT) increased to **SEK 118 million** (92)
- Operating margin (EBIT margin) amounted to **38%** (38)
- Net profit amounted to **SEK 96 million** (66)
- Earnings per share amounted to **SEK 7.62** (5.29)
- Cash flow from operating activities increased to **SEK 117 million** (61)
- The Board proposes an ordinary dividend of **SEK 5.35** per share (4.05) and an extraordinary dividend of **SEK 3.35** per share (0), totalling **SEK 8.70** per share

SEK **8.70** PER SHARE
DIVIDENDS (proposed)

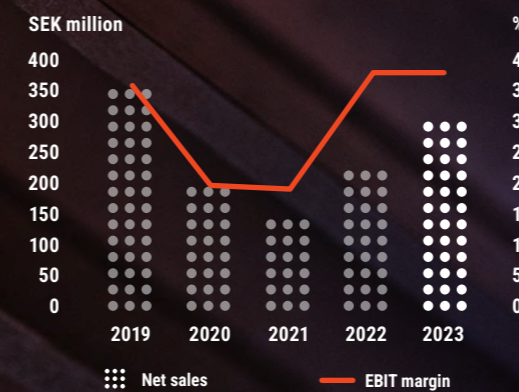
39% PROFIT MARGIN

SEK **309** MILLION

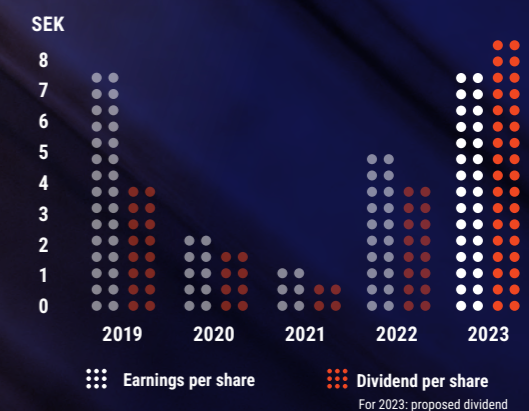
79% AFTERMARKET

4% OTHER
11% OEM
0% RETROFIT
6% PRIVATE JET

NET SALES AND EBIT MARGIN



EARNINGS AND DIVIDEND PER SHARE



KEY FIGURES

	2019	2020	2021	2022	2023
Net sales	355	201	151	241	309
Operating profit (EBIT)	120	38	27	92	118
Operating margin (EBIT margin)	34%	19%	18%	38%	38%
Earnings per share	7.39	2.48	1.13	5.29	7.62
Dividend per share	4.05	1.74	0.79	4.05	8.70 ¹⁾

1) Refers to proposed dividend

CTT MAKES AIR TRAVEL A LITTLE MORE SUSTAINABLE AND FAR MORE COMFORTABLE

- ACTIVE HUMIDITY CONTROL FITTED IN AIRCRAFT IS ALWAYS MORE SUSTAINABLE

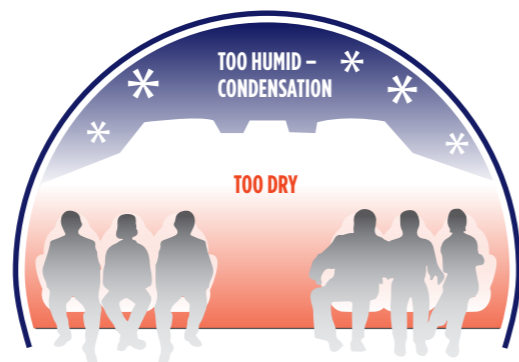
CTT is a market-leading supplier of systems that actively control and regulate humidity in aircraft. CTT has two product groups: humidifiers and anti-condensation systems. CTT has more than 50 airlines as customers. CTT had a turnover of SEK 309 million in 2023, and 80 employees at the end of the year.

CTT SOLVES THE MOISTURE PARADOX

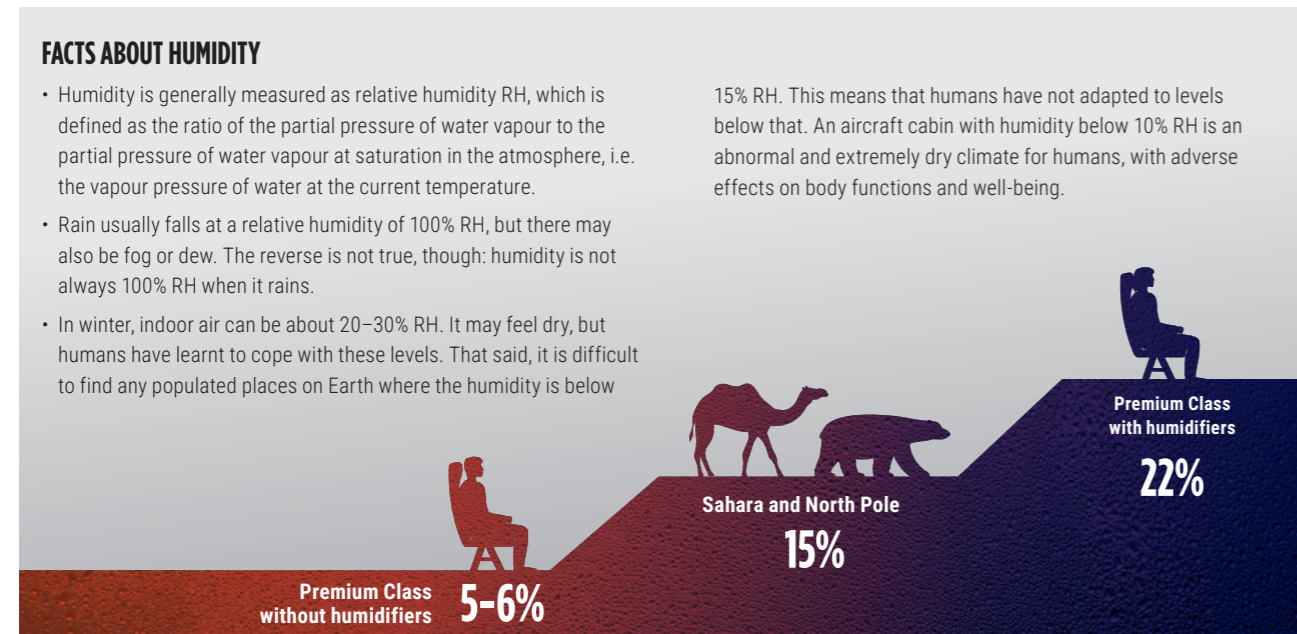
Although the air in an aircraft is too dry in the cabin, it is too humid in peripheral parts of the fuselage. This is a paradox with negative impact on people on board, and the environment. Aircraft equipped only with passive humidity systems do not solve the root causes of the humidity paradox.

The dry problem: The air on board aircraft is extremely dry. This impairs the well-being of passengers and crew; particularly in First and Business Class and in flight deck, where the air is particularly dry, triggering an increased risk of dehydration and adverse impact on the immune system.

The wet problem: Condensation occurs on all aircraft and can increase the weight of a medium-sized passenger aircraft by 200–300 kg. Such extra weight leads to increased fuel consumption, which increases costs for the airline and has an impact on the environment on account of unnecessary greenhouse gas emissions.



CTT has products that increase the moisture content of cabin air and keep the fuselage dry. This means a more comfortable climate on board, and a more sustainable flight with a reduced carbon footprint.



VISION

The company's vision is that active humidity control systems are fitted in all aircraft. CTT is the pioneer and will be the market-leading supplier.

BUSINESS CONCEPT

CTT's business concept is to develop, manufacture, supply and maintain active humidity control products that increase humidity to enhance well-being and reduce condensation for better reliability and lowered environmental impact.

TWO PRODUCT GROUPS FOR ACTIVE HUMIDITY CONTROL

PRODUCT GROUPS	HUMIDIFIERS	ANTI-CONDENSATION
Product benefits	<p>KEEPS HUMIDITY AT COMFORT AND WELLNESS LEVEL Elevates humidity from unhealthily dry to normal levels, reducing the risk of dehydration, fatigue and viral infections. Higher humidity also leads to better sleep, increased well-being and less jet lag, and keeps the immune system and taste buds intact without the impact of dehydration.</p>	<p>CHECKMATES CONDENSATION AND MOISTURE PROTECTS AIRCRAFT Reduces condensation and eliminates accumulated condensate water in the aircraft, cutting weight and hence fuel consumption and carbon footprint. Aircraft without condensation problems are always lighter and their maintenance costs are lower due to fewer electrical failures, no corrosion and longer service life for insulation materials. Anti-Condensation protected aircraft is always more sustainable.</p>
Driving forces	<p>HEALTH AND WELL-BEING Increased focus on air quality and better cabin climate drives attention to dry cabin air and its impact on wellness and wellbeing.</p>	<p>MORE SUSTAINABLE FLYING AND REDUCED CARBON FOOTPRINT Stakeholders require airlines to reduce their carbon footprint.</p>
Trends	<p>THE PREMIUM EXPERIENCE PARADOX Airlines are constantly improving their business class. The dry air in the cabin is counter-productive to premium efforts in gourmet dining, exclusive wines and interiors designed to maximise the experience. Elevated humidity normalises our senses such as taste and smell with less stress on the body. This improves passenger experience from premium investments.</p>	<p>THE LOW COST EFFECT More and more airlines are impacted by the low-cost business model. This is leading to increased seat density and higher load factor, and quicker turnaround on the ground. This means that the passive systems are insufficient. This makes aircraft heavier and increases their environmental impact.</p>
Availability	<p>OEM LIKELY TO DRIVE RETROFIT OEM supplier of all humidifiers for newly manufactured long-range aircraft: Boeing 787, Airbus A350 and Boeing 777X. Can be retrofitted to all modern long-haul aircraft.</p>	<p>RETROFITTING MUST DRIVE OEM Can be retrofitted on all Airbus and Boeing aircraft models (certification for the Boeing 737MAX is ongoing). Not available as an OEM option for new aircraft.</p>
Customers	<p>DIVERSIFIED CUSTOMER BASE - LARGE POPULATION DRIVING THE MARKET CTT has humidifiers in-service on 1,500 widebody aircraft operated by more than 50 airlines.</p>	<p>SEVERAL LEADING AIRLINES IN NORTHERN EUROPE Customers in Northern Europe, such as Sunclass, Jet2.com and Transavia. More than 50 airlines have the anti-condensation system fitted in around 1,000 Boeing 787 aircraft.</p>

CEO'S STATEMENT

- Significant profit increase - proposed extra dividend
- Strong market – record year for new aircraft orders
- OEM will again be the growth driver



Strong market development - growth driver

The market environment significantly improved in 2023, as airlines reactivated parked aircraft and placed orders to renew their fleets. Ordered long-haul aircraft in 2023 was the highest in over 15 years, pushing order backlog for A350 and Boeing 787 aircraft to a total of around 1,500, which is almost equals total deliveries so far. Airbus and Boeing target to double the production rate by 2026 in order to meet demand. This will be a key driver of our growth in the coming years. I also expect system sales when cabins of older aircraft are upgraded. CTT has a strong market position, and these two sustainable market trends will provide a solid foundation for the company's growth.

Positive operational milestones

In our operations we reached an important milestone when Boeing approved the first series deliveries of our humidifier systems for its latest 777X model, which is expected to be certified in 2025. Another progress was that a new A350 operator selected five of our six humidifier systems for the first batch of its aircraft order. This means that two airlines, both with initial aircraft delivery in 2025/2026, have specified humidification in the entire premium cabin of their new A350s. Furthermore, two airlines have earlier selected the humidifier system for the premium cabin of the 777X, with aircraft deliveries scheduled to begin in 2025.

New record profit and extra dividend

In terms of the company's financial performance, turnover increased by 28%, mainly as a result of a growing aftermarket business where revenues increased by 30%. This growth significantly exceeds the increase in the population, driven by increased revenues from spare parts and repairs. The very favourable product mix and currency resulted in a new profit record and the highest operating margin to date. CTT has a large net cash position and generates a strong cash flow, enabling the Board of Directors to propose an extraordinary dividend while the company has sufficient resources for further expansion.

System deliveries drive growth

The aftermarket has been driving sales growth in recent years. In 2024, however, system sales will grow faster than aftermarket revenues. If comparing with 2019, we have a 137 MSEK gap to close. This is not a comparable figure as CTT no longer has anti-condensation systems as standard on the Boeing 787. However, this will overtime be counterbalanced by emerging deliveries to a brand new OEM programme (777X). The higher production rates of new aircraft will be the main driver for increasing turnover in the next few years. However, I expect our OEM sales to grow even more driven by higher penetration. We also aim at and will do all in our power to ensure that cabin humidification will become available on the Boeing 787 and, eventually, on the Airbus A321XLR.

New market dynamics – new opportunities

There are many interacting factors indicating that the market for cabin humidification will gain momentum in the coming years. More than 50 airlines have positive experiences with the reliability and performance of our products. Pilots and cabin crew confirm that their well-being is improved during and after flights. The next step is for airlines to give passengers the same experience. Targeted efforts aim to secure that cabin humidification is selected in the OEM catalogues for the A350 and Boeing 777X. The cabin humidification market currently has low penetration, with just four airlines having our systems in operation. An additional four airlines are expected to take deliveries with cabin humidification on board A350 and 777X aircraft in 2025/26. As more airlines have systems in operation, market dynamics will change, with new opportunities for airlines to harmonise the onboard experiences by obtaining cabin commonality. There will also be opportunities when airlines strive to differentiate against competitors or between different cabin classes in aircraft.

All in all, new business opportunities for cabin humidification retrofit will be created. We have an attractive offering, where the cost of installing the humidifier system is just a few per cent of the total budget for upgrading a Business Class cabin (see also page 27).

Private Jet – OEM is key

CTT has products not only for commercial aircraft but also for private jets. CTT has a dominating position as the sole supplier in the VIP market, with annual revenue between SEK 10 million and SEK 50 million. The VIP market has no growth in terms of aircraft produced, and the only way for CTT to grow is through higher penetration. One important step is the cooperation with Airbus Corporate Jets (ACJ), which markets and sells our bolt-on-kit solutions for the ACJ320 and ACJ TwoTwenty. We target to establish this successful concept with other manufacturers, including OEMs of large cabin business jets. Large volumes can only be obtained in partnerships with OEMs. The outcome will be binary and have a major impact on sales when we succeed, particularly with the three biggest manufacturers: Bombardier, Dassault and Gulfstream. I am cautiously optimistic that we shall close an agreement with another OEM in Private Jet in 2024. This is a top priority for CTT.

Anti-condensation – focus on restarting

The anti-condensation system business has suffered a series of setbacks in recent years: Boeing removed anti-condensation systems as standard equipment on the 787 (2019). Airbus did a U-turn during the pandemic by cancelling the development project for the A321XLR. Russia's invasion of Ukraine closed the Russian market, which was one of our growth markets. Moreover, the company's two biggest customers, Jet2 and Transavia, have stopped making purchases as a result of their transition from the Boeing 737NG to the Airbus A320 family. They have both previously purchased Boeing aircraft with line-fitted anti-condensation systems. This is not possible on the A320. We are maintaining good dialogue with both Jet2 and Transavia, and the first opportunity for business will be at the time of the C-check, about two years after delivery of a new aircraft. Moreover, we have a test installation on six A321s with a major low-cost airline. Even if things are slow, we are absolutely certain that in the future anti-condensation systems will be available as an OEM option. We believe this should be part of a sustainability catalogue with positive contribution to airlines achieving their climate goals; reducing fuel consumption and lowering CO2 emissions. However, obtaining products for factory assembly is challenging before Airbus and Boeing reach their production targets. Key driver must be major aircraft buyers. Even though 2024 looks weak, I am convinced that we will take action during the year to ensure that anti-condensation systems can be selected for new aircraft in the future.

The aftermarket – key to our business

The aftermarket is an important part of our business model. Every product in-service must replace consumables at least once a year and spare parts are replaced from time to time. The time from the first delivery of a new aircraft model until the last one is taken out of service is 50 years or more. CTT is the sole program supplier to the Airbus A350 and the Boeing 787 and the 777X, which will form the backbone of long-haul operations for a long time to come. Furthermore, Emirates and Lufthansa, among others, are again operating their A380 aircraft with humidifiers installed. To maximise our aftermarket revenue, we must ensure that our products are used throughout the service life of the aircraft and that the operator selects our products in the aftermarket. There is competition, but CTT has a great advantage as the OEM supplier as we developed and customised the products together with Airbus and Boeing. Hence our original products meet all the requirements set out to allow humidifiers to be supplied together with the aircraft. The aftermarket strategy aims to ensure that CTT is always the best option. Over time, we aim to further increase customer benefit by adding new functions, integrating the products into other systems and ensuring market-leading quality and availability. This gives CTT unique competitive advantages and compelling arguments for all customers to continue to use the company's original parts.

Sustainability embraces our business

Sustainability is, of course, a natural part of our business and integrated into our strategy. Basic elements are in place, such as working according to the UN Global Compact. Furthermore, we comply in full with the ten principles in the fields of human rights, labour, environment and anti-corruption. Our sustainability work is designed around the Sustainable Development Goals of the 2030 Agenda. CTT focuses on three areas: environmental responsibility, responsible employer, and business ethics and human rights. Our staff fully comply with our Code of Conduct. We are working to improve gender equality in general and gender diversity in particular. A diverse workforce leads to better, more creative decisions and higher productivity. The proportion of women has increased to 35%, and 25% of our managers are female. We are continuing to take action to further increase gender equality and inclusion. I would like to highlight an achievement in respect of the "responsible employer" focus area. CTT has been certified as a "Great Place to Work". The fact that we managed to achieve

certification at our first attempt is based on long-term efforts focusing on employees, using the documented "CTT spirit" as our foundation. Further evidence that CTT is a good place to work is that a number of employees have chosen to come back to us when we now are hiring again. Employees are the company's most valuable asset, and we are continuing to invest in a safe workplace, regular health checks and maximised wellness benefits.

All employees are CTT shareholders

I would also like to highlight the CTT Systems AB Profit Sharing Foundation where all employees receive an equal share of the company's profits regardless of salary and position. Part of the company's profits is allocated to the Profit Sharing Foundation every year for the purchase of CTT shares. At present, our staff – through the Foundation – are the 17th largest shareholder in CTT. An employee who has worked full-time since the start of the Foundation in 2015 has approximately 2,200 shares in CTT at the end of the year. For 2023, we have been able to allocate an additional SEK 101,000 per eligible employee.

Unique products that make flying better

Our products have a positive impact by reducing the carbon footprint of each flight and improving the climate on board for both passengers and crew. In 2023, our anti-condensation systems reduced CO2 emissions by an estimated level equivalent to 83,000 cars. CTT's humidifiers improved the working environment for more than 64% of the world's 787 and A350 pilots and crew. This is an inspiration, and yet another reason why so many people at CTT, like me, are committed to our mission.

Resilient growth trends

Our market outlook has improved and the conditions are very favourable for strong growth for many years to come. Past years have proven that we live in a world with persistent lack of predictability, especially when it comes to geopolitics. Our baseline scenario is that most of our drivers shall be resilient. CTT has a great team and leading partners. Together, we are continuing to deliver on our strategy to improve air travel and generate good returns for our shareholders.

Nyköping, March 2024
Henrik Höjer, CEO

VISION, BUSINESS CONCEPT AND STRATEGY

As a pioneer in the field of active humidity control on board aircraft, CTT shall contribute in making aviation a little more sustainable. CTT has a vision, a mission and a strategy that aims to increase penetration and thereby help to improve air travel. Active humidity control is always more sustainable!



VISION

The company's vision is that active humidity control systems are fitted in all aircraft. CTT is the pioneer and will be the market-leading supplier.

STRATEGY

The company's strategy aims to create competitive, profitable and sustainable growth by increasing the installed base of products in-service, focusing on the aftermarket, aiming for operational excellence and pursuing technical leadership and innovation.

BUSINESS CONCEPT

CTT's business concept is to develop, manufacture, supply and maintain active humidity control products that increase humidity to enhance well-being and reduce condensation for better reliability and lowered environmental impact.

BUSINESS MODEL WITH SIGNIFICANT AFTERMARKET

Moisture control systems are designed to remain in the aircraft for its entire lifetime. A few parts have to be replaced every year, and repairs are required over time. This creates a significant aftermarket.

The company's products are based on active technologies that shall together with strategic partnerships allow CTT to provide reliable, safe, efficient and sustainable systems that eliminate the root causes of moisture problems in aircraft. The products are designed to be

in-service during the entire aircraft lifetime. The business model is based on revenues from the sale of products and systems; either installed by aircraft manufacturers in new aircraft or retrofitted in existing aircraft; and from a significant aftermarket business.

For CTT to reach its full revenue potential, the products must be in-service throughout the life of the aircraft and the operators must select CTT's original aftermarket parts.

BUSINESS MODEL FOR SUSTAINABLE SHAREHOLDER VALUE



The business model is based on retaining a strong OEM position, with long-term contracts and strong relationships with airlines and other aircraft operators. Being a supplier to OEMs places stringent demands on the organisation, such as delivery capacity and quality. This gives CTT a competitive advantage and the opportunity to define the agenda for active

humidity control in the aviation industry. As OEMs have long product life cycles and high barriers, CTT can achieve niche dominance for a long time to come. The business model creates conditions for sustainable profit growth by gradually increasing installed base via higher penetration and thus enabling steadily growing aftermarket sales.

Shareholder value will be created by generating strong cash flows, driven by more products in operations and full utilisation throughout the lifetime of aircraft, and CTT will remain the dominant supplier in the aftermarket.

STRATEGY FOR PROFITABLE GROWTH

The strategy aims to leverage a leading position to generate profitable and sustainable growth by increasing market penetration of products for cabin air humidification and aircraft dehumidification.

The company's strategy is to leverage its leading OEM supplier position, driving the market to obtain higher penetration and consolidating aftermarket share. The mission for the company's operations is to contribute to a more sustainable development for aviation. Being an OEM supplier is key element in the strategy

that provides legitimacy and has major market impact. OEMs place stringent demands on suppliers operation and demand constant optimisation. CTT is a pioneer and as such solely ensure market awareness of active humidity control benefits. An increasingly important driving force for selecting the company's

products for OEM or Retrofit is the fact that they contribute to airlines sustainability efforts and goals. CTT has extensive application know-how and strategic partnerships, which favour the company when it comes to leading development and maintaining its aftermarket dominance.

STRATEGIC AGENDA

CTT has strategic priorities with integrated long-term sustainability goals and activities to fulfil its vision, pursue its business concept and achieve its targets for growth, profitability and return on capital. The strategy has four cornerstones: growth in the population of systems, focus on the aftermarket, operational excellence and technological leadership and innovation. The strategic agenda defines the direction and guides the company's decision-making, resulting in objectives and actions that are reported annually in the annual report.

POPULATION GROWTH

FOCUS ON THE AFTERMARKET

OPERATIONAL EXCELLENCE

TECHNOLOGICAL LEADERSHIP AND INNOVATION

▶ SUSTAINABILITY

GROWTH IN THE POPULATION

The main strategic focus is to drive the market and create conditions for growth. The ultimate goal is to generate a larger installed base of the company's products. The market potential is huge as penetration is very low. There are strong driving forces for population growth in general efforts to make air travel more sustainable, and also an increased focus on creating a healthier cabin climate. CTT is a pioneer and a market-leading supplier of both anti-condensation system and humidifier systems. However, critical penetration is a key element to drive the market and increase availability among OEMs. Positive growth momentum is achieved when more and more airlines experience the benefits of active humidity control. Successful

OEM programmes are an enabler to obtain this. The growth strategy has two basic elements:

Line-fitted products drives population growth

The OEM channel is fundamental in order to achieve high and sustainable growth in the population. Having the company's products available for installation in newly manufactured aircraft is a fundamental prerequisite for scalable growth. CTT supplies either directly to aircraft manufacturers or indirectly to air system suppliers, for example. This means that the company's products are more or less integrated into other major systems, which requires a good general understanding of aircraft systems. Successful aircraft models such as the Boeing

787 reinforce the company's goodwill and drive additional sales on other aircraft models. A large installed base also drive other growth opportunities such as when operators install the systems in existing aircraft (Retrofit).

Market awareness and promotion

Selling the OEM options and driving the Retrofit market requires systematic and methodical marketing to operators, such as airlines and charter operators. CTT strives to achieve close market partnerships in order to obtain a global market presence.

FOCUS ON THE AFTERMARKET

The aftermarket is an important part of the business model, and a cornerstone in the company's strategy. CTT has a very strong position as a pioneer, with strong OEM relationships and world-leading partners. This provides a good foundation for CTT to maintain its dominant position in the aftermarket.

At a general level, the strategy aims to enable total lifetime utilisation and ensure that the company's original aftermarket parts are selected. Besides spare parts and service activities, it comprises two different consumables, one for the anti-condensation system and one for the humidifier, which are replaced annually.

CTT has four cornerstones in its aftermarket strategy:

1. Distribution through aircraft manufacturers
2. De-standardisation
3. Customer benefit
4. IP and innovation

A key part of the strategy involves implementing

distribution via aircraft manufacturers. This further strengthens ties with OEMs and provides an incentive for them to sell the systems.

Another cornerstone is de-standardisation (read: to counteract standardisation and seek to achieve unique size and features between different models).

Perhaps the most vital part of the strategy is to always offer the greatest customer benefit and value. The aviation industry may be conservative, but the world never stands still. CTT should not stand still either, but must utilise its leading market position to improve customer benefit by adding new features, integrating the products into other systems and securing market-leading availability.

There are a number of advantages favouring CTT to maintain its strong aftermarket position:

Firstly, there are a large number of airlines that choose only original aftermarket parts. Secondly, there are product-specific advantages stemming from the fact that CTT

developed and customised the OEM products together with Airbus and Boeing. Therefore, CTT has unique application expertise and aftermarket products that are compliant with all specifications. To achieve this, CTT has – for example – developed a specific and unique pad-material for the humidifier, which was qualified together with Airbus and Boeing. The company's original part meets all the requirements for the humidifier to be supplied together with the new aircraft. This gives CTT a competitive advantage and is a strong reason for many customers to select the company's original parts. Third-party products that rely on pad materials available on the open market will offer lower performance and quality as they are not customised for use in aircraft nor this specific application.

Overall, as the original equipment manufacturer, enforced by strong partnership, CTT is well positioned to maintain its market dominance.

OPERATIONAL EXCELLENCE

The company's strategy shall with sustainability guidelines focus on optimising and developing its operations, such as by improving quality in everything CTT does and safeguard highest standard in its delivery capacity. This will primarily be implemented by means of continuous improvement work where the company will streamline processes in all areas of operation.

As far as development is concerned, there are activities in progress aimed at facilitating and improving processes for testing and verification, for example, as well as project methodology.

In production, there is continuous improvement in order to optimise manufacturing costs, but also to improve the working environment and minimise environmental impact.

In sales, as the market grows it is becoming more important to take steps to improve processes with support from a dedicated customer relationship management system. Another important part of the business involves access to strategic key components, highlighted during the turbulence of recent years stressing the value of strong partner-

ships and reliable supply chains. CTT places great emphasis on relationships with partners and suppliers to comply and meet stringent demands in terms of deliverability and quality. In some cases, CTT can therefore take over the supply of strategic input goods and elements of the manufacturing process or extend its cooperation with subcontractors. In the service and repair business, processes and procedures must continuously be adapted to provide a high level of service.

TECHNOLOGICAL LEADERSHIP AND INNOVATION

CTT must continue developing and adapting its products to new aircraft types and projects. Functionality and performance have to be improved in the longer term. This may involve weight-reducing efforts or requirements of

down-sizing products to fit in applications with less space available. Other areas include technology and product integration of to reach out to new markets or increase penetration. Investments in research and development are

ongoing, with emphasis on new product generations and integration. In the aftermarket CTT continuously invest to improve performance, reliability and by adding features.



CTT QUALIFIED THE HUMIDIFIER SYSTEM FOR SERIES DELIVERIES TO BOEING'S LATEST AIRCRAFT MODEL - THE 777X

In February 2023, Boeing approved the humidifier system for series delivery for its newly developed and biggest aircraft, the Boeing 777X. This milestone means that CTT's humidifier system is now available on the three most modern long-haul models: the Airbus A350 and the Boeing 787 and 777X.

Boeing launched its 777X project ten years ago, in November 2013. Given the success of humidifier systems in the cockpit and crew rest areas aboard the 787, including it in the specification was a logical step. Besides the 787 offering, Boeing now wanted to include humidification in its premium classes (thereby matching the Airbus A350). After the formal procurement procedure, CTT was the winner and early 2017 saw the launch of another major OEM development project.

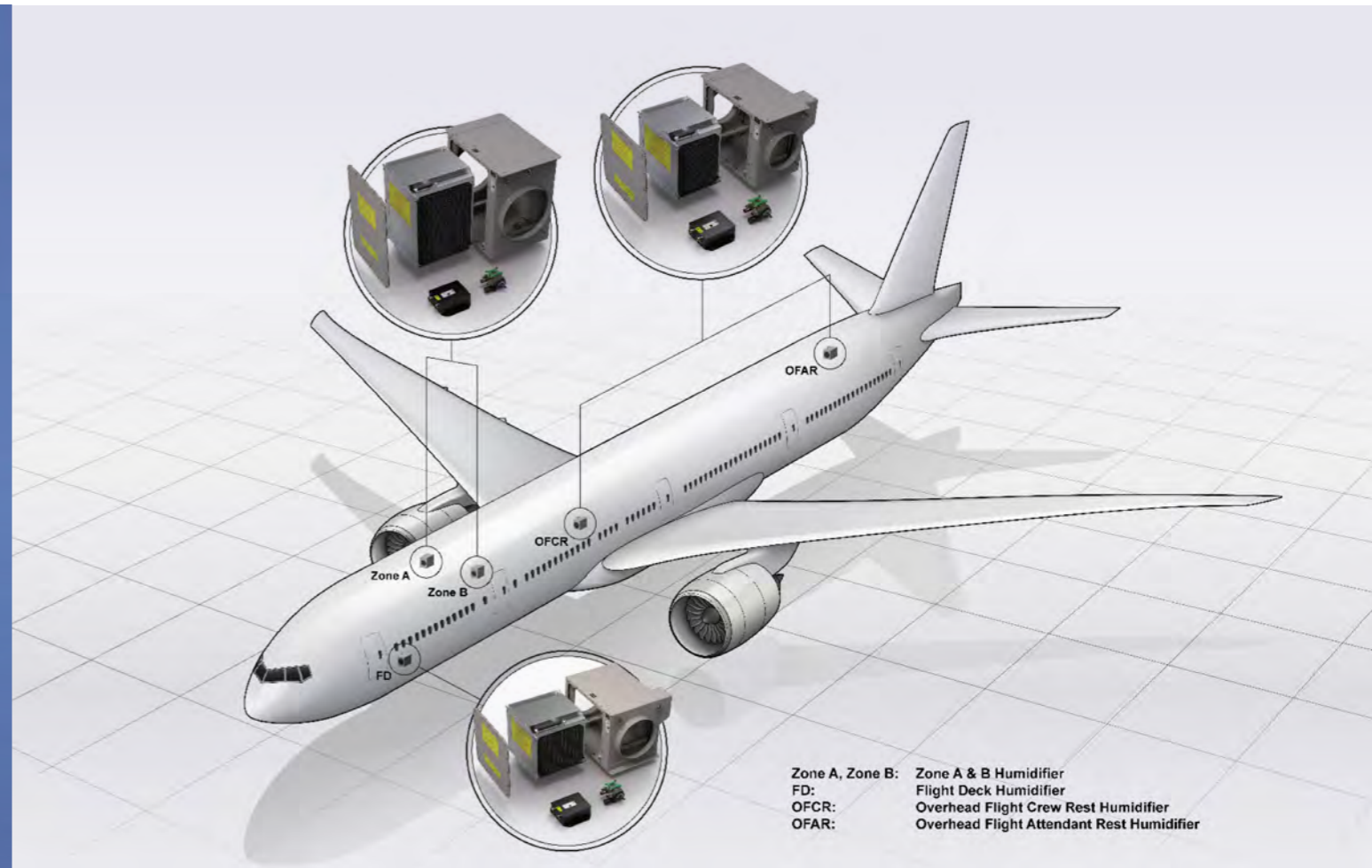
The aim was to further develop and improve the 787 system. CTT had extended its commitment by developing a software-driven control unit for the first time as part of an OEM project.

To mitigate project risks, analyses, simulations and prototyping were carried out in order to verify the design and performance and identify any problems. Risks and difficulties were discussed with Boeing in order to come up with technical solutions. This approach ensured confidence for formal qualification and verification later on in the project.

One important part of the project was to design the layout of the air ducts to the humidifiers in order to optimise air flow as much as possible. CTT used CFD calculations for the first time, and 3D-printed prototypes of the air ducts were designed on the basis of these. They were then used to conduct early tests on

humidifier performance. CFD is now used as standard at CTT when designing new systems.

The project team faced a major challenge in ensuring humidification in separate high-walled cabin spaces, known as "High Wall Suites", with individual temperature control, while the humidifier system has only one humidifier for the entire cabin section. CTT developed a software-driven control unit, which is dedicated to each humidifier system and independently controls each humidifier. Up to five humidifier systems can be installed aboard each 777X aircraft. Aviation software development presents a major challenge, with extensive process and requirements management, but the collaboration with Boeing and software provider Syncore (now known as Etteplan) has been educational and successful.



Zone A, Zone B: Zone A & B Humidifier
 FD: Flight Deck Humidifier
 OFCR: Overhead Flight Crew Rest Humidifier
 OFAR: Overhead Flight Attendant Rest Humidifier

FACTS ABOUT CTT ON THE 777X

- Selected as the sole supplier of humidifier systems
- Supplies directly to Boeing (tier-1)
- Humidifiers are available as an option for the cockpit, crew rest modules and two premium cabin zones – a maximum of five in total

FACTS ABOUT THE 777X

- Boeing launched its 777X aircraft at the 2013 Dubai Airshow
- Production of the 777X began in 2017. The first test flights took place in the early 2020s
- Boeing targets to certify and deliver the first aircraft in 2025

The 777X is available in two variants, the 777-8 and 777-9. The 777X has new engines and new composite wings and uses technology from the Boeing 787.

The 777X introduces the latest innovative technology, including the most advanced, fuel-efficient commercial engine ever. Moreover, the 777X composite wing has a longer span than the current 777. The 777X has unique folding wingtips, providing larger wings for efficient flight and easier airport operations with a reduced wingspan on the ground. The optimised span provides higher efficiency, significant fuel savings and full compatibility at the airport gate. A total of 453 firm orders have so far been placed (ens-23). Emirates has placed the biggest order for the 777X (205 aircraft).

FOLLOW-UP ON THE STRATEGIC AGENDA FOR 2023

STRATEGIC AGENDA FOR GROWTH 2024–2025

Strategic goals / priorities for 2023 – OEM

- Boeing 787:** Humidifiers available as catalogue options for First/Business Class
- Boeing 777X:** Series deliveries of humidifiers for the Boeing 777X
- Airbus A350F:** At least five companies have specified humidifiers in flight deck / crew rest
- New OEM opportunities:**
 - Boeing 737 MAX:** Anti-condensation systems available as an option when purchasing an aircraft
 - Airbus A320neo:** Anti-condensation systems available in the catalogue of options
- Private Jet (OEM):**
 - Bombardier:** The humidifier system available as catalogue option for Global 7500 / 8000
 - Gulfstream:** The humidifier system available as catalogue option for G700 / G800

Debriefing 2023

- CTT has initiated a dialogue with Boeing and a number of major 787 customers
- Certification and initial series deliveries in February 2023
- One airline has confirmed the selection of humidifiers for the flight deck and crew rest areas. CTT is continuing to influence other customers
- The target has not been met. Work is continuing
- The target has not been met. Work is continuing
- CTT has initiated a dialogue with Bombardier and a number of major Global 7500/8000 customers
- CTT has initiated a dialogue with Gulfstream but is awaiting certification of the G700, which is expected in the first quarter of 2024

Strategic goals / priorities for 2023 – Airline sales

- Humidifier systems:**
 - Humidifier Onboard First / Business Class:** At least 10 (3) airlines operating aircraft with premium class cabin humidification
- Dehumidifier systems:**
 - A320:** At least 5 (2) active airline customers with Anti-Condensation¹⁾
 - B737MAX:** At least 5 (2) active airline customers with Anti-Condensation¹⁾
 - A220:** At least 3 (0) active airline customers with Anti-Condensation¹⁾

Debriefing 2023

- Lufthansa resumed operations with parked A380s fitted with Humidifier Onboard First. In addition, Air India became the fourth customer when commencing A350 operations in Jan 2024 with Humidifier Onboard Business class, joining China Southern (A350) and Turkish Airlines (A350).
- No further customers have been added, but aircraft testing is taking place with a major European low-cost airline
- No further customers have been added, but dialogue is ongoing with a number of 737 operators
- No customers have been added

¹⁾ Test customers excluded



Strategic goals for 2024–2025 – OEM

- Boeing 787:** Humidifiers available a catalogue options for First/Business Class on the Boeing 787
- Boeing 777X:** At least 5 (2) airlines have specified humidifiers in First and Business for the Boeing 777X
- Airbus A350F:** At least 5(1) companies have specified humidifiers in the flight deck / in the crew rest
- New OEM opportunities:**
 - Boeing 737 MAX:** Anti-condensation systems available as an option when purchasing an aircraft
 - Airbus A320neo:** Anti-condensation systems available as catalogue options
- Private Jet (OEM):**
 - Bombardier:** The humidifier system available as catalogue option for Global 7500 / 8000
 - Gulfstream:** The humidifier system available as catalogue option for G700 / G800

Strategic goals for 2024–2025 – Airline sales

- Humidifier systems:**
 - Humidifier Onboard First / Business Class:** At least 10 (3) airlines operating aircraft with premium class cabin humidification
- Dehumidifier systems:**
 - Airbus A320:** At least 5 (2) active airline customers with Anti-Condensation¹⁾
 - Boeing B737:** At least 5 (2) active airline customers with Anti-Condensation¹⁾
 - Airbus A220:** At least 3 (0) active airline customers with Anti-Condensation¹⁾

Strategic objectives for 2024–2025 – Focus on the Aftermarket

- Distribution:** At least one contract integrated into a Total Component Support (TCS) solution
- IP and innovation:** At least one customer operating a humidifier system with integrated VOC filter

Strategic objectives 2024 – 2025 – Operational excellence

Maintain both delivery reliability and 100% quality performance for Airbus and Boeing

Strategic objectives 2024 – 2025 – Technical leadership and innovation

At least one approved STC (Supplementary Type Certificate) for retrofitting cabin humidifier systems on the Boeing 787, 777 Classic, Airbus A350, A380 or A330 for at least one airline customer.

¹⁾ Test customers excluded



CTT SOLVES TWO MOISTURE PROBLEMS ONBOARD AIRCRAFT, BENEFITING PEOPLE AND THE ENVIRONMENT

CTT is the market leader in the aviation industry when it comes to systems that actively combat both extremely dry cabin air and moisture in the fuselage and structure. Active systems that address the root causes are needed to solve the moisture problem for the benefit of people and the environment.

Condensation forms in all aircraft. Historically, the aviation industry has applied passive methods in order to mitigate condensation problems. These are inadequate for a number of reasons. This causes condensation to accumulate and remain in the aircraft. This is not sustainable. Another problem lies in the paradoxical fact that cabin air is far too dry. Secondly, the fact that aircraft have an unhealthy dry climate must no longer be a necessary evil for premium travel. CTT is a pioneer in the field, using active methods to tackle the root causes of moisture problems in aircraft.

Moisture problems in aircraft – a brief description

Condensation occurs when cabin air cools towards the freezing cold aircraft skin. The weight increases as ice and water from condensation accumulates in the aircraft, causing increased fuel consumption, higher operating costs and increased carbon dioxide emissions. When an aeroplane reaches cruising altitude, the humidity in the cabin drops rapidly as the air is replaced by fresh outside air that is extremely dry. This causes gradual dehydration among passengers and flight crew, with adverse effects on their health and well-being.

Onboard climate – a brief description

Technical system solutions are required to deal with the extreme differences in the atmosphere at cruising altitude and the preferred climate inside the cabin, which should ideally match climate on the ground in terms of fresh air, temperature and air pressure. The outside temperature is below -40 °C, the outside pressure

is around a quarter of the normal pressure, and humidity is zero.

Air pressure: Air pressure at cruising altitude is around 25% of regular atmospheric pressure. In the cabin, the air pressure must be at least 75%, which is equivalent to a perceived altitude of 2400 m. The pressure selected is a compromise between adequate passenger comfort and the weight of the aircraft. Modern aircraft containing more composite have allowed higher pressures, giving a perceived altitude of around 1,800 m.

Air treatment: The air on board must contain sufficient oxygen. However, there is a great difference in temperature between the air in the cabin and the air outside, which means that some of the air is recirculated. The air in the cabin is changed completely at two to three-minute intervals aboard an Airbus. The recirculated air passes through highly efficient HEPA filters and is mixed with the heated outdoor air. All modern passenger aircraft are equipped with highly efficient HEPA filters.

Temperature control in zones: Each aircraft is divided into climate zones. Each zone has its own supply and exhaust air and temperature control.

Fresh air at cruise lacks humidity: There is no humidity in (outside) air at cruising altitude, so the air in the cabin quickly becomes dry. The people on board add humidity in the aircraft cabin. The air and climate system is divided into zones, so the driest sections are the least occupied ones. In practice, the air is driest in

the zones where passengers are prepared to pay most for the best possible experience.

Humidity – a brief description

Humidity is usually measured as relative humidity RH, which is defined as the ratio of the partial pressure of water vapour to the partial pressure of water vapour at saturation in the atmosphere, i.e. the vapour pressure of water at the current temperature. In simple terms, relative humidity is the ratio, expressed as a percentage, of the amount of moisture in the atmosphere to the amount that the air can hold at a given temperature.

100% relative humidity means that the air is completely saturated with water and cannot hold any more water vapour. This means that the additional water vapour added to the air condenses into liquid or accumulates in the air as mist. It can be said that the chances of rain are higher if the relative humidity is high. Rain usually falls at a relative humidity of 100% RH, but there may also be fog or dew. The reverse is not true, though: humidity is not always 100% RH when it rains.

Indoor air is usually classified as dry to humans when the humidity level is below 30% RH. The humidity level indoors can be down to 20% RH when it is cold outside. But it is rare to find anywhere below that level, and it is difficult to find anywhere on Earth where the humidity is below 20% RH. This means that our bodies are not used nor adapted to extremely dry air. This makes the humidity on board an aircraft an extreme environment.



Extremely dry air on board

The humidity in the aircraft cabin gradually drops and reaches a level of 5 to 15% RH after about three hours. The dry air has significant adverse effects on passengers and crew on long-haul flights. The lowest humidity is in the cockpit and crew rest areas, where it can be down to zero %. The humidity is only 5% RH in First Class, where there are few passengers, and the level is only marginally higher in Business Class. So the air on board aircraft is drier than anywhere else on Earth. This is an extreme environment which has adverse effects on the body. The negative dehydration effects take some time to recover from upon arrival and contribute to jet lag.

Problems with dry cabin air

A comfortable indoor climate is more than just temperature. Adequate humidity is also an important condition to obtain it. Humidity between 40 and 60% RH is optimal. Levels around 20–25% RH are normal indoors in winter when the weather is cold. It may feel quite dry, but the body can handle that level well. But if the humidity drops further, the impact increases significantly. This manifests itself in how we feel, although it can be hard to pinpoint exactly what is wrong. It affects well-being, impairs taste and smell and the ability to relax and recover. People have problems sleeping, and they are at greater risk of catching a cold. The effects of extremely low humidity levels –

below 10% RH – are severe and more apparent, with dehydrated mucous membranes, skin and eyes. This has an adverse impact on our immune systems, making us more receptive to viral infections, for example.

Dry air defeats the object of premium ambitions

Airlines are constantly investing to improve the Business Class experience. The trend is towards greater flexibility for better rest and relaxation. Many airlines focus on food and drink experiences. Dry air is counter-productive to such premium ambitions. Increasing humidity to comfort zone will reduce dehydration and normalise taste and smell.



Problems with condensation

Condensation that is not managed will increase the weight of the aircraft. Condensation is a recognised problem. It occurs in the space above the passenger compartment on all flights. Air condenses and freezes to form ice. The condensation impact is largely determined by the number of passengers. The ice turns into water during the approach and on the ground.

Remains in isolation

On ground, most of this condensate water should be drained out through ducts: this is known as passive means and is standard solution on all aircraft. However, some condensate water remains in the fuselage, mainly in the

insulation. This water dries out if the aircraft is on the ground long enough, but this rarely happens. Instead, more and more water accumulates in the fuselage.

Condensation creates problems

An increase in aircraft weight results in higher fuel consumption, and thus increased operating costs and unnecessary carbon emissions. This is at odds with the aviation industry's ambitions and sustainability goals.

Condensation can increase the weight of a narrowbody aircraft by up to 200–300 kg. Water also causes corrosion, failure of electronic components and systems. Condensation also destroys insulation so that it needs to be replaced more often.

Dedicated airline trials show that aircraft weight can be reduced by 200–300 kg, which cuts carbon dioxide emissions by between 65 and 100 tonnes per year. Although the aviation industry accounts for a small percentage of global greenhouse gas emissions, this problem is increasingly accentuated by the world's growing demand for more sustainable air transport.

THE LEADING SUPPLIER OF AIRCRAFT HUMIDIFIERS

CTT is the world's leading supplier of aircraft humidifiers. CTT has the most efficient, energy-saving and reliable systems on the market.



How it works: Humidity is added in the air duct to the cabin (blue arrows), providing a comfortable humidity level in the premium cabin. Dry air (red arrows) from the Anti-Condensation system prevents moisture problems.



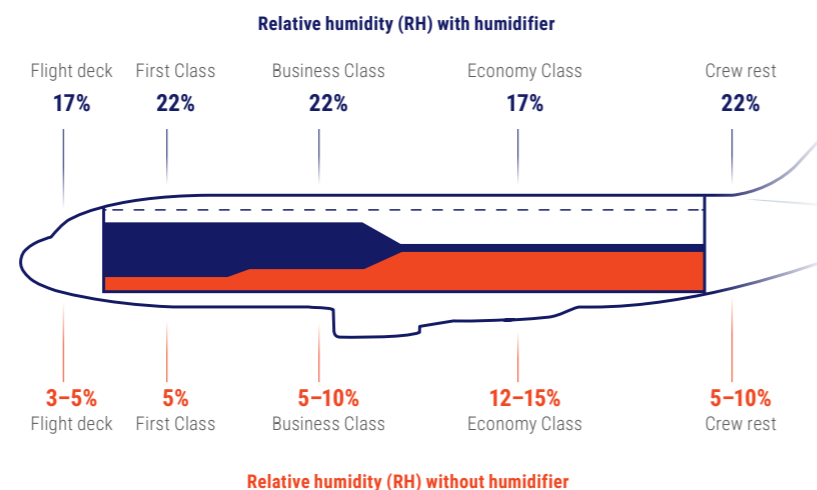
System: Humidification for business class in the Boeing 777. A dedicated humidifier is installed in the supply air ducts for a particular cabin zone, and the water is taken from the aircraft's regular water system.

Humidifiers for passengers, pilots and other crew members

CTT is the leading supplier of aircraft humidifiers, ensuring that humidity remains at levels familiar to humans (around 20 to 25% RH) in an energy-efficient way. This allows the body to function normally throughout the flight. CTT has products for different aircraft types, with adaptation for the cockpit, crew rest areas and the passenger cabin. The humidifiers are mainly installed as an OEM option in newly manufactured long-haul aircraft. It is also possible to retrofit humidifiers during maintenance or a cabin upgrade. These humidifiers are based on evaporative technology that CTT has adapted and developed for the specific requirements of the aerospace industry in general, and specifically the demands of aircraft manufacturers.

Significant aftermarket

These humidifiers are designed to operate for the service life of the aircraft. The humidifier's humidity pad needs to be replaced about once a year.

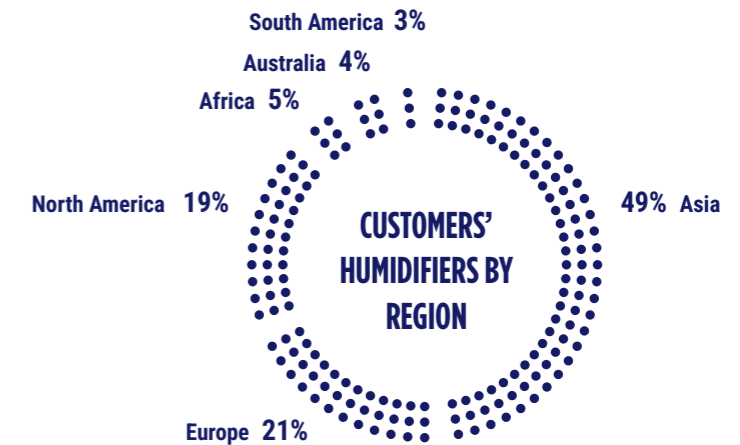


SUCCESSFUL OEM PROGRAMMES – MORE THAN 50 AIRLINE CUSTOMERS

CTT is the sole supplier of humidifiers to Boeing and Airbus for factory installation in their latest long-range aircraft models. CTT's customers include more than 50 of the world's airlines. CTT is also a humidifier supplier to Private jet aircraft. More information about business jets and VIP can be found on pages 24 to 25.

OEM programmes drive penetration

The company's products are in operation globally in a well-diversified customer base with over 50 different airlines, including the largest and most well-known airlines in the world. The biggest customer account for approx. 6% of the population, and the ten biggest account for around 40%. Most of the population is at the start of its estimated 15 to 20-year life cycle. CTT has been selected as the sole supplier of humidifiers for the three modern long-range Airbus and Boeing models – the Boeing 787, the Airbus A350 and the Boeing 777X. This creates opportunities for good growth and chances to influence the industry's long-term requirements specification for aircraft humidity control.



Opportunities of more business increase with the number of customers and the size of the population

CTT is gaining more and more airline customers, with the company's humidifiers as a popular option when buying the leading long-haul aircraft. Increased experience with the products spreads information on the benefits of active moisture management, creating more opportunities for more business such as mirroring on other new models or retrofitting to existing aircraft. It is common that our A380 customers or those on Boeing 787, for example, also continue to specify our equipment when buying new models. For instance, China Southern began fitting its A380s with humidifiers in the Crew rest area (which was the only option available on the A380). When specifying the Boeing 787, they chose to mirror their choice on the A380 and equip the cockpit accordingly.

When it came to the A350, a choice was made once again not just to mirror its predecessor, the Boeing 787, but also to extend to the passenger cabin. Air China, Air France, ANA, China Eastern Airlines, Emirates, Etihad and Turkish Airlines are all mirroring their previous choices of humidifier options. These market dynamics are expected to strongly drive the market for humidifiers.

Competition

CTT is in a strong position as the sole supplier to Airbus and Boeing, and also given its dominant position in the VIP market. There are lower barriers to entry for competitors in the VIP and Retrofit segments, although OEM suppliers have a special position when it

comes to retrofitting in commercial aircraft. Our main competitor is Liebherr Aviation when it comes to humidifiers, but it has chosen a market focus in the business jet segment. There is also competition in a broader sense from completely different cabin products and innovations that affect the on-board experience, such as passenger WiFi. These products all compete for airlines' budgets for purchases and timeframes for retrofit projects. There is competition as regards aftermarket sales. Consumables produced by third party manufacturers are authorised for use in the company's OEM products.

STRONG TRENDS DRIVING THE MARKET

CTT is the sole supplier of humidifiers for the latest long-haul models. A number of airlines are expected to have new aircraft with humidifiers in the passenger cabin from 2025 onwards. This will create a market dynamic with opportunities for new customers and retrofitting.

MORE AND MORE PEOPLE ARE EXPERIENCING THE BENEFITS OF HUMIDIFICATION

CTT has humidifiers installed on around 1300 long-range Airbus and Boeing aircraft operated by more than 50 airlines. Every month, a total of ten to 15 new Airbus A350 and Boeing 787 aircraft are delivered with our humidifiers on board. CTT often meets pilots and crew who testify to the benefits. Airlines have good experience with outstanding performance and excellent reliability. This is evidenced by the fact that airlines continue to mirror their configurations by selecting humidifiers for new models as well. In 2025, a number of new airlines will receive aircraft with humidifiers in Business or First Class. This is expected to create an interesting market dynamic.

MORE AND MORE AIRCRAFT ARE FLYING FURTHER AND FURTHER

Flight routes and flight behaviour have changed in favour of direct connections rather than feeding traffic into and out of major airport hubs. There are more and more direct routes between locations on different continents, resulting in a shorter total travelling time, but a longer uninterrupted time in the air. This is resulting in an increased demand for humidifiers, and thus a larger market for CTT.

MORE AND MORE PEOPLE ARE SEEING THE BENEFITS OF A BETTER CABIN CLIMATE

Aircraft manufacturers are continuing to introduce cabin climate improvements in new aircraft models that enhance on-board comfort. This means increased cabin pressure, for example, so that the perceived altitude corresponds to the pressure at around 1,800 metres above sea level, compared with 2,400 metres above sea level aboard older aircraft. Furthermore, temperature control has been expanded to include more zones, and noise and vibration have been reduced. The next step in efforts to improve the cabin climate is to increase humidity, which is offered as an option on the two latest models: Airbus A350 and Boeing 777X. The fact that the two leading aircraft manufacturers are including humidification as part of the cabin climate package is driving the market for CTT.

MORE AND MORE AIRLINES ARE FOCUSING ON EXPERIENCES AND WELL-BEING

As airlines invest in better, more comfortable business class interior and flight routes become longer, they are searching for innovations and products that enhance passengers experience with focus on greater comfort, wellness and wellbeing. With business travellers in mind, the aim is to create a travel experience that meets stringent demands in terms of flexibility, tasty, healthy food and the opportunity to work and rest. Airlines are trying to differentiate the experience by more effectively influencing and engaging our senses such as smell and taste. More and more airlines are realising that dry cabin air is a negative factor that impairs smell, taste and rest. The aviation industry focuses more closely on air quality issues in the wake of the pandemic. In this context, more and more people are perceiving the importance of higher humidity in order to prevent the immune system being weakened. This means that more decision makers are seeing an increased need for significantly higher humidity, which is driving the market for CTT.

GROWTH THROUGH REPEAT BUSINESS AND HIGHER PENETRATION

While the humidifier market for cockpit is established and the market for crew rest is widespread, the market for premium passengers is still emerging. Growth will be achieved through repeat business when mirroring previous configurations and adding passenger cabin humidification.



Positive market trend

Cockpit humidifiers have a high market share. The company's market plan is based on taking advantage of the success with the Boeing 787, with more than 50 major airline customers. More and more airlines are requesting similar equipment on new aircraft. Many airlines have mirrored the choices they have made for the Boeing 787 when buying the Airbus A350. New models such as the A350 and Boeing 777X also provide the option of selecting humidifiers for the passenger cabin. CTT currently has a large population, with good operational data in respect of reliability and performance. This significantly reduces the step to equip the passenger cabin with humidifiers as well. CTT is seeing a positive market trend driven by positive experiences and commonality experiences, guiding airlines when they select humidifiers for their various aircraft.

The market is expanding to include more aircraft types and more applications

One cornerstone of the growth strategy is that the company's humidifiers will be available

as an option in the cockpit, crew rest area and passenger cabin. The production rate of widebody aircraft where CTT's systems are available is driving market potential and is expected to increase significantly in 2024 compared to 2023. The first 777X aircraft are planned to be delivered to customers in 2025. CTT's products are optional, and sales are driven by penetration (read: how many airlines choose our options). The aim is to achieve the same humidifier penetration level in cockpits and crew areas on the Airbus A350 and Boeing 777X as on the Boeing 787. Moreover, the market has to be gradually extended to include the passenger cabin.

Milestone in growth plan occurs as more airlines have humidifiers in Business Class

Only three airlines currently offer humidification in Business Class aboard their A350s (China Southern, Turkish Airlines and Air India). Two airlines have chosen to equip their A350-1000 aircraft with humidifiers for their Business Class cabins, with delivery

expected from 2025. Boeing is also expected to start deliveries of the Boeing 777X in 2025. CTT has two airline customers, Emirates and ANA, who will have humidifiers in Premium Class.

OEM success to drive Retrofit market for cabin air humidification

The objective is to obtain commonality demand when airlines that have linefitted new A350s/777Xs with humidifiers in Business and First Class also retrofit humidifiers when upgrading existing aircraft. The market potential is huge, with cockpit humidifiers currently fitted in around 1,100 aircraft. These aircraft are dedicated for long-haul flights, and those operators already have accepted the humidifier cost-level for its pilots. At CTT, we believe their most premium passengers are worth the same climate (at similar cost).

PRIVATE JET: VIP DOMINANCE, WITH SIGHTS SET ON LARGE BUSINESS JETS

Private Jet is divided into VIP aircraft, which are redesigned commercial passenger aircraft, and business jets, which are smaller and dedicated to private aviation.

Large VIPs have strategic value

CTT has a dominant market position in the VIP segment. There is a strategic value in proving the technology to aircraft manufacturers and airlines (such as Retrofit on the Boeing 787). Blocking competitors from entering commercial aircraft models and manufacturers via VIP is also of importance to CTT.

VIP aircraft are purchased without any interior (green aircraft) and delivered for cabin completion at special completion centres. End customers are often government/royal families, VIP charter companies or ultra-high-net-worth individuals. Historically, CTT has developed unique systems together with the

interior design company that is CTT's customer and certifies the system. Airbus and Boeing have supplied around 450 VIP aircraft in total. Total VIP aircraft deliveries in recent years has been between five and ten per year. CTT's net sales from VIP projects have been between USD 1.5 million and USD 5 million per year.

Partnership with Airbus Corporate Jets to achieve higher narrowbody VIP penetration

In 2019, CTT has maintained a partnership with Airbus Corporate Jets (ACJ) with a view to offering an optimised humidifier system for the ACJ320 family for higher efficiency and performance. Airbus sells the system together

with the aircraft. The system has been received positively by the market.

CTT addresses larger business jets – first contract with Airbus Corporate Jets

Historically, CTT has had no market presence in the business jet segment. Liebherr Aerospace is the leading supplier of humidifier systems in this segment. Aircraft manufacturers include Cessna (Textron), Bombardier, Gulfstream (General Dynamics) and Falcon (Dassault).

The business jet market is changing, with new models that are larger than before, offering longer range and higher speed (large-

cabin, long-range). Market leaders Bombardier, Falcon and Gulfstream have introduced new aircraft models. Bombardier has enjoyed great market success with its Global 7500 and Global 8000 (first delivery in 2025). Gulfstream has a number of new models such as the G700 and G800, which are competitors to the Global 7500/8000. Dassault has Falcon 6X and is in the process of developing a completely new model, the Falcon 10X (certification scheduled for late 2025).

Airbus delivered its first business jet, the Airbus ACJ TwoTwenty in 2023. Airbus sells humidifier systems as an option when buying a new aircraft that CTT delivers.

Demand is increasing with longer range

Large-cabin, long-range business jet aircraft are expected to increase demand for humidification and require more efficient humidifier

systems that can maintain humidity levels above 20% in the entire cabin. The challenge is to achieve efficient systems that maintain good, consistent performance throughout the cabin without causing condensation problems. The business jet market differs from the VIP market in that manufacturers supply turnkey aircraft in most cases. Only a small number of these aircraft pass via independent completion centres.

OEM cooperation essential for volumes The business jet market is unexploited and has its own cyclical behaviour, with low correlation to normal economic cycles. Airbus is leading the way by marketing our systems together with its ACJ aircraft. The growth strategy for private jets is aiming to convince other manufacturers to follow suit.

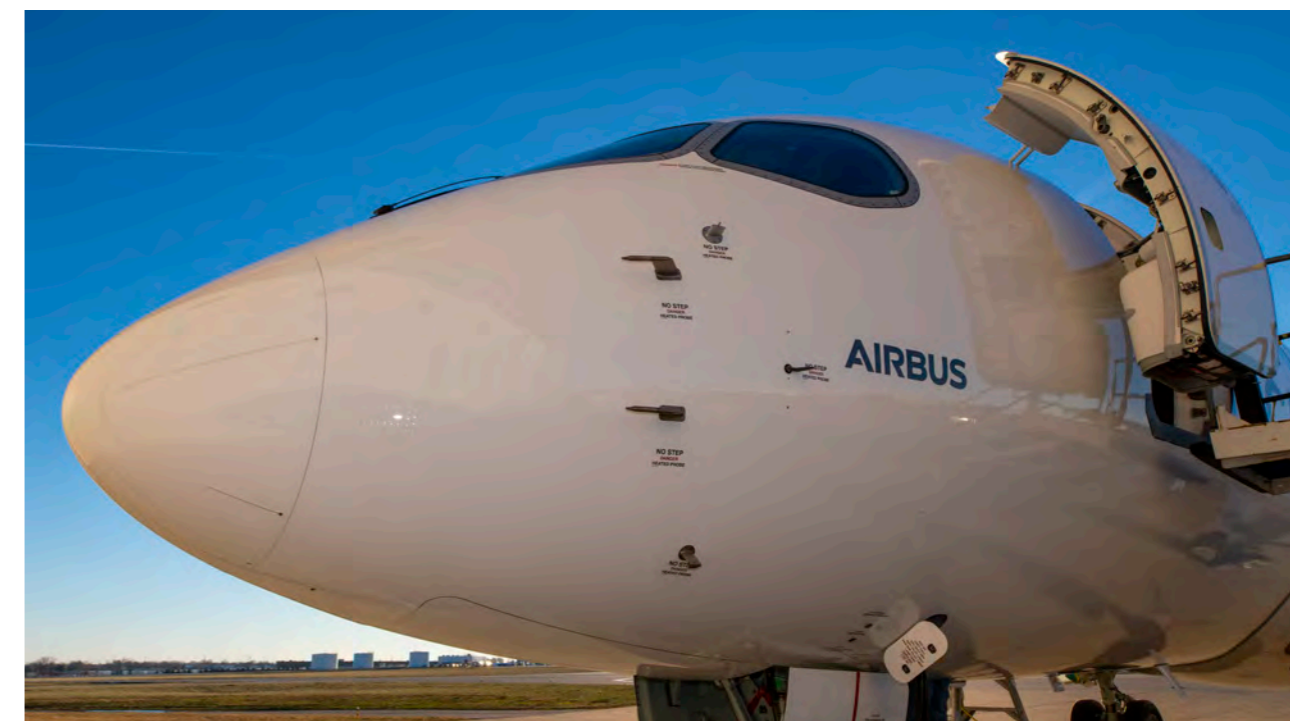
Competition

The main competitor of humidifiers is Liebherr Aerospace. However, CTT has dominated the VIP segment for the last decade, particularly for the largest models (widebody aircraft).

Liebherr have been the market leader in business jets, with a strong position among most manufacturers. But the latest aircraft (large cabin, long-range) from Bombardier and Gulfstream have no humidifier systems. This creates an opportunity for CTT. The growth opportunity is significant in the larger business jet segment, with market potential for CTT totaling around USD 30 million per year. In addition, there are also aftermarket revenues that depend on the installed base and flight hours.



The ACJ TwoTwenty is the world's largest business jet, with first delivery to customers taking place in 2023. Airbus Corporate Jets promotes and sells CTT's humidifier systems.



The picture shows an Airbus ACJ319neo. Airbus Corporate Jets sells the optimised humidifier system, which is supplied with STC together with the aircraft for cabin completion.

CASE: NEW DRIVERS AND OPPORTUNITIES



OEM – THE GROWTH ENGINE (AGAIN)

Positive drivers

Until 2019, OEM was the engine driving growth for CTT. In 2020, OEM volumes were negatively affected by the removal of anti-condensation systems as standard on the Boeing 787, and by lower demand as manufacturers were forced to reduce aircraft production rates during the pandemic. The FAA also suspended delivery of the Boeing 787. Overall, this meant that sales to OEM fell from SEK 166 million to SEK 20 million at the lowest level.

A number of positive factors are now converging that will benefit CTT's sales for several years to come. OEM demand is increasing as the pace of new aircraft production is picking up, underpinned by large order backlogs for wide-body aircraft. Boeing is aiming to build ten 787 aircraft per month from 2025/2026; compared to 1–2 in 2022 and 4–5 in 2023. Airbus has similar targets for the A350, planning to go from the current 5–6 aircraft per month to 10 from 2026. Moreover, the Boeing 777X programme will start delivering to customers from 2025.

Another driving force is that we expect to see more products onboard each newly manufactured aircraft, due to higher selection rate of options and also to an increase in the number of selectable products from OEMs.

The markets for cockpit and crew rest areas are established. Today, CTT has 85–90% penetration when it comes to cockpit humidifiers in the global fleet of Boeing 787 aircraft and high penetration among new A350 operators. In total, the company's humidifiers can be found in the cockpit and rest areas of more than 1,000 aircraft and are operational with more than 50 airlines. One positive trend is that many airlines reflect the 787 choice when specifying their A350s. This is true of all Chinese airlines, as well as Air France, Emirates, Ethiopian, Etihad and Turkish, for example.

Cabin humidification

The next phase will involve installing humidifiers in passenger cabins. At the time of writing, three airlines – Air India, China Southern Airlines and Turkish Airlines – have humidification in Business Class on their A350 aircraft. This is an important part of our growth strategy; to convince airlines not only to provide a healthier climate for pilots and crew, but also to offer wellness-level humidification for their premium passengers in First and Business Class.

Airbus announced in early October that another airline has chosen humidifiers for its A350-1000s. This airline has specified three premium cabin zones, as well as cockpit and

crew rest modules. This means that two undisclosed airlines have selected humidifiers for three cabin zones on their A350-1000 aircraft, with first deliveries scheduled for 2025. Boeing is aiming to certify and start delivering the first 777X aircraft in the second six months of 2025. Two airlines have opted for cabin humidification onboard the 777X to date.

Boeing 787 upgrade

Finally, we would like to highlight the opportunity linked to the Boeing 787. CTT is aiming to convince Boeing to increase the the number of selectable products on the 787 by adding the option of cabin humidification when delivering new aircraft, as well as upgrading aircraft already delivered. The 787 is the backbone of long-haul flights for many airlines. All these airlines have experience with humidifiers on the flight deck and in crew rest areas. Many airlines are considering offering humidification not only to pilots and crew, but to premium passengers as well. That is why CTT is approaching the market in order to get one or more of the major airlines with large orders for the 787 on board and together convince Boeing.

Overall, this means that CTT is well placed to increase sales in line with higher production rates, higher selection rates and more selectable products available from OEMs.

CASE: RETROFIT SALES



HARMONISATION OF CABIN EXPERIENCE AND INCREASED COMPETITION

Airbus and Boeing received a record number of orders for new aircraft in 2023, meaning that their order books are full until the end of the decade. Airlines are adapting to longer delivery lead times, and so their planning includes using older aircraft for longer.

Harmonisation

For CTT, this means new business opportunities when airlines upgrade their cabins. This is particularly true when airlines review their products with a view to maintaining a consistent experience on a given type of flight, regardless of the aircraft type. This is usually called harmonising the offering. For CTT, this relates to airlines that have elected to install cabin humidification on the A350-1000 and

Boeing 777X, for instance. In 2025, four airlines are expected to take delivery of their first A350-1000 / 777X aircraft with humidifiers in the premium cabins. This will lead to Retrofit projects in 2024 and 2025 where humidification should be considered.

Increased competition

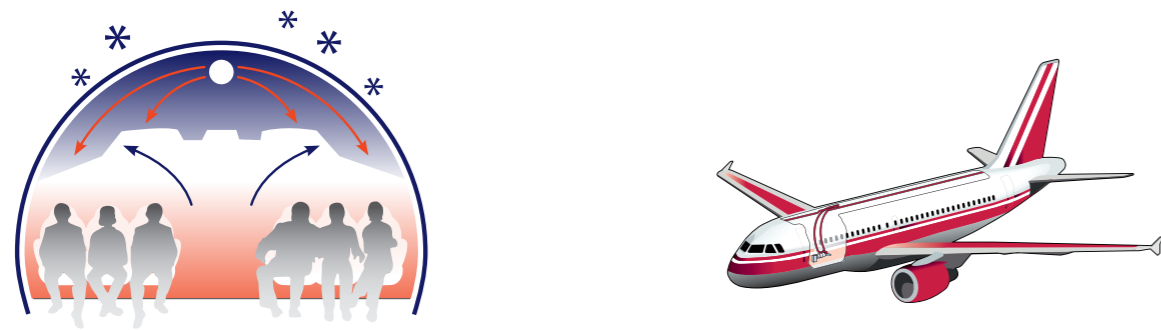
Competition for premium passengers is another driver. Competition between airlines is increasing as more airlines want to compete for the market created by Emirates, Etihad and Qatar. Riyadh Air, for example, has been established. Another example is Air India, which is aiming to transform its brand and become a premium airline. The objective is to become a competitive alternative for anyone wanting

to fly from India directly to Europe and the US, rather than via a stopover in the Middle East as is currently the case. Turkish Airlines has already entered this market and wants to fly its passengers via Istanbul.

CTT predicts that intensifying competition is driving the need to stand out, which favours the emergence of the cabin humidification market. This will become increasingly evident as more airlines start using aircraft with humidifiers on board in First and Business Class.

PIONEER IN ACTIVE MASTERING OF CONDENSATION

CTT is a pioneer and the only company with products that master condensation in aircraft. Aircraft are equipped as standard with passive systems designed to remove condensation. CTT's Anti-Condensation system solves the root-cause and reduces fuel consumption, CO₂ emissions and lowers the environmental impact of aviation.



How it works: CTT products blow dry air into the Crown Area (red arrows), which reduces condensation against the cold outer shell and drying insulation blankets and areas containing moisture-sensitive electrical systems via directional pipe systems.

System: Zonal Drying™ for the Airbus A320. The anti-condensation system is situated under the cabin floor at the front of the aircraft. A ducting system distributes the dry air to areas affected by condensation.

Condensation problems grow and counteract sustainability ambitions

Condensation occurs on all aircraft. Passive systems are available as standard to drain condensate water on ground. This approach is becoming increasingly ineffective as more aircraft seats are deployed, aircraft are operated almost full and longer and longer routes are travelled with less time on the ground. This results in accumulation of condensate water

and ice, thereby increasing the weight of the aircraft. This leads to increased fuel consumption, higher operating costs and unnecessary carbon dioxide emissions.

The problems are greatest in countries with periods where the climate is cold and wet. Calculations show that condensation can increase the weight of an aircraft by up to 300 kg. CTT is the only supplier of an anti-condensation systems that prevents and dries out water from

condensation. A typical anti-condensation system consists of one or two dehumidifier units that blow dry air into the Crown Area via ducts.

Aftermarket

For good functionality and performance the Anti-Condensation system requires filter changes after around 12–18 months and over-time repairs. This generates a sizeable aftermarket.

THE TARGET MARKET IS NARROWBODIES – OEM AVAILABILITY IS THE KEY FOR GROWTH

Narrowbody aircraft where condensation problems are more prevalent, partly due to having more passengers in less space, is the target market for anti-condensation systems. Airbus and Boeing need to offer the system in order to achieve greater legitimacy and scalability.

OEM availability is a prerequisite for growth

Being a supplier to aircraft manufacturers enables conditions for steady demand and extends the market, as well as increasing the chances of Retrofit sales. Airbus and Boeing dominate the narrowbody segment. The CTT Anti-Condensation products are not available in manufacturers' options catalogues for narrowbody aircraft at present.

Target market

CTT targets airlines with narrowbody fleets in northern Europe, where the climate reinforces problems with condensation.

Anti-condensation on widebody models

Anti-condensation systems are available in the Airbus A350 catalogue range as standalone or mandatory parts of the cabin air humidification system, depending on the configuration. The anti-condensation system was also standard on the Boeing 787 until the end of 2019. Around 2,000 anti-condensation systems are installed on around 1,000 Boeing 787s in total, which will generate aftermarket revenues many years ahead. CTT is certain that all aircraft types will be equipped with anti-condensation systems in the future. This will be demanded of the aviation industry. Every kilogram counts. Widebody is not a target market in the short term.

Competitors

All aircraft face condensation and are fitted with passive means to drain condensate water from the aircraft when parked on ground. CTT is the only provider of active anti-condensation systems. The competition is passive systems that leads away condensation when the aircraft is on the ground. Our biggest competitor is to do nothing at all.

CTT needs to encourage airlines to request active moisture control when purchasing new aircraft in order to convince manufacturers to be listed in their OEM catalogue.

MAJOR AIRLINE CUSTOMERS

Jet2.com and **Transavia** are CTT's two biggest narrowbody customers. Both airlines have the anti-condensation system on their fleets of Boeing 737s. CTT is aiming for them to continue with the system when they start to introduce Airbus aircraft from 2023 (in total, they have orders for approx. 200 aircraft in the A320-family).

REDUCING ENVIRONMENTAL FOOTPRINT FROM AVIATION

A narrowbody aircraft (e.g. the Airbus A320) with the CTT anti-condensation system installed reduces CO₂ emissions by up to 65–100 tonnes per year. The effect is even greater on a widebody aircraft.

approx. **80 tonnes** of reduced CO₂ emissions

= emissions from **50 cars**

CLIMATE CHANGE PRES- SURE TO **REDUCE CO₂** – HIGH LOAD FACTOR INCREASES DEMAND

The industry is actively striving to increase productivity by adding more passengers per aircraft, which is increasing condensation problems. At the same time, airlines are facing increasing demands – not least from their stakeholders – to reduce their environmental impact, which is driving demand for anti-condensation systems.

**“CTT MAKES FLYING BETTER – A
LITTLE MORE SUSTAINABLE AND FAR
MORE COMFORTABLE”**

INCREASED SEAT CAPACITY AND HIGH OCCUPANCY

Airlines are actively working to increase the productivity of their fleets, driven in part by the growth of low-cost air travel. Ultimately, they are aiming to get more passengers into each aircraft. This is being done by increasing passenger load factor by selling every seat (i.e. attractive prices), and also by fitting more seats. The problem of condensation increases with more passengers on board.

Aircraft are also spending more time in the air, which means they have shorter turnaround (less time to dry out). All in all, more condensate water accumulate in the fuselage.

MORE ELECTRONICS ON BOARD INCREASE SENSITIVITY TO MOISTURE

The trend in society towards more connected devices – among passengers, crew and the aircraft’s own systems – is driving the development of more sensitive electronics on board aircraft. Electronics are sensitive to moisture, which makes actively tackling condensation a more interesting prospect for airlines.

MORE SUSTAINABLE AIR TRAVEL REQUIRED – EMISSIONS MUST BE CONTINUOUSLY REDUCED

One of the most important measures is to reduce aircraft weight, where lots of small measures can have a major impact. Excess weight from condensation is an area in such, improving sustainability. With a penetration rate of just a few percent in current global narrowbody fleets, there is major growth potential for CTT products. Active anti-condensation reduces fuel consumption by 0.4–0.6% by reducing aircraft weight by 200–300 kg. This affects the environmental impact by reducing emissions at a level of around 65–100 tonnes of CO₂ per year.



QUALITY THE CORNERSTONE OF OUR PRODUCTION STRATEGY

Quality considerations defines our production strategy, providing plants with even clearer roles. Our Nyköping plant carries out final assembly and testing, while the Nybro plant focuses on serial production of aluminium and stainless steel components and assembles volume products.

MARIA WESTER
Director of Quality & HR

"Requirements from customers and public authorities are gradually increasing in the aviation industry with a view to further improving aviation safety. At CTT, we take responsibility for our part by further developing our processes and ensuring compliance with CTT's various operating licences thanks to the daily efforts of our staff, who work diligently, communicate openly and cooperate in-house, as well as with suppliers, customers and partners."



C



CUSTOMER SATISFACTION

CTT's primary focus is to meet or exceed its customers' expectations

T



TECHNICAL EXCELLENCE

Products and systems must be designed, produced and maintained so that they meet or surpass specified requirements

T



TOTAL QUALITY

CTT's key factors to ensure robust and long-term growth are:

- Compliance with all applicable laws, regulations and customer requirements – with continuous improvement of the management system
- Genuinely committed and motivated employees
- Sustainable relationships with suppliers and partners

Own production

CTT performs final assembly and testing of all its systems and products at the Nyköping plant so as to guarantee delivery quality and compliance and maintain a close presence to the development department. This is particularly important for low-volume products, for testing or at the start of an OEM programme. The PAD product group (humidity pads), which is delivered directly from Nybro by specifically qualified personnel for aircraft release, is an exception to this.

The Nybro plant is a pure production facility that CTT is developing to handle more advanced manufacturing processes. The plant produces sheet metal parts and assembles humidity pads. After installing a new, advanced fibre laser combination machine, a combined fibre laser and punching machine that enhances quality, reliability and productivity, we have continued to visualise the production steps with the help of digitalisation in production. We have a modern machine fleet and will be continuing to update that fleet to the latest technology where we review the chances of robotising parts of production as volumes increase, thereby also enhancing the working environment for our staff by eliminating monotonous processes that may cause occupational injuries in the event of prolonged exposure. We have outsourced all service maintenance, etc.

to external suppliers in recent years so that we can focus on production, our core business. Retaining talented staff so as not to lose momentum in the optimisation of our production is a crucial part of efficient production, and CTT attaches great importance to this. This is of particular importance in a growth phase. All CTT operations hold quality accreditation to the aviation industry's own standards.

Selected subcontractors

CTT works with selected subcontractors for technically complex product parts and components for which the aviation industry has defined special requirements, such as fans, valves, control units and special air pipes and hoses. Particular specifications and drawings are devised for products of this kind. Long-term contracts form the basis for this type of cooperation.

Quality and reliability

The aviation industry involves a high level of control and regulation. It is also capital-intensive, making delays and downtime costly. As a consequence, therefore, most parts and systems are built to last the lifetime of the aircraft. All processes at the company are defined in the company's own quality system, and regular checks are performed in order to ensure that the processes are being followed and that new

processes are developed when necessary. The quality system meets the requirements defined by public authorities for manufacturing and repairing parts for the aviation industry. CTT is certified according to ISO9001 and the AS9100 standard applicable in the aviation industry. CTT works in partnership with design organisations approved by aviation authorities, such as Lufthansa Technik, in order to certify aircraft retrofit systems.

Development

CTT conducts two types of development work. One aims to develop products to fit specific aircraft models. When major aircraft manufacturers develop new models, as Boeing is currently doing with the 777X, it means that CTT also carries out extensive work that includes developing technology and processes, with multiple qualification rounds involving the aircraft manufacturer and public authorities. The second type of development takes place at an earlier stage, before specific contracts are signed. This development involves devising new concepts and ideas for future products, as well as patenting the progress made. One such example is a partnership entered into by CTT and air filter manufacturer Camfil in 2020 in order to integrate ozone and VOC filtration into cockpit, Crew rest area and cabin humidifiers.

SUSTAINABILITY REPORT

CTT prepares a sustainability report in accordance with the Swedish Annual Accounts Act. The Board of Directors is responsible for the statutory sustainability report, which can be found in the annual report under the items below and covers the reporting requirements in the fields of environment, social conditions, personnel, business ethics and human rights according to the UN's ten principles and Agenda 2030. Attempts are made to achieve full transparency and focus in this regard. The sustainability report has been reviewed and approved by the company's auditors.

Area	Page
Business model	10
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SUSTAINABLE DEVELOPMENT AND RESPONSIBLE ENTERPRISE

CTT has a value-based approach to sustainability and strives to integrate sustainable thinking in everything it does, in both the short and the long term. Sustainability is an important driving force for CTT's product development and its efforts to minimise the environmental impact of its operations. Conducting business ethically in all regards alongside offering attractive, responsible workplaces are other essential elements of CTT's sustainability initiatives. Creating a sustainable, value-creating business is based on integrating the entire chain into sustainability efforts, from supplier to customer.



CTT's vision is for the aviation industry to use CTT products to actively regulate humidity aboard aircraft in order to provide a better climate in the aircraft and on the ground. In 2023, our anti-condensation systems reduced airline CO₂ emissions by the equivalent of 83,000 cars (72,000), higher than in the previous year when flight hours in particular increased again in the wake of the COVID-19 pandemic. At the same time, CTT humidifiers created an improved working environment for more than 64% (64) of the world's pilots of widebody Boeing 787 and A350 aircraft by increasing humidity. To achieve this vision, we conduct responsible enterprise based on our business concept, strategic agenda and sustainability policy. The framework for CTT's sustainability work is based on the Sustainable Development Goals of Agenda 2030, stakeholder and significance analyses carried out and dialogue with our stakeholders, who influence and are influenced by our operations to varying degrees.

Sustainability policy forms the starting point for sustainability efforts

CTT is constantly working to reinforced sustainability in its operations. We are steering towards increased sustainability on the basis

of our sustainability policy, which describes the fact that the company has to work to integrate social, economic and environmental sustainability throughout everything it does. This means that CTT has to operate in a financially sustainable manner that ensures its survival and evolution over time. The company must respect human rights and promote good working conditions throughout the value chain. CTT must also work actively to reduce its environmental impact and combat corruption.

The CEO and the management team bear operational responsibility for conducting ongoing sustainability work. A review and evaluation of the previous year's performance is carried out at the start of each year, and a review of the sustainability goals and risks related to each focus area is then conducted on the basis of the outcomes and stakeholder and significance analyses. Specific activities are then defined, with responsibilities and key figures for the coming year. A mid-year review of ongoing activities is carried out at the management strategy meeting after the summer.

At the end of the year, the outcomes of the year's goals and activities are compiled and form a basis for the review at the start of the next year, and the circle is closed.

Certifications and licences form part of CTT's sustainability efforts

CTT has a number of certifications, licences and customer approvals which mainly govern the operation of the business, but which also form an important part of the company's sustainability efforts; by ensuring that working methods and practices relating to a number of different sustainability issues are in place, for example. CTT has a number of different licences/approvals:

- AS9100D certification, the aviation industry's quality standard that includes ISO9001:2015
- Six different administrative approvals under the Swedish Transport Agency, including:
 - Production Organisation Approval (POA)
 - Three Maintenance Organisation Approvals (MOA) covering the EU, the US and Canada which are generally accepted globally. As the UK has left the EU, CTT has needed additional certification of its repair operations with a single licence under CAA UK, as the UK has stopped accepting EASA licences in 2022.
 - Known originator, air freight (Swedish Transport Agency)
- Customer approvals (e.g. from Boeing and Airbus)

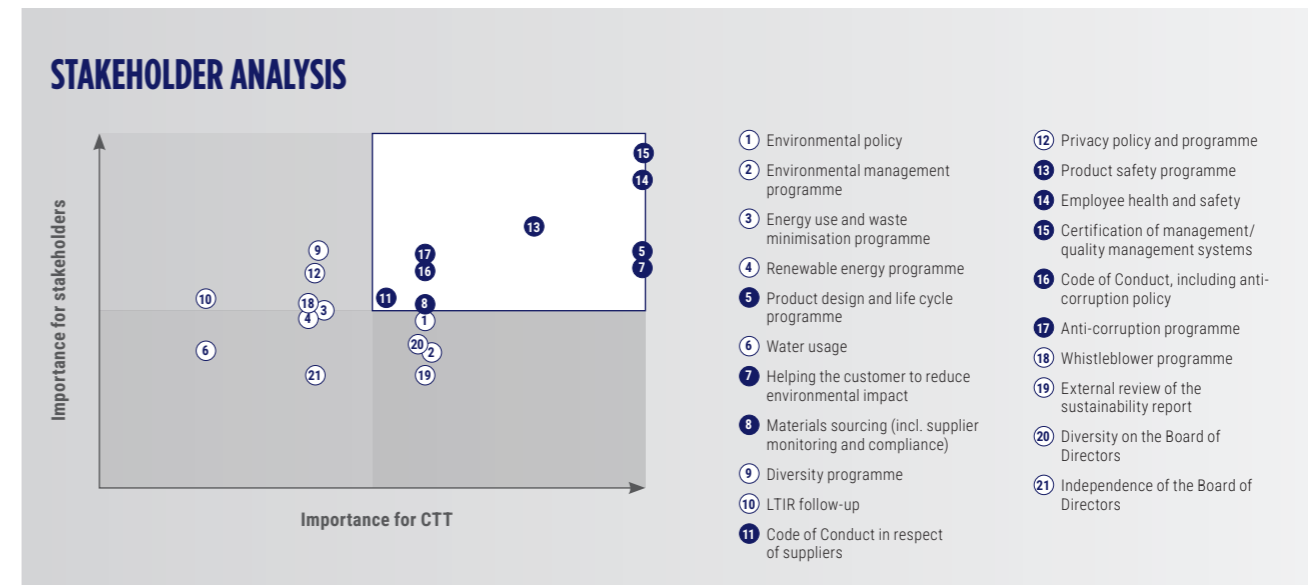
Stakeholder and materiality analysis

The stakeholder and materiality analyses conducted by CTT are an important part of the annual management review, where activities related to sustainability work for the coming year are decided upon. CTT's primary stakeholders are employees, owners/investors, the community, customers, suppliers and regulatory counterparties. Customers also include

airlines, which are sometimes indirect customers, and end-users, which are the passengers and crew aboard aircraft.

CTT's stakeholder analysis is based on a number of issues related to the company's three main areas: Environmental responsibility, Responsible employer and Business ethics and human rights. These issues are used to assess the impact of a specific issue on CTT's ability

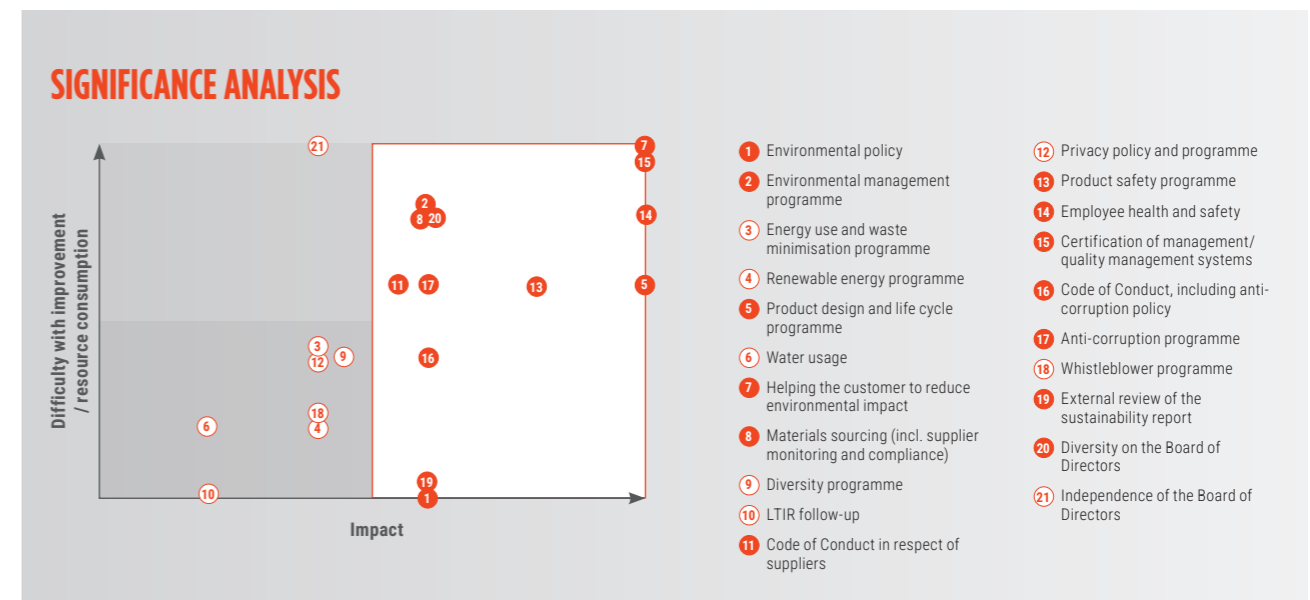
to create value for its primary stakeholders and the impact of a specific issue on CTT's ability to go on evolving as a company profitable in the long term. An illustration of the company's stakeholder analysis is presented below, the white area marking the issues that are of major importance to both CTT and its stakeholders, making these priority issues.



CTT's significance analysis compares the positive impact a specific issue is deemed to be capable of having with CTT's ability to positively influence that issue. An illustration

of the company's significance analysis is presented below. The significance analysis is one of the tools used to decide on activities for the coming year, the balance of impact versus

opportunity to influence forming the basis for value-based decisions on which activities to prioritise.



THREE AREAS THAT CAPTURE CTT'S KEY SUSTAINABILITY ISSUES

UN Agenda 2030 and related Sustainable Development Goals have provided guidance in efforts to identify the most relevant sustainability issues for CTT to deal with, monitor and report. CTT has chosen to group these under three areas: Environmental responsibility, Responsible employer and Business ethics and human rights.

SUSTAINABILITY AT CTT

ENVIRONMENTAL RESPONSIBILITY

Climate change is one of the world's most pressing challenges, which is why CTT is making every effort to significantly reduce its climate impact and contribute to the 1.5-degree target under the Paris Agreement. As far as CTT is concerned, it is important to go on identifying and implementing activities that reduce the environmental impact of our operations, but also to regularly check our suppliers' environmental work and environmental certification. A third area of importance to CTT is how the company can influence its customers, airlines, to reduce their environmental impact. Offering anti-condensation systems that reduce condensation in aircraft means that CTT is indirectly contributing to airlines' ability to reduce its emissions by offering CTT's weight-reducing and hence fuel-saving anti-condensation/dehumidification products.

These products helped to reduce global CO₂ emissions by around 134,000 tonnes in 2023, compared to 116,000 tonnes in 2022. Examples of activities for reducing the company's own environmental impact include the introduction of a renewable energy programme to ensure that all the electricity and heating we buy comes from fossil-free sources, and the installation of solar panels at our production plant in Nybro. When renovating and altering company premises, the company strives to reduce energy consumption on the basis of earlier conducted energy mapping. CTT also has an action programme aimed at a sustainable travel policy, increasing the percentage of environmentally classified company cars and providing electric car charging at each work site. To help customers to reduce their environmental impact, CTT is developing an improved



anti-condensation system and has highlighted how consumables can be recycled in order to achieve greater sustainability throughout the product life cycle. Moreover, CTT carbon-offsets all its travel through the Fly Green Fund, where funds are used to develop biofuels for the aviation industry.



The solar panels at CTT Nybro were commissioned at the end of 2021 and produced around 205,000 kWh in 2023. Above expectations of 200,000 kWh.



RESPONSIBLE EMPLOYER

As an employer, CTT is responsible for providing equal, safe and healthy workplaces where staff enjoy their work and feel that there are good opportunities for personal development and career paths. CTT is committed to working proactively on gender equality, diversity and equal opportunities. CTT has developed an updated sustainability policy in 2023 for further clarification of this. At the same time, CTT's various regulatory and customer requirements involve specific security clearances and checks of personnel records. CTT's responsibilities include ensuring that training initiatives are in line with both skills needs and employees' individual career and skills development plans. A well-established occupational health service means

that employees receive regular health checks, and wellness allowances and company-sponsored exercise activities are offered in order to promote movement and exercise. CTT is working actively to reduce work-related injuries and maintains statistics on accidents and incidents, all accidents and serious incidents being reported to the Swedish Work Environment Authority and the Social Insurance Agency. CTT is a member of the Association of Swedish Engineering Industries and the Confederation of Swedish Enterprise and is therefore affiliated to collective agreements. It goes without saying as far as CTT is concerned that employees have the right to join a trade union, and the company maintains good cooperation with its trade union counterparts.

It is also important to ensure good financial conditions for employees in the form of the profit-sharing foundation, which gives all employees an equal share of the company's profits in relation to hours worked. CTT also strives to maintain the highest possible percentage of permanent positions, offering regular and flexible working hours during the day. It is also important for CTT to contribute to a sustainable local community. CTT has increased its involvement in 2023, including increasing its sponsorship in Nyköping and Nybro.



BUSINESS ETHICS AND HUMAN RIGHTS

CTT's operations must be characterised by high business ethics, and the company must uphold good business practice in all relationships. Backhanders, bribery and other forms of corruption are not accepted under any circumstances. CTT developed and implemented a new Code of Conduct in 2020 which clearly sets out the company's guidelines for combating all forms of corruption. This policy was communicated internally in 2021, and in 2022 it began to be followed up with suppliers and customers. The company has also previously introduced and provided training for a whistleblowing function that is open to internal and external parties. The Code of Conduct and the whistleblower function can both be found on the company's website at www.ctt.se.

CTT also follows and operates in compliance with the codes of conduct defined by our main customers, Airbus and Boeing, as requirements for supplier partnerships. These include anti-corruption measures and human rights. CTT is working constantly with external counterparties to ensure that contracts are formulated in a manner that minimises the risk of bribery and other forms of corruption. The company has also conducted a control and risk assessment regarding the use of conflict minerals. The outcome of this was that no evidence of the presence of conflict minerals was found in either the company's components or its finished products. CTT also strives to achieve full transparency in its sustainability reporting. The com-



pany became a Nasdaq Transparency Partner in 2022, which is proof positive that we openly report what the market wants to see. For other governance issues relating to sustainability work, see the corporate governance report on pages 70 onwards.



OUR STAFF ARE THE KEY TO OUR SUCCESS

The skills, experience and commitment of our employees are key to CTT's ability to achieve its vision. Together, we are building a company that is characterised throughout by high business ethics, extensive competence and – not least – a healthy working environment where everyone has equal opportunities. Together, we are creating a sustainable organisation.

CTT does its best to be an attractive employer and wants both current and potential employees to feel that we offer good opportunities for an interesting future. The aviation industry is generally characterised by a high degree of accuracy and well-developed procedures in order to meet the requirements and expectations of customers and authorities. Always offering staff opportunities to develop and extend their skills is therefore business-critical and a key element in HR work. This work has had an impact and have contributed to many of CTT's employees staying with the company for a long time: 82% of CTT's employees have been employed for more than five years and 53% for more than ten years. This also means that CTT only needs to hire contractors in exceptional cases. We adjusted

staffing levels in 2020 and 2021 on account of the pandemic after many years of continuous growth and recruitment, and short-time working on a fair-wage basis without government funding was implemented for our remaining staff. It is gratifying to see that we started to reinstate staff in 2022 and 2023 so that we can grow again, with several people who had to leave choosing to come back.

An attractive overall package

CTT offers collective agreements, competitive salaries and reduced working hours which give all staff additional time off over Christmas and New Year, for instance, as well as a number of working days between two holidays. Wellness allowances and occupational health services

with voluntary health checks are offered in order to promote good health. The company also strives to make it easier for employees to combine work and parenthood.

Annual deposits have been made to a profit-sharing foundation since 2016.

CTT also encourages an inclusive climate with good cohesion. The organisation is relatively flat and staff maintain close relationships with the CEO, who is often involved in day-to-day work. Development opportunities are good in terms of work content and opportunities to apply for new roles. The long lead times in the industry also mean that work can be planned so that excessive workloads can normally be avoided.

Great Place to Work – an inclusive workplace where staff enjoy working

CTT works actively to create an equal opportunities workplace characterised by teamwork, a sense of community, well-being and mutual respect for one another. CTT conducts regular employee surveys in order to monitor employees' perception of the workplace with a view to supporting the continuous development of the working environment. New for 2023, the staff survey was conducted via Great Place to Work. CTT achieved 74% in the weighted index for the whole model at the first time of asking. A score of over 70% is required for certification. When asked whether they agreed with the statement "All in all, this is a very good place to work", 79% agreed strongly. The camaraderie index was a high 86%, showing that most people are satisfied or very satisfied with the sense of community and well-being at the company.

The HR department received no cases related to victimisation, harassment or discrimination in 2023. Nor have any cases been received through the whistleblowing function.



EMPLOYEE DATA AT CTT, 2023

Number of employees ¹⁾	80 (73)
Percentage of female employees ¹⁾	35% (32)
Average age ¹⁾	48 (49)
Average length of service ¹⁾	12 years (12)
Staff turnover ²⁾	6% (12)
Attendance rate ³⁾	97.2% (96.9)

1) At the end of the year
2) During the year. This does not include people who were both dismissed and rehired in 2023
3) During the year



- INCLUDES ALL EMPLOYEES, EACH EMPLOYEE RECEIVING AN EQUAL SHARE IN RELATION TO THE HOURS WORKED
- EACH EMPLOYEE WITH A FULL SHARE OWNS MORE THAN 2,200 SHARES IN CTT VIA THE FUND, AS AT 31 DECEMBER 2023
- AS AT 31 DECEMBER 2023, THE PROFIT-SHARING FUND WAS THE 18TH BIGGEST SHAREHOLDER IN CTT ACCORDING TO THE SHARE REGISTER
- MORE THAN SEK 101,000 PER ELIGIBLE EMPLOYEE WAS ALLOCATED FOR 2023

STAFF PROFIT-SHARING FOUNDATION

Allocation for the profit-sharing foundation

CTT has had an independent profit-sharing foundation in place since 2015 that gives all employees a share in CTT's financial success. The purpose of this foundation is to create a clearer link between the collective performance of employees, their remuneration and the company's results and, in the long term, to reinforce employee engagement through share ownership. Each CTT employee who has worked full-time since the start owns the equivalent of more than 2,200 shares in CTT through the profit-sharing foundation. In total, the profit-sharing foundation – which has been in place for eight years – owned 1.1% of CTT's share capital at the end of the year.

7.5% of the company's profit before tax is allocated to the foundation each year, up to a maximum of 22.5% of the declared dividend. The award can be up to 25% of the total basic salary of all of the company's employees. The funds are invested in CTT shares, which are acquired on the market following the Annual General Meeting each year.

All employees, regardless of their salary and position, are allocated equal shares in relation to their annual working hours, as long as they have been employed for at least three months and have not left in the year in which they started. Payments to employees may be made no earlier than four years after the financial year on which the allocation to the foundation is based. Employees themselves decide whether the funds are to be paid out or remain in the foundation.

A value of more than SEK 101,000 per eligible employee was set aside in 2023, to be invested in May 2024. The foundation acquired a total of 26,731 shares in CTT in 2023. 2023 was the third year in which selling shares was an option, and a few people took advantage of this. Net, the profit-sharing foundation owned 135,729 shares as at 31/12/2023.

CASE: WORKING AT CTT

CTT INVESTS MORE IN MARKETING, THE KEY TO GROWTH

Magnus Attefall is CTT's Marketing & Communication Manager. Magnus's role is relatively new to the company, and the goal is to create a presence that makes an impact. CTT wishes to position itself as an integral part of the traditional aviation industry.

Demand for CTT's products has shown an impressive and steady increase since its introduction, with a notable but short-lived dip during the pandemic, after which demand recovered quickly and continued to grow.

The company has customers on all continents, with a new sales director in the US and a major market in the Middle East and Asia. The interest in CTT and its unique products is creating new opportunities, while there is a great need to educate the market. In 2024, Magnus Attefall predicts that much of the communication work will go on focusing on laying a solid foundation for the future. The CTT Systems brand will be built even stronger, and a digital knowledge bank has been launched where potential customers can see the benefits of the products the company offers.

"We are the only company on the market offering our products, and so we have to do all the communication, training and marketing ourselves," explains Magnus. "No competitors are helping

out with this work. That said, it creates massive opportunities because we are unique. We want our potential buyers to understand the difference our products make to both the economics of their aircraft fleets and the well-being and health of passengers, their end customers."

Since Magnus took on his new role at CTT, his work has generally involved adopting a holistic approach to the company's communication and creating a consistent image for the brand. The guiding principle is that there should be a meaning behind all the company's communication and a clear recipient for the information presented.

"We are still in the early stages of our strategic communication work. The aviation industry is very traditional, and it is important for us to go on symbolising the credibility that CTT has stood for since 1991. That said, we must not be afraid of finding creative new ways of communicating and marketing."

Magnus's role involves both strategic and operational aspects. One of the major advantages of Magnus joining CTT in the summer of 2023 was that his role could relieve the burden on other functions in the company, which are now able to focus more closely on pure sales.

In 2024, Magnus will go on focusing on the measurability of our communication and marketing and looking at how the results can best complement and strengthen our sales initiatives.

"We are constantly topping up our database with actual data on what our customers and prospects are interested in and which channels provide the most benefit from our efforts. We are a small and agile organisation, which means we can alter our priorities relatively easily and adapt to the needs we can perceive. We have to present the right message in the right channel at the right time."

CASE: WORKING AT CTT

REPAIR BUSINESS IS GROWING AND BECOMING INCREASINGLY IMPORTANT FOR CTT

Being able to maintain and repair the products that CTT places on the market is a business-critical aspect. Mounir Megdiche and his aftermarket team work every day with customers all over the world from his workshop in Nyköping.

Mounir Megdiche took over as Maintenance Manager on 1 October 2023. He is responsible for all repair activities at CTT, a significant and growing business.

"I am looking forward to the journey we have ahead of us as we grow. I really enjoy seeing our staff growing as the scope of our activities increases and the bar is set higher, and it presents us with a challenge. This requires us to work proactively and not reactively, with each of us taking more responsibility so that we can maintain a high level and go on improving," says Mounir.

Aftermarket staff carry out repairs and maintenance on all components that CTT initially sells to customers. The aviation industry is governed by a very strict regulatory framework. Contracts require CTT to perform maintenance on components during the service life of an aircraft.

"We are versatile in our workshop, repairing both electronics and mechanics. When the airlines return components to us, we carry out an inspection first so that we can identify what the problem is. Once customer approval has been received, we carry out the repair in accordance with the approved documentation. When the test procedure is completed, the components are examined in the workshop by Certifying Staff, who issue an EASA/CAA Form 1. I am really proud of the fact we can do all this in our workshop and this gives me a sense of security, knowing that we are an independent organisation," says Mounir.

Aftermarket is an integral part of CTT's business model. That is why maintaining the Maintenance Organisation Approval which allows CTT to repair items is an important part of the day-to-day work. Moreover, aftermarket is important for

the company's sustainability work on account of increased recycling of CTT's products and other aspects. The long-term goal is for CTT to obtain accreditation to ISO 14001.

"It goes without saying that we should repair components, because we want to make sure our customers derive the maximum benefit from our products. This is a prerequisite for our entire business, too. Aftermarket will see by far the most growth. The need for repairs will increase as we deliver new products to the market. It is exciting to see that growth journey ahead of us," says Mounir.

FOLLOW-UP ON PRIMARY ACTIVITIES AND KEY FIGURES FOR 2023

ENVIRONMENTAL RESPONSIBILITY

Activity / Key figures	Results, 2023 (2022)	Comment
CO2 savings from anti-condensation systems supplied	134,000 tonnes (116,000)	Equivalent to emissions from 83,000 passenger cars in a year
Developing an improved anti-condensation system with at least 5% improved energy efficiency	Ongoing	Postponed due to the pandemic and the prioritisation of customer projects
Percentage of green company cars	86% (88)	Electric or plug-in hybrid cars
Electricity produced from solar panels, target 200,000 kWh	205,024 kWh (220,471)	Equivalent to 98 tonnes of CO2 reduction
Continued inspection of suppliers of chemicals and coatings in respect of certification and compliance with laws and regulations	Implemented	
Streamlining of water consumption and heat recovery	Ongoing	Only renewable energy is used for electricity. For heat, more than 99% comes from renewable sources
Improving current sustainability policy, including environment and diversity	Implemented	See ctt.se/about-ctt/sustainability
Humidified flight deck, percentage	64.2% (64.0)	Refers to Boeing 787 and Airbus A350
Humidified flight deck, hours	4,681,709 (3,719,416)	Refers to Boeing 787 and Airbus A350
Fewer discarded products	0.30% (0.43)	Outcome in relation to total cost of materials
Increased waste recycling	93% (90)	

Key figures and activities, 2024

CO2 savings from anti-condensation systems supplied
Developing an improved anti-condensation system with at least 5% improved energy efficiency
Percentage of green company cars
Electricity produced from solar panels, target 200,000 kWh
Continued inspection of suppliers of chemicals and coatings in respect of certification and compliance with laws and regulations
Streamlining of water consumption and heat recovery
Start implementation of CSRD and ISO certification 14001 and 45001
Humidified flight deck, percentage
Humidified flight deck, hours
Fewer discarded products
Increased waste recycling



RESPONSIBLE EMPLOYER

Activity / Key figures	Results, 2023 (2022)	Comment
Job security – Percentage of permanent staff	100% (100)	
Fair pay – Percentage of employees above the minimum wage	100% (100)	
Fair pensions – Percentage of employees with occupational pensions	100% (100)	
Compliance with collective agreements – Number of observed deviations from collective agreements	0 (0)	
Equal opportunities workplace – Percentage of staff satisfied or very satisfied on gender equality issues in employee survey	99% (99)	Replaced by Great Place to Work survey
Equal opportunities workplace – Percentage of women in the company	35% (32)	
Employee health in health survey – Percentage of staff satisfied or very satisfied in respect of the "self-assessed health" question	73% (79)	It is likely that the pandemic has had a negative impact compared to the 2019 survey. Other composition of staff
Exercise and movement – Percentage of employees using their fitness allowance	74% (64)	Fitness allowance increased from SEK 4,000 to SEK 5,000 in 2023
Regular working hours – Percentage of employees working only during the day	100% (100)	
Carrying out at least one joint health activity for each work site	Implemented	
Continued development of e-learning tools for all employees	Implemented	
Percentage of employees with strain injuries	0% (0)	
Accidents resulting in absence, zero tolerance	0 (0)	
Sustainable cities – increasing local engagement and sponsorship	Implemented	

Key figures and activities, 2024

Job security – Percentage of permanent staff
Fair pay – Percentage of employees above the minimum wage
Fair pensions – Percentage of employees with occupational pensions
Compliance with collective agreements – Number of observed deviations from collective agreements
Equal opportunities workplace – Percentage of staff satisfied or very satisfied on gender equality issues in Great Place to Work employee survey
Equal opportunities workplace – Percentage of women in the company, develop a gender equality plan
Employee health in health survey – Percentage of staff satisfied or very satisfied in respect of the "self-assessed health" question
Exercise and movement – Percentage of employees using their fitness allowance
Regular working hours – Percentage of employees working only during the day
Carrying out at least one joint health activity for each work site
Continued development of e-learning tools for all employees
Percentage of employees with strain injuries
Accidents resulting in absence, zero tolerance
Sustainable cities – increasing local engagement and sponsorship



BUSINESS ETHICS AND HUMAN RIGHTS

Activity / Key figures	Results, 2023 (2022)	Comment
Completion of communication/training on ethics and anti-corruption policy for suppliers	Ongoing	Included in all tenders and contracts
Complete implementation of sanctions policy and code of conduct for customers	Ongoing	Included in all tenders and contracts

Key figures and activities, 2024

Completion of communication/training on ethics and anti-corruption policy for suppliers
Complete implementation of sanctions policy and code of conduct for customers

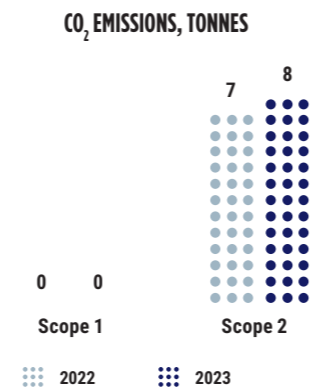


SUSTAINABILITY PRIORITIES 2024

SCOPE 1 AND 2 CLIMATE ACCOUNTING – DIRECT AND INDIRECT CONSUMPTION

CTT aims to become more energy efficient and thereby reduce its CO₂ emissions. All electricity and almost 99% of heat comes from renewable sources. In 2023, self-generated electricity from solar panels has accounted for 56% (59) of total electricity consumed directly. The consumption of direct district heating has fallen from 297 MWh to 275 MWh during the period. The proportion of green company cars was 86% (88) at the end of the year. Indirect electricity consumption has increased mainly due to the fact that more people are using chargers for electric cars, which is positive from a sustainability perspec-

tive. In total, the CTT anti-condensation system has saved 134,589 tonnes (116,032) of CO₂ for our customers, with the flight hours recorded in 2023 according to statistics from Boeing. Total CO₂ emissions, for Scope 1 and 2, have remained at the same level as last year. CTT has no emissions for Scope 1 and only emissions from district heating in Nyköping for Scope 2, amounting to 8 tonnes for 2023 as a whole. More than 90% of CTT's emissions are in Scope 3, where the company has produced preliminary figures for 2023. These will be worked on further and presented next year.



REPORTING OF KEY FIGURES

	Results, 2023	Per employee	Results, 2022	Per employee
Direct own consumption:				
Electricity consumed, kWh ¹⁾	369,384	4,450	374,262	4,990
Electricity produced from solar panels, kWh	205,024	2,470	220,471	2,940
Heat, kWh	275,050	3,315	297,060	3,961
Water, cubic metres	981	12	1,073	14
Percentage of green company cars	86%	-	88%	-
Waste recycling	93%	-	90%	-
Indirect consumption:				
Electricity, kWh ¹⁾	219,427	2,644	215,832	2,878
Heat, kWh	432,130	5,206	403,000	5,373
Water, cubic metres	881	11	881	12
The customer perspective:				
CO ₂ savings from anti-condensation systems supplied, tonnes ²⁾	134,589	1,622	116,032	1,547
Flight deck humidification, percentage ³⁾	64.2%	-	64.0%	-
Flight-deck humidification, annual flight hours ³⁾	4,681,709	-	3,719,416	-

1) Electricity consumption from electric vehicle charging was 18,501 kWh in 2023 and 16,658 kWh in 2022
 2) Based on statistics and key figures from Boeing and calculation by CTT of weight savings of 200 kg for narrowbody aircraft and 300 kg for widebody aircraft
 3) Of modern widebody fleet (Boeing 787 and A350)



OBJECTIVES AND LONG-TERM PLAN

CTT HAS SHORT, MEDIUM AND LONG-TERM SUSTAINABILITY OBJECTIVES FOR DEVELOPMENT AND INTEGRATION INTO OPERATIONS AND REPORTING

AREA	IMPLEMENTED IN 2023	PLAN 2024–2025	LONGER TIME HORIZON
E	Devise a plan to make CTT climate neutral throughout the value chain	Implement measures	Targets to be climate neutral / Net Zero Target
E	Further develop reporting of Scope 1 and Scope 2 emissions	Map and report the company's Scope 3 emissions	
E	Devise a plan for a science-based target initiative (SBTi)	Develop a science-based target and join the SBTi	
ESG	Devise a plan for reporting in accordance with the CSRD	Targets to be reported by 2025	
EG	Devise a plan for environmental certification	ISO-14001 certification	Continued certification, e.g. ISO-14021
SG	Devise a plan for workplace certification	Workplace certification completed Great Place to Work and ISO-45001	
S	Devise a plan for a more gender-equal workplace, percentage of women >30%	Implement measures, Percentage of women >40%	Percentage of women 40–60%
ES		Devise a plan for local community engagement, sustainable cities and ecosystems	
E		Further expansion of solar panels in Nyköping and Nybro	
G		Evaluate Nasdaq Green Equity Transition / Designation	

E = Environmental **S** = Social **G** = Governance

AUDITOR'S OPINION ON THE STATUTORY SUSTAINABILITY REPORT

To the Annual General Meeting of CTT Systems AB (publ), co. reg. no. 556430-7741

Mission and responsibilities

The Board of Directors is responsible for the 2023 sustainability report on pages 34–47, and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Focus and scope of the audit

Our audit was conducted in accordance with FAR recommendation RevR 12 *Auditor's opinion on the statutory sustainability report*. This means that our audit of the sustainability report has a different focus and a significantly smaller scope than the focus and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this audit provides us with a reasonable basis for our opinion.

Opinion

A sustainability report has been prepared.

Stockholm, 27/03/2024
(exact time stamp evidenced on electronic signature)

Öhrlings PricewaterhouseCoopers AB

Andreas Skogh
Authorized Public Accountant

FINANCIAL STATEMENTS

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CFO's STATEMENT



Markus Berg, CFO

Introduction

2023 was a year in which we saw a worrying situation in terms of security and world stability. Financially, this has resulted in high inflation and higher interest rates. CTT has been affected by this, but has managed to compensate for higher costs with price increases, mainly in the aftermarket, and benefited from the fact that most of its sales are in USD. It is worth highlighting the fact that EBT (earnings before tax) beat the previous 2019 record by SEK 2 million and ended at a high SEK 120 million.

CTT's revenues have grown in 10 out of 11 consecutive quarters since the low seen in the first quarter of 2021, during the pandemic. Everything indicates that the company is capable of continuing on this journey of growth, even though there is always a risk of less favourable results in a single quarter. The company already has both the capacity and the capability for the coming years, so we have good leverage to maintain a high level of profitability. However, it is important to bear in mind that a weaker USD/SEK exchange rate will have a negative impact on profitability. Moreover, increasing system sales will result in a decrease in the aftermarket share in the total sales mix from the extreme level of 79% in 2023. OEM looks set to be the engine driving growth again next year. The progression of Retrofit and Private Jet is more binary, while the Aftermarket trend will revert to reflecting the increase in the number of systems in operation following the recovery and when inventory build-up has subsided (see graph below).

Currency

2023 was an eventful year in the foreign exchange markets. CTT has an unusually one-sided currency exposure because practically all sales take place in USD. The company has chosen not to use USD forward hedging. On the other hand, purchases and bank loans in USD are actively sought. During the year, the USD to SEK exchange rate strengthened by about 5% from USD/SEK 10.11 to 10.61 (average rate over the years). However, the exchange rate has varied greatly during the year and the closing price in 2023 was 10.04, compared with 10.55 in 2022. The lower closing price meant that our loans in USD were valued lower and led to positive net financial items during the year.

Cash flow and financial position

Cash flow from operating activities increased to SEK 117 million (61), driven mainly by EBITDA, a decrease of SEK 18 million in accounts receivable during the year and a decrease in inventory of SEK 8 million. For CTT, however, it is important to maintain a resilient stock level which means the company is always able to fulfil customer delivery requirements. This, together with relatively long lead times and many items, is driving relatively high stock levels in relation to turnover. CTT has managed to reduce inventory in 2023, partly due to better planning, but also by optimising order points and increasing stock levels with some suppliers. The turnover rate has increased according to plan during the year, from 2.2 to 3.0.

CTT's financial position remains strong, with net debt of SEK -76 million (15), a high equity ratio of 75% (71) and bank and cash equivalents of SEK 118 million (60) and also credit/loan facilities of SEK 53 million. This means that CTT is able to continue to provide good returns to shareholders without sacrificing its growth ambitions. The Board proposes that the ordinary dividend be increased to SEK 5.35 per share (4.05) and that an extraordinary dividend of SEK 3.35 per share (0) be paid, totalling SEK 8.70 per share.

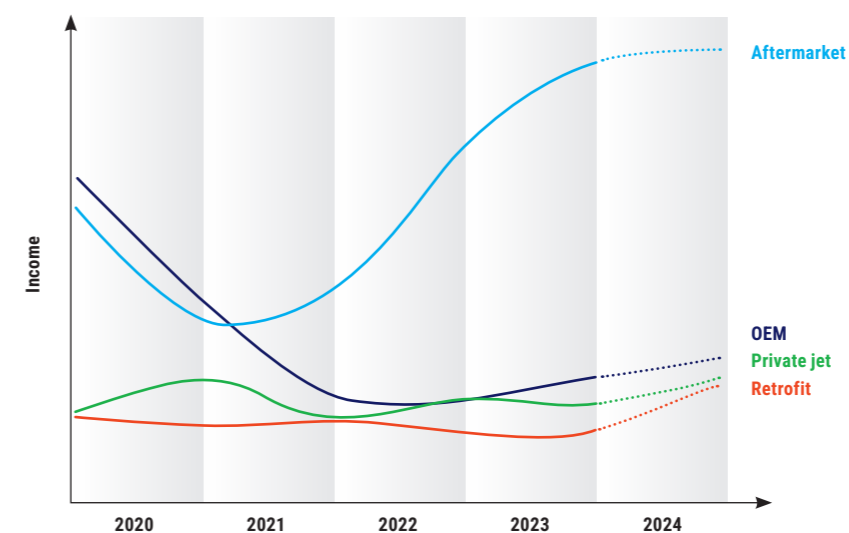
Sustainability and IT

I am also responsible for sustainability and IT. CTT has a value-based approach to sustainability, which means that the company selects the activities that have the greatest impact based on the effort when prioritising what to implement. It is particularly noteworthy that during the year, CTT developed a new sustainability policy and climate report and continued our journey towards becoming climate neutral throughout the value chain. More information about this can be found in the sustainability report.

In society, there has been a focus on cyber security during the past year, which has also been the case at CTT. Among other things, the company has conducted simulated attacks and vulnerability analyses carried out by third parties, conducted training and augmented our IT platform during the year, all with a view to preventing intrusions into the CTT IT environment. Going forward, the company will continue to improve and develop our IT platform, not only in terms of security but also to improve collaboration and support for our business.

Finally, I would like to take this opportunity to sum up by saying that CTT has strong finances and good prospects for sustainable economic growth.

TRENDS PER PRODUCT AREA



OPERATIONS & OTHER

General information about operations

CTT Systems AB (publ.) ("CTT") is a market-leading developer and manufacturer of systems for the active control of humidity in aircraft. There are two main problems with humidity in an aircraft: excessive dryness in the cabin where passengers and crew are located, and the accumulation of moisture in the fuselage due to condensation. CTT humidifiers increase the humidity in the cabin for an improved environment for the people on board. At the same time, the company's anti-condensation systems counteract condensation, resulting in lighter aircraft, lower fuel consumption and therefore less environmental impact. Our operations can be briefly described as follows:

- CTT has two product areas – anti-condensation systems and humidifier systems
- As a supplier, CTT is the sole supplier of humidifier systems for the manufacturers Airbus and Boeing's modern long-range aircraft models
- CTT benefits from the fact that the aviation industry tends to have high barriers to entry with strong regulation. In addition, the industry has long lead times and long product life cycles that are ultimately governed by the long model programmes of aircraft manufacturers
- CTT's aftermarket sales are an important part of the business, of great value if CTT receives their full value throughout the product life cycle
- CTT is based in Nyköping, was listed on Nasdaq Stockholm's Small Cap list in 1999 and has been on the Nasdaq Stockholm Mid Cap list since 2021

Events during the year and after its end

- 24/01/2024: CTT Systems AB welcomes Air India, India's leading global airline, as a new customer with humidifiers in Business Class on board its Airbus A350-900 aircraft. Air India is the first airline in South-east Asia and the Middle East to start flying with humidification in the Business Class cabin. CTT onboard humidifiers, which are highly appreciated in the cockpit and crew rest areas of Boeing 787, Airbus A350 and VIP aircraft, are now being introduced in Business Class.

Research and Development

In 2023, CTT has continued to run a number of parallel development projects. Capitalised assets for the year amounted to SEK 4.2 million (6.2) and consisted of development work primarily linked to the New Zonal Dryer and Boeing 777X projects.

CTT's other OEM platforms (A350, Boeing 787 and A380) along with the Private Jet business generate continuous engineering work and will do so throughout the life cycle of the products, albeit to an increasingly lesser extent for OEMs as time goes on. This expenditure has not been deemed to qualify as expenses that can be recognised as an asset. Expenses for testing and development expensed during the financial year amounted to SEK 2.1 million (2.6). See also Note 9 "Capitalised expenses for development work".

Employees

CTT has many employees with key expertise in areas strategically important to the company. The company employed a total of 80 people as of 31 December 2023, of whom 28 were women. There is an even age distribution, ranging approximately from 27 to 66. Attendance is high and totalled 97.2% during the year. For further information on employees, see the sustainability report that begins on page 34.

Sustainability

CTT develops, certifies, manufactures and markets products that actively regulate the humidity in aircraft, reducing the impact of the aviation industry on both people and the environment. In 2023, CTT updated its sustainability policy establishing the strategic direction of CTT's sustainability work on an overall level. Based on this and the 17 Sustainable Development Goals of the 2030 Agenda, the company works continuously on developing its sustainability work. For further information on CTT's sustainability work, see the sustainability report that begins on page 34.

CTT has no activities requiring a permit under the Swedish Environmental Code and its environmental impact is insignificant.

Remuneration to senior executives

The objective of CTT's remuneration policy for senior executives is to offer compensation that aims to attract, motivate and retain qualified expertise at CTT. Remuneration to the CEO and other senior executives shall be market-based and consist of a fixed basic salary, variable remuneration, a pension and in some cases other benefits and remuneration. For more information, see the corporate governance report starting on page 70.

Transactions with related parties

Transactions with related parties are described in Note 28.

Approval of financial statements

The financial statements were approved for issuance by the Board on 27/03/2024.

DEFINITIONS OF KEY FIGURES

Return on equity

Profit for the year as a percentage of average equity.

Return on equity is a measurement that the company considers important for an investor who wants to be able to compare their investment with alternative investments.

Return on total capital

Profit after net financial items with a reversal of financial expenses, as a percentage of average total assets.

Return on total capital is a measurement that the company considers important for an investor who wants to see how efficiently the use of total capital in the company is used and what return it produces.

Return on capital employed

Operating profit (EBIT) plus finance income as a percentage of average capital employed. The capital employed is defined as the total assets less non-interest-bearing liabilities including deferred taxes.

Return on capital employed is a measure that the company considers important for investors who want to understand earnings generation in relation to capital employed.

Equity per share

Equity in relation to the number of shares on the balance sheet date.

The company regards the key financial figure equity per share as relevant to investors since it describes the amount of capital (equity) belonging to the shareholders of the company.

Income per employee

Operating income divided by the number of employees (annualised average of full-time equivalents).

The company regards income per employee as a relevant measure for investors who want to understand how effectively the company is using its human capital.

Cash flow per share

Operating cash flow divided by the average number of shares.

The company regards cash flow per share as relevant to investors since it describes the amount of cash flow directly attributable to the shareholders of the company.

Quick ratio

Current assets excluding inventories but including granted unutilised overdraft facilities, divided by current liabilities.

The company regards the quick ratio (cash liquidity) as important for creditors who want to understand the company's short-term ability to pay.

Earnings per share

Financial measure (key figure) according to IFRS

Profit for the year divided by the average number of shares.

Interest coverage ratio

Profit after net financial items with reversal of financial expenses divided by finance costs.

The interest coverage ratio is a key figure that shows how much the result can decrease without risking interest payments. The company regards the key financial figures as relevant to investors who want to assess the company's financial resilience.

Operating profit (EBIT)

Operating profit before financial items and taxes.

The company is of the opinion that the key financial figure operating profit (EBIT) is relevant to investors who want to understand the company's financial results without the influence of how the business operations are financed.

Operating profit excluding depreciation and amortisation (EBITDA)

Operating profit before financial items and taxes (EBIT) with reversal of depreciation, amortisation and impairment of tangible and intangible assets

The company believes that the operating profit excluding depreciation and amortisation (EBITDA) key figure is relevant for investors who want to understand the company's results without the influence of how the business is financed or the company's depreciation policies for its investments.

Operating margin

Operating profit (EBIT) as a percentage of net sales.

The company regards the operating margin as a relevant key figure for investors who want to understand the extent of the revenue left over to cover interest, tax and profit.

Debt-equity ratio

Interest-bearing liabilities divided by equity.

The debt-equity ratio shows the relationship between the borrowings (total debt) and equity and thus the leverage effect of the borrowings. The company regards this key financial figure as relevant to investors' assessment of the financial strength of the company.

Equity ratio

Equity as a percentage of the total assets.

The equity ratio is a measure that the company considers important for creditors/lenders who want to understand the company's long-term ability to pay.

Profit margin

Profit after financial items as a percentage of net sales.

The company regards the profit margin as relevant to investors because it shows the amount of revenue remaining when all costs excluding tax are covered, and thus compares the profit with the scope of the company's activities.

INCOME STATEMENT

(SEK million)	Note	01/01/2023 – 31/12/2023	01/01/2022 – 31/12/2022
Operating income			
Net sales	3	308.9	240.6
Change in stocks of work in progress and stocks of finished goods		-5.4	2.8
Own work capitalised		2.0	3.4
Other operating income	3	6.7	16.5
Total operating income		312.1	263.3
Operating expenses			
Raw materials and consumables		-57.8	-49.4
Other external costs	4	-41.8	-35.4
Employee costs	5	-74.3	-69.1
Depreciation of property, plant and equipment and intangible assets		-9.3	-7.9
Other operating expenses	4	-10.5	-9.6
Total operating expenses		-193.7	-171.5
Operating profit (EBIT)		118.4	91.8
Profit from financial items			
Other interest income and similar items	6	3.2	1.0
Interest expenses and similar items		-1.2	-9.0
Net financial items		2.0	-8.0
Profit before tax		120.4	83.8
Tax	7	-25.0	-17.5
Profit for the year		95.5	66.3
Other comprehensive income		-	-
Comprehensive income for the year		95.5	66.3
Earnings per share, SEK	8	7.62	5.29

The company's operating profit (EBIT) for the full year 2023 increased to SEK 118 million (92), corresponding to an operating margin of 38% (38). The increase in earnings compared to the previous year is mainly a consequence of increased volume in aftermarket sales and OEM. Profit was SEK 95 million (66) and increased to SEK 7.62 (5.29) per share.

Sales and operating profit

Net sales increased by 28% to SEK 309 million (241) for the full year 2023. The increase was 23% in comparable currencies, driven mainly by the aftermarket and, to some extent, by increased deliveries to OEMs.

OEM revenue increased by 76% from SEK 20 million to SEK 35 million in 2023, driven mainly by the Boeing 787, where the production rate has increased from a low of one aircraft per month to about five. Private Jet revenue fell from SEK 21 to 18 million, corresponding to -11%, mainly due to delayed orders from end customers. Unfortunately, Retrofit revenues remained at zero during the year. The aftermarket has seen a strong recovery and growth in revenue, from SEK 187 million to a peak of SEK 243 million in 2023. Operating profit for 2023 stood at SEK 118 million, the second best result ever. Only 2019, with an operating profit of SEK 120 million, was better. The operating margin

reached a record high of 38%. Profit after net financial items of SEK 120 million was a new record. The profit margin increased from 35% to 39% in the previous year. This increase in profit is mainly due to increased volume in the aftermarket and OEM and favourable development of the USD/SEK exchange rate.

Currency and other items

During the year, the USD to SEK exchange rate strengthened by about 5% from USD/SEK 10.11 to 10.61 (average rate over the years). This had a positive impact on operating profit in 2023. However, the exchange rate has varied greatly during the year and the closing price in 2023

was 10.04, compared with 10.55 in 2022. The lower closing price meant that our loans in USD were valued lower and led to positive net financial items during the year.

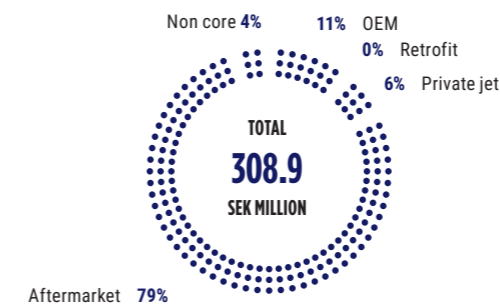
Development in costs

As a result of the COVID-19 pandemic's adverse effect on sales, the company initiated a cost

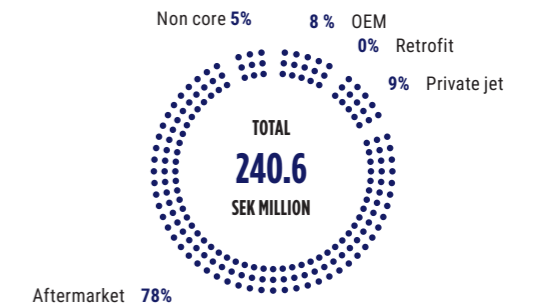
savings programme in 2020, which had an effect of approximately SEK 20 million in lower costs in 2021 and 2022. The programme had the greatest effect on staff costs through reductions in terms of both staff and working hours. CTT received no government grants/funding for furlough payments. The company increased its workforce from 73 to 80 employ-

ees in 2023. CTT has also chosen to invest more in sales and marketing during the year in order to eventually increase growth in the population even more. Despite this, the company has managed to maintain its high operating margin of 38% during the year.

BREAKDOWN OF NET SALES 2023



BREAKDOWN OF NET SALES 2022



FIVE-YEAR SUMMARY OF THE INCOME STATEMENT

INCOME STATEMENT (MSEK)	2023	2022	2021	2020	2019
Operating income	312.1	263.3	176.2	233.1	376.5
Operating expenses excluding depreciation	-184.4	-163.6	-138.1	-187.9	-250.1
Depreciation	-9.3	-7.9	-11.3	-6.8	-6.7
Operating profit (EBIT)	118.4	91.8	26.8	38.4	119.6
Finance income	3.2	1.0	-	2.4	0.2
Financial expenses	-1.2	-9.0	-8.9	-1.2	-1.8
Profit before tax	120.4	83.8	17.9	39.6	118.0
Tax	-25.0	-17.5	-3.7	-8.5	-25.4
Profit for the year	95.5	66.3	14.2	31.1	92.6

BALANCE SHEET

(SEK million)	Note	31/12/2023	31/12/2022
ASSETS			
Property, plant and equipment			
<i>Intangible assets</i>			
Capitalised expenses for development work	9	80.2	79.4
Other intangible assets	10	0.5	0.8
		80.7	80.2
<i>Property, plant and equipment</i>			
Land and buildings	11	24.5	24.9
Machinery and other technical facilities	12	11.4	13.4
Equipment, tools and installations	13	5.2	4.8
		41.1	43.2
<i>Financial assets</i>			
Shares in group companies	14	0.0	0.0
Other non-current receivables	15	2.3	2.1
		2.3	2.1
Total fixed assets		124.0	125.5
Current assets			
<i>Inventories</i>			
Raw materials and consumables	16	64.0	62.9
Semi-finished products		12.3	15.2
Work in progress		6.7	6.0
Finished goods		25.6	32.3
		108.6	116.4
<i>Short-term receivables</i>			
Accounts receivable	15, 17	48.7	62.5
Earned but not invoiced income	3	1.0	6.3
Other receivables	18	11.6	2.9
Prepayments and accrued income	19	5.5	3.4
		66.8	75.2
<i>Cash at bank and in hand</i>	15, 20, 21, 22	117.9	60.1
Total current assets		293.3	251.7
TOTAL ASSETS		417.3	377.1

BALANCE SHEET, CONT.

(SEK million)	Note	31/12/2023	31/12/2022
EQUITY AND LIABILITIES			
Equity ¹⁾			
<i>Restricted equity</i>			
Share capital		12.5	12.5
Restricted reserves		81.2	79.3
		93.7	91.8
<i>Unrestricted equity</i>			
Balanced results		124.9	111.2
Profit for the year		95.5	66.3
		220.3	177.5
Total equity		314.0	269.3
Provisions			
Provisions for warranty commitments	24	2.5	3.2
Other provisions for pensions and similar obligations	20, 24	0.4	0.2
Total provisions		2.9	3.4
Long-term liabilities			
Liabilities to credit institutions, interest-bearing	15, 20, 25, 26	40.3	43.9
Total long-term liabilities		40.3	43.9
Current liabilities			
Overdraft facility	20, 21	-	-
Liabilities to credit institutions, interest-bearing	15, 20, 25, 26	1.5	1.6
Advance payment from customers	3	-	6.7
Accounts payable	15, 25	13.9	17.9
Other provisions	24	-	0.2
Tax liabilities		14.4	7.3
Other liabilities	15, 25	10.9	7.1
Accrued expenses and prepaid income	27	19.4	19.7
Total short-term liabilities		60.1	60.5
TOTAL EQUITY AND LIABILITIES		417.3	377.1

1) For more information, see the Change in equity section.

CHANGE IN EQUITY

CTT's financial position remains strong, with net debt of SEK -76 million (15), a high equity ratio of 75% (71) and bank and cash equivalents of SEK 118 million (60) and also credit/loan facilities of SEK 53 million. The biggest changes affecting cash and cash equivalents during the year are the strong operating profit (see the cash flow analysis for further details), reduction in trade receivables, reduction in inventories, dividends and taxes paid.

Inventories

For CTT, it is important to maintain a resilient stock level which means the company is always able to fulfil customer delivery requirements. This, together with relatively long lead times and many items, is driving relatively high stock levels in relation to turnover. CTT has managed to reduce inventory in 2023, partly due to better planning, but also by optimising order

points and increasing stock levels with some suppliers. The turnover rate has increased during the year, from 2.2 to 3.0.

Investments

The increase in intangible fixed assets is mainly due to investments in development projects. In 2023, CTT has continued to run a number of parallel development projects. Capitalised intangible assets for the year amounted to SEK 4.2 million (6.2) and consisted of development work primarily linked to the New Zonal Dryer and Boeing 777X projects. Investments in tangible fixed assets for the year totalled SEK 3.5 million (0.9).

Financial position

CTT's overall financial position is strong, with its equity ratio being 75% (71) as of 31 December 2023 and cash, including non-

utilised financing, amounting to SEK 171 million (111). Net debt as of 31 December 2023 amounted to SEK -76 million (-15), and equity to SEK 314 million (269). The company estimates that the dividend can be increased to 8.70 per share in 2024, as the cash situation is good and future prospects are deemed to be ever improving. Together, this means that the Board of Directors' overall assessment is that the company is in a strong financial position that will be maintained in the coming year.

(SEK million)	Restricted equity					Unrestricted equity					Total equity	
	Restricted reserves		Balanced results			Share premium reserve		Balanced results		Profit for the year		Total
	Share capital	Statutory reserve fund	Development expenditure fund	Total	Total	Share premium reserve	Balanced results	Total				
Equity 31/12/2021	12.5	6.5	67.5	74.0	86.5	28.9	83.4	112.2	14.2	126.4	212.9	
Dividend to shareholders	-	-	-	-	-	-	-9.9	-9.9	-	-9.9	-9.9	
Provision for development expenditure fund	-	-	6.2	6.2	6.2	-	-6.2	-6.2	-	-6.2	-	
Reversal of provision for development expenditure fund	-	-	-0.8	-0.8	-0.8	-	0.8	0.8	-	0.8	-	
Profit distribution	-	-	-	-	-	-	14.2	14.2	-14.2	-	-	
Profit for the year	-	-	-	-	-	-	-	-	66.3	66.3	66.3	
Equity 31/12/2022	12.5	6.5	72.8	79.3	91.8	28.9	82.3	111.2	66.3	177.5	269.3	
Dividend to shareholders	-	-	-	-	-	-	-50.7	-50.7	-	-50.7	-50.7	
Provision for development expenditure fund	-	-	4.2	4.2	4.2	-	-4.2	-4.2	-	-4.2	-	
Reversal of provision for development expenditure fund	-	-	-2.4	-2.4	-2.4	-	2.4	2.4	-	2.4	-	
Profit distribution	-	-	-	-	-	-	66.3	66.3	-66.3	-	-	
Profit for the year	-	-	-	-	-	-	-	-	95.5	95.5	95.5	
Equity 31/12/2023	12.5	6.5	74.6	81.2	93.7	28.9	96.0	124.9	95.5	220.3	314.0	

BALANCE SHEET, FIVE-YEAR OVERVIEW

BALANCE SHEET (SEK million)	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019
Assets					
Intangible assets	80.7	80.2	75.9	73.0	54.5
Property, plant and equipment	41.1	43.2	48.1	53.6	45.2
Financial assets	2.3	2.1	1.9	1.9	1.9
Other current assets	175.4	191.6	153.4	157.4	151.3
Cash at bank and in hand	117.9	60.1	49.3	21.6	110.0
Total assets	417.4	377.1	328.5	307.5	362.8
Equity and liabilities					
Equity	314.0	269.3	212.9	220.5	240.2
Provisions, warranty commitments	2.9	3.4	3.8	6.1	8.4
Non-current liabilities, interest-bearing	40.3	43.9	70.8	35.7	32.5
Current liabilities, interest-bearing	1.5	1.6	1.4	1.2	-
Current liabilities, non-interest-bearing	58.6	59.0	39.7	44.0	81.8
Total equity and liabilities	417.4	377.1	328.5	307.5	362.8

BOARD PROPOSAL FOR PROFIT DISTRIBUTION

	SEK
Profits available:	
Balanced profits	96,013,450
Share premium reserve	28,856,978
Profit for the year	95,454,964
Total	220,325,392
Ordinary dividend to shareholders of SEK 5.35 per share and an extraordinary dividend of SEK 3.35 per share, totalling SEK 8.70 per share (12,529,443 shares)	109,006,154
Profit/loss carried forward	111,319,238
Total	220,325,392

In 2023, CTT paid a dividend of SEK 50,744 thousand (9,898) to its shareholders. This corresponds to a dividend of SEK 4.05 (0.79) per share.

In 2024, the Board proposes an ordinary dividend of SEK 67,033 thousand (SEK 5.35 per share) and an extraordinary dividend of SEK 41,974 thousand (SEK 3.35 per share). This corresponds to a total dividend of SEK 109,006 thousand (SEK 8.70 per share).

The Board of Directors considers that the proposed amount of the dividend to shareholders is justified in view of the demands placed on the company by the nature, scope and risks of its activities in terms of the size of its equity capital and also in view of its consolidation needs, liquidity and position in general. Our financial position will remain strong after the proposed dividend and is deemed to be fully sufficient for the company to be able to fulfil its obligations in both the short and long term, and have the opportunity to make any necessary investments.

As CTT's dividend must be approved by the Annual General Meeting, no liabilities in this respect are reported in the company's 2023 financial statements. There is not expected to be an effect on income tax for CTT as a result of this transaction.

CASH FLOW ANALYSIS

(SEK million)	Note	01/01/2023 – 31/12/2023	01/01/2022 – 31/12/2022
Operating activities			
Operating profit (EBIT)		118.4	91.8
<i>Adjustment for items not included in cash flow</i>			
Depreciation and amortisation		9.3	7.9
Other		-0.9	-0.6
Interest deposits		2.5	0.5
Interest disbursements		-3.4	-1.5
Tax paid		-33.0	-5.2
Cash flow from operating activities before changes in working capital		92.9	93.0
<i>Cash flow from changes in working capital</i>			
Change in inventories		7.7	-16.0
Change in operating receivables		17.6	-17.3
Change in operating liabilities		-1.4	1.5
Cash flow from changes in working capital		23.9	-31.7
Operating cash flow		116.8	61.2
Investment activities			
Acquisition of intangible assets	10	-4.2	-6.5
Acquisition of property, plant and equipment	11, 12, 13	-3.5	-0.9
Acquisition of financial assets	15	-0.2	-0.3
Sale of property, plant and equipment		0.4	0.2
Cash flow from investment activities		-7.5	-7.3
Financing activities			
Repayments of borrowings	26	-1.5	-33.7
Dividends paid		-50.7	-9.9
Cash flow from financing activities		-52.2	-43.6
Cash flow for the year			
Cash and cash equivalents at the start of the year	15, 22	60.1	49.3
Exchange rate difference in cash and cash equivalents		0.7	0.5
Cash and cash equivalents at the end of the year	15, 22	117.9	60.1

Results, 2023

Cash flow before changes in working capital for the full year 2023 amounted to SEK 93 million (93), driven mainly by increased EBITDA but offset by larger tax payments of SEK 33 million (5) relating mainly to extra tax paid

for 2022. Cash flow from operating activities increased to SEK 117 million (61), driven mainly by a decrease in accounts receivable of SEK 18 million during the year and a SEK 8 million decrease in inventory. Cash and cash equivalents at the end of the period increased

to SEK 118 million from SEK 60 million at the beginning of the year. Overall, a strong cash flow with working capital under good control. Cash flow for the year was also affected by a dividend of SEK 51 million (10).

FIVE-YEAR SUMMARY OF KEY FIGURES

KEY FIGURES	2023	2022	2021	2020	2019
Sales & Profits					
Net sales, SEK million	309	241	151	201	355
Operating profit (EBIT), MSEK	118	92	27	38	120
Operating margin, %	38	38	18	19	34
Profit margin, %	39	35	12	20	33
Profit for the year, SEK million	95	66	14	31	93
Return on capital employed, %	36	30	10	14	48
Return on equity, %	33	28	7	13	42
Return on total capital, %	31	24	6	12	35
Share data					
Earnings per share, SEK	7.62	5.29	1.13	2.48	7.39
Equity per share, SEK	25.06	21.49	16.99	17.60	19.17
Operating cash flow per share, SEK	9.32	4.89	2.42	-0.86	8.67
Dividend per share, SEK ¹⁾	8.70	4.05	0.79	1.74	4.05
Number of shares on the balance sheet date	12,529,443	12,529,443	12,529,443	12,529,443	12,529,443
Average number of shares during the period	12,529,443	12,529,443	12,529,443	12,529,443	12,529,443
Market price on the balance sheet date, SEK	229.0	213.5	216.5	152.2	176.8
Cash flow & Financial position					
Cash flow from operating activities, SEK million	117	61	30	-11	109
Quick ratio, %	349	267	305	218	259
Interest coverage ratio, times	36	44	14	35	64
Debt-equity ratio, times	0.1	0.2	0.3	0.2	0.1
Equity ratio, %	75	71	65	72	66
Personnel & Investments					
Number of employees, average for the year	75	72	76	93	108
Income per employee, SEK million	4.0	3.7	2.3	2.5	3.5
Salaries, SEK million	52.2	47.9	41.5	47.1	56.4
Investments, SEK million	7.9	7.6	8.6	33.8	22.7

¹⁾ 2023 refers to proposed dividend.

RELEVANT FOLLOW-UP ON KEY FIGURES

SEK MILLION	2023	2022	2021
Operating margin			
Operating profit (EBIT)	118.4	91.8	26.8
/ Net sales	308.9	240.6	151.2
= Operating margin	38%	38%	18%
Profit margin			
Profit before tax	120.4	83.8	17.9
/ Net sales	308.9	240.6	151.2
= Profit margin	39%	35%	12%
Return on capital employed			
(Operating profit (EBIT)	118.4	91.8	26.8
+ Financial income)	2.5	0.5	0.0
/ Average capital employed			
Average total capital (total assets)	397.2	352.8	318.0
Total capital at the beginning of the year	377.1	328.5	307.5
Total capital at the end of the year	417.3	377.1	328.5
- Average non-interest-bearing liabilities including deferred taxes	-58.7	-49.3	-44.9
Non-interest-bearing liabilities including deferred taxes, beginning of the year	-59.0	-39.7	-50.1
Non-interest-bearing liabilities including deferred taxes, end of year	-58.5	-59.0	-39.7
Total average capital employed	338.5	303.5	273.1
= Return on capital employed	36%	30%	10%
Return on equity			
Profit for the year	95.5	66.3	14.2
/ Average equity	291.7	241.1	216.7
Equity at the beginning of the year	269.3	212.9	220.5
Equity at the end of the year	314.0	269.3	212.9
= Return on equity	33%	28%	7%
Return on total capital			
(Profit before tax	120.4	83.8	17.9
- Financial expenses)	-3.4	-2.0	-1.4
/ Average total capital (for the calculation, see "Return on capital employed")	397.2	352.8	318.0
= Return on total capital	31%	24%	6%

RELEVANT FOLLOW-UP ON KEY FIGURES, CONT.

SEK MILLION	2023	2022	2021
Quick ratio			
(Current assets, i.e. other current assets plus cash & bank deposits	293.3	251.7	202.8
- Inventories	108.6	116.4	100.4
+ Granted unutilised overdraft facility)	25.1	26.4	22.8
/ Current liabilities	60.0	60.5	41.1
= Quick ratio	349%	267%	305%
Interest coverage ratio			
(Profit before tax	120.4	83.8	17.9
- Financial expenses)	-3.4	-2.0	-1.4
/ Financial expenses	-3.4	-2.0	-1.4
= Interest coverage ratio, times	36	44	14
Debt-equity ratio			
Interest-bearing liabilities, i.e. total interest-bearing items on balance sheet's debt side	41.8	45.4	72.1
/ Equity	314.0	269.3	212.9
= Debt-equity ratio, times	0.1	0.2	0.3
Income per employee			
Operating income	312.1	263.3	176.2
/ Number of employees	75	72	76
= Income per employee	4.2	3.7	2.3

RISKS AND RISK MANAGEMENT

CTT has a strong market position in its emerging niche, but there are risks in both the short and long term that could change business operating conditions.

CTT's activities mainly involve the development, production, sale, supply and support of active humidity control products and systems to customers in the aviation industry. Significant risk areas include changes in market conditions, financial and operational risks. With its strict niche focus, CTT is exposed to a number of risks of a binary nature, the consequences of

which allow little or no scope for compensation in other areas.

The overall responsibility for CTT's risk management rests with the Board, which determines the strategic direction and delegates responsibility for operational and financial risks to the CEO. Identified significant risks are then managed on an ongoing basis at all

levels of the organisation and in the strategic planning process. Control processes in the form of policies, guidelines, instructions and procedures regulate the management of these risks. (See the corporate governance report for more information.)

STRATEGIC RISKS

Strategic risks mainly relate to market demand, which is affected by, among other things, economic development, OEM programmes and competition, along with prices.

Business cycles and economic trends

The aviation industry is normally very cyclical. Airlines are accustomed to dealing with sudden swings between overcapacity and various flashpoints to meet demand. The consequences of the COVID-19 pandemic are the most obvious example.

Air travel has grown by an average of about 5% per year over a longer period, driven by a growing middle class. Airlines had a strong 2010s, benefiting from globalisation and historically low interest rates. Both these factors have been reversed for the worse. Interest rates rose sharply last year, which may have a negative impact on the economic conditions for travelling. Higher interest rates also hit the most indebted airlines hard. The world is undergoing a process of deglobalisation as businesses become more local, driven in part by protectionist tendencies. This may negatively affect the demand for business flights. CTT is dependent on aircraft manufacturers' production rate of long-range aircraft, the investment capacity of airlines and the utilisation rate of aircraft fleets with the company's products on board. The impact of an economic downturn will vary, giving CTT time to refocus.

Mitigation: An economic slowdown will primarily affect the opportunities for retrofit business. This is particularly true for the sale of anti-condensation systems, which have been repeatedly affected when airlines have abruptly banned investments in non-essential products. The cyclical demand for anti-condensation systems is partly offset if the customer classifies it as a sustainability project (which takes higher priority and has a longer payback period). Upgrading passenger cabins are major projects that are often linked to new deliveries. This provides greater resilience to smaller cyclical swings. The planning horizon in the OEM is relatively long and changes occur slowly, allowing CTT time to adapt to a slower pace.

CTT has the majority of its installed base of products on the most modern and economical aircraft. In times when airlines adapt capacity to declining demand, this is done primarily by grounding the older elements of the aircraft fleet. Aftermarket activity is through manufacturers' distribution companies. This means that credit management of airlines is handled by them.

OEM

Aircraft delivery and production rates are determined based on long-term, forward-looking planning. Airbus and Boeing have large order books covering deliveries for many years to come. Airlines try to postpone their scheduled deliveries in the first place, and then to cancel them. If there is not a global decline, manufacturers usually find other airlines that can take these aircraft. If the downturn is deep, the production rate is reduced, usually in increments. For CTT, there is a significant OEM risk in its dependence on single model programmes, mainly the Boeing 787. Production and delivery disruptions in these have a major impact, as became clear during the pandemic.

Mitigation: CTT is an OEM supplier for the newest and most competitive aircraft models from both Boeing and Airbus. The order books are well filled. Changes in production rates are not instantaneous, leading to lag effects in the peaks and troughs. This allows time for planning and adaptation. CTT is working on expanding to several OEM programmes. CTT also has a growing aftermarket business consisting of consumables for installed systems, which provides increased stability and ability to cope with fluctuations in new sales.

Competition

Competition can occur on the system side and exists in the aftermarket. CTT is the market-leading supplier of humidifiers for commercial aircraft and VIPs. The company's humidifiers are the only ones available when buying new Airbus and Boeing aircraft, which provides a significant competitive advantage when airlines are retrofitting their existing aircraft fleets (driven by the desire to have uniform products in all aircraft operating in a similar way). Competitors have a time window for each new OEM procurement procedure, particularly for completely new aircraft models. There is some risk of competing systems in the Retrofit market.

CTT is the only company in the market with an active system for managing condensation, but its market position is weak. This is because none of the OEM suppliers offer active humidity control systems for their top-selling short- and medium-haul aircraft (where the market and need are greatest). The main competitive threat comes about by failing to do anything beyond the standard built-in systems that already exist to deal with condensation (read: passive drainage solutions). There is also a small risk that another active dehumidification technology will become the OEM standard.

Aftermarket competition is common in the aviation industry, which can lead to lower market shares and affect the ability to raise prices. In general, OEM suppliers have an advantage with their original parts.

Mitigation: CTT has a strong market position as the sole OEM supplier of humidifiers for the four latest long-range aircraft models. CTT is a market leader, with more than 50 airline customers and operational data going back 15 years covering about 1 500 aircraft in total. This gives the company an advantage in new procurement procedures and the opportunity to set the humidifier standard for a long time to come. CTT also dominates the VIP market. Its strategy is to block competitors to prevent them from entering the Retrofit market.

There are FAA-approved aftermarket parts manufactured by third parties for the company's humidifiers and anti-condensation systems. The company's original humidifier parts are qualified and based on CTT's unique technology, developed and qualified to meet Airbus and Boeing specifications and regulatory requirements. To fulfil these, CTT has developed a unique material together with Munters. The standard materials available on the open market have not been qualified for the application, or for use in aircraft. CTT has leading application know-how that will be further consolidated through continuous investments and strategic partnerships. These are aimed at improving performance and functionality through improvements in the pad material and/or the introduction of value-added filters for VOC and ozone reduction.

Consolidation and industrial context

CTT is a small player in the aviation industry, where the trend among subcontractors is towards consolidation. Consolidation is mainly driven by economies of scale in sales (primarily OEM) and systems development, as well as digital integration.

Mitigation: Being a small and focused stakeholder can bring advantages, as CTT is able to provide a high level of service. The strategic collaboration with Collins Aerospace gives an industrial foundation that provides legitimacy.

Regulatory requirements

The aviation industry is strictly regulated. If CTT fails to live up to its regulatory requirements, it will have serious effects on its ability to deliver products.

Mitigation: CTT is certified to AS9100:D, including ISO9001:2015 which involves regular reviews. Opportunities are given to remedy any deficiencies. CTT works in partnership with various organisations that have development approval, such as Lufthansa Technik and PMV, to certify the Retrofit systems.

Long cycles and contract commitments

Through its long contracts with OEMs, CTT has pre-set prices for longer periods. This means that profit margins are negatively affected if costs increase at a faster rate than CTT's prices.

Mitigation: CTT aims to transfer corresponding risks to its subcontractors, both in terms of contract duration and price. CTT has a greater impact on prices of aftermarket products (which will account for an increasing share of the profit margin over time).

Climate and environment	
<p>The climate impact of aviation, primarily in the form of greenhouse gas emissions, is both a threat and an opportunity for CTT. There are great demands on the industry from various stakeholders to reduce the climate impact of aviation, and many airlines are engaged in long-term efforts to reduce emissions.</p>	<p>Mitigation: The company's anti-condensation systems reduce the weight of the aircraft and thus fuel consumption and greenhouse gas emissions. This also reduces wear and tear and aircraft maintenance, which is more sustainable. Humidifiers reduce the risks of dehydration and a weakened immune system during long-haul flights. This creates a better working environment. CTT emphasises the environmental benefits of its products. At the same time, CTT focuses actively on sustainability, and this is reported annually in the company's sustainability report, published in the CTT Annual Report.</p>
Security situation and sanctions	
<p>Unfortunately, wars and conflicts regularly occur in the world and affect aviation. A heightened security situation like the one we are currently experiencing often leads to various sanctions and disruptions to aviation and its value chain.</p>	<p>Mitigation: CTT is constantly monitoring risks and implementing mitigation activities to counteract negative consequences for the company. The company has a diversified customer base all over the world, which makes CTT less sensitive to local conflicts. In terms of governance, CTT has a sanctions policy that stipulates regular checks on customers and suppliers.</p>

OPERATIONAL RISKS

Operational risks are related to customer relationships with a focus on customer satisfaction and ensuring continuous use throughout the product life, delivery capacity and human capital.

Customer relations	
<p>CTT is the sole supplier of products in an emerging market. Our end customers are a large number of airlines all over the world who either buy the products when ordering new aircraft or who have the products retrofitted to an existing aircraft fleet. The company's main direct customers are Airbus and Boeing.</p> <p>The challenge for CTT lies mainly in driving market development by creating awareness and insight about problems and solutions to condensation issues.</p>	<p>Mitigation: CTT reduces its risks through developing good relationships with airlines, OEMs and other suppliers. Collaborations with OEMs and our strategic market partner Collins Aerospace are of particular importance.</p> <p>CTT conducts methodical work to achieve more successful OEM programmes, widen its customer base and get airlines to harmonise their aircraft fleet with active humidity control.</p>
Non-essential system	
<p>CTT's products have a long service life, but are not critical to the operation of aircraft. If the airlines do not value or experience the benefits of the systems, they can be switched off.</p> <p>Another risk is that an aircraft may often have more than one operator during its lifetime. In the event of a change of operator, there is a risk that the new airline will choose not to use the products. There is also a risk of aftermarket competition.</p>	<p>Mitigation: CTT monitors owners and operators to ensure that they are aware of the benefits of CTT systems and that they are satisfied with their performance. The aim of this is to ensure that operators continue to use all their installed humidity control products and choose CTT in the aftermarket.</p>

Product quality	
<p>If CTT's products fail to offer satisfactory quality or performance, it may have consequences in reduced demand or a reduced installed base. Potential functional interference with other systems of the aircraft in the event of a fault would have a negative impact. In addition to operational interference, faults affecting passengers can have a significant effect on relationships and trust. Certain faults that are considered serious may require airlines to shut down the system in question until the faults has been corrected. But even in cases where there are faults that can be managed on an ongoing basis, there is a breakdown in trust that CTT has to address. Experience has shown that minor faults and teething problems that are managed correctly can be made into an advantage. Involvement of an end customer in an accident due to CTT's products would pose a serious threat to everything CTT does.</p>	<p>Mitigation: The goal is to have good customer relationships and capture any deficiencies in performance or reliability. CTT has the advantage of being a small niche company. This means that CTT can be relatively quick in prioritising and remedying deficiencies. In some cases, a minor fault can be made into a positive customer experience that strengthens the relationship and builds trust for future business. CTT's risk management includes liability insurance. In addition, active work on quality, which is briefly described under Regulatory requirements above, is an important part of the proactive risk management process.</p>
Warranty commitments	
<p>CTT normally has a warranty of three to four years.</p>	<p>Mitigation: CTT makes ongoing provisions into a warranty reserve. Should the warranty reserve not be sufficient, a negative impact may result in a negative effect on earnings.</p>
Supply capacity and supply chain	
<p>CTT is locked into long-term agreements with OEMs, for which CTT is dependent on its subcontractors' ability to meet their requirements in terms of volume, quality and schedule. Keeping the supply chain intact is crucial. For some parts, CTT relies on a single supplier. An inability to deliver would create serious disruptions to CTT's delivery capacity.</p>	<p>Mitigation: CTT seeks to link its agreements with OEMs with corresponding agreements with subcontractors. CTT regularly identifies and monitors major and critical suppliers. In cases where risk has been deemed to increase, CTT can increase direct contact with the supplier, and also increase its own back-up stock to cover any future operational disruptions with the supplier.</p>
Facilities	
<p>Facilities involve risks of fire, flooding, power cuts, etc.</p>	<p>Mitigation: CTT has two sites in Sweden, in Nyköping and Nybro, with partial redundancy. Facility protection is evaluated regularly by means of safety inspections. CTT has procured adequate services to maintain a high level of protection at all times. We have good partnerships with our stakeholders and produce our own electricity at the plant in Nybro.</p>
Human capital	
<p>The company's success rests on its ability to attract, develop and retain skilled employees, especially since CTT operates in small towns outside the metropolitan regions. It is also easier to maintain quality in production with experienced employees.</p> <p>The social conditions of our employees, such as good working conditions, health and safety, are the basis of being a responsible employer.</p>	<p>Mitigation: CTT aims to be seen as an attractive employer thanks to its extensive sustainability work, a good working environment and competitive remuneration. Through the profit-sharing foundation, employees share in financial profits.</p> <p>CTT works to retain employees over time, including through creating a good sense of community within the company and striving for continuous individual development. The results of the company's Great Place to Work employee survey are one sign of successful work. CTT achieved 74% in the weighted index for the whole model at the first time of asking. A score of over 70% is required for certification. When asked whether they agreed with the statement "All in all, this is a very good place to work", 79% agreed strongly. The camaraderie index was a high 86%, showing that most people are satisfied or very satisfied with the sense of community and well-being at the company. Staff turnover has been low over time: see also priority activities on pages 44-45.</p>

Business ethics and human rights	
<p>A major risk in terms of human rights is that companies in the subcontracting chain do not observe human rights.</p> <p>CTT has products installed on aircraft in countries where corruption is prevalent. CTT may also participate in procurement procedures directly with airlines in such countries.</p>	<p>Mitigation: The aviation industry is mainly located in countries that are compliant with human rights to a very large extent, and this is particularly true of CTT's supply chain. Therefore, this is seen as a limited risk for CTT.</p> <p>CTT has a clear anti-corruption policy included in the company's Code of Conduct to minimise the risk of corruption at the sales stage, and has prepared very clear agreements with partners regarding anti-corruption and ensured that any commissions are at such a level that there is no scope for corruption or bribery. CTT is also supported by its strategic partner Collins Aerospace, which has a very strict regulatory framework in respect of anti-corruption. At the supplier level, the risk is seen as being lower as CTT consistently has well-established and long-term partnerships with its suppliers.</p>
Disruptions to the IT environment	
<p>Like other companies, CTT is dependent on an effective IT environment. The risks of intrusion into the IT environment or other types of sabotage are high, and growing. Sudden and prolonged downtime in our IT environment would have adverse effects on our delivery capacity.</p>	<p>Mitigation: CTT has a clear structure in its IT work, with a strong focus on operational reliability and protection against intrusion. We are constantly working to improve both operational reliability and protection against intrusion through improvements to the IT infrastructure and systems as well as internal and external training. The IT partner is audited by a third party and disaster recovery exercises are performed.</p>

FINANCIAL RISKS

Financial risks mainly relate to how CTT is affected by currency and interest rate fluctuations, credit risks and other events in the financial markets.

Large dependence on the dollar	
<p>CTT is highly dependent on the exchange rate of the US dollar against the Swedish krona. This is due to the fact that the majority of revenues are in USD (as business in the aviation industry is priced in USD), and that CTT has a large proportion of costs in other currencies, mainly SEK. A weakening in USD compared to SEK has an adverse effect on earnings.</p>	<p>Mitigation: CTT has chosen not to engage in currency hedging. The company's view is that the advantages (predictability / inertia of movements) do not outweigh the disadvantages (costs). That said, CTT has chosen to take out its bank loans in USD while the company constantly strives to buy as many input materials in USD as possible. In addition, CTT strives to be transparent and present clear information on impact the USD/SEK exchange rate is having on the company.</p>
Credit risk	
<p>The company's credit risks are mainly linked to accounts receivable. Each sales area has different types of customers associated with different types of credit risk. Retrofit and traditional VIP business to individual airlines and interior design companies are deemed to have the highest credit risk. The customers in OEM and aftermarket are mainly Airbus and Boeing, or their distribution companies. The risk in these transactions is mainly linked to any extension of payment times by the customer, which would have a one-off effect in the form of an additional burden on liquidity.</p>	<p>Mitigation: Most of the company's revenue comes from Airbus, Boeing and CTT's main distributor to airlines. CTT carries out a credit assessment for direct transactions with end customers. This relates to Retrofit and VIP transactions, where CTT takes out credit risk insurance where possible, while updating and assessing creditworthiness on an ongoing basis. The new business model with Airbus Corporate Jets (ACJ) reduces credit risk as CTT sells to PMV (which receives orders from ACJ). Within aftermarket and OEM, sales are almost exclusively to Airbus, Boeing or their distribution companies. Here, the risk of insolvency is deemed to be significantly lower. In the event of Airbus or Boeing extending their payment periods to their suppliers, CTT has secured additional credit facilities.</p>

THE SHARE

Listing

CTT shares were listed in 1997 and are currently traded on the Nasdaq Stockholm Mid Cap list. CTT sees trading on other platforms as being limited.

The Nasdaq Stockholm listing means, among other things, that CTT complies with the marketplace's rules on share information. The company thus publishes financial reports and other stock market information and otherwise follows the rules and practices applicable to stock market companies.

Analysis

CTT engages ABG Sundal Collier, which monitors the company and regularly conducts analyses of CTT shares. To see ABG Sundal Collier's information about and analysis of CTT, go to <http://www.introduce.se/foretag/ctt-systems>.

Price performance and market capitalisation

In 2023, the CTT share increased by 7.3% to SEK 229.00. The total return for the year was 9.2%. The highest closing price during the year, SEK 244, was quoted on 23 January and the lowest, SEK 175, on 15 March. On 31 December 2023, market capitalisation amounted to SEK 2,869 million.

Share capital

On 31 December 2023, CTT share capital amounted to SEK 12,529,443 divided into 12,529,443 shares, each share with a quota value of SEK 1. All shares have equal rights to the company's assets and earnings. Each share entitles the holder to one vote at the Annual General Meeting. At the Annual General Meeting, each person entitled to vote may vote on behalf of the full number of owned and/or represented shares without restriction of voting rights.

Ownership structure

The number of shareholders increased in 2023 and amounted to 3,464 (3,206) at the end of 2023. The largest owner was Tomas Torlöf (via the wholly owned company Trulscom Förvaltning AB) with a holding of 13.4% (13.4), followed by SEB Fonder with 9.6% (9.4). The ten largest owners held 61.2% (62.2) of shares. 68.2% (66.3) of the share capital is owned by Swedish owners and 31.8% (33.7) by foreign owners. Swedish ownership is dominated by institutions and companies, with 49.4% (47.6) of the total share capital.

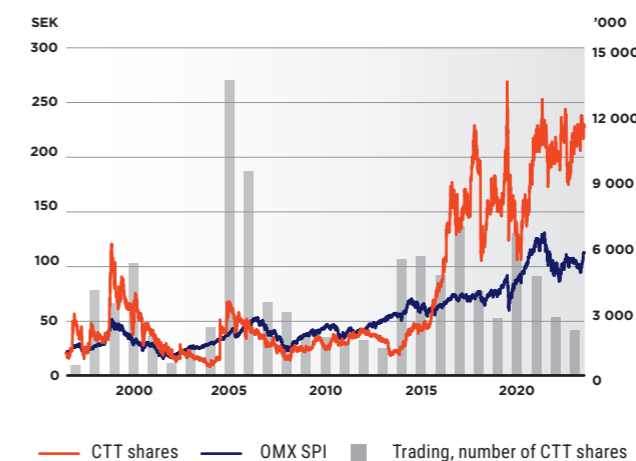
Profit-sharing foundation

Since 2015, CTT has had an independent profit-sharing foundation for its employees. The purpose of this foundation is to create a clearer link between the collective performance of employees, their remuneration and the company's results and, in the long term, to reinforce employee engagement through share ownership. As of 31/12/2023, the profit-sharing foundation's holding in CTT amounted to 135,729 shares (128,884), which is 1.1% (1.0) of the total number of shares in the company. At the turn of the year, the foundation was CTT's 18th largest owner.

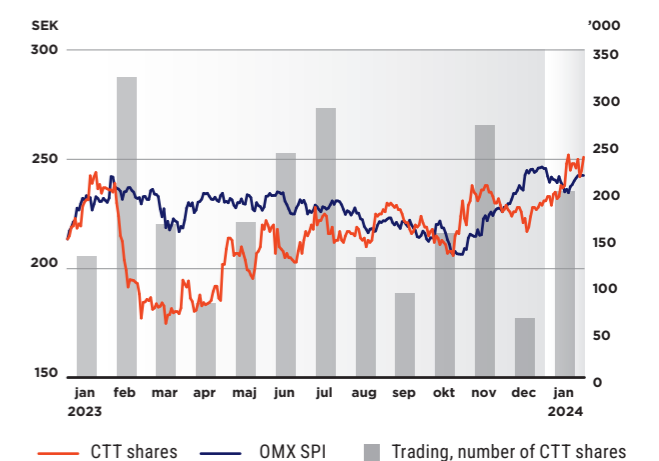
Dividend and dividend policy

The Board of Directors proposes that the Annual General Meeting adopts an ordinary dividend of SEK 5.35 (4.05) per share, corresponding to SEK 67.0 million (50.7), plus an extraordinary dividend of SEK 3.35 (0) per share, corresponding to SEK 42.0 million. This means a total dividend of SEK 8.70 (4.05), corresponding to SEK 109.0 million. The proposed record date for the dividend is 08/05/2023 and the payment date 13/05/2024. The company's dividend policy is to distribute at least 70% (70) of net profits to shareholders in the form of a dividend, given an equity ratio of 40% (40).

THE SHARE 1997–2023



THE SHARE 2023



Special agreements

In connection with a partnership agreement with B/E Aerospace (now Collins Aerospace), a shareholder agreement was signed in the autumn of 2014 between the main owners Trulskom Förvaltning AB and B/E Aerospace Inc. with regard to the parties' shareholding in the company. The Board is not aware of any other shareholder agreements or other agreements between shareholders in the company. The company's customer agreement relating

OEM can be terminated in the event of a change of ownership which means that control of the company is transferred (known as "change of control").

Information policy

The Board of CTT has formulated an information policy that takes into account the rules issued by the stock exchange in the listing agreement. In addition to the Chairman of the Board and the CEO, the CFO is also authorised

to comment on the company's reports and officially-disclosed transactions.

The company distributes all its reports, including year-end reports and press releases, via Modular Finance AB. The company's website, www.ctt.se, is simultaneously updated with the same information. It also contains annual reports, interim reports and other information to download.

THE 20 LARGEST SHAREHOLDERS, 31/12/2023

#	Owner	Number of shares	% of capital and votes
1	Tomas Torlöf (Trulskom Förvaltning AB)	1,678,336	13.4%
2	SEB Fonder	1,203,318	9.6%
3	Collins Aerospace, Inc.	1,133,154	9.0%
4	ODIN Fonder	880,000	7.0%
5	Tredje AP-fonden	599,036	4.8%
6	Nya Jorame Holding AB	540,000	4.3%
7	If Skadeförsäkring AB	511,200	4.1%
8	Andra AP-fonden	463,764	3.7%
9	Lannebo Fonder	349,143	2.8%
10	Danske Invest	307,500	2.5%
11	Nordnet Pensionsförsäkring	305,256	2.4%
12	Christer Torlöf	251,348	2.0%
13	Deka Investments	231,858	1.9%
14	Alcur Fonder	230,901	1.8%
15	Avanza Pension	173,748	1.4%
16	Allianz Global Investors	168,191	1.3%
17	Christer Nordström	146,046	1.2%
18	CTT Systems AB's Profit-sharing Foundation	135,729	1.1%
19	Stiftelsen Riksbankens Jubileumsfond	130,000	1.0%
20	AXA	128,000	1.0%
Total		9,566,528	76.4%
Other shareholders		2,962,915	23.6%
Total number of shares		12,529,423	100.0%
Total number of shareholders		3,464	

NUMBER OF SHARES/SHAREHOLDERS

Size categories	Number of owners	Number of shares	Percentage of shares
1 – 1,000	3,145	498,117	4.0%
1,001 – 10,000	262	793,524	6.3%
10,001 – 50,000	29	628,543	5.0%
50,001 – 100,000	8	607,150	4.8%
100,001 -	20	9,558,987	76.3%
Anonymous ownership ¹⁾	n/a	443,122	3.5%
Total	3,464	12,529,443	100.0%

¹⁾ Anonymous ownership refers to foreign custodial banks where underlying ownership is not visible.

DISTRIBUTION OF OWNERSHIP PER COUNTRY

Country	Number of shares	% of capital and votes	Number of known owners	Proportion of known owners
Sweden	8,551,225	68.2%	3,315	95.7%
USA	1,146,504	9.2%	11	0.3%
Norway	881,816	7.0%	14	0.4%
Germany	485,941	3.9%	10	0.3%
Denmark	318,991	2.5%	53	1.5%
Other countries	701,844	5.6%	61	1.8%
Anonymous ownership ¹⁾	443,112	3.5%	n/a	n/a
Total	12,529,443	100%	3,464	100%

¹⁾ Anonymous ownership refers to foreign custodial banks where underlying ownership is not visible.

DISTRIBUTION OF OWNERSHIP BY CATEGORY

Owner category	Number of shares	% of capital and votes	Number of known owners	Proportion of known owners
Swedish private individuals	2,387,938	19.1%	3,233	93.3%
Swedish institutional owners	3,807,524	30.4%	26	0.8%
Foreign institutional owners	2,101,231	16.8%	18	0.5%
Other shareholders	3,789,628	30.2%	187	5.4%
Anonymous ownership ¹⁾	443,122	3.5%	n/a	n/a
Total	12,529,443	100%	3,464	100.0%

¹⁾ Anonymous ownership refers to foreign custodial banks where underlying ownership is not visible.

SHARE CAPITAL DEVELOPMENT

Year	Transaction	Change in number of shares	Total number of shares	Increase in share capital, SEK	Total share capital, SEK	Quota value SEK
1991/92	Rights issue	2,670	2,670	267,000	267,000	100
1994/95	Rights issue	2,670	5,340	267,000	534,000	100
1995/96	Rights issue	594	5,934	59,400	593,400	100
1996/97	Rights issue	5,934	11,868	593,400	1,186,800	100
1997/98	Rights issue	11,868	23,736	1,186,800	2,373,600	100
1997/98	Split 100:1	2,349,864	2,373,600	-	2,373,600	1
1997/98	Rights issue	690,000	3,063,600	690,000	3,063,600	1
1998/99	Rights issue	1,021,200	4,084,800	1,021,200	4,084,800	1
2000/01	Rights issue	1,021,200	5,106,000	1,021,200	5,106,000	1
2003/04	Rights issue	1,276,500	6,382,500	1,276,500	6,382,500	1
2004/05	Rights issue	2,127,500	8,510,000	2,127,500	8,510,000	1
2005/06	Rights issue	28,929	8,538,929	28,929	8,538,929	1
2006/07	Rights issue	230,001	8,768,930	230,001	8,768,930	1
2007	Rights issue	269,999	9,038,929	269,999	9,038,929	1
2007	Rights issue	1,807,785	10,846,714	1,807,785	10,846,714	1
2009	Rights issue	544,724	11,391,438	544,724	11,391,438	1
2014	Rights issue	1,138,005	12,529,443	1,138,005	12,529,443	1

Shareholder data source: Monitor from Modular Finance AB. Data compiled and processed from sources including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

CTT CORPORATE GOVERNANCE REPORT

This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. Any deviations from the Swedish Code of Corporate Governance are set out in the text below. Governance is via the Annual General Meeting, the Board and the CEO. The company's auditors, who are appointed by the Annual General Meeting, review the accounts and the Board's and the CEO's management of the company. CTT has a nomination committee and an audit committee. The entire Board carries out the duties of the remuneration committee. More information on how CTT is managed is available on the company's website. **A**

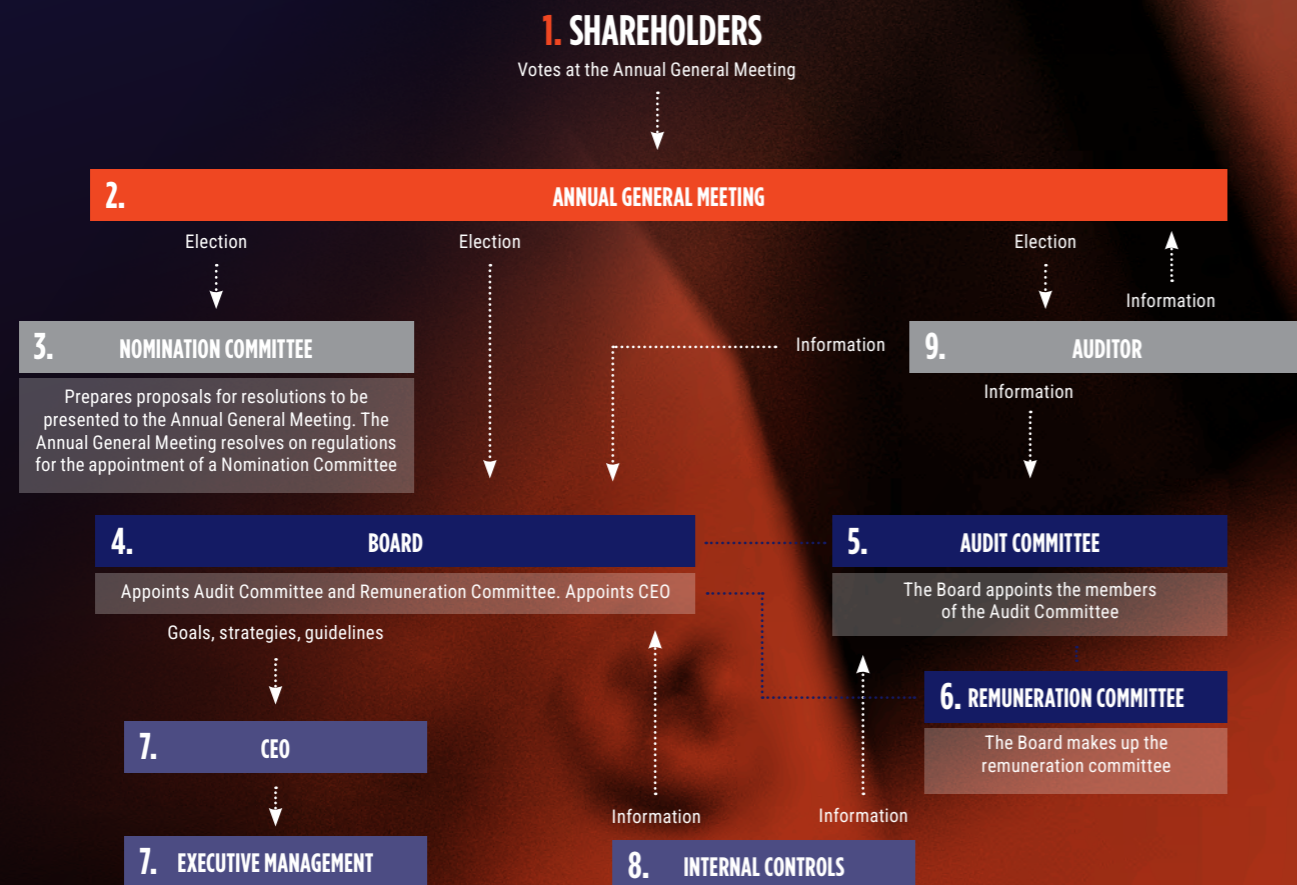
This report contains summary information on a number of important corporate governance issues. However, not all questions about corporate governance can be answered in a summary, which is why this report should be read together with the annual report, where more detailed information is available. **A B**

A SEE WWW.CTT.SE FOR MORE INFORMATION

- There you will find, among other things:
- Annual reports
 - Articles of Association, latest edition adopted 4 May 2022
 - Minutes of meetings
 - Corporate governance reports
 - Owner information
 - Presentation of the Board
 - Presentation of the CEO and senior executives
 - Information policy

B THE ANNUAL REPORT CONTAINS MORE INFORMATION ABOUT:

- The share
- The owners
- The Board
- CEO and senior executives
- Variable remuneration, including allocation to profit-sharing foundation, and remuneration to senior executives (note 5)



1. SHAREHOLDERS

On 31 December 2023, the company had 3,464 shareholders. The ten largest owners had a total holding corresponding to 61.2% of the share capital. **A B**

As of 31/12/2023, Trulscop Förförvaltning AB was the company's largest single shareholder with a shareholding of 1,678,336 shares, corresponding to 13.4% of all shares. The company's articles of association do not contain any restrictions as to how many votes each shareholder can cast at an annual general meeting.

2. ANNUAL GENERAL MEETING

The Annual General Meeting is the company's highest decision-making body. The Board of Directors and auditors are elected at the Annual General Meeting. There, remuneration for the Board and auditor is also determined, as well as decisions on the company's income statement and balance sheet. The Annual General Meeting is prepared and conducted in such a way to create the conditions for the shareholders to exercise their rights in an active and well-informed manner.

Annual General Meeting, 4 May 2023

The Annual General Meeting was held at the company's premises in Nyköping on 4 May 2023. The Board of Directors has decided that shareholders shall additionally be able to exercise their voting rights at the Annual General Meeting by means of postal voting in accordance with the provisions of CTT's Articles of Association. In accordance with the Nomination Committee's proposal, the meeting resolved to re-elect Annika Dalsvall, Steven Buesing, Per Fyrenius, Björn Lenander, Anna Carmo e Silva and Tomas Torlöf as ordinary members of the Board of Directors. The AGM also resolved to re-elect Tomas Torlöf as Chairman of the Board. **A B**

The AGM further resolved:

- To approve the income statement and balance sheet for the 2022 financial year and to allocate the profits for the year in accordance with the Board's proposal.
- To grant the members of the Board and the CEO discharge from liability for the 2022 financial year.
- That fees of SEK 370,000 per year for the chairman and SEK 185,000 per year per

Board member should be paid. Fees of SEK 40,000 per year per member and SEK 75,000 per year to the chairman should be paid for committee work on the audit committee. The auditor's fees should continue to be paid according to the approved hours submitted.

- That the current procedure for the Nomination Committee should not be changed.
- To approve the Board's proposal for guidelines for remuneration to senior executives, which in summary consists of a fixed salary, any variable remuneration, other benefits and remuneration and a pension.
- Election of Örlings PricewaterhouseCoopers AB as the registered accounting firm. **A**

3. NOMINATION COMMITTEE

A Nomination Committee has been appointed with the task of preparing proposals for the election of Board members and auditors and their remuneration prior to the forthcoming Annual General Meeting. The Nomination Committee consists of four members. The Nomination Committee is a body appointed by the Annual General Meeting with the task of preparing the AGM's resolutions on election and fee issues and, where applicable, procedural issues for the next Nomination Committee. The members of the Nomination Committee shall, regardless of how they are appointed, safeguard the interests of all shareholders and not disclose what has occurred in the Nomination Committee's work in an unauthorised manner.

The Chairman of the Board shall annually, no later than the end of the third quarter, convene the four largest shareholders in the company, who then have the right to appoint one member each. If any of these shareholders declines to appoint a member, the chairman shall ask the next largest owner. However, the chairman needs to ask a maximum of the company's six largest shareholders. If, despite this, the Nomination Committee does not consist of at least four members, the Nomination Committee itself may appoint a sufficient number of members from the company's shareholders. At the inaugural meeting, the Nomination Committee shall appoint a chairman. The composition of the Nomination Committee shall be announced as soon as possible, but no later than six months before the Annual General Meeting. The Nomination Committee's term of office extends from the time of its formation until the next Nomination Committee has been convened. If there are significant changes in shareholding after the Nomination Committee has been appointed and a member was appointed by shareholders who have reduced their ownership, this member shall resign from the Nomination Committee. The Chairman of the Nomination Committee shall then approach shareholders in accordance with the above principles. Changes in the ownership structure occurring after 15 February shall not lead to any change in the composition of the Nomination Committee.

NOMINATION COMMITTEE FOR THE 2024 ANNUAL GENERAL MEETING

Members ¹⁾	Appointed by	Independent ³⁾	Proportion of votes as of 31 Dec 2023, %
Chair ²⁾			
Tomas Torlöf	Trulscop Förförvaltning AB	Yes/No	13.4%
Members			
Patrik Jönsson	SEB fonder	Yes/Yes	9.6%
Steven Buesing	Collins Aerospace, Inc.	Yes/Yes	9.0%
Jonathan Schönback	ODIN fonder	Yes/Yes	7.0%
			39.1%

1) The Swedish Code of Corporate Governance states, among other things, that Board members may be members of the nomination committee, but shall not constitute a majority of the nomination committee members. CTT's Nomination Committee consists of four members, two of whom were Board members in 2023
 2) The Nomination Committee appointed Tomas Torlöf as Chairman of the Nomination Committee, which deviates from the rules in the Swedish Code of Corporate Governance as he is also the Chairman of the Board. The Nomination Committee's reasoning behind this is that Tomas Torlöf is the company's largest shareholder in terms of votes and is well suited to lead the Nomination Committee's work in an effective manner to achieve the best results for all the company's shareholders
 3) Independent in relation to the company and executive management/to the largest shareholder

In addition to an inaugural meeting, the Nomination Committee shall hold four further meetings. In addition, the Nomination Committee shall gather information about the Board's work through individual interviews with all Board members.

In its evaluation process, the Nomination Committee shall give special consideration to the need for versatility and breadth in terms of industry knowledge, industrial experience and expertise in responsibility for results, strategic development, sustainability work and international conditions. The Nomination Committee considers rule 4.1 in the Swedish Code of Corporate Governance (the "Code") as a diversity policy. The CTT Nomination Committee strives to prioritise greater diversity on the Board. The company's shareholders have been informed that proposals for Board members can be submitted by email. No such proposals have been received.

Evaluations show that the current members of the Board have the required competence and experience and that it has good knowledge and understanding of the company's operations. The Board has solid experience from the aviation industry, strategical work and business development as well as the recruitment of executives to small and medium-sized companies. The majority of the Board members hold senior positions

with (i) responsibility for results and (ii) work in an international context and (iii) have experience with sustainability work as an integral part of the business process. All in all, the Nomination Committee is able to state that the Board members have the necessary commitment and that the work of the Board has functioned well. The Nomination Committee considers that the Board is not in need of renewal. More information can be found in the Nomination Committee's motivated statement, which is available for download in Swedish ("Valberedningens motiverade yttrande") at www.ctt.se. For information about the Board members, see the Board section in the company's annual report.

4. THE BOARD AND ITS WORK IN 2023

The Board is ultimately responsible for how the company is organised and for the management of the company's affairs. Reporting from company management on the business and its economic and financial status is provided regularly at Board meetings, through reports to the Board and where necessary. The CEO and the Chairman of the Board conduct continuous dialogue about the business. The Board also monitors how internal control is working.

The division of work between the Board, the Chairman of the Board and the CEO is clarified

in written instructions to the CEO, CEO instructions, and the Board's rules of procedure, which the Board adopts annually at the statutory Board meeting immediately after the Annual General Meeting. The aim of these documents is to ensure the development of the company and to meet the Board's need for information and control of operating activities.

Following the election at the Annual General Meeting, the Board consisted of six members. The company's CEO and CFO attend Board meetings as rapporteurs. Below is a presentation of the work of the Board in 2023.

The Board has made an internal evaluation of the work of the CEO and the Board: Evaluation of the Board's work in 2023 has taken place through BoardClic system support and interviews with individual Board members under the auspices of the Nomination Committee during November 2023 and follow-up discussion and reporting, as well as a dedicated meeting in February 2024. The Chairman of the Board made an oral presentation of the results of the evaluation to the Nomination Committee. Evaluation of the CEO for 2023 took place at a dedicated meeting in February 2024, with information from BoardClic.

DECEMBER

Budget meeting: Budget 2024, market & current situation report, organisation & personnel, follow-up on strategy meeting, financing decisions, policy overview, sustainability

OCTOBER

Report meeting: Interim report, market & current situation report, organisation & personnel, report from the committees, agreements entered into, follow-up of audit, meeting calendar 2024–2025

SEPTEMBER

Strategy meeting: Create growth, protect the aftermarket, partnerships, risks, sustainability, innovation and business optimisation

JULY

Report meeting: Interim report, market & current situation report, organisation & personnel, agreements entered into, report from the committees



FEBRUARY

Report meeting: Year-end report, market & current situation report, organisation & personnel, agreements entered into, report from the committees, follow-up of audit, dividend proposal and sustainability

CEO's evaluation: Evaluation of the CEO, decision on variable remuneration to the CEO, CEO targets for 2023, Board evaluation

MARCH

Annual Report & Notice of Annual General Meeting: Approval of annual report & notice material

APRIL

Report meeting: Interim report, market & current situation report, report from the committees, organisation & staff, agreements entered into

MAY

Annual General Meeting & Statutory Board Meeting: Rules of procedure for the Board, CEO instructions, company signatories, election of audit committee & remuneration committee, special audit function (internal audit)

COMPOSITION OF THE BOARD

Board members ¹⁾	Nationality	Elected in	Born	Directors' fees ²⁾	Committee fees ³⁾	Independent ³⁾	Attendance ⁴⁾	
							Board meetings ⁵⁾	Audit Committee
Chair								
Tomas Torlöf	Swedish	2013	1967	367,500		yes/no	9/9	
Members								
Annika Dalsvall	Swedish	2013	1958	183,750	75,000	yes/yes	9/9	5/5
Per Fyrenius	Swedish	2018	1965	183,750		yes/yes	9/9	
Björn Lenander	Swedish	2018	1961	183,750	40,000	yes/yes	9/9	5/5
Steven Buesing	American	2018	1974	183,750		yes/yes	5/9	
Anna Carmo e Silva	Swedish	2022	1977	183,750	40,000	yes/yes	8/9	5/5

1) Qualifications and other commitments are shown on pages 78–79

2) Fees refer to payments during the financial year, which are decided by the Annual General Meeting

3) Independent in relation to the company and executive management/to the largest shareholder

4) Attendance refers to meetings during the period in 2023 when the member was elected to the Board/committee

5) As the Board also constitutes a remuneration committee, no separate figures are presented for the remuneration committee's meetings

5. AUDIT COMMITTEE

The Audit Committee examines the most significant accounting policies applied in the company in terms of financial reporting as well as significant changes to the reporting principles. The tasks of the audit committee also include reviewing reports on internal controls and the processes for financial reporting. The Committee has a preparatory role for the Board of Directors, and major decisions are made by the Board. The Audit Committee reports to the Board after each meeting. All audit committee meetings are minuted and these minutes are available to all Board members and to the auditors.

The auditors attend all Audit Committee meetings during the year. CTT's CFO and Chief Accountant participate in the committee's meetings as rapporteurs. The auditors report annually on their review of internal controls at an audit committee meeting. The auditors' reports in 2023 have not prompted any specific action from the Audit Committee or the Board. The company's interim report for the third quarter of 2023 has been reviewed by the company's auditors.

6. REMUNERATION COMMITTEE

At CTT, the Board appoints a remuneration committee, as the company employs a relatively small number of people and is of limited complexity. The preparation and procedures currently applied to remuneration are appropriate and the Board as a whole is involved. The committee evaluates the ongoing and completed programmes for variable remuneration

applicable to company management during the year and also monitors and evaluates the application of the "Guidelines for remuneration to senior executives" for 2023, which were adopted at the Annual General Meeting.

Issues of remuneration and other terms of employment pertaining to the CEO are prepared by the Chairman of the Board, who also represents the Remuneration Committee in remuneration negotiations. Decisions on these issues are made by the Board as a whole. Remuneration and other terms of employment for other senior executives are negotiated and agreed with the CEO.

Guidelines for remuneration to senior executives

The objective of CTT's remuneration policy for senior executives is to offer compensation that aims to attract, motivate and retain qualified expertise at CTT.

Remuneration to the CEO and other senior executives shall be market-based and consist of a fixed basic salary, variable remuneration, a pension and in some cases other benefits. The CEO's remuneration is set by the Chairman of the Board and subsequently approved by the Board. Senior executives means the CEO and other members of the management team. In 2021, a new cash-based programme for long-term goal-oriented variable remuneration was established for the Deputy CEO and Head of Sales. The new CEO was included in this programme in 2022. Beyond this, the guidelines remain unchanged compared to the previous year.

The total annual cost of variable remuneration (including provision for the profit-sharing foundation) at the company, excluding the cost of variable remuneration to the CEO, and any outcomes of long-term target-driven variable remuneration (as set out below), amounts to a maximum of 10% of profits before tax, subject to the proviso that it may not exceed 30% of the dividend to the company's shareholders approved by the Annual General Meeting or 25% of total basic salary for all employees of the company. For the CEO, variable performance-based remuneration is paid in accordance with pre-set targets, to a maximum of six months' pay. For every other senior executive, variable remuneration can amount to a maximum of two months' pay per year. Payment of the variable remuneration intended for key persons and the CEO is conditional on this being invested in CTT shares which are to be retained for an agreed period. In addition, the CEO, the Deputy CEO and the Head of Sales and Marketing may receive variable performance-based remuneration when certain long-term targets are met. This remuneration is not pensionable but can be exchanged for pension.

The total cost of the entire variable remuneration programme for the financial year is reserved in the financial statements and paid out after the Annual General Meeting has approved the profits and balance sheet and appropriation of the company's profit.

VARIABLE REMUNERATION 2023

Type of compensation – Recipient	Cost ceiling 2023 (SEK million)	Share of profit (%) ¹⁾	Reserved amount (SEK million)	Share of profit (%) ¹⁾
Variable remuneration – Senior executives (excluding CEO)	3.3	2.5%	1.7	1.3%
Variable remuneration – CEO	3.3	2.5%	1.1	0.8%
Long-term incentive program ²⁾	7.0	5.3%	0.0	0.0%
Profit-sharing foundation – All employees	9.9	7.5%	9.4	7.1%
		19.8%		10.4%

1) Share of profit before tax and before provision for variable remuneration.
 2) During the period 2021–2024, the costs may amount to a maximum of 12 months' pay for those covered by the programme.

7. CEO AND EXECUTIVE MANAGEMENT

The CEO leads and ensures that the business is conducted in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Articles of Association and in accordance with targets and strategies established by the Board. The CEO and CFO, in consultation with the Chairman of the Board, prepare the necessary information and documentation for Board

meetings, present the matters and justify their proposals on decisions. In 2023, CTT's management included the CEO, Deputy CEO, CFO, Head of Sales, Head of Development, Head of Quality and Personnel and Head of Production. The roles of Head of Production for Nyköping and Head of Bribo Division were merged into one area of responsibility in 2022. **B**

8. INTERNAL CONTROLS

The purpose of internal control is to provide reasonable assurance regarding the reliability of financial reporting and to ensure that it is prepared in accordance with generally accepted accounting principles, applicable laws and regulations and other requirements for listed companies, and that the business as a whole meets the requirements of external parties such as regulators, customers and other stakeholders. The Board of CTT has overall responsibility for the effect of internal control at the company. The CEO is responsible

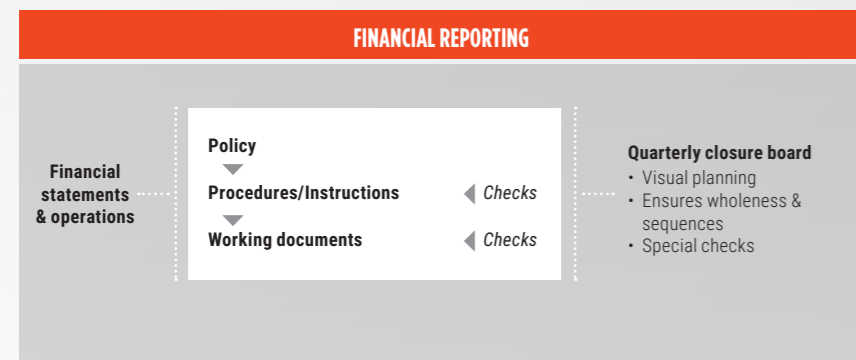
for ensuring that there are processes and an organisation to ensure internal control and the quality of financial reporting to the Board and the market. There are illustrations below of internal control at CTT in terms of financial reporting, the business as a whole and how the company obtains information to ensure compliance with laws and regulations. **Special audit function** CTT does not have its own special audit function (internal audit) because CTT is relatively

9. AUDITOR

At the Annual General Meeting on 4 May 2023, the meeting resolved in accordance with the Nomination Committee's proposal that Örlings PricewaterhouseCoopers AB be elected as the company's auditing company, with Andreas Skogh as the principal auditor for a period of one year. The company's auditors participate in all of the audit committee's meetings each year, as well as in at least two Board meetings, and then make their observations about the company's internal procedures and control systems. The members of the Audit Committee and the Board then have the opportunity to ask questions.

The audit results are reported to shareholders in the form of an auditor's report which constitutes a recommendation to the shareholders prior to resolutions at the Annual General Meeting on approval of the company's income statement and balance sheet, disposition of the company's profits and discharge of liability for Board members and the CEO.

small and has a simple legal and operational structure and well-established management and internal control systems. The Audit Committee monitors the company's assessment of internal control, including through contact with the company's auditors. Furthermore, there have been no shortcomings in internal control in the past that would justify a change and the appointment of an internal audit. In light of the above, the Board has chosen not to have a special internal audit.



Financial reporting is based on governing policies that are broken down into procedures/instructions and then into concrete working documents, where the latter two also contain automatic and/or manual controls to continuously ensure correct management and results. A year-end board is used to collect all the steps and to ensure that the steps are carried out in the correct sequence and that ongoing checks are carried out.



To ensure compliance with applicable laws and regulations, information is regularly gathered from a number of different parties, each with expertise in their respective fields.

The work of the auditors includes monitoring of compliance with the Articles of Association, the Companies Act and the Annual Accounts Act, issues concerning the valuation of items in the balance sheet, monitoring of significant accounting processes and governance and financial control.

10. OTHER Risk analysis

CTT's operations are affected by a number of risks affecting on CTT's earnings and financial position. When assessing the future development of CTT, it is important to assess opportunities for earnings growth weighed against these risks. The risk factors that are most important for the future development of CTT are described in the directors' report in the annual report under the heading Risks. The policy of CTT's management is to take into account the influence of these risks on decisions made. CTT works very closely with the company's auditors in order to identify

risks at an early stage. The auditors conduct an annual review of the internal risk mitigation procedures, and report on this both in writing and orally to the Board.

Articles of Association

The Articles of Association set out, among other things, the company's activities, the number of directors and auditors, how the general meeting is to be convened, what business is to be covered at the annual general meeting and where the meeting is to be held. **A**

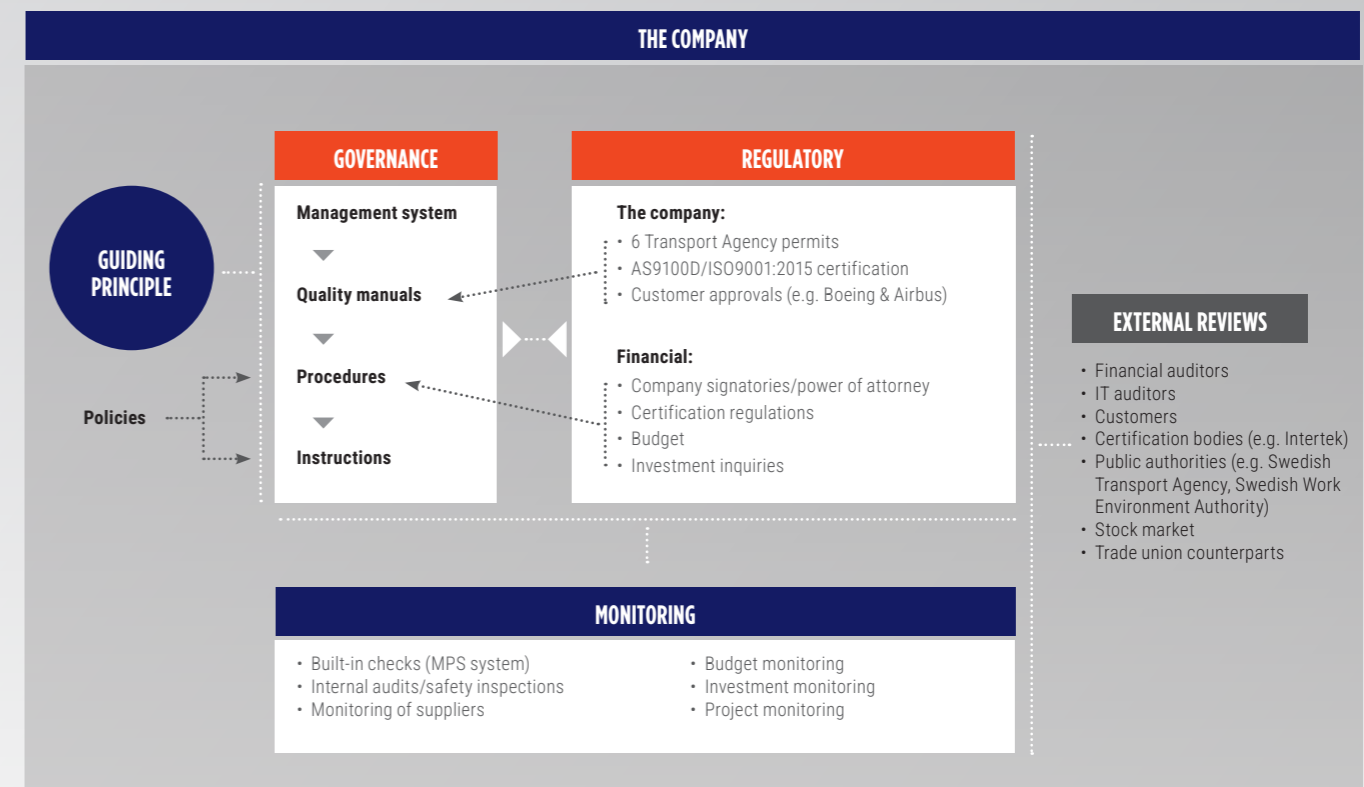
Information and communication

The company's information to shareholders and other stakeholders is provided via the annual report, year-end report and interim reports, press releases and the company's website, www.ctt.se.

The website also contains financial reports and press releases for recent years, as well as information on corporate governance. Internal information and external communication are

governed at an overarching level in the information policy established by the Board. **A**

CTT's external accounting materials and Investor Relations (IR) must be seen to be open, reliable, easily-available and quick. Quality is a key word, but the publication of information must also be cost-efficient. The information must meet market and customary requirements. The distribution of press releases, interim reports and year-end reports, along with other regulated external public communications, published in accordance with Nasdaq Stockholm's regulations for issuers and the EU Market Abuse Regulation, takes place through Modular Finance AB. Through them, information reaches the stock exchange, the Financial Supervisory Authority, the media, banks, rating agencies, major shareholders and major customers and suppliers quickly and simultaneously.



Internal control of business operations is based on governing and regulatory elements. The governing elements consist of the management system which is broken down into quality manuals, procedures, instructions and policies. The regulatory elements consist partly of external permits/approval, and partly of internal rules and guidelines determined by the Board. To ensure compliance with these elements, there are a number of monitoring internal activities and follow-ups. In addition, a number of independent external parties carry out regular reviews of the business and the various aspects of the management system.

SENIOR EXECUTIVES



HENRIK HÖJER

CEO, born 1966.
Education: Master of Science in Industrial and Management Engineering, Linköping University.
Previous experience: Senior positions at SAAB AB within JAS 39 Gripen, including Programme Manager, 1992–2010. CEO of SAAB Training Systems AB 2010–2016. CEO of RUAG Simulation & Training AG (Switzerland), 2016–2022. CEO of CTT Systems AB from April 2022.

Number of shares in CTT: 7,066
Number of options in CTT: 10,000
Number of related party shares in CTT: 1,737

MARKUS BERG

CFO & Head of Sustainability, born 1980.
Qualifications: Master of Business Administration, Master's degree in International Economics, Södertörn University, 2004.
Previous experience: Business Controller, SSAB Grovplåt 2004-2007, Contoller Manager, SSAB Grovplåt 2007-2010, Chief Controller, SSAB Produktion EMEA 2010-2011, Head of Strategy, SSAB Oxelösund 2011-2014, Chief Controller, Telia Fiber Business 2014-2016, Head of Finance, Teracom AB 2016-2021. CFO of CTT Systems AB from July 2021.

Number of shares in CTT: 2,129
Number of options in CTT: 0
Number of related party shares in CTT: 0

OLA HÄGGFELDT

CCO, born 1969.
Qualifications: Master of Science in Engineering, Royal Institute of Technology, 1994.
Previous experience: Scania (Development Engineer) 1994–1995, Freudenberg (KAM Automotive) 1995–1997, Siemens Components (KAM Automotive) 1997–2000, Emerson Network Power (Director Nordic, GM M. East & N. Africa, MD Europe) 2000–2009, Delta Electronics (OEM Director) 2009–2010, NorthStar (Director EMEA, VP OEM, VP SEA & China) 2010–2020. CEO of CTT Systems AB from 2020.

Number of shares in CTT: 4,833
Number of options in CTT: 0
Number of related party shares in CTT: 0

PETER LANDQUIST

VP Senior Advisor Sales, born 1958.
Qualifications: Industrial-technological programme, upper secondary school 1976.
Previous experience: Production and design, AB Nyge Aero 1986–1993. Head of Design, CTT Systems AB 1993-1998. Technical Manager 1998–2004. Technical Sales 2004–2006. Head of Aftermarket 2006–2011. Head of Sales, Marketing and Aftermarket 2011–2014. Head of Sales and Marketing from 2015. VP Senior Advisor Sales at CTT Systems from 2020.

Number of shares in CTT: 7,845
Number of options in CTT: 0
Number of related party shares in CTT: 2,760

TORLEIF NILSSON

Director of Engineering, born 1960.
Qualifications: Upper secondary school, mechanical engineering 1980.
Previous experience: Calculation engineer, durability at JAS39 Gripen, Saab AB, 1982–1998. Appointed Chief Engineer in Aircraft Systems Durability in 1990. Section Head, System Strength in the Weapons Integration & Structural Engineering department, Saab Aerosystems 1999–2007. Development Manager at CTT Systems from 2007.

Number of shares in CTT: 3,756
Number of options in CTT: 0
Number of related party shares in CTT: 0

HENRIK WOLF

Director of Production, born 1979.
Qualifications: Industrial-technological programme, upper secondary school 1998.
Previous experience: CNC operator, Xylem 1998–2006. Industrial Technology Trainer, Xylem 2006–2012. Production Manager, Xylem 2012–2014. Workshop Manager, Xylem 2014–2016. Production Manager, Willo AB, 2017–2022. Technical Manager – Assembly, Xylem 2022–2023. Head of Function – Processing/Electric Motor, Xylem 2023–2024. Director of Production, CTT Systems from February 2024.

Number of shares in CTT: 30
Number of options in CTT: 0
Number of related party shares in CTT: 0

MARIA WESTER

Director of Quality & HR, born 1966.
Qualifications: Electronics and telecoms programme, high school. University degree in business administration from Örebro University. Studies in quality technology at MDH. Diploma in personnel administration.
Previous experience: Project management/sales, Trade Motion 1988–1989, technical/financial assistant Burndy AB/FCI 1990–1995. Quality and human resources manager at Framatome Connectors Sweden AB 1995-1999. Head of Quality at CTT Systems AB 1999–2005. Quality and Human Resources Manager at CTT Systems from 2005.

Number of shares in CTT: 1,831
Number of options in CTT: 0
Number of related party shares in CTT: 0

Tony Rosendal was Head of Production in Nyköping and Nybro until 31 December 2023
 Trulscom Förvaltning AB (TFAB) has undertaken to issue call options to the management team of CTT, conditional upon the purchase of shares in CTT. For each CTT share purchased, executives were offered the right to purchase two options from TFAB at market conditions. This commitment was time-limited until July 2023 and is capped at 20,000 options per person. In total, this means that up to 140,000 options could be issued with an exercise price of SEK 225 and with a term until late 2025/early 2026. The call options are non-dilutive for other CTT shareholders

BOARD



AUDITOR
Andreas Skogh
Authorised Public Accountant, Örlings PricewaterhouseCoopers AB. Auditor of the company since 2023.

	TOMAS TORLÖF	PER FYRENIUS	ANNIKA DALSVALL	ANNA CARMO E SILVA	STEVEN BUESING	BJÖRN LENANDER
Role and year of birth	Chairman, born 1967.	Board member, born 1965.	Board member, born 1958.	Board member, born 1977.	Board member, born 1974.	Board member, born 1961.
Qualifications	Master of Science in Mechanical Engineering, Royal Institute of Technology.	Master of Science in Mechanical Engineering, Royal Institute of Technology.	MSc in Economics, Uppsala University.	Master of Science in Engineering, Chalmers University of Technology.	Masters of Business Administration from the University of Iowa and Certified Public Accountant (CPA).	Master of Science in Engineering, Royal Institute of Technology.
Nationality/elected	Swedish/2013	Swedish / 2018	Swedish/2013	Swedish / 2022	American/2018	Swedish / 2018
Other roles	Board member of Trulscom Förvaltning AB, Trulscom Aktieföretag, Pelago Venture Partners AB. Board member of CTT since 2013. Chairman of the Board of CTT since 2014.	Vice President Corporate Development, Toyota Material Handling Europe AB. Board member of Toyota Material Handling Logistics Solutions AB. Board member of CTT since 2018.	Head of Contracts, Scandinavian Airlines System. Board member of CTT since 2013.	Senior Vice President Strategy and Corporate Management Scania CV AB. Board member of CTT since 2022.	VP & Controller at Collins Aerospace. Board member of CTT since 2018.	CEO, Latour Industries AB. Chairman of the Board of Densiq AB, LSAB Group AB, MS Group AB, Latour Future Solutions AB, Innovalift AB, MAXAGV AB, BATEC Mobility and REAC AB & A/S. Board member at CTEK AB, Caljan A/S and REAC Poland. Board member of CTT since 2018.
Work experience and other information	More than 25 years of experience in starting and developing technology companies as an active owner. Member of the CTT Board of Directors from 2001 to 2006. CTT shareholder since 1995. Second largest owner 2001–2014. Largest owner since 2014.	Member of the European management team for Toyota Material Handling with responsibilities including strategy. Former CEO of the Group's Swedish marketing company and before that active in the then ITT Flygt. Many years of operational experience in areas including sales and aftermarket.	Many years of experience from the aviation industry in procurement and negotiation.	Scania Group since 2002.	Former Vice President and CFO of the Interior Division at Collins Aerospace. Prior to that, Vice President and CFO of the Avionics Division and Head of Investor Relations at Rockwell Collins. Wide knowledge of the aviation industry and financial management.	CEO of Latour Industries AB. More than 25 years of experience in leading positions in international industry.
Attendance ¹⁾						
Board meetings	9/9	9/9	9/9	8/9	5/9	9/9
Audit committee meetings			5/5	5/5		5/5
Independent in relation to						
The company and executive management	yes	yes	yes	yes	yes	yes
Major owners	no	yes	yes	yes	yes	yes
Remuneration and holdings ²⁾						
Directors' fees	367,500	183,750	183,750	183,750	183,750	183,750
Committee fees			75,000	40,000		40,000
Number of shares in CTT	Owns 1,678,336 shares in CTT through Trulscom Förvaltning.	Owns 1,090 shares in CTT.	Owns 250 shares in CTT.	Owns 275 shares in CTT.	Owns 400 shares in CTT.	Owns 500 shares in CTT with related parties.

1) Attendance refers to meetings during the period in 2023 when the member was elected to the Board/committee
2) Fees refer to fees paid during the financial year, which were decided at the 2022 and 2023 Annual General Meetings

NOTES TO THE FINANCIAL STATEMENTS

For the financial year 2023

All amounts in SEK million unless otherwise stated

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NOTE 1 GENERAL INFORMATION

CTT Systems AB (publ.), co reg no 556430-7741, was formed in 1991 and is based in Nyköping, Sweden. CTT is a Mid Cap company listed on Nasdaq Stockholm since March 1999.

CTT's main activities involve the development, manufacture and sale of equipment that actively regulates humidity in aircraft.

This annual report was approved for issuance by the Board on 27 March 2024. The company's income statement and balance sheet will be subject to approval at the Annual General Meeting on 6 May 2024.

EXTERNAL RISKS AND UNCERTAINTIES

The risks in the company's operations can generally be divided into operational risks related to business activities and financial risks related to financial activities. CTT continuously monitors risks and mitigation activities to counteract negative consequences for the company.

There have been no significant changes in material risks or uncertainties (including climate) during the year, but CTT continues to have an unusually one-sided currency impact since virtually all sales are in USD.

The company has chosen not to use forward hedging of the USD, but is endeavouring to make purchases and bank loans in USD. Major changes in the USD/SEK exchange rate will result in significant currency effects.

A detailed description of CTT's risks, uncertainties and their management can be found on pages 62–66 of the company's annual report for 2023. Financial risk management are described preconditions in note 29.

NOTE 2 ACCOUNTING AND VALUATION POLICIES

Compliance with applied regulations and the going-concern principle

The company's annual report has been prepared in accordance with the Swedish Annual Accounts Act (AAA) and in accordance with IFRS, with the exceptions and additions specified in the Swedish Corporate Reporting Board's recommendation RFR 2 "Accounting for legal entities". RFR 2 requires the company to apply all EU endorsed standards and pronouncements of the IASB and IFRIC in its annual accounts as far as possible within the framework of the AAA and taking into account the relationship between accounting and taxation. The financial statements have been prepared on the condition that the company conducts operations on a going concern basis.

CTT Systems AB does not prepare consolidated financial statements because the subsidiary CTT Systems Inc. in the USA is dormant and of minor significance, with the result that no consolidated financial statements need to be prepared in accordance with Chapter 7:3 a of the AAA.

Standards, changes to and interpretations of accounting principles

New and updated standards, changes and interpretations applied from 2023
Certain changes that came into force on 1 January 2023 and which have therefore begun to be applied this year have not had any significant impact on the company's earnings and position.

Standards, changes and interpretations concerning existing standards which have not yet entered into force and which have not been applied prematurely by the company

As of the date of approval of these financial statements, certain new standards, changes to and interpretations of existing standards that have not yet entered into force on the balance sheet date have been published by the IASB. These have not been applied prematurely by the company.

The Board of Directors and CEO assume that all relevant statements will be included in the company's accounting principles when they enter into force. New standards, changes and clarifications that have not been applied are not expected to have a significant impact on the company's financial reports.

Background for compiling the report

Assets and liabilities have been valued at historical acquisition values unless otherwise stated below. Receivables and liabilities in foreign currency have been converted using the exchange rate on the balance sheet date.

Preparing reports in accordance with IFRS requires management to make assessments and estimates and to make assumptions that affect the application of the accounting principles and the reported amounts in the income statements and balance sheets.

Important estimates and assessments for accounting purposes

The items in the income statements and balance sheets that are significantly affected by management assessments are income from profit recognition agreements (included in net sales, see Note 3), inventories (Note 16), property, plant and equipment; intangible (Notes 9–10) and tangible (Notes 11–13) fixed assets where depreciation plans are based on assessments of service life, and warranty commitments (Note 24). See below for a description of these estimates and assessments, as well as accounting policies.

Revenue recognition

Revenue recognition at a certain time

In the case of the company's new sales and spare parts sales of products, it is not the company's job to install the products, as this is taken care of by the customers. Revenues from new sales and spare parts sales are reported when CTT's role has been performed and control of the product has been transferred to the customer, which is upon delivery of the product. Revenue is reported as the amount CTT expects to be entitled to in exchange for the transfer of promised goods to a customer, where the transaction price is stated in the agreement with the customer. CTT has no variable remuneration in its agreements with customers.

The transaction price is due for payment in accordance with the agreement with the customer. CTT's payment terms to customers vary between 30 and 90 days.

For sales of systems for private jets and other profit recognition projects, revenue is recognised over time, see below.

Revenue recognition over time – revenue from profit recognition agreements

When selling systems for private jets and other profit recognition projects, the development, manufacture and adaptation of the systems last for a longer period of time. In principle, the systems are sold exclusively at a fixed price and the company reports revenue on these assignments as the work is carried out, i.e. when the company's commitments have been fulfilled. When calcu-

lating earned profit, the degree of completion has been calculated as incurred expenses as of the balance sheet date in relation to total estimated expenses for completion of the assignment.

The transaction price is due for payment in accordance with the agreement with the customer. CTT's payment terms to customers vary between 30 and 90 days.

• *Key estimates and assessments*

Reported revenues and associated contract receivables for profit recognition agreements reflect the best estimate of the outcome and the degree of completion of commitments for each agreement. This includes an assessment of the profit in ongoing customer agreements. With regard to more complicated assignments, there is significant uncertainty when assessing the costs for completion and profitability, which is also taken into account in revenue recognition.

Breakdown of revenue

The company does not recognise revenue by segment, and IFRS 8 states that this is not a requirement for the legal entity either. See Note 3 for the breakdown of net turnover and other revenue.

Receivables, liabilities and cash and cash equivalents in foreign currency

Monetary assets and liabilities in foreign currency have been converted using the exchange rate on the balance sheet date. Non-monetary assets and liabilities are converted using the exchange rate at the time of acquisition. The company mainly makes its purchases in SEK, with a small element in USD and European currencies, while products are mainly sold in USD, with a small element in SEK and EUR.

Inventories

Inventories are valued according to the lowest value principle, i.e. the lower of acquisition value and net sales value. The acquisition value includes all expenses attributable to the manufacturing process, along with the appropriate share of associated manufacturing costs, based on normal capacity. The acquisition value is calculated according to the first-in-first-out principle. The net sales value is the estimated price for which the product can be sold according to normal business conditions, less any applicable sales costs that can be directly attributed to the sales transaction.

• *Key estimates and assessments*

For each balance sheet date, a calculation is made of the net sales value of the inventory, taking into account the most reliable information available. Future sales values may be affected by future technology and other market-driven changes that may reduce future sales prices. Obsolescence and obsolescence assessments are described in Note 16.

Receivables

Receivables are assessed on an individual basis and included as the expected amount to be paid.

Property, plant and equipment

Self-generated intangible assets consist of capitalised expenses for development work. For these, depreciation normally takes place over 5 years from when the asset is taken into use. Ongoing development regarding the capitalisation of capitalised development costs for the Boeing 777X and New Zonal Dryer projects has not yet been completed. Planned depreciation for the Boeing 777X is dependent on production for a maximum of 10 years, and depreciation has begun in 2023. For the New Zonal Dryer project, the presumed depreciation is 10 years. No depreciation has begun for this project.

Property, plant and equipment are initially reported at acquisition value or manufacturing costs, including expenses to get the asset on site and in a condition to be used in accordance with the intentions of the investment. The acquisition value includes the purchase price and other directly attributable expenses such as expenses for delivery, handling, installation, assembly, legal fees and consultancy services. The acquisition value of self-manufactured property,

plant and equipment also includes indirect manufacturing costs. Short-term inventories and inventories of lesser value are expensed on an ongoing basis.

On each balance sheet date, a review is made of current assessments of service lives of depreciable assets. The uncertainty in these assessments is due to technological obsolescence that may change the use of the assets.

Tangible and intangible fixed assets are depreciated systematically based on their estimated useful life. The following depreciation periods have been applied.

Intangible assets	2023	2022
Capitalised expenses for development work	5–10 years	5–10 years
Other intangible assets	5–10 years	5–10 years

Property, plant and equipment	2023	2022
Buildings	10-100 years	10-100 years
Facilities on the ground	20–40 years	20–40 years
Machinery and other technical facilities	3–10 years	3–10 years
Equipment, tools and installations	3–10 years	3–10 years
– Including Improvement fees on leased property	5 years	5 years
– Including computer equipment	3–5 years	3–5 years

Research and Development

Expenses for development, where the results are used to produce new or improved products, are reported as an asset in the company's balance sheet. This also presupposes that the product is expected to be technically and commercially viable and that CTT has sufficient resources to complete development and then use or sell the intangible asset.

The carrying amount includes all directly attributable expenditure to create, produce and prepare the asset for use in the manner intended by management, such as expenditures for materials and services and payment to employees. Other development expenses are reported in the income statement as development costs when they arise.

In the company's balance sheet, capitalised expenses for development work are reported at acquisition value less accumulated depreciation and any write-downs as intangible fixed assets.

Depreciation starts on the month in which the asset is completed and taken into use.

The company recognises provisions for the development fund within restricted equity with the same amount capitalised during the year as an intangible asset relating to its own capitalised development work.

Impairment

The reported values of the company's fixed assets are checked annually to determine whether there are indications of impairment. Reported value is tested at least once a year or more frequently if an indication of a decline in value has been identified. Each impairment test calculates the recoverable value of the asset. Recoverable value refers to the higher of an asset's net sales value and value in use. Impairment of assets occurs when the carrying amount exceeds the recoverable amount.

• *Key estimates and assessments*

To assess the need for impairment, the recoverable amount for each asset or cash-generating unit is calculated based on expected future cash flows using an appropriate interest rate to be able to discount the cash flow. There are uncertainties in assumptions about future cash flow and the determination of an appropriate discount rate.

Leasing

The company applies the exemption in RFR 2 and reports the leasing fees as an expense on a straight-line basis over the leasing period. Right of use and lease liabilities are not reported in the balance sheet. Leasing agreements mainly consist of leased premises, computers and cars.

Provisions

Provisions for product warranties, loss-making contracts or other claims are recognised when the company has a legal or informal obligation as a result of a past event and it is probable that an outflow of financial resources will be required and the amounts can be reliably estimated. The timing or amount of this outflow may still be uncertain.

Provisions are valued at the estimated amount required to settle the existing liability, based on the most reliable information available on the balance sheet date.

Warranty commitments

The company normally provides a 36–48 month warranty on its products.

• *Key estimates and assessments*

Provisions for future warranty commitments are calculated on sales for the period. The size of the provision is calculated as 3% of the sales price of OEM systems for new platforms, 1% of spare parts and repairs, 0% of consumables and a certain aspect of sales in addition to the core business, and 1% or 2% of all other sales. The size of this provision is based on the historical amount of warranty costs.

Borrowing costs

Borrowing expenses that are directly attributable to ongoing investments in qualifying assets are not capitalised in the balance sheet, but are expensed directly. In the case of IAS 23, the company therefore applies the exemption in RFR2.

Remuneration to employees

Pensions

Post-employment pension benefits are paid through ongoing payments to external parties, who thereby assume the obligations towards the employees.

CTT has both defined-contribution and defined-benefit pension plans. The company's obligations in terms of contributions to both defined-contribution and defined-benefit pension plans are recognised as an expense in the income statement as the right to the pension is earned through service.

• *Defined-contribution pension plans*

Fixed contribution (defined-contribution) pension plans are classified plans where the size of the employee's pension depends on the contributions (premiums) that the company pays to the plan and the return on capital earned by the contributions.

• *Defined-benefit pension plans*

A defined-benefit pension plan means that an employee is guaranteed a pension corresponding to a certain percentage of salary. For salaried employees in Sweden, the ITP2 plan's defined benefit pension obligations are secured through an insurance policy with Alecta. According to a statement from the Swedish Corporate Governance Board, UFR 10 "Recognition of the ITP 2 pension plan financed through insurance with Alecta", this is a multi-employer defined benefit plan. For the 2023 financial year, the company has not had access to information enabling it to report its proportional share of the plan's obligations, plan assets or expenses, which meant that it has been impossible to report this plan as a defined benefit plan. The ITP2 pension plan that is secured through insurance in Alecta is, consequently, reported as a defined contribution plan.

The pension plan in accordance ITP2 is secured through insurance with Alecta and is therefore reported as a defined contribution plan. The premium for the defined benefit pension is calculated on an individual basis and depends on factors such as salary, previously earned pension and expected remaining service. Contributions for ITP2 insurance policies taken out with Alecta amounted to SEK 1.2 million in 2023 and are expected to amount to SEK 0.9 million in 2024. The company's share of the total contributions to the plan in 2023 was 0.00769% (0.00648).

The collective funding ratio consists of the market value of Alecta's assets as a percentage of insurance undertakings calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS

19. The collective consolidation level should normally be allowed to vary between 125 and 175%. One measure could be to increase the contractual price for new subscriptions and extensions of existing benefits in order to strengthen the funding level if it is deemed too low. Premium reductions can be introduced if the funding level exceeds 150%. At the end of 2023, Alecta's surplus in terms of the collective consolidation level was 158% (172).

Compensation in the event of termination

A cost for employee termination benefits is recognised if the company is obliged to terminate an employee's employment before the standard date.

Short-term benefits

Short-term benefits to employees are calculated without discounting and are reported as an expense in the period when the related services are received. A provision is reported for the expected cost of variable remuneration where CTT has an obligation to make such payments as a result of services received from employees.

Share-based compensation

CTT has no outstanding options or ongoing option programs enabling employees to acquire shares in the company below fair value.

Financial assets and liabilities

Financial instruments recognised in the balance sheet on the asset side include cash and cash equivalents, accounts receivable and other receivables (financial assets).

The liability side mainly consists accounts payable and loan liabilities (financial liabilities).

A financial asset or liability is recognised in the balance sheet when the company becomes party to the contractual terms of the instrument. Accounts receivable arise when goods have been delivered and the risk has passed to the customer. Debt is recognised when the counterparty has delivered and there is a contractual obligation to pay, even if the invoice has not yet been received.

A financial asset is removed from the balance sheet when the rights in the agreement are realised, expire or the company loses control of them. The same applies to parts of financial assets. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise ceases to exist. The same applies to parts of financial liabilities. The company has only one category of financial assets and liabilities, which is accrued acquisition value. Items that fall into this category are as follows:

• *Other non-current receivables*

Endowment insurance policies fall into this category.

• *Accounts receivable*

Accounts receivable are financial assets that are not derivatives with fixed or determinable payments and that are not listed in an active market. Assets in this category are valued at accrued acquisition value. Accrued acquisition value is determined on the basis of the effective interest rate calculated at the time of acquisition. Accounts receivable are reported at the amount that is expected to be received, i.e. after deductions for expected credit losses.

• *Other receivables*

Receivables that do not fall into any of the categories described above.

• *Cash and cash equivalents*

Cash and cash equivalents, corresponding to the balance sheet item Cash at bank and in hand, consist of cash, cash equivalents and short-term bank deposits. The short-term deposits can easily be converted into known amounts of cash and the risk of changes in value is insignificant.

• *Other financial liabilities*

CTT's loan liabilities and accounts payable belong to this category.

Tax

Tax for the year (income tax) consists of current tax and is recognised in the income statement.

Current tax is tax to be paid or received for the current year, applying the tax rates that have been decided or in practice decided on the balance sheet date. This also includes the adjustment of current tax attributable to previous periods.

NOTE 3 NET SALES AND OTHER OPERATING INCOME**NET SALES**

CTT has chosen to divide net sales between the product areas System Sales, Spare Parts and Maintenance and Other Sales of Goods. Sales are divided further within each product area, see below.

Breakdown of net sales by product area	2023	2022
System Sales		
OEM	35.5	20.2
Retrofit	-	-
Private jet	18.2	20.5
	53.7	40.7
Spare parts and maintenance		
Aftermarket	242.6	186.9
	242.6	186.9
Other sales of goods		
Sales in addition to the core business activities	12.6	13.0
	12.6	13.0
Total	308.9	240.6

Of which revenue recognition projects that are recognised over time. *Other income is recognised at a certain point in time, i.e. on delivery.*

Geographical breakdown of net sales	2023	2022
Denmark	181.5	92.0
USA	42.1	68.4
France	35.6	35.7
Sweden	12.5	14.9
Rest of the world	37.1	29.6
Total	308.9	240.6

In 2023, 78% (77) of CTT's total sales revenue was attributable to three customers: Boeing, CTT's customer for the A350 programme and Satair, our largest distributor to airlines. They accounted for 14% (30), 5% (9) and 59% (38) of the company's sales revenue respectively. It should be noted that these revenues are mainly attributable to deliveries to the Boeing 787 programme, and that our end customers at distributor level are a large number of airlines. The remaining proportion of sales revenue was distributed between customers who each accounted for less than 5% of the company's sales revenue.

Of the 2023 opening value of the balance sheet item "Earned but not invoiced income", SEK 6.3 million, 91%, was invoiced in 2023. The balance sheet item "Invoiced but not earned income" had no opening value in 2023.

OTHER OPERATING INCOME

Other operating income	2023	2022
Exchange rate gains	7.8	16.0
Other	-1.0	0.5
Total	6.7	16.5

NOTE 4 OTHER EXTERNAL COSTS AND OTHER OPERATING EXPENSES**OTHER EXTERNAL COSTS****Audit costs**

The item Other external costs includes fees to the auditor, see the specification below.

Fees to auditor (SEK thousand)	2023	2022
Grant Thornton Sweden AB		
Audit work	192	667
Auditing activities in addition to audit assignment	5	199
Tax advice	-	28
Öhrlings PricewaterhouseCoopers AB		
Audit work	588	-
Total	785	894

"Audit assignment" refers to the statutory audit of the annual accounts and financial statements and of the management of the Board of Directors and the CEO, as well as audits and other reviews carried out in accordance with an agreement or contract. This includes tasks to be carried out by the company's auditor along with advice or other assistance resulting from observations made during such a review or the performance of such other tasks.

Audit activities in addition to the audit assignment relate to quality assurance services such as a general review of the interim report. The fee to Öhrlings PricewaterhouseCoopers AB is not reported separately as it is part of the audit assignment.

Tax advice refers to services relating to taxation.

Operational leasing costs

The figure for Other external costs includes leasing fees of SEK 7.5 million (6.6), of which rental costs for leased premises amount to SEK 5.0 million (4.5). Total remaining leasing fees amount to SEK 14.5 million (18.3), of which rental costs for leased premises amount to SEK 12.7 million (16.3). These are due for payment as below:

Leasing fees	2023	2022
Maturity period:		
Within 1 year	5.5	5.8
Later than 1 year but within 5 years	9.0	12.5
Later than 5 years	-	-
Total	14.5	18.3

OTHER OPERATING EXPENSES

Other operating expenses	2023	2022
Exchange rate losses	10.5	9.6
Total	10.5	9.6

NOTE 5 PERSONNEL

	2023	2022	Personnel costs (SEK thousand)	2023	2022
Average number of employees			Salaries and other remuneration		
Women	25	22	Salaries, fees and benefits	44,862	42,284
Men	50	50	Pension costs	5,349	5,579
Total	75	72	Allocation for the profit-sharing foundation	7,596	5,645
			Total salaries and other remuneration	57,807	53,508
Board			Social expenses		
Women	2	2	Social expenses (including special payroll tax) on salaries, fees, benefits and pension costs	13,443	14,115
Men	4	4	Special payroll tax on allocation to profit-sharing foundation	1,843	1,370
Total	6	6	Total social expenses	15,285	15,485
Executive management and CEO			Other personnel costs	1,177	102
Women	1	1	Total personnel costs	74,270	69,095
Men	6	7			
Total	7	8			

Salaries and other remuneration 2023 (SEK thousand)

	Directors' fees	Audit committee fees	Other remuneration to the Board	Salaries and other remuneration	Variable remuneration	Benefits	Pensions	Allocation to profit-sharing foundation	Total
Chairman of the Board:									
Tomas Torlöf	368	-	-	-	-	-	-	-	368
Other Board members:									
Steven Buesing	184	-	-	-	-	-	-	-	184
Anna Carmo e Silva	184	40	-	-	-	-	-	-	224
Annika Dalsvall	184	75	-	-	-	-	-	-	259
Per Fyrenius	184	-	2	-	-	-	-	-	186
Björn Lenander	184	40	2	-	-	-	-	-	226
Employees:									
CEO, Henrik Höjer	-	-	-	2,378	806	80	690	101	4,056
Other senior executives	-	-	-	7,692	1,226	506	2,089	608	12,120
Other employees	-	-	-	30,695	-	32	2,571	6,887	40,185
Total	1,286	155	5	40,765	2,033	618	5,349	7,596	57,807

Salaries and other remuneration 2022 (SEK thousand)

	Directors' fees	Audit committee fees	Other remuneration to the Board	Salaries and other remuneration	Variable remuneration	Benefits	Pensions	Allocation to profit-sharing foundation	Total
Chairman of the Board:									
Tomas Torlöf	350	-	-	-	-	-	-	-	350
Other Board members:									
Steven Buesing	170	-	-	-	-	-	-	-	170
Anna Carmo e Silva	135	30	-	-	-	-	-	-	165
Annika Dalsvall	170	70	-	-	-	-	-	-	240
Per Fyrenius	170	-	-	-	-	-	-	-	170
Anna Höjer	35	8	-	-	-	-	-	-	43
Björn Lenander	170	38	1	-	-	-	-	-	209
Employees:									
CEO, Torbjörn Johansson	-	-	-	1,088	167	30	112	21	1,417
CEO, Henrik Höjer	-	-	-	1,676	500	65	649	62	2,950
Other senior executives	-	-	-	7,717	1,319	425	2,240	549	12,249
Other employees	-	-	-	27,878	-	74	2,579	5,014	35,545
Total	1,200	145	1	38,359	1,985	593	5,579	5,645	53,508

Fees and remuneration to Board members

Remuneration is paid to the chairman and members of the Board in accordance with the decision of the Annual General Meeting. Fees are also paid for audit committee work. Other expenses may also be reimbursed.

Salary and other remuneration to the CEO

Remuneration to the CEO consists of basic a salary, variable remuneration, benefits and other remuneration, pension insurance and a provision for the profit-sharing foundation. The CEO's salary is set by the chairman of the Board after negotiations with the CEO and is subsequently approved by the Board.

Salaries and remuneration to other senior executives in the company

Other senior executives consist of the company's executive management team, which as of 31/12/2023 consisted of seven people (8).

Agreement on future pensions

The CEO and CTT both have the right to invoke a pension for the CEO at the age of 67. The pension is defined contribution and in addition to paid pension premiums, there are no additional pension obligations. The pension for other senior executives is defined contribution and follows the ITP plans, or alternatively includes provisions on a par with ITP. In addition to paid pension premiums, there are no additional pension obligations. CTT has taken out pension insurance for each person and CTT's obligation is limited to payment of the agreed premium during the period of employment.

Termination and severance pay

The CEO has an agreement allowing for severance pay if the executive leaves their position at the company's request. Severance pay, including termination pay, amounts to one year's salary. Contractual terms apply to other senior executives.

Variable remuneration and allocation to the profit-sharing foundation

Variable remuneration is maximised and related to the operating profit and in some cases sales achieved. Provisions for the profit-sharing foundation are made in accordance with uniform rules where all employees, including the CEO, are treated equally. The amount allocated to the profit-sharing foundation may change in connection with the company's Annual General Meeting. The total amount for variable remuneration has been reserved in the financial statements and is paid out after the Annual General Meeting. For aspects of variable remuneration where the condition for the remuneration is that CTT shares shall be acquired, the receiving party shall make the share acquisitions during the period immediately following the Annual General Meeting. There are no other specific agreements on variable remuneration in addition to salary, bonus schemes, profit-sharing plans, retirement age or future pension for the CEO or other senior executives. See the table below for amount limits linked to bonus programmes and the profit-sharing foundation. See the Corporate Governance and Sustainability Report for further information.

Variable remuneration and allocation to the profit-sharing foundation	CEO	Other senior executives	All employees
Maximum cost of the company's profit before tax (%) <i>(however, a maximum of a total of 30% of the decided dividend)</i>	2.5	2.5	7.5
Maximum compensation at individual level (proportion of annual salary) <i>(for the profit-sharing foundation, the average monthly salary of all employees applies as a ceiling)</i>	6/12	2/12	2.25/12

NOTE 6 EARNINGS FROM FINANCIAL ITEMS

	2023	2022
Other interest income and similar items		
Interest income	2.5	0.5
Exchange rate differences on non-operating assets	0.7	0.5
Total	3.2	1.0
Interest expenses and similar items		
Interest expenses	-3.4	-2.0
Exchange rate differences on non-operating liabilities	2.2	-7.0
Total	-1.2	-9.0
Total	2.0	-8.0

NOTE 7 TAX

	2023	2022
Tax for the year		
Current tax	-25.0	-17.5
Total	-25.0	-17.5
Reconciliation of effective tax		
Profit before tax	120.4	83.8
Tax cost 20.6%	-24.8	-17.3
Tax effect of tax adjustments:		
Other tax adjustments	-0.1	-0.3
Total	-25.0	-17.5

NOTE 8 EARNINGS PER SHARE

Earnings per share have been calculated as the profit for the year divided by the average number of shares outstanding during the period. The average number of shares was 12,529,443 (12,529,443). As there are no outstanding warrants, no dilution has been calculated.

NOTE 9 CAPITALISED EXPENSES FOR DEVELOPMENT WORK

	31/12/2023	31/12/2022
Initial acquisition values	110.5	104.4
Capitalised expenditure for the year	4.2	6.2
Closing accumulated acquisition values	114.8	110.5
Initial depreciations	-31.2	-29.3
This year's depreciations	-3.4	-1.9
Closing accumulated depreciation	-34.5	-31.2
Closing planned residual value ¹⁾	80.2	79.4
1) Residual value specified per development project:		
Boeing 777X ²⁾	50.7	50.7
New Zonal Dryer ³⁾	18.3	17.0
Other	11.2	11.7
Total	80.2	79.4

2) The planned depreciation period is production-dependent for a maximum of 10 years. In 2023, depreciation amounted to SEK 1.3 million (0).

3) Depreciation has not started because ongoing development has not yet been completed. The estimated depreciation period is 10 years.

Capitalised assets for the year of SEK 4.2 million (6.2) consisted of development work primarily linked to the New Zonal Dryer and Boeing 777X projects. Of the accumulated acquisition values, SEK 69.1 million (67.6) relates to ongoing development projects. In addition to the capitalised expenses, SEK 2.1 million (2.6) of expenses for testing and development have also been expensed on an ongoing basis.

NOTE 10 OTHER INTANGIBLE ASSETS

	31/12/2023	31/12/2022
Initial acquisition values	5.2	4.9
Purchases	-	0.3
Closing accumulated acquisition values	5.2	5.2
Initial depreciations	-4.4	-4.1
This year's depreciations	-0.3	-0.3
Closing accumulated depreciation	-4.7	-4.4
Closing planned residual value	0.5	0.8

NOTE 11 LAND AND BUILDINGS

	31/12/2023	31/12/2022
Initial acquisition values	30.8	30.8
Purchases	0.4	0.0
Closing accumulated acquisition values	31.2	30.8
Initial depreciations	-5.9	-5.0
This year's depreciations	-0.8	-0.8
Closing accumulated depreciation	-6.7	-5.9
Closing planned residual value	24.5	24.9
Of which land	0.5	0.4
Of which land facilities	0.9	1.0

NOTE 12 MACHINERY AND OTHER TECHNICAL FACILITIES

	31/12/2023	31/12/2022
Initial acquisition values	19.6	19.5
Purchases	0.2	0.2
Closing accumulated acquisition values	19.9	19.6
Initial depreciations	-6.2	-3.8
This year's depreciations	-2.3	-2.4
Closing accumulated depreciation	-8.5	-6.2
Closing planned residual value	11.4	13.4

NOTE 13 EQUIPMENT, TOOLS AND INSTALLATIONS

	31/12/2023	31/12/2022
Initial acquisition values	49.8	49.0
Purchases	2.8	0.7
Closing accumulated acquisition values	52.6	49.8
Initial depreciations	-44.9	-42.3
This year's depreciations	-2.5	-2.6
Closing accumulated depreciation	-47.4	-44.9
Closing planned residual value	5.2	4.8

NOTE 14 SHARES IN GROUP COMPANIES

The value below refers to holdings in the dormant subsidiary CTT Systems Inc., Delaware in the US. ID no in Delaware: 3486106. The number of shares is 100, of which the company owns 100%.

	31/12/2023	31/12/2022
Initial acquisition value	0.0	0.0
Closing book value	0.0	0.0

NOTE 15 FINANCIAL ASSETS AND LIABILITIES

The company's financial assets and liabilities that are included in the accrued acquisition value category are presented below.

	31/12/2023	31/12/2022
	Reported value	Reported value
Financial assets		
Other non-current receivables		
Endowment insurance	0.4	0.2
Total	0.4	0.2
Accounts receivable		
Accounts receivable	48.7	62.5
The maximum credit risk amounts to the carrying amount	48.7	62.5
Cash and cash equivalents		
Cash and cash equivalents in SEK	112.6	54.8
Cash and cash equivalents in USD	5.3	5.3
Cash and cash equivalents in EUR	0.0	-
Total	117.9	60.1
	31/12/2023	31/12/2022
	Reported value	Reported value
Financial liabilities		
Other financial liabilities		
Liabilities to credit institutions in USD	41.8	45.4
Accounts payable	13.9	17.9
Other current financial liabilities	1.1	0.8
Total	15.0	64.2

NOTE 16 INVENTORIES

Of the total value of inventories of SEK 109 million (116) as of 31/12/2023, SEK 0.7 million (1.2) has been reserved for obsolescence. The cost of obsolescence for the year amounted to SEK 0.5 million (0.1).

NOTE 17 ACCOUNTS RECEIVABLE

Accounts receivable entirely consist of outstanding receivables for goods delivered to customers. The company has assessed the credit quality of its receivables based on the customer's creditworthiness. Based on this assessment, provisions for doubtful accounts receivable as of 31/12/2023 amounted to SEK 0.3 million (1.5). Customer losses during the year amounted to SEK -1.2 million (1.4).

	31/12/2023	31/12/2022
Age analysis of non-impaired accounts receivable		
Not due	41.5	35.7
Less than 3 months	6.3	22.9
3-6 months	0.2	1.5
7-12 months	0.2	1.1
Over 12 months	0.5	1.3
Total	48.7	62.5

NOTE 18 OTHER RECEIVABLES

	31/12/2023	31/12/2022
VAT receivables	2.3	2.6
Other	9.3	0.3
Total	11.6	2.9

NOTE 19 PREPAYMENTS AND ACCRUED INCOME

	31/12/2023	31/12/2022
Prepaid rents	1.3	1.3
Prepaid insurance costs	0.3	0.3
Prepaid maintenance and licence fees	0.7	0.9
Other	3.1	0.9
Total	5.5	3.4

NOTE 20 PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

Property and corporate mortgages have been pledged as security for the company's debts to credit institutions, including overdraft facilities granted. An endowment insurance policy has been taken out to secure a pension commitment to the company's CEO. There are no contingent liabilities to external parties.

	31/12/2023	31/12/2022
Collateral pledged		
Property mortgages	12.0	12.0
Corporate mortgages	94.5	94.5
Endowment insurance for pension commitment, CEO	0.4	0.2
Contingent liabilities	None	None

NOTE 21 OVERDRAFT FACILITY

	31/12/2023	31/12/2022
Granted credit (not used)	25.1	26.4

The company's overdraft facility consists of credit granted of USD 2,500,000 which, recalculated at the exchange rate on the balance sheet date, amounts to SEK 25,104,000.

NOTE 22 CASH AND CASH EQUIVALENTS

The cash and cash equivalents item in the cash flow analysis corresponds to the balance sheet item Cash at bank and in hand in the balance sheet.

NOTE 23 EQUITY

Equity consists of restricted equity and unrestricted equity. The restricted equity consists of share capital, reserve fund and fund for development expenditure. Unrestricted equity consists of profits for the year and balanced results. The item balanced results includes, in addition to balanced results, a share premium reserve.

Restricted equity

Restricted equity may not be used for dividends.

- Share capital

CTT share capital amounts to SEK 12,529,443 divided into 12,529,443 shares, each share with a quota value of SEK 1. All shares have equal rights to the company's assets and earnings. Each share gives entitlement to one vote.

- Reserve fund

The purpose of the reserve fund has been to save part of the net profit to be used later to cover any losses.

- Fund for development expenditure

The amount capitalised for self-generated development expenses will be transferred from unrestricted equity to a fund for development expenses in restricted equity. The fund reduce as the capitalised expenses are written off or written down.

Unrestricted equity

Unrestricted equity, together with the profit for the year and retained earnings, also involves a share premium fund. Unrestricted equity is available for dividends to shareholders.

- Retained earnings

The retained earnings consist of all profits and losses from previous years, less any dividends.

- Share premium reserve

The share premium fund arises when a new issue of shares is subscribed for at a premium. When the determined price of the new shares in a new issue is higher than the nominal value of the existing shares, the excess is added to the share premium fund.

Changes in equity are shown in the Change in equity table.

NOTE 24 PROVISIONS

Provisions for warranty commitments	31/12/2023	31/12/2022
Opening provision	3.2	3.8
Amounts claimed	-2.6	-1.9
Provision for the year	1.9	1.3
Closing provision	2.5	3.2

The provision for warranty commitments is expected to be utilised during the coming four-year period. Over a longer period of time, in step with increased sales and an increased number of systems under warranty, the size of the outgoing provision will increase.

Other provisions for pensions and similar obligations

	31/12/2023	31/12/2022
Opening provision	0.2	-
Provision for the year	0.2	0.2
Closing provision	0.4	0.2

Other provisions relate to an endowment insurance policy taken out to secure a pension commitment to the company's CEO.

Other provisions – current

	31/12/2023	31/12/2022
Opening provision	0.2	-
Provision for the year	-0.2	0.2
Closing provision	-	0.2

NOTE 25 MATURITY OF FINANCIAL LIABILITIES

As of 31 December 2023 and 2022, respectively, the company's financial liabilities have agreed maturities (including interest payments where applicable) which can be summarised as below.

Financial liabilities as of 31/12/2023							
Due for payment as follows:							
	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Later than 5 years	Total
Interest-bearing financial liabilities including interest rates							
<i>Interest-bearing financial liabilities</i>							
Interest-bearing liabilities to credit institutions	1.5	1.5	38.8	-	-	-	41.8
Total	1.5	1.5	38.8	-	-	-	41.8
<i>Interest on financial liabilities</i>							
Interest rates	2.9	2.8	2.7	-	-	-	8.4
Total	2.9	2.8	2.7	-	-	-	8.4
Total interest-bearing financial liabilities including interest rates	4.4	4.3	41.5	-	-	-	50.2
Non-interest-bearing financial liabilities							
Accounts payable	13.9	-	-	-	-	-	13.9
Other liabilities, part of	1.1	-	-	-	-	-	1.1
Total non-interest-bearing financial liabilities	15.0	-	-	-	-	-	15.0
Total financial liabilities	19.5	4.3	41.5	-	-	-	65.3

Financial liabilities as of 31/12/2022							
Due for payment as follows:							
	Within 1 year	1–2 years	2–3 years	3–4 years	4–5 years	Later than 5 years	Total
Interest-bearing financial liabilities including interest rates							
<i>Interest-bearing financial liabilities</i>							
Interest-bearing liabilities to credit institutions	45.4	-	-	-	-	-	45.4
Total	45.4	-	-	-	-	-	45.4
<i>Interest on financial liabilities</i>							
Interest rates	3.5	-	-	-	-	-	3.5
Total	3.5	-	-	-	-	-	3.5
Total interest-bearing financial liabilities including interest rates	49.0	-	-	-	-	-	49.0
Non-interest-bearing financial liabilities							
Accounts payable	17.9	-	-	-	-	-	17.9
Other liabilities, part of	0.8	-	-	-	-	-	0.8
Total non-interest-bearing financial liabilities	18.7	-	-	-	-	-	18.7
Total financial liabilities	67.7	-	-	-	-	-	67.7

Liabilities to credit institutions have variable interest rates and quarterly interest charges. Reported amounts correspond to fair value. For loans in foreign currency, the exchange rate on the balance sheet date has been used.

NOTE 26 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	31/12 /2022	Cash flows		Exchange rate differences	31/12 /2023
		New loans	Amortisation		
Liabilities to credit institutions	45.4	-	-1.5	-2.2	41.8
Total liabilities arising from financing activities	45.4				41.8

NOTE 27 ACCRUED EXPENSES AND PREPAID INCOME

	31/12/2023	31/12/2022
Accrued salaries	9.7	9.7
Holiday pay liabilities	4.7	4.5
Accrued social security charges	1.6	1.4
Accrued special payroll tax	0.7	1.3
Accrued commissions and royalties	0.7	-
Invoiced maintenance agreements	0.1	0.1
Other	1.9	2.7
Total	19.4	19.7

NOTE 28 TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the financial year (0). As of 31/12/2023, there were no debts to related parties (as in the previous year).

To the extent that transactions and agreements for services with related parties are entered into, these are always entered into and performed under market conditions.

NOTE 29 ASSET MANAGEMENT AND FINANCIAL RISK MANAGEMENT

The overall objective of the company's financial function with respect to asset management is to ensure the company's ability to continue as a going concern, to provide cost-effective financing of its operations and to provide secure cash management with a market return on invested funds. The overall goal of financial risk management is to mitigate the risks of a negative impact on the company's earnings. It is logical that financial investments with a low risk profile must be made. With larger risk exposure, for example for exchange rate differences, hedging can be applied. As the company has no outstanding forward hedges as of 31/12/2023, forward contracts regarding future cash flows have not been forecast.

To maintain or adjust the capital structure, the company may – for example – adjust the amount of dividends, raise new or repay existing loans, buy back shares, issue new shares or sell assets to reduce liabilities.

The company's assessed risk exposure and accompanying risk management are described below.

Market risks

Currency risks

The company's operations are conducted mainly in Sweden but are exposed to currency fluctuations through international sales. Purchases are mainly made in SEK, although some purchases, mainly of production materials, are made in USD. Products are sold almost exclusively in USD with only a small proportion of sales in SEK and EUR. The company's liabilities to credit institutions in USD amounted to USD 4.2 million as of the balance sheet date. The overdraft facility in USD was not utilised. A higher USD exchange rate by +10% on the balance sheet date would have had a negative impact on earnings after net financial items of USD -420,000. Also see the Directors' Report, under the heading Financial risks. For the impact on operating profit, see Note 3 and Note 4.

Interest rate risks

The company's interest rate risks refer, where applicable, to the value of holdings of interest-bearing securities and the company's financing with credit institutions. The company's financing with credit institutions is currently at a variable interest rate. Holdings of interest-bearing securities must always refer to high-liquidity securities which can be sold quickly. The company's liabilities to credit institutions are in USD and amounted to USD 4.2 million as of the balance sheet date. An interest rate one percentage point higher would mean increased annual interest expenses of USD 42,000.

Price risks

The company's financial instruments as of 31/12/2023 do not vary due to changes in market prices. The company's stock of raw materials and consumables, as well as finished goods, is not exposed to any significant price risk.

Credit risks

The company's credit risks are mainly linked to accounts receivable. Due to the close contacts that the company has with prospective customers prior to delivery, a well-founded credit assessment can be made before delivery, which also continues with ongoing monitoring of current customer relationships. The Retrofit and Private jet sales areas are judged to have a higher credit risk than other areas. In these areas, CTT takes out credit risk insurance where possible. A dominant part of accounts receivable in addition to Retrofit and Private jet is with Boeing, CTT's customer for the A350 program and our largest distributor, Satair, to the airlines, with all of whom CTT has far-reaching and close relationships.

Financing risks

The company's financing is based on strong long-term ownership and a good relationship with the company's bank. On the balance sheet date, there was secured bank financing totalling SEK 95 million (96), of which SEK 42 million (45) was utilised. The change from the previous year consists partly of the repayment of loans and partly of an increase as a result of a weaker SEK against USD during the year, as bank financing is in USD. A covenant is in place with the company's bank specifying the management of intellectual property rights, a minimum equity ratio of 30%, the assumption of new financial liabilities, the provision of collateral and the obligation to provide information. In addition, for the majority of the unutilised part of the bank financing, there is a covenant in place which also specifies an operating margin of at least 10% over the last four quarters. CTT complied with the covenants by a good margin at the end of the year.

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the end of the reporting period.

NOTE 31 PROPOSAL FOR PROFIT DISTRIBUTION

Board proposal for profit distribution	SEK
<u>Profits available:</u>	
Balanced profits	96,013,450
Share premium reserve	28,856,978
Profit for the year	95,454,964
Total	220,325,392
Ordinary dividend to shareholders of SEK 5.35 per share and an extraordinary dividend of SEK 3.35 per share, totaling SEK 8.70 per share (12,529,443 shares)	109,006,154
Profit/loss carried forward	111,319,238
Total	220,325,392

In 2023, CTT paid a dividend of SEK 50,744 thousand (9,898) to its shareholders. This corresponds to a dividend of SEK 4.05 (0.79) per share.

In 2024, the Board proposes an ordinary dividend of SEK 67,033 thousand (SEK 5.35 per share) and an extraordinary dividend of SEK 41,974 thousand (SEK 3.35 per share). This corresponds to a total dividend of SEK 109,006 thousand (SEK 8.70 per share).

The Board of Directors considers that the proposed amount of the dividend to shareholders is justified in view of the demands placed on the company by the nature, scope and risks of its activities in terms of the size of its equity capital and also in view of its consolidation needs, liquidity and position in general. Our financial position will remain strong after the proposed dividend and is deemed to be fully sufficient for the company to be able to fulfil its obligations in both the short and long term, and have the opportunity to make any necessary investments.

As CTT's dividend must be approved by the Annual General Meeting, no liabilities in this respect are reported in the company's 2023 financial statements. There is not expected to be an effect on income tax for CTT as a result of this transaction.

The Board and CEO declare that the annual accounts have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards and on generally accepted accounting principles and give a true and fair view of the company's position and results.

The Directors' Report gives a true and fair overview of the company's business, position and performance and describes the principal risks and uncertainties that the company faces. As stated below, the Annual Report has been approved for issuance by the Board on 27 March 2024. The company's income statements and balance sheets will be subject to approval at the Annual General Meeting on 6 May 2024.

Nyköping, 27/03/2024

Tomas Torlöf
Chairman

Steven Buesing
Board member

Anna Carmo e Silva
Board member

Annika Dalsvall
Board member

Per Fyrenius
Board member

Björn Lenander
Board member

Henrik Höjer
CEO

Our audit report was submitted on 27/03/2024
Öhrlings PricewaterhouseCoopers AB

Andreas Skogh
Authorized Public Accountant

AUDIT REPORT

To the general meeting of the shareholders of CTT Systems AB (publ.)
Corporate identity number 556430-7741

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts of CTT Systems AB (publ.) for 2023 except for the corporate governance statement on pages 70–79. The company's annual accounts are included on pages 48–93 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of CTT Systems AB (publ.) as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 70–79. The statutory administration report is consistent with the other parts of the annual accounts.

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

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

Basis for Opinions

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

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

Focus and scope of the audit

We formulated our audit by establishing a materiality threshold and assessing the risk of material misstatement in the financial reports. We paid particular attention to the areas where the Chief Executive Officer and Board of Directors made subjective assessments, such as important account-related estimations made on the basis of assumptions and forecasts of future events, which by their nature are uncertain. As with all audits, we have also observed the risk of the Board of Directors and Chief Executive Officer neglecting internal inspection, and among other things considered whether there is any evidence of systematic non-conformances that have given rise to risk of material misstatement as a consequence of irregularities.

We adapted our audit in order to perform an effective review so that we could comment on the financial reports as a whole, taking into account the company's structure, accounting processes and controls, as well as the industry in which the company is active.

Materiality

The scope and focus of the audit were influenced by our assessment of materiality. An audit is formulated in order to achieve a reasonable degree of security as to whether the financial reports include any material misstatement. Misstatement may occur as a consequence of irregularities or mistakes. Misstatement is regarded as material if parties, individually or jointly, can reasonably be expected to influence the financial decisions made by users on the basis of the financial reports.

Based on professional judgement, we established certain quantitative materiality figures for elements such as financial reporting as a whole. We used these and qualitative considerations to establish the focus and scope of the audit and the nature, time and scope of our review methods, and also to assess the effect of individual and combined misstatement on the financial reports as a whole.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts, but we do not provide a separate opinion on these matters.

Revenue recognition

Net sales amount to SEK 309 million and are a significant item in the income statement.

The company has various revenue types, which mainly consist of new sales and spare parts sales of goods. Revenue from the sale of goods is recognized as performance obligations are met, which usually occurs in connection with the transfer of significant risks and benefits to the buyer. As a rule, this happens at one point in time, but there are also projects where revenue is recognized over time. The business is transaction-intensive, which places demands on accounting, follow-up and internal control.

In light of the above, we have considered revenue recognition, with its focus on completeness and accrual, to be a particularly significant area of our audit.

For further information and description of this area, see Note 3 and accounting and valuation policies in Note 2 in the annual accounts.

How our audit took the particularly significant area into account

Our audit procedures included, but were not limited to, the activities listed below. We have:

- Mapped the company's procedures and evaluated internal controls linked to revenue recognition, including the IT systems used.
- Performed data analyses in respect of the completeness of reported deliveries.

- Reviewed a sample of transactions against underlying contracts, invoices and payments.
- Random testing of individual transactions against data to verify that revenue is recognized after performance obligations have been met.
- Conducted margin analyses and analysed revenues against previous years and the budget.
- Reviewed the valuation of the company's accounts receivable for reported income as of the balance sheet date.
- Read and evaluated the information presented in the annual report and tested whether it provides sufficient information according to IFRS and RFR2.

Valuation of inventories

Inventories amount to SEK 109 million and consist of raw materials and other inputs, work in progress and finished goods. The inventory value is a significant item in the balance sheet, and the valuation of the inventory is important for the fairness of the gross profit.

Inventories are valued according to the lowest value principle. The company has its own manufacturing and sells its goods to a few customers. The company's products, like the aircraft in which the products are installed, have a relatively long lifespan, but the industry is also highly regulated and complex, which means that there is an inherent risk of obsolescence. The obsolescence and consequently the valuation of inventories includes management's assessments on an ongoing basis, which is why we consider this to be a particularly important factor.

For further information and description of this area, see Note 16 and accounting and valuation policies in Note 2 in the annual accounts.

How our audit took the particularly significant area into account

Our audit procedures included, but were not limited to, the activities listed below. We have:

- Mapped the company's procedures and evaluated internal controls linked to revenue recognition, including the IT systems used.
- Conducted an analytical review of gross profits and turnover rates.
- Randomly tested raw material stocks against actual purchase prices.
- Evaluated the reasonableness of product costings for work in progress and finished goods inventory.
- Studied and evaluated the models that the company uses to assess possible obsolescence and challenged the company management in the assumptions made.
- Derived information provided in the additional information in the annual report to accounting records and other underlying documentation.

Other information

The audit of the annual financial statements for the 2022 financial year has been performed by another auditor who submitted an audit report dated 30 March 2023 with unmodified statements in Report on the annual financial statements.

Other information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–47 and 98–102. The other information also consists of the remuneration report which we obtained before the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

In preparing the annual accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is not applied if decision has been taken to discontinue the operations.

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER REQUIREMENTS IN ACCORDANCE WITH LEGISLATION AND OTHER STATUTES

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of CTT Systems AB (publ.) for the year 2023 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's responsibilities" section. We are independent of CTT Systems AB (publ.) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration can be found on the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

Opinion

In addition to our audit of the annual report, we have also verified that the Board of Directors and the Chief Executive Officer have prepared the annual report in a format that permits uniform electronic reporting (ESEF reporting) in accordance with Chapter 16 (4a) of the Securities Market Act (2007:528) for CTT Systems AB (publ) for 2023. Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of CTT Systems AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Chief Executive Officer are responsible for ensuring that the ESEF report has been prepared in accordance with Chapter 16 (4a) of the Securities Market Act (2007:528), and that such internal control as the Board of Directors and the Chief Executive Officer determines is necessary to enable the preparation of the ESEF report that is free of material misstatement, whether due to fraud or error, is maintained.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance as to whether the ESEF report is prepared, in all material respects, in a format that fulfils the requirements of Chapter 16 (4a) of the Securities Market Act (2007:528), based on our review.

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

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

The audit firm applies International Standard on Quality Management 1, that requires that the company design, implement and handled a system for quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

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

The procedures mainly include a validation that the Esef-report is established in a valid XHTML-format and a reconciliation that the Esef report is in accordance with the audited annual accounts.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 70–79 has been prepared in accordance with the Annual Accounts Act.

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

A corporate governance statement has been prepared. Information in accordance with Chapter 6, Article 6(2), clauses 2 to 6 of the Swedish Company Accounts Act and Chapter 7, Article 31(2) of the same act is consistent with the other parts of the annual financial statements and is also compliant with the Swedish Company Accounts Act.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of CTT Systems AB (publ) by the Annual General Meeting on 4 May 2023 and has been the company's auditor since then.

Stockholm, 27/03/2024

(exact time stamp evidenced on electronic signature)

Öhrlings PricewaterhouseCoopers AB

Andreas Skogh
Authorised Public Accountant

GLOSSARY

ACJ	Airbus Corporate Jet
ATP	Acceptance Test Procedure
BBJ	Boeing business jet, originally based on the Boeing 737 but now also on other models
BFE	Buyer Furnished Equipment. Optional equipment provided by the customer/airline for assembly during aircraft manufacture
Business Class	Cabin section for business travellers
Business jet	Jet aircraft configured for business travellers
CAGR	Compact Aggregated Growth Rate, the average annual growth over a given period expressed as a percentage
C check	The annual maintenance of an aircraft
Checking time	About a week at intervals of about 12-18 months
Completion Center	"Aircraft workshop" – modifies, custom furnishes VIP aircraft
Crew rest areas/bunks	Crew rest areas, very small area with beds
CRJ	Canadair Regional Jet
D check	Thorough inspection, maintenance and repair of fuselage, systems and (structural check) components. Performed at four to eight year intervals depending on aircraft type. Checking time about one month
EASA	European Aviation Safety Agency
EB	Engineering Bulletin
FAA	Federal Aviation Administration, the American aviation agency
Flag carrier	National airline, e.g. SAS (Sweden) or Lufthansa (Germany)
Flight deck	Cockpit, the pilots' workplace
Hub	Larger airport with feeder traffic to/from smaller airports
IP	Initial Provisioning, spare parts deliveries to customers (airlines) for e.g. Boeing 787 prior to delivery of the aircraft
IR	Investor relations
Launch Customer	First customer of a new aircraft system
Long haul flights	Long-haul flights
Narrow body	Aeroplane with a narrow fuselage, only one aisle (e.g. Boeing 737)
OEM	Original Equipment Manufacturer. When systems are developed specifically for one aircraft manufacturer and then resold by the aircraft manufacturer
Pad	Interchangeable humidity pad with fibreglass structure and specially designed air ducts for CTT humidifiers
Pax	Passengers
Pax density	Passenger density, utilisation percentage of seats available on the plane
Private jet	Collective name for VIP and Business Jet
Regional jet	Jet-powered passenger planes that take between 30 and 100 passengers on shorter distances
Retrofit	Installation of equipment in aircraft after they have been delivered from the manufacturer (Boeing and Airbus) to the airline
SFE	Supplier Furnished Equipment. Optional equipment provided by the manufacturer for assembly during aircraft manufacture
Short haul	Short-haul flights
STC	Supplement Type Certificate – a certificate certifying that a system is approved by an aviation authority (EASA, FAA)
TC	Type certificate showing the approved basic configuration of an aircraft
Test rig	Test set-up for tests of humidifiers or Zonal Dryer in a laboratory environment
Wide body	Aircraft with a wide fuselage, two aisles (e.g. A350, A380 and Boeing 787)
VIP	Private Jet or Corporate Jet aircraft with exclusive interior

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting will take place at 5pm on Monday, 6 May 2024 at the company's premises, Brukslagarvägen 5, Nyköping. Shareholders who wish to participate in the meeting in person or by postal vote must:

- be registered in the share register maintained by Euroclear Sweden AB on Tuesday 25 April 2024
- notify CTT of their participation by 29 April 2024, whether participating in person or by casting their postal vote according to the instructions in the invitation to attend

For further information, please see <https://www.ctt.se/investors/corporate-governance/annual-general-meeting/>

Nomination Committee

The role of the Nomination Committee is to prepare the election of the Chairman and other members of the Board. The election of the auditor, the election of the Chairman of the Annual General Meeting, remuneration to these and other related issues. Prior to the 2024 Annual General Meeting, the Nomination Committee consisted of Patrik Jönsson (SEB Investment Management), Steven Buesing (Collins Aerospace, Inc.), Jonathan Schönbäck (ODIN Fonder) and Tomas Torlöf (Trulskom Förvaltning AB) as chairman.

Dividends

Wednesday, 8 May 2024 is proposed as the record date for dividends. If the Annual General Meeting makes a decision in accordance with the proposal, dividends are expected to be paid through Euroclear Sweden AB on Tuesday, 14 May 2024.

Shareholder information

For further information, please contact Markus Berg, CFO, on tel. +46(0)10 457 32 05 or via email, markus.berg@ctt.se

For more information, see: www.ctt.se

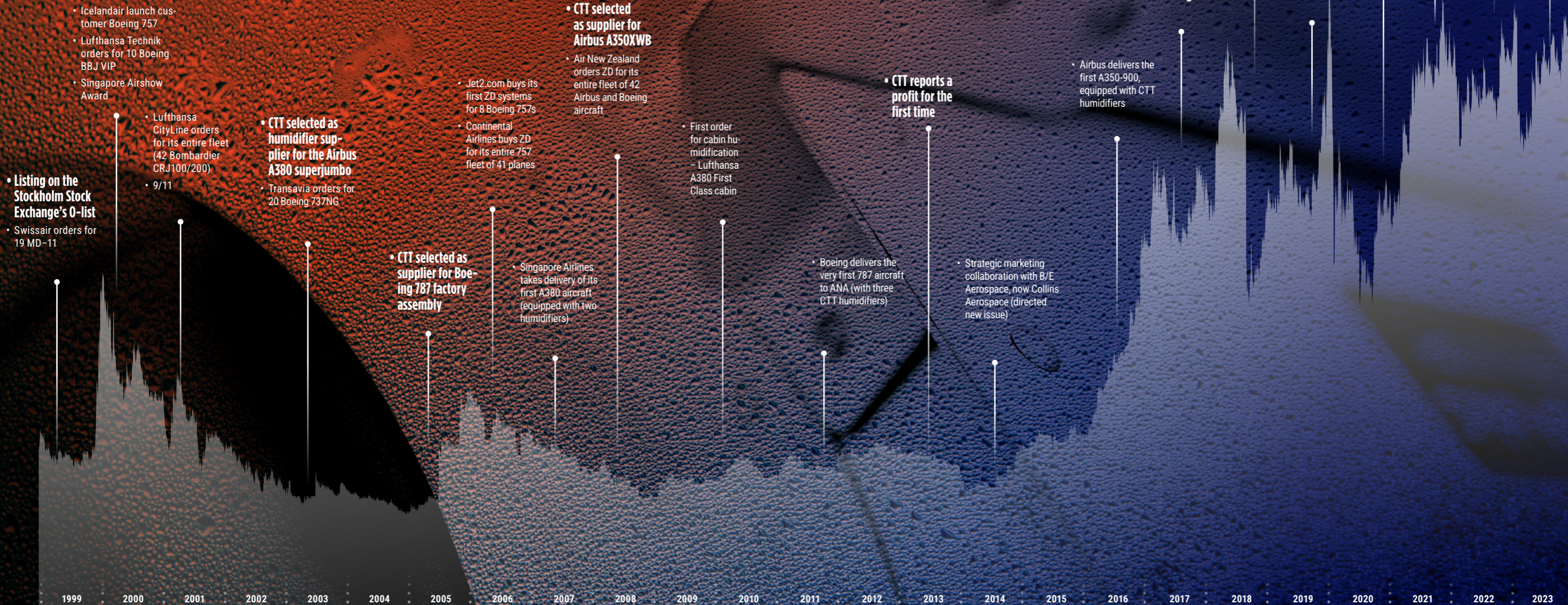
The annual report is available in digital format only, from 2022 and forward.

FINANCIAL CALENDAR

Interim report, Jan–Mar	26 April 2024
Interim report, Apr–Jun	19 July 2024
Interim report, Jul–Sep	25 October 2024
Year-end report 2024	7 February 2025

HISTORY

SHARE DEVELOPMENTS AND IMPORTANT EVENTS IN CTT'S HISTORY





CTT Systems AB

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