



HANZA

ALL YOU NEED IS ONE™

Year-end report

HANZA Holding AB (publ)

Full-year 2021

YEAR-END REPORT 2021

An expansive year with profitable growth

Fourth quarter 2021

- Net sales increased by 45 % to SEK 717 million (494).
- Operating profit (EBITA) increased to SEK 43.0 million (18.6), which corresponds to an operating margin of 6,0 % (3.8). During the quarter, earnings were negatively affected by costs associated with the acquisition of Beyers and positively by a repayment from AFA insurance. Excluding these items, profit amounted to SEK 39.4 million, which corresponds to an operating margin of 5.5 %.
- Profit after tax amounted to SEK 25.1 million (5.2), which corresponds to SEK 0.70 per share (0.15).
- Cash flow from operating activities amounted to SEK 59.9 million (61.6).

Full year 2021

- Net sales increased by 17 % to SEK 2,515 million (2,155).
- Operating profit (EBITA) increased to SEK 143.4 million (47.8), which corresponds to an operating margin of 5.7 % (2.2). Excluding negative items related to acquisitions and positive items regarding insurance repayment, operating profit amounts to SEK 145.8 million, which corresponds to an operating margin of 5.8 %.
- Profit after tax amounted to SEK 80.1 million (-1.4), which corresponds to SEK 2.26 per share (-0.04).
- Cash flow from operating activities amounted to SEK 126.1 million (181.8).

SIGNIFICANT EVENTS DURING AND AFTER THE PERIOD

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

- In January 2021, HANZA started the construction of a new, 12,000 sqm production facility for complex assembly, directly adjacent to HANZA's sheet metal factory in Estonia. The opening is planned for the first quarter of 2022.



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



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



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



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



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



HANZA

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



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

CEO COMMENT

Year 2021

HANZA's business model received further attention when the pandemic exposed the vulnerability of global supply chains. This provided another argument for HANZA's concept with complete manufacturing close to the end market, which supports additional sales.

2021 was an eventful year for HANZA. To meet an increasing demand, we carried out an expansion program which included machinery investments, increased production facilities and two acquisitions. During the start of 2022, we completed the program by expanding our operations in Central Europe. With that, HANZA is well prepared for continued growth.

2021 was also a challenging year. The business was affected by pandemic waves, where especially the latest variant (omicron) at times caused a high level of absence in our production facilities. In addition, our growth and factory expansion coincided with an unprecedented component shortage situation. We have, however, managed to solve the majority of the challenges, and are encouraged by positive feedback from our customers.



Erik Stenfors, CEO

Financial development

HANZA's organic growth increased during the year: It amounted to 12% for the full year and 30% for the fourth quarter. Operating profit for 2021 tripled to SEK 146 million, despite the fact that we struggled with covid-related absences and material disruptions.

Sweden and Finland were the starting point of our expansion program. Those projects have now been completed and we see a good earnings trend; excluding non-recurring items, the margin in the Main Markets segment was 8.1% for the full year and 8.7% for the fourth quarter. Our factories in Estonia, the Czech Republic, Poland, and China are in the middle of the program, where we are currently expanding the operations and moving to new premises. This affects profitability negatively, which is why the margin for the Other markets segment amounted to 3.6% for the full year and 2.3% for the fourth quarter.

During the third quarter of 2021, HANZA temporarily showed a negative cash flow (-19 MSEK) linked to the material shortage situation. Thus, it is pleasing to see that our work with working capital has been successful and that we during Q4 have regained our usual strong cash flow (SEK 60 million). In total, cash flow from operating activities amounted to SEK 126 million for the year 2021.

The future

HANZA has had strong growth since the start of the company, 14 years ago. Through the financial crisis, euro crisis and pandemic, we have achieved an average annual growth rate (CAGR) of 17%. Such growth is not created by external factors or by certain customers' growth, it is the result of a strong business model and structured work. HANZA started by expanding in the Nordic region and has now added another market, Germany. Going forward, our growth potential is at least on level with what we have achieved in the past.

If we look at the current year, 2022, the beginning is similar to the previous year. That is, we experience waves of sick leave due to omicron, as well as material shortages. But the challenges seem to be diminishing, and at the same time our production is being upgraded with new machinery and new production facilities. Therefore, we estimate that 2022 will be another successful year where we can grow with increased profitability.

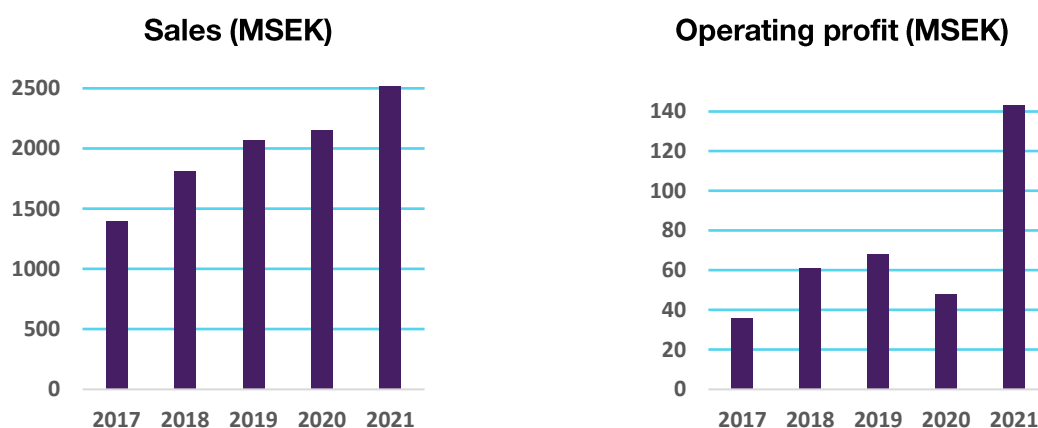
In addition to our normal expansion, a strategic development is created through specific initiatives in three expansion directions: Manufacturing technologies, geographies, and a focus on larger customer volumes. There are ongoing plans for the company's next phase, "HANZA 2025", which aims to further accelerate our development rate. Welcome to join us on our continued journey, it will be exciting!

Kista, February 15, 2022

Erik Stenfors
President and CEO



FIVE-YEAR OVERVIEW



The diagrams show the Group's sales and operating profit, EBITA, for the past five years.

An action program that was implemented during the outbreak of the pandemic charges the operating profit for the year 2020 with approximately SEK 25 million.

Market development

HANZA's customer markets are mainly the Nordic countries and Germany, but customers are also located in the rest of Europe, Asia and the USA. HANZA is experiencing very good demand in the Nordic markets. In Germany, demand has increased after the restrictions from the pandemic have been lifted.

Furthermore, HANZA sees opportunities for new market shares as the pandemic reinforces the trend towards complete manufacturing near the end market. This is a trend that has previously been driven by, among other things, trade barriers, transport costs, delivery times and environmental aspects.

The availability of raw materials and components will continue to be a limiting factor for HANZA and the manufacturing industry in general for some time to come. The rapid growth has also led to capacity constraints in the Other markets segment, which are addressed through various projects presented during the past year. This mainly affects the margin in the segment Other markets negatively at the end of 2021 and in the beginning of 2022.

Fourth quarter

Net sales amounted to SEK 716.6 million (493.7). Sales have increased through new sales and increasing volumes. There is still some negative impact on the volumes from certain customer groups due to the effects of covid-19. The global material shortage situation has also led to delayed production and thus lower sales. Furthermore, a change in currency exchange rates affected the Group's sales negatively by approximately SEK 3.2 million, while the acquisition of the Finnish company SLP and the German company Beyers had a positive effect on sales of approximately SEK 79 million. Excluding currency and acquisitions, growth is approximately 30% during the quarter.

For the fourth quarter, the Main Markets segment has sales of SEK 407.4 M (255.4), which is an increase of 59.5%. Acquired companies are included with SEK 79.4 million. Exchange rate effect has a negative effect of approximately SEK 0.5 million. The segment Other markets shows sales of SEK 309.2 million (238.3), an increase of 29.8%. Exchange rate effect has a negative effect of approximately SEK 2.7 million.

The gross margin amounted to 44.6% (46.3). The increase compared to the previous year is due to work with material costs, product mix and a continued high build-up of inventories and ongoing work as a result of component shortages.

EBITDA for the quarter amounted to SEK 67.4 million (39.8), which corresponds to an EBITDA margin of 9.4% (8.1). Depreciations and amortizations during the period amounted to SEK 28.5 million (24.4), of which amortization of intangible assets amounted to SEK 4.1 million (3.2) which are mainly related to customer relations that were added through acquisitions.

The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to SEK 43.0 million (18.6), which corresponds to an operating margin of 6.0 % (3.8). The quarter was negatively affected by SEK 2.7 million from costs associated with the acquisition of Beyers and positively by SEK 6.3 million from a repayment from AFA insurance. The EBITA margin in the Main market segment amounted to 10.2 % (4.3). In the Other markets segment the margin amounted to 2.3 % (4.4). The combination of strong organic growth and the above-mentioned material situation has had a negative effect on the margin in Other markets.

In the Business Development segment, costs for special Group development projects not linked to HANZA's operations, such as acquisitions, divestments, listing expenses, development of service products etc. are reported. In the fourth quarter, EBITA for the Business Development segment amounted to SEK -5.6 million (-2.7), of which the cost of the acquisition of Beyers is SEK 2.7 million. At the time of the acquisition, HANZA estimated that the transaction and integration costs would amount to approximately EUR 1 million and that these would mainly be charged to the fourth quarter of 2021. Costs arise, among other things, through a coordination project in electronics manufacturing that began in connection with the acquisition. To meet increased demand in Germany, the project will run for a longer period of time, probably throughout the year 2022, and costs will be reported and borne on an ongoing basis. The increased demand is also expected to bring the integration cost down.

Other external costs amounted to SEK 90.4 million (64.8) and personnel costs amounted to SEK 170.0 million (129.0). The increased costs are due to increased net sales and acquired units. EBIT for the Group amounted to SEK 38.9 million (15.4). Net financial income amounted to SEK -7.3 million (-4.8). Of this, net interest amounted to SEK -6.2 million (-4.2).

Profit before tax amounted to SEK 31.6 million (10.6). Profit after tax amounted to SEK 25.1 million (5.2). Profit per share before dilution amounts to SEK 0.70 (0.15) and after dilution amounts to 0.69 (0.15) for the quarter.

Full year

Net sales during the year amounted to SEK 2,515.2 million (2,154.9). Exchange rates have affected the Group's sales negatively by approximately SEK 53.5 million compared with 2020. The companies acquired during the year contributed SEK 162 million. Excluding currency and acquisitions, growth is approximately 12%. The main markets segment increased to SEK 1,362.3 million (1,164.7) and the Other markets segment increased to SEK 1,152.9 million (989.9).

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

The Group's EBITA amounted to SEK 143.4 M (47.8), which corresponds to an operating margin of 5.7% (2.2). Non-recurring costs for acquisitions and repayments from AFA have a net effect of SEK -2.4 million. The Main Markets segment reports an EBITA of SEK 113.5 M (41.5), which corresponds to an EBITA margin of 8.3% (3.6). Segments Other markets show an EBITA of SEK 41.6 M (9.7), which corresponds to an EBITA margin of 3.6% (1.0). EBITA for the Business Development segment during the year amounted to SEK -11.7 M (-3.4) and consists mainly of acquisition costs. The Group's EBIT amounted to SEK 127.5 M (31.3). Net financial items amounted to SEK 27.8 million (-22.5), of which net interest income was SEK -20.0 million (-17.5).

Profit before tax amounted to SEK 99.7 million (8.9), while profit after tax amounted to SEK 80.1 million (-1.4). Earnings per share before dilution amount to 2.26 (-0.04) and after dilution to SEK 2.25 (-0.04).

Cash flow and investments

Cash flow from operating activities for the fourth quarter amounted to SEK 59.9 million (61.6) and for the full year to SEK 126.1 million (181.8). The change in working capital during the quarter amounted to SEK 0.5 million (2.1) and for the full year to SEK -67.4 million (75.5). The above-mentioned component shortage has led to increasing safety stocks and increased products at work.

Cash flow from investment activities during the fourth quarter amounted to SEK -81.4 million (-2.1) of which investments in buildings were SEK 25.5 million (-), other fixed assets, mainly machines, to a net of SEK 28.7 million (21.0). For the full year, cash flow from investment activities amounted to SEK -185.7 million (-60.0), of which cash flow from acquisitions amounted to SEK -48.4 million (-3.1).

Total investments in tangible fixed assets amounted to SEK 41.4 million (9.1) in the quarter. The difference from cash flow from investments is due to the fact that certain investments do not affect cash flow as they are made through leasing or are an accounts-payable at the end of the period.

Cash flow from financing activities in the fourth quarter amounted to SEK 13.3 M (-43.7) and consists of new loans and repayments. During the full year, cash flow from financing activities amounted to SEK -21.5 million (-63.2).

Financial position

Organic growth and the challenging material situation with the need for increased safety stock has led to an increase of total assets. Total assets at the end of the year amounted to SEK 1,951.3 M (1,414.2) and shareholders' equity at the end of the year amounted to SEK 585.4 M (474.9), which gives an equity/assets ratio of 30.0% (33.6).

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

Interest-bearing net debt at the end of the year amounted to SEK 712.1 million (450.4) and increased by SEK 123.2 million during the quarter. The acquisition of Beyers increased the net debt in the fourth quarter by SEK 98.0 million (purchase price SEK 25.9 million, debt in Beyers SEK 48.0 million, and leasing agreements that have been converted to debt according to IFRS16, SEK 24.1 million). Investment in a new factory in Estonia has increased net debt by SEK 20.9 million in the quarter and SEK 53.3 million during the full year. Operating net debt amounts to SEK 473.7 million (270.7), an increase of SEK 100.6 million in the quarter.

Acquisition of Helmut Beyers GmbH

On October 25, HANZA acquired all the shares in Helmut Beyers GmbH, an electronics manufacturer in Mönchengladbach, Germany, with approximately 150 employees. The purchase price corresponded to Beyer's equity and amounted to EUR 2.6 million and an additional purchase price that is linked to an expected sales increase for the financial years 2022 and 2023. This has been estimated at EUR 2.3 million in the preliminary acquisition analysis. The additional purchase price can amount to a maximum of 2.5 MEUR in total for both years.

In 2021, Beyers had sales of SEK 179.5 million, which is a volume decrease caused by the pandemic of approximately 10% compared with 2020. The result has also been negatively affected and the company currently has a zero margin.

Dividend

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 0.50 per share (0.25) corresponding to an amount of SEK 17.9 million (8.5). The Board's proposal is based on the company's dividend policy, financial position and liquidity.

The parent company

The parent company's net sales consist exclusively of income from Group companies. There have been no investments in the parent company during the quarter.

Material risks and uncertainties

The risk factors that generally carry the greatest significance for HANZA are unpredicted global incidents, financial risks and changes in demand. For more information on risks and uncertainties, see Note 3 in the company's annual report for 2020. No significant changes in the risks have taken place since the annual report for 2020 was prepared.

Related party transactions

There have been no transactions between the HANZA Group and related parties during the quarter affecting the Group's position or earnings, beyond customary payments of remunerations to the Board of Directors and Group management salaries.

The share

In the fourth quarter the number of shares has remained unchanged and amounted to 35,779,928 and the share capital amounts to 3,577,993.

Colleagues

In the quarter the average number of employees in the Group amounted to 1,798 (1,535). At the end of the period the number was 2,001 and at the beginning of the year the number was 1,637.

Consolidated income statement

SEK millions	Note	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Net sales	4	716.6	493,7	2,515.2	2,154.9
Change of inventories in production, finished goods and work in progress on behalf of others		39.4	-17,8	164.6	-52.0
Raw materials and consumables		-436.4	-247,4	-1,530.6	-1,147.9
Other external costs		-90.4	-64,8	-297.1	-263.9
Costs of personnel		-170.0	-129,0	-634.1	-562.1
Depreciations, amortizations and write-downs		-28.5	-24,4	-104.6	-107.3
Other operating income	5	11.2	7,4	19.8	15.8
Other operating expenses	5	-3.0	-2,3	-5.7	-6.2
Operating profit	4	38.9	15,4	127.5	31.3
Profit/loss from financial items					
Financial income		0.7	0,9	-	0.8
Financial expenses		-8.0	-5,7	-27.8	-23.2
Financial items – net	6	-7.3	-4,8	-27.8	-22.4
Profit/loss before tax		31.6	10,6	99.7	8.9
Income tax		-6.4	-5,4	-19.5	-10.3
Profit/loss for the period		25.2	5,2	80.2	-1.4

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

Earnings per share before dilution, SEK	0.70	0,15	2.26	-0.04
Earnings per share after dilution, SEK	0.69	0,15	2.25	-0.04

The number of shares before and after dilution is shown in Note 7

Consolidated comprehensive income statement

SEK millions	Note	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Profit/loss for the period		25.2	5.2	80.2	-1.4
Other comprehensive income					
Items that will not be reclassified to the income statement					
Remeasurement of post-employment benefits		-2.2	-2.8	2.2	-4.7
Tax on items that will not be reclassified to the income statement		0.7	0.9	-0.7	1.5
Total items that will not be reclassified to the income statement		-1.5	-1.9	1.5	-3.2
Items that can subsequently be reversed in profit or loss					
Exchange rate differences		2.4	-20.4	10.6	-20.1
Exchange rate difference on acquisition loan		0.9	2.6	-0.3	2.0
Tax on items that can subsequently be reversed in profit or loss		-	-0.5	0.1	-0.4
Total items that may be reclassified to the income statement		3.3	-18.3	10.4	-18.5
Other comprehensive income for the period		1.8	-20.2	11.9	-21.7
Total comprehensive income for the period		27.0	-15.0	92.1	-23.1

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

Condensed consolidated balance sheet

SEK millions	Note	31.12.2021	31.12.2020
ASSETS			
Fixed assets			
Goodwill	8	361.7	297.9
Customer relations		93.8	90.7
Other intangible assets		8.8	7.1
Buildings and land		164.9	101.0
Machinery and equipment		241.7	168.6
Right-of-use assets		187.9	137.8
Other long-term securities holdings		-	0.3
Deferred tax assets		22.2	26.9
Total fixed assets		1,081.0	830.3
Current assets			
Inventories		662.9	342.4
Accounts receivable		106.6	76.8
Other receivables		36.3	24.6
Prepaid expenses and accrued income		18.7	18.9
Cash and cash equivalents		45.8	121.2
Total current assets		870.3	583.9
TOTAL ASSETS		1,951.3	1,414.2

Condensed consolidated balance sheet, cont'd

SEK millions	Note	31.12.2021	31.12.2020
SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to the parent company's shareholders		585.5	474.9
LIABILITIES			
Long-term liabilities			
Post-employment benefits		109.3	110.3
Deferred tax liabilities		44.2	43.4
Liabilities to credit institutions	3	244.9	174.6
Lease liabilities		132.5	80.9
Total long-term liabilities		530.9	409.2
Current liabilities			
Overdraft facility	3	58.7	44.2
Liabilities to credit institutions	3	107.2	81.5
Lease liabilities		41.8	43.1
Other interest-bearing liabilities	3	63.5	37.0
Accounts payable		373.4	199.9
Other liabilities		75.5	43.0
Accrued expenses and deferred income		114.8	81.4
Total current liabilities		835.0	530.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,951.3	1,414.2

Condensed consolidated report of changes in shareholders' equity

SEK millions	Note	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Opening balance		558.5	489.9	474.9	497.7
Profit/loss for the period		25.2	5.2	80.2	-1.4
Other comprehensive income		1.8	-20.2	11.9	-21.7
Total comprehensive income		27.0	-15.0	92.1	-23.1
Transactions with shareholders					
Non-cash issue		-	-	27.6	-
Issue costs		-	-	-0.2	-
Warrant issue		-	-	-	0.3
Dividend		-	-	-8.9	-
Total contributions from and distributions to shareholders, recognized directly in equity		-	-	18.5	0.3
Closing balance		585.5	474.9	585.5	474.9

Condensed consolidated statement of cash flows

SEK millions	Note	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Cash flows from operating activities					
Profit/loss after financial items		31.6	10.6	99.7	8.9
Depreciations, amortizations and write-downs		28.5	24.4	104.6	107.3
Other non-cash items		-2.2	0.4	-2.3	1.3
Paid income tax		1.5	6.0	-8.5	-11.2
Cash flows from operating activities prior to the change in working capital		59.4	40.6	193.5	106.3
Total change in working capital		0.5	21.0	-67.4	75.5
Cash flows from operating activities		59.9	61.6	126.1	181.8
Cash flows from investing activities					
Acquisition in subsidiaries	8	-28.2	-	-48.4	-3.1
Investments in fixed assets		-54.2	-4.9	-141.1	-59.9
Disposals of tangible fixed assets		1.0	2.8	3.8	3.0
Cash flows from investing activities		-81.4	-2.1	-185.7	-60.0
Cash flows from financing activities					
New share issue		-	-	-	0.3
New loans		70.0	2.2	173.6	97.0
Repayment of borrowings		-56.7	-45.9	-186.2	-160.5
Dividends paid		-	-	-8.9	-
Cash flows from financing activities		13.3	-43.7	-21.5	-63.2
Increase/reduction in cash and cash equivalents		-8.2	15.8	-81.1	58.6
Cash and cash equivalents at the beginning of the period		49.4	110.1	121.2	66.7
Exchange rate differences in cash and cash equivalents		4.6	-4.7	5.7	-4.1
Cash and cash equivalents at the end of the period		45.8	121.2	45.8	121.2

Condensed parent company income statement

There are no parent company items that are recognized in comprehensive income, for which reason total comprehensive income is consistent with the profit/loss for the period.

SEK millions	Note	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Operating income		8.5	5.6	25.8	21.1
Operating expenses		-7.0	-5.1	-24.5	-19.1
Other operating income		-	0.4	0.2	0.4
Other operating expenses		-	-0.2	-0.1	-0.2
Operating profit		1.5	0.7	1.4	2.2
Profit/loss from financial items					
Profit/loss from shares in group companies		5.0	-44.8	4.5	-127.1
Other interest income and similar income items		0.5	5.2	1.2	7.6
Interest charges and similar income items		-0.9	-0.7	-4.9	-2.3
Total profit/loss from financial items		4.6	-40.3	0.8	-121.8
Profit/loss after net financial items		6.1	-39.6	2.2	-119.6
Appropriations		6.0	4.8	6.0	4.8
Profit/loss before tax		12.1	-34.8	8.2	-114.8
Tax on profit for the period		-0.8	-2.6	-0.8	-2.6
Profit/loss for the period		11.3	-37.4	7.4	-117.4

Condensed parent company balance sheet

SEK millions	Note	31.12.2020	31.12.2020
ASSETS			
Fixed assets			
Financial fixed assets		391.7	339.8
Total fixed assets		391.7	339.8
Current assets			
Current receivables		13.1	9.6
Cash and cash equivalents		0.3	1.3
Total current assets		13.4	10.9
TOTAL ASSETS		405.1	350.7
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity		266.0	239.9
Untaxed reserves		1.7	0.5
Long-term liabilities		103.1	47.0
Current liabilities		34.3	63.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		405.1	350.7

Notes

Note 1 General information

All amounts are reported in millions of SEK (SEK million) and refers to The Group unless otherwise stated. Information in brackets refers to the corresponding period of the preceding year. The interim information on pages 7 to 10 forms an integral part of this financial report.

Note 2 Basis for the preparation of reports and accounting principles

HANZA Holding AB (publ) applies IFRS (International Financial Reporting Standards), as adopted by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The interim report for the parent company has been prepared in accordance with chapter 9 of the Swedish Annual Reports Act, and with RFR 2, Accounting for legal entities.

The accounting principles are in accordance with the principles that were applied in the previous financial year. For more information on these, please refer to Note 2 of the company's 2021 annual report.

Note 3 Financial instruments – Fair value of financial liabilities valued at amortized cost.

The Group's borrowing consists of a large number of notes taken out at different times and with different maturities. Substantially all the loans carry a floating rate of interest. Against the background of the foregoing, the reported values may be deemed to provide a good approximation of fair values as the discount effect is not material.

Note 4 Revenue and segment information

Description of revenue from contracts with customers

HANZA's revenue is attributable primarily to the production of components, subsystems and finished composite products according to the customer specifications, but where HANZA has been involved in customising the manufacturing process. HANZA's performance obligations are deemed to have been met when the component or composite product is delivered to the customer. Exceptions from the foregoing are cases where there is an agreement with the customer regarding a buffer stock of finished components or products. In these cases, the performance obligation is deemed to have been met at the time the component or product is placed in buffer stock, meaning that it is available to the customer.

The breakdown of external revenue by segment, which is in line with the Group's cluster-based organisation, is set out in the segment information section below. In addition, the recognition of external revenue is divided into the manufacturing technologies 'Mechanics' and 'Electronics' in the end of this note.

Description of segment reporting

HANZA divides its operations into so called manufacturing clusters and applies a financial segment classification based on primary customer markets. Operational reporting is broken down into the following segments:

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

Transactions between segments are made on market terms.

Revenues by segment

SEK millions	Oct – Dec 2021			Oct – Dec 2020		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	408.4	-1.0	407.4	257.1	-1.7	255.4
Other markets	312.9	-3.7	309.2	250.8	-12.5	238.3
Business development	-	-	-	-	-	-
Total	721.3	-4.7	716.6	507.9	-14.2	493.7

SEK millions	Jan – Oct 2021			Jan – Oct 2020		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	1,375.1	-12.8	1,362.3	1,168.8	-4.1	1,164.7
Other markets	1,167.2	-14.3	1,152.9	1,016.3	-26.4	989.9
Business development	-	-	-	0.3	-	0.3
Total	2,542.3	-27.1	2,515.2	2,185.4	-30.5	2,154.9

Profit by segment

Segment results are reconciled to profit/loss before tax as follows:

SEK millions	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
EBITA				
Main markets	41.6	10.9	113.5	41.5
Other markets	7.0	10.4	41.6	9.7
Business development	-5.6	-2.7	-11.7	-3.4
Total EBITA	43.0	18.6	143.4	47.8
Amortisation of intangible assets	-4.1	-3.2	-15.9	-16.5
Operating profit	38.9	15.4	127.5	31.3
Financial items – net	-7.3	-4.8	-27.8	-22.4
Profit/loss before tax	31.6	10.6	99.7	8.9
Items affecting comparability				
Revaluation of acquisition purchase price	-	2.5	0.2	2.5
Transaction costs	-2.7	-	-5.0	-
Integration costs	-	-	3.7	-
Action programme covid-19	-	-	-	-24.7
Repayment AFA	6.3	-	6.3	-
Total	3.6	2.5	-2.2	-22.2
EBITA per segment excluding items affecting comparability				
Main markets	35.3	10.9	110.7	51.0
Other markets	7.0	10.4	41.6	24.9
Total	42.3	21.3	152.3	75.9
Business development	-2.9	-5.2	-6.7	-5.9
Total	39.4	16.1	145.6	70.0
Items affecting comparability	3.6	2.5	-2.2	-22.2
EBITA	43.0	18.6	143.4	47.8

Revenue from external customers by manufacturing technology

SEK millions	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Mechanics	435.5	316.5	1,594.0	1,309.7
Electronics	281.1	177.2	921.2	844.9
Business development	-	-	-	0.3
Total	716.6	493.7	2,515.2	2,154.9

Note 5 Other operating income and operating expenses

SEK millions	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Other operating income	2021	2020	2021	2020
Profit on disposal of fixed assets	1.1	0.6	3.7	1.0
Revaluation of acquisition purchase price	-	2.5	0.2	2.5
Government grants	0.6	1.7	2.8	3.3
Repayment AFA	6.3	-	6.3	-
Exchange gains	0.6	0.8	0.7	3.8
Other items	2.6	1.8	6.1	5.2
Total other operating income	11.2	7.4	19.8	15.8
Other operating expenses				
Loss on disposal of fixed assets	-0.1	-0.3	-0.2	-1.0
Exchange losses	-2.0	-1.7	-4.1	-4.5
Other items	-0.9	-0.3	-1.4	-0.7
Total other operating expenses	-3.0	-2.3	-5.7	-6.2

Note 6 Financial income and expenses – Net financial items

SEK millions	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Financial income	2021	2020	2021	2020
Net exchange gains and losses	0.7	0.9	-	0.8
Total financial income	0.7	0.9	-	0.8
Financial expenses				
Interest expenses	-6.2	-4.2	-20.0	-17.5
Net exchange gains and losses	-	-	-0.3	-
Other financial expenses	-1.8	-1.5	-7.5	-5.7
Total financial expenses	-8.0	-5.7	-27.8	-23.2
Total financial items - net	-7.3	-4.8	-27.8	-22.4

Note 7 **Number of shares**

The table below shows the average numbers of shares before and after dilution, that have been used in the calculation of earnings per share. The numbers of shares at the end of the period are also shown.

Number of shares	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Weighted average number of shares before dilution	35,779,928	33,979,928	35,395,270	33,979,928
Adjustment upon calculation of earnings per share after dilution: Warrants	435,176	-	192,612	-
Weighted average number of shares after dilution	36,215,104	33,979,928	35,587,882	33,979,928
Number of shares at the end of the period	35,779,928	33,979,928	35,779,928	33,979,928

Note 8 **Acquisition of subsidiaries**

In 2021, HANZA Holding AB has completed two acquisitions. Suomen Levypöytä Oy ("SLP") was acquired in March and Helmut Beyers GmbH ("Beyers") was acquired in October.

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

The acquisition identified an intangible asset in the form of customer relationships of SEK 15.2 million. The amortization period for these customer relationships is 10 years. Deferred tax liability regarding this item amounts to SEK 3.0 million. In addition, goodwill of SEK 37.8 million is reported in the acquisition. The acquisition analysis is still preliminary.

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

The table below summarises the purchase price for SLP and Beyers, and the fair value of the acquired assets and assumed liabilities that were recognised on the acquisition date and cash flow from the acquisition.

Purchase price, SEK million	SLP	Beyers
Cash and cash equivalents paid upon entry into possession	5.1	25.9
Equity instruments 1,800,000 ordinary shares	27.6	-
Conditional additional purchase price paid in Q3 2021	-	-
Conditional additional purchase price due in 2023	-	0.7
Conditional additional purchase price due in 2024	2.5	1.5
Total estimated purchase price	35.2	4.8
Reported amounts of identifiable acquired assets and assumed liabilities		
Cash and cash equivalents	0.3	-
Intangible fixed assets	17.0	0.6
Buildings and land	0.5	-
Machinery and equipment	16.6	9.7
Right-of-use assets	38.8	24.1
Deferred tax assets	0.1	1.9
Financial assets	0.3	-
Inventories	11.6	58.6
Accounts receivable and other receivables	16.1	16.2
Deferred tax liability	-3.1	-
Liabilities to credit institutions	-21.0	-48.0
Lease liabilities	-38.8	-24.1
Shareholder loan	-15.4	-
Accounts payable and other liabilities	-25.6	-14.9
Total identified net assets	-2.6	24.1
Goodwill	37.8	22.8
Total net assets transferred	35.2	46.9
Cash flow effect from the acquisition		
Cash and cash equivalents paid upon entry into possession	-5.1	-25.9
Cash and cash equivalents in acquired company	0.3	-
Take-over of shareholder loan	-15.4	-
Additional purchase price paid	-2.3	-
Cash flow from acquisitions	-22.5	-25.9

The table below shows reported net sales and EBIT from the acquired unit.

Net sales and EBIT in the acquired company, SEK million	Oct-Dec 2021		Jan-Dec 2021	
	SLP	Beyers	SLP	Beyers
<i>Date of acquisition</i>			<i>2021-03-19</i>	<i>2021-10-25</i>
Net sales before acquisition	-	10.3	33.6	143.6
Net sales after acquisition	43.5	35.9	126.0	35.9
Total net sales if the company had been held for the full period	43.5	46.2	159.6	179.5
EBIT before acquisition	-	-0.6	2.1	-6.8
EBIT after acquisition	0.3	-0.3	4.1	-0.3
Total EBIT if the company had been held for the full period	0.3	-0.9	6.2	-7.1

KEY RATIOS, DEFINITIONS AND FINANCIAL CALENDAR

Key ratios

	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Key ratios according to IFRS				
Net sales, SEK million	716.6	493.7	2,515.2	2,154.9
Operating pit (EBIT), SEK million	38.9	15.4	127.5	31.3
Amortisation of intangible assets, SEK million	-4.1	-3.2	-15.9	-16.5
Earnings per share before dilution, SEK	0.70	0.15	2.26	-0.04
Earnings per share after dilution, SEK	0.69	0.15	2.25	-0.04
Cash flow from operating activities, SEK million	59.9	61.6	126.1	181.8
Average number of employees	1,798	1,535	1,741	1,543
Alternative performance measurements				
EBITDA, SEK million	67.4	39.8	232.1	138.6
EBITDA margin, %	9.4	8.1	9.2	6.4
Operational segments EBITA, SEK million	48.6	21.3	155.1	51.2
Business development segment EBITA, SEK million	-5.6	-2.7	-11.7	-3.4
Operational EBITA margin, %	6.8	4.3	6.2	2.4
EBITA, SEK million	43.0	18.6	143.4	47.8
EBITA margin, %	6.0	3.8	5.7	2.2
Operating capital, SEK million	1,297.5	925.3	1,297.5	925.3
Return on operating capital, %	3.5	1.9	12.9	4.9
Capital turnover on operating capital, times	0.6	0.5	2.3	2.2
Return on capital employed, %	3.1	1.5	10.7	2.9
Operational net debt, SEK million	473.7	270.7	473.7	270.7
Net interest-bearing debt, SEK million	712.1	450.4	712.1	450.4
Net debt/equity ratio, times	1.2	0.9	1.2	0.9
Net debt in relation to EBITDA, times	3.1	3.2	3.1	3.2
Equity ratio, %	30.0	33.6	30.0	33.6
Equity per share at end of period, SEK	16.36	13.97	16.36	13.97

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

Definitions

Key ratios according to IFRS – Definitions

EBIT refers to earnings before interest and taxes and is the same as operating profit.

Alternative performance measurements – Definitions, reconciliations and motives

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

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

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

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

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

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

EBITDA margin is EBITDA divided by net sales.

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

EBITA margin is EBITA divided by net sales.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

When earning measures are presented on a **rolling 12-months basis** they refer to the total for the last 12 months up to the presented period.

Financial Calendar

- Annual report: Thursday March 31, 2022
- Interim report, Q1, 2022: Tuesday May 3, 2022
- Annual General Meeting: Tuesday May 10, 2022
- Interim report, Q2, 2022: Tuesday July 26, 2022
- Interim report Q3, 2022: Tuesday November 8, 2022

ABOUT HANZA

HANZA is a global knowledge-based manufacturing company that modernizes and streamlines the manufacturing industry. Through production facilities with various manufacturing technologies grouped into local clusters as well as advisory services, we create shorter lead times, more environmentally friendly processes and increased profitability for our customers.

The company was founded in 2008 and has since 2019 had sales exceeding SEK 2 billion. The company has six manufacturing clusters; Sweden, Finland, Germany, Baltics, Central Europe and China.

Among HANZA's clients are leading companies such as 3M, ABB, Epiroc, GE, Getinge, John Deere, SAAB, Sandvik, Siemens and Tomra.

More information

At www.hanza.com you find more information about HANZA Group, as well as financial reports, presentations and press releases.

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