

HANZA

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Interim report

HANZA AB (publ)

January 1 – September 30, 2022



INTERIM REPORT JANUARY - SEPTEMBER 2022

Continued strong performance and raised financial targets

Third quarter 2022

- Net sales increased by 40% to SEK 838 million (597). Adjusted for acquisitions and currency, growth amounted to 26%.
- Operating profit (EBITA) increased to SEK 50.2 million (37.5), which corresponds to an operating margin of 6.0% (6.3). The margin was negatively affected by increased costs of energy and certain material, which have been forwarded to the customer with no added margin.
- Profit after tax amounted to SEK 26.1 million (19.9), which corresponds to SEK 0.73 (0.56) per share before dilution and SEK 0.72 (0.55) after dilution.
- Cash flow from operating activities amounted to SEK 82.9 million (-19.3).

The nine-month period 2022

- Net sales increased by 42% to SEK 2,548 million (1,799). Adjusted for acquisitions and currency, growth amounted to 27%.
- Operating profit (EBITA) increased to SEK 148.7 million (100.3), which corresponds to an operating margin of 5.8% (5.6).
- Profit after tax amounted to SEK 81.5 million (55.0), which corresponds to SEK 2.28 (1.56) per share before dilution and SEK 2.25 (1.56) after dilution.
- Cash flow from operating activities amounted to SEK 125.6 million (66.2).

Significant events during and after the period

- On July 4, HANZA acquired the product development company Budelmann Elektronik GmbH in Münster, Germany, to meet growing demand in this area. The acquisition is almost debt-free and has an annual turnover of approximately SEK 15 million. The purchase price for the shares was SEK 8.6 million, plus a further approx. SEK 2.2 million additional purchase price.
- In September, HANZA opened new production facilities in Poland, the Czech Republic and China. A total of more than 6,000 square meters of factory space was added.
- In October, HANZA announced new production volumes:
 - A global developer of digital solutions doubled its order value for 2023 to an annual turnover of over SEK 60 million. The manufacturing agreement with the customer was signed less than a year ago and deliveries started in April this year.
 - A manufacturing agreement was signed with Samon Group AB, a world-leading niche supplier of gas detection solutions. The initial deal amounts to approx. SEK 15 million, with the ambition to expand the scope to a larger collaboration. Series production has started.

- In October, HANZA acquired a previously leased property in Tartu, Estonia, which comprises the cluster's sheet metal mechanics. In addition to the property of approximately 6,300 sqm, the acquisition includes land of approximately 11,000 sqm. The sheet metal factory is located directly adjacent to HANZA's newly built assembly plant, which opened in March 2022. Owning the property and associated land enables future expansion and lowers operating costs. The purchase price amounts to EUR 3.8 million and is financed through bank loans and equity.
- In cooperation with the Board of Directors, the management has evaluated HANZA's current position and developed a strategy with direction and goals for the coming years called "HANZA 2025". The strategy has now been adopted by the Board, which in summary has the following objectives and direction:
 - The company's business model is well proven and the potential for continued organic growth is considered good. In addition, there is a continued positive structural trend towards regional manufacturing, backsourcing, i.e. manufacturing closer to the end customer.
 - HANZA has established an appropriate geographic positioning for its customers' needs and will meet further growth by developing the Group's existing manufacturing clusters. Further acquisitions are also possible, which then would be aimed at increasing capacity in existing clusters.
 - By complementing manufacturing with related services, customer value can be increased. Therefore, HANZA will further develop the Group's product development and advisory services.
 - In consultation with the company's customers, HANZA will investigate the need for additional geographic presence, which may lead to a geographic expansion by the end of 2025.
 - The HANZA concept promotes sustainable global development, and the company intends to update the Group's sustainability goals by the end of 2022.
- Due to the strong market demand, as well as the performance benefits the Group's cluster concept brings when scaled up, the Board has deemed it appropriate to expand and raise the Group's financial targets as follows:
 - **Growth: Sales of at least SEK 5 billion by 2025.**
Previously: Average sales growth of at least 10% per year over a business cycle.
 - **Profitability: Operating margin (EBITA) of at least 8% by the end of 2025.**
Previously: Average operating margin (EBIT) at least 6% over a business cycle.
 - **Capital structure: An equity ratio of at least 30%**
Unchanged target.
 - **Debt: Net interest-bearing debt/EBITDA must not exceed 2.5.**
New target defined as net interest-bearing debt at the end of the period divided by rolling 12-month EBITDA
 - **Dividend policy: The annual dividend shall be equal to 30% of the profit after tax, taking into account the financial position of the company.**
Unchanged policy

CEO COMMENT | Quarter 3

During the quarter, we saw continued strong demand from our customer base, which is well diversified across strong industries such as mining, gas turbines, defense, reverse vending, and medical devices. In addition, we have also gained the trust of new customers and industries.

The most important event, however, is the launch of a revised strategy. Let me explain the background: In 2018, the Board of Directors and management developed a strategy for the period up to this year, "HANZA 2022". This included, among other things, an IPO on the Nasdaq main list, streamlining our manufacturing clusters, geographic expansion into Germany, and selected acquisitions. When presenting the strategy, the Board also set new financial targets, which included doubling sales while increasing profitability.

During the period, we have faced major and unexpected challenges such as the pandemic and material shortages. Therefore, we are proud to note that despite these challenges, the company has succeeded in meeting the targets of HANZA 2022. The good performance has also affected our share price, which has tripled compared to August 2018 when the financial targets were set.

The Group is now ready for the next development phase. The Board of Directors has resolved an update of the strategy, "HANZA 2025" with new and raised financial targets, which are presented in this report.



Erik Stenfors, CEO

Financial development

HANZA continues to show a strong development. In the last 12-month period, we have reached sales of more than SEK 3.2 billion with an operating profit of over SEK 190 million. During the third quarter, we completed the previously announced expansions in Poland, the Czech Republic and China, which have positively impacted the profitability of the Other Markets segment - operating profit doubled in the quarter to SEK 20.2 million (9.5). The Main Markets segment was negatively impacted by our coordination project in Germany, but still shows a slightly increased operating profit of SEK 31.7 million (29.8). The project will be completed in Q4, which is expected to lead to increased profitability in the cluster.

Energy costs increased significantly during the quarter. In quarter three alone, the increase amounted to approximately SEK 15 million, which was forwarded to our customers with no added margin. Significant price increases also meant that costs of certain materials were forwarded to our customers without the normal margin. This invoicing had a negative impact on the Group's margin.

In order to maintain supplies in a continued difficult materials situation, we have continued to increase our inventory during the quarter. To also manage cash flow - the most important parameter in any business - we have intensified our efforts to obtain advance payments from our customers. This contributes to our strong cash flow of SEK 83 million (-19). Net debt also decreased during the quarter by approximately SEK 43 million. We expect the material situation to improve and thus inventories to move towards more normal levels in 2023.

The future

HANZA has a long-term perspective, and we develop the Group methodically, step by step. This has given us a solid history of continuous growth and increased profitability. Now that we have completed the HANZA 2022 strategy, we set our aim a few years ahead with "HANZA 2025", where we intend to grow the Group's sales significantly, to over SEK 5 billion with continued profitable growth.

The reason that we once again are setting an ambitious growth target is due to our innovative business model. Traditional contract manufacturers are limited to one technology and compete with other similar manufacturers in a limited market. HANZA, on the other hand, offers a concept that encompasses advisory services, product development and a unique breadth of manufacturing technologies, which significantly increases market potential. Added to this is a structural tailwind for our concept as the manufacturing landscape increasingly shifts towards regional manufacturing, i.e. manufacturing closer to the end customer.

Promoting sustainable global development remains an important part of our strategy. In addition to reducing emissions and consumption, we have a unique opportunity to reduce transports through our business model. To achieve results, it is important to have clear and measurable targets that are continuously reviewed. We therefore intend to update our sustainability targets at the end of this year.

We continue to have a high order intake and see a clear benefit from our stable and diversified customer portfolio. To manage the rapid development of HANZA, we have crucial support from our decentralized organization with experienced and skilled colleagues. Together we will reach our next milestone, HANZA 2025!

Kista, November 8, 2022

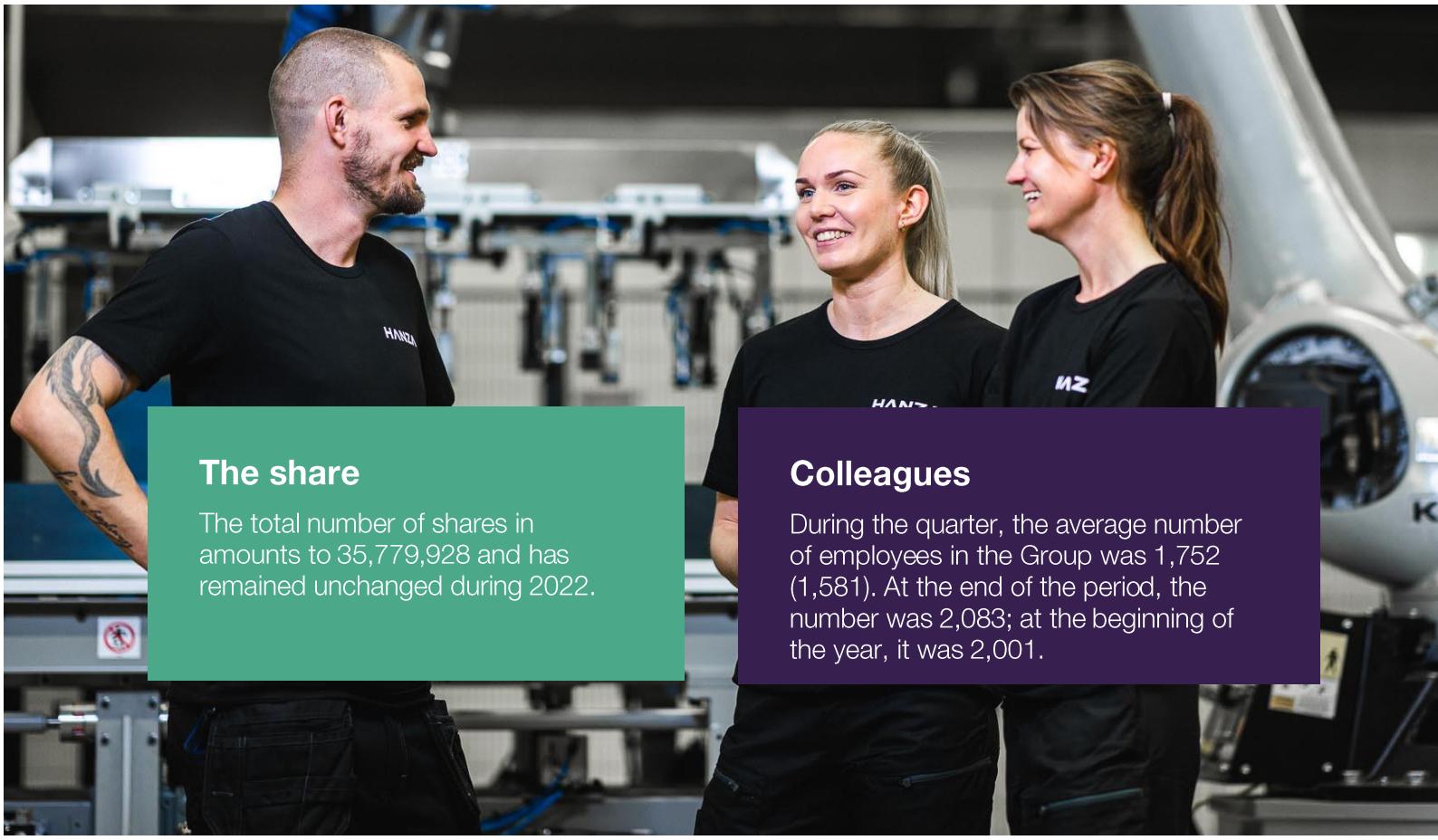
Erik Stenfors
CEO

The share

The total number of shares in amounts to 35,779,928 and has remained unchanged during 2022.

Colleagues

During the quarter, the average number of employees in the Group was 1,752 (1,581). At the end of the period, the number was 2,083; at the beginning of the year, it was 2,001.



BUSINESS DEVELOPMENT

Market

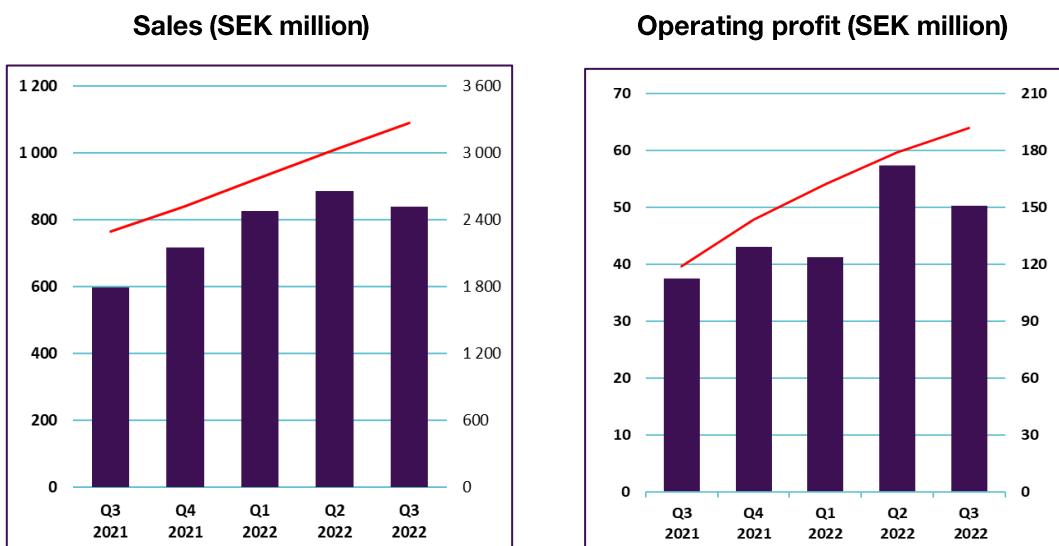
HANZA's markets are mainly the Nordic countries and Germany, but customers are also located in the rest of Europe, Asia and the USA. The order intake is very good in all markets.

In the future, HANZA sees opportunities to gain further market shares as the trend towards complete manufacturing close to the end market strengthens. This is a trend that has so far been driven by trade barriers, transport costs, delivery times, environmental aspects and the pandemic, among other factors. Now the invasion of Ukraine has also created a political dimension, where companies with production in countries with political risks are reviewing their supply chain and planning to relocate their production for that reason.

HANZA's growth is currently limited by the availability of raw materials and components, a situation that should improve in the future. However, HANZA believes that the availability of materials will continue to be a limiting factor for both HANZA and the manufacturing industry in general in 2022.

Third quarter

Net sales amounted to SEK 838.4 million (597.4), an increase of 40%. Sales have increased through new sales, increased volumes to existing customers, acquisitions and increased prices for energy and materials. The global material shortage situation has had a negative impact on sales. Changes in currency exchange rates affected the Group's sales positively by approximately SEK 24.0 million. Acquisitions have had a positive effect on sales of approximately SEK 58.9 million. Excluding currency and acquisitions, the organic growth amounted to approximately 26% during the quarter.



The diagrams show sales and operating profit per quarter (bars), and rolling 12-month basis (lines)

EBITDA for the quarter amounted to SEK 75.9 million (59.3), which corresponds to an EBITDA margin of 9.1% (9.9). The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to SEK 50.2 million (37.5), which corresponds to an operating margin of 6.0% (6.3). The decrease in the operating margin is mainly affected by the no-margin customer invoicing for the increased costs of material and energy. The gross margin for the quarter amounts to 42.6% (45.4). The margin was negatively affected by the above-mentioned invoicing of costs and acquired entities. Synergy effects related to the integration of HANZA Beyers and the coordination of production have resulted in reduction of staff, which has affected the result negatively with non-recurring items amounting to SEK 11.6 million. At the same time, an updated assessment of the additional purchase price for the acquisition of Beyers has resulted in a positive release of the reserve by SEK 10.3 million.

The strengthening of the EUR and USD exchange rates has negatively affected the net financial income by approximately SEK 5 million in the form of both realized and unrealized exchange rate losses.

Profit before tax amounted to SEK 29.6 million (25.6). Income tax amounted to SEK -3.5 million (-5.7). The lower tax rate is due to the fact that a larger proportion of the profit comes from entities with a lower tax rate. Profit after tax amounted to SEK 26.1 million (19.9). Profit per share for the quarter amounted to SEK 0.73 (0.56) before dilution and to 0.72 (0.55) after dilution.

The nine-month period

Net sales in the nine-month period amounted to SEK 2,548.1 million (1,798.6), a growth of 42%. Exchange rates have positively affected the Group's sales by approximately SEK 61.2 million compared to 2021. Acquisitions have contributed with SEK 202.6 million. Excluding acquisitions and exchange rates, organic growth amounts to 28%.

EBITDA amounted to SEK 224.6 million (164.7), which corresponds to an EBITDA margin of 8.8% (9.2). The Group's EBITA amounted to SEK 148.7 million (100.4), which corresponds to an operating margin of 5.8% (5.6). The improvement is mainly due to higher margins in the Other Markets segment. The margin is negatively impacted by the re-invoicing of increased material and energy costs and the acquisition in Germany of HANZA Beyers, which was completed in quarter 4 2021, being at zero margin profitability during the coordination period. This has also negatively impacted the gross margin. The gross margin amounts to 43.3% (46.1).

Profit before tax amounted to SEK 95.1 million (68.1) and profit after tax amounted to SEK 81.5 million (55.0). Profit per share amounted to SEK 2.28 (1.56) before dilution and to 2.25 (1.56) after dilution in the nine-month period.

Cash flow and investments

Cash flow from operating activities for the third quarter amounted to SEK 82.9 million (-19.3) and for the nine-month period to SEK 125.6 million (66.2). The change in working capital during the quarter amounted to SEK 40.2 million (-69.1) and for the nine-month period to SEK -26.3 million (-67.9). Working capital requirements are driven by strong growth. In addition, shortages of components have led to an increase in safety stocks and work in progress, while increased prepayments from customers have reduced the working capital requirements in the period.

The strong expansion has also increased the need for investments. Cash flow from investment

activities during the third quarter amounted to SEK -41.2 million (-24.9) and for the nine-month period to SEK -106.0 million (-104.3) of which acquisitions amounted to -8.2 MSEK. For more information on these, please refer to note 7.

Total investments in tangible fixed assets amounted to SEK 30.8 million (35.7) in the quarter and SEK 106.3 million (113.1) in the nine-month period and consisted mainly of investments in buildings and other fixed assets, mainly machinery. The difference against cash flow from investments is due to the fact that certain investments do not affect the cash flow as they are made through leasing or are an accounts-payable at the end of the period.

Financial position

Organic growth, acquisitions, and a challenging material situation with a need for increased safety stock has led to an increase of the balance sheet total. The balance sheet total at the end of the year amounted to SEK 2,395.6 million (1,761.2). Shareholders' equity at the end of the year amounted to SEK 709.7 million (558.5), which gives an equity/assets ratio of 29.6% (31.7).

The Group's interest-bearing net debt at the end of the year amounted to SEK 602.6 million (481.5) and has decreased by SEK 42.9 million during the quarter. The decrease is mainly due to a strong cash flow from operating activities. Net debt in relation to adjusted EBITDA for the past 12 months has thus decreased and amounts to 2.3 times (2.7).

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 nine-month period.

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 2021. No significant changes in the risks have taken place since the annual report for 2021 was submitted.

Related party transactions

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

Review report

HANZA AB, org.nr 556748-8399

Introduction

We have reviewed the condensed interim report for Hanza AB of September 30, 2022 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, November 8, 2022

Ernst & Young AB

Charlotte Holmstrand
Authorized Public Accountant

SEGMENT OVERVIEW

Description of segment reporting

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

Operational reporting is broken down into the following segments:

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

Transactions between segments are made on market terms.



Main markets segment

SEK million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Segment revenues	450.5	321.0	1,422.0	966.7	1,375.1
Less sales between segments	-3.1	-5.9	-8.2	-11.8	-12.8
Income from external customers	447.5	315.1	1,413.8	954.9	1,362.3
Operating profit (EBITA)	31.7	29.8	105.9	71.9	113.5

Main markets present an operating profit in line with Q3 2021, despite the continued impact of the coordination project in Germany. The project will be completed in Q4, which is expected to lead to increased profitability in this cluster too.

Income from external customers amounted to SEK 447.5 million (315.1) in the quarter, which is an increase of 42%. Exchange rate effect had a positive impact of net sales of approximately SEK 9.9 million and acquisition had a positive impact of SEK 58.9 million. Excluding currency and acquisitions, the organic growth amounted to approximately 20% during the quarter.

The segment's EBITA amounted to SEK 31.7 million (29.8), which corresponds to an operating margin of 7.0% (9.3). The margin was negatively affected by the newly acquired unit in Germany, which has not yet reached the same margin as other clusters in this segment. The increased prices for energy and materials have led to increased turnover through re-invoicing and negatively affected the margin.

The growth for the nine-month period was a total of 48%, and 24% adjusted for currency and acquisition. EBITA amounts to SEK 105.9 million (71.9), an increase of 47%. The margin amounts to 7.4% (7.5). In addition to the increased costs mentioned above, the acquisition of HANZA Beyers in Germany, completed in Q4 2021, has impacted the margin negatively as the unit has been at zero margin profitability during the coordination period.

Other markets segment

Within Other markets, the group has completed the expansion project in Poland, the Czech

SEK million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Segment revenues	394.5	285.6	1,145.1	854.3	1,167.2
Less sales between segments	-4.0	-3.3	-11.2	-10.6	-14.3
Income from external customers	390.5	282.3	1,133.9	843.7	1,152.9
Operating profit (EBITA)	20.2	9.5	47.4	34.6	41.6

Republic and China, which had a positive effect on the segment. The operating profit for the quarter has doubled compared to the corresponding period last year.

Income from external customers amounted to SEK 390.5 million (282.3) in the quarter, which is an increase of 38%. Exchange rate effect had a positive impact of net sales of approximately SEK 14.1 million. Excluding currency, the organic growth amounted to approximately 33%.

The segment's EBITA has more than doubled and amounted to SEK 20.2 million (9.5), which corresponds to an operating margin of 5.1 % (3.4). The increased prices for energy and material have led to increased turnover through re-invoicing and negatively affected the margin.

The growth for the nine-month period was a total of 34% and approximately 30% adjusted for currency. EBITA amounts to SEK 47.4 million (34.6), an increase of 37%. The margin amounts to 4.2% (4.1). Here, too, the increased prices have affected turnover and margin.

Business development and services segment

During the quarter, the acquired company Budelmann Elektronik GmnH was added, which has now been renamed to HANZA Tech Solutions GmbH.

Income from external customers amounted to SEK 0.4 million (-) in the quarter and to SEK 0.4 million (-) for the nine-month period.

EBITA amounts to SEK -1.7 million (-1.8) in the quarter, of which SEK -0.9 million (-) relates to transaction costs in connection with the acquisition of Budelmann Elektronik GmbH ("Budelmann"). EBITA amounts to SEK -4.6 million (-6.1), of which transaction costs amounts to - SEK -0.9 million.

FINANCIAL DEVELOPMENT

Consolidated income statement

SEK million	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Net sales	4	838.4	597.4	2,548.1	1,798.6	2,515.2
Change of inventories in production, finished goods and work in progress on behalf of others		40.8	45.1	135.7	125.2	164.6
Raw materials and consumables		-522.0	-371.3	-1,581.0	-1,094.2	-1,530.6
Other external costs		-115.8	-69.0	-322.7	-206.7	-297.1
Costs of personnel		-177.0	-145.8	-570.2	-464.1	-634.1
Depreciations, amortizations and write-downs of tangible fixed assets		-25.7	-21.8	-75.9	-64.4	-88.7
Other operating income and expenses		11.5	2.9	14.7	5.9	14.1
Operating profit (EBITA)	4	50.2	37.5	148.7	100.4	143.4
Depreciations, amortizations and write-downs of intangible fixed assets		-4.3	-4.1	-12.8	-11.7	-15.9
Operating profit (EBIT)	4	45.9	33.4	135.9	88.6	127.5
Financial items - net	5	-16.3	-7.8	-40.8	-20.5	-27.8
Profit/loss before tax	4	29.6	25.6	95.1	68.1	99.7
Income tax		-3.5	-5.7	-13.6	-13.1	-19.5
Profit/loss for the period		26.1	19.9	81.5	55.0	80.2

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

Consolidated comprehensive income statement

SEK million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Profit/loss for the period	26.1	19.9	81.5	55.0	80.2
Items that will not be reclassified to the income statement					
Remeasurement of post-employment benefits	8.4	1.5	31.6	4.4	2.2
Tax on items that will not be reclassified to the income statement	-2.6	-0.5	-9.9	-1.4	-0.7
Total items that will not be reclassified to the income statement	5.8	1.0	21.7	3.0	1.5
Items that can subsequently be reversed in profit or loss					
Exchange rate differences	12.8	3.3	38.5	8.2	10.6
Exchange rate difference on acquisition loan	-0.4	-0.5	-0.5	-1.2	-0.3
Tax on items that can subsequently be reversed in profit or loss	0.6	-	0.9	0.1	0.1
Total items that may be reclassified to the income statement	13.0	2.8	38.9	7.1	10.4
Other comprehensive income for the period	18.8	3.8	60.6	10.1	11.9
Total comprehensive income for the period	44.9	23.7	142.1	65.1	92.1

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

Condensed consolidated balance sheet

SEK million	Note	30.09.2022	30.09.2021	31.12.2021
ASSETS				
Fixed assets				
Goodwill		383.6	337.9	361.7
Other intangible assets		94.5	105.7	102.6
Tangible fixed assets		484.0	359.1	406.6
Right-of-use assets		188.1	168.0	187.9
Deferred tax assets		6.6	14.1	22.2
Total fixed assets		1,156.8	984.8	1,081.0
Current assets				
Inventories		883.0	539.1	662.9
Accounts receivable		172.5	114.2	106.6
Other receivables		84.0	73.7	55.0
Cash and cash equivalents		99.3	49.4	45.8
Total current assets		1,238.8	776.4	870.3
TOTAL ASSETS		2,395.6	1,761.2	1,951.3

SEK million	Note	30.09.2022	30.09.2021	31.12.2021
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders				
		709.7	558.5	585.5
LIABILITIES				
Long-term liabilities				
Post-employment benefits		85.9	108.4	109.3
Deferred tax liabilities		50.0	45.0	44.2
Liabilities to credit institutions	3	207.1	179.2	244.9
Lease liabilities		131.4	116.6	132.5
Total long-term liabilities		474.4	449.2	530.9
Current liabilities				
Overdraft facility	3	59.9	64.8	58.7
Liabilities to credit institutions	3	196.0	98.9	107.2
Lease liabilities		42.8	38.1	41.8
Other interest-bearing liabilities	3	99.9	32.3	63.5
Accounts payable		520.7	344.0	373.4
Other liabilities		292.2	175.4	190.3
Total current liabilities		1,211.5	753.5	835.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,395.6	1,761.2	1,951.3

Condensed consolidated report of changes in shareholders' equity

SEK million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Opening balance	664.8	534.8	585.5	474.9	474.9
Profit/loss for the period	26.1	19.9	81.5	55.0	80.2
Other comprehensive income	18.8	3.8	60.6	10.1	11.9
Total comprehensive income	44.9	23.7	142.1	65.1	92.1
Transactions with shareholders					
Non-cash issue	-	-	-	27.6	27.6
Issue costs	-	-	-	-0.2	-0.2
Dividend	-	-	-17.9	-8.9	-8.9
Total contributions from and distributions to shareholders, recognized directly in equity	-	-	-17.9	18.5	18.5
Closing balance	709.7	558.5	709.7	558.5	585.5

Condensed consolidated statement of cash flows

SEK million	Note	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Cash flows from operating activities						
Profit/loss after financial items		29.6	25.6	95.1	68.1	99.7
Depreciations, amortizations and write-downs		30.0	25.9	88.7	76.1	104.6
Other non-cash items	7	-12.8	-0.5	-11.3	-0.1	-2.3
Paid income tax		-4.1	-1.2	-20.6	-10.0	-8.5
Cash flows from operating activities prior to the change in working capital		42.7	49.8	151.9	134.1	193.5
Total change in working capital		40.2	-69.1	-26.3	-67.9	-67.4
Cash flows from operating activities						
Acquisition in subsidiaries	7	-8.2	-	-8.2	-20.2	-48.4
Investments in fixed assets		-33.9	-26.0	-100.9	-86.9	-141.1
Disposals of tangible fixed assets		0.9	1.1	3.1	2.8	3.8
Cash flows from investing activities		-41.2	-24.9	-106.0	-104.3	-185.7
Cash flows from financing activities						
New loans		54.3	40.3	239.9	103.6	173.6
Repayment of borrowings		-45.1	-36.4	-195.9	-129.5	-186.2
Dividends paid		-	-	-17.9	-8.9	-8.9
Cash flows from financing activities		9.2	3.9	26.1	-34.8	-21.5
Increase/reduction in cash and cash equivalents						
Cash and cash equivalents at the beginning of the period		46.1	89.8	45.8	121.2	121.2
Exchange rate differences in cash and cash equivalents		2.3	-0.1	7.8	1.1	5.7
Cash and cash equivalents at the end of the period		99.3	49.4	99.3	49.4	45.8

Condensed parent company income statement

SEK million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Operating income	5.1	5.1	15.0	17.3	25.8
Operating expenses	-5.0	-5.7	-17.2	-17.5	-24.5
Other operating income and expenses	-0.1	-	0.1	-0.1	0.1
Operating profit	-0.0	-0.6	-2.1	-0.1	1.4
Profit/loss from financial items					
Profit/loss from shares in group companies	-	-0.5	11.4	-0.5	4.5
Financial items - net	-3.2	-1.5	-9.4	-3.3	-3.7
Total profit/loss from financial items	-3.2	-2.0	2.0	-3.8	0.8
Profit/loss after net financial items	-3.2	-2.6	-0.1	-3.9	2.2
Appropriations	-	-	-	-	6.0
Profit/loss before tax	-3.2	-2.6	-0.1	-3.9	8.2
Tax on profit for the period	0.6	-	-	-	-0.8
Profit/loss for the period	-2.6	-2.6	-0.1	-3.9	7.4

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.

Condensed parent company balance sheet

SEK million	Note	30.09.2022	30.09.2021	31.12.2021
ASSETS				
Fixed assets				
Financial fixed assets		368.2	393.5	391.7
Total fixed assets		368.2	393.5	391.7
Current assets				
Current receivables		4.4	3.7	13.1
Cash and cash equivalents		20.3	0.1	0.3
Total current assets		24.7	3.8	13.4
TOTAL ASSETS		392.9	397.3	405.1
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	6	248.0	254.7	266.0
Untaxed reserves		1.7	0.5	1.7
Long-term liabilities		107.7	109.0	103.1
Current liabilities		35.5	33.1	34.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		392.9	397.3	405.1

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 6 to 8 forms an integral part of this financial report.

Note 2

Basis for the preparation of reports and accounting principles

HANZA 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 this background, the reported values can 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 assembled 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 assembled product is delivered to the customer. Exceptions 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.

Profit by segment

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

SEK million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Operating profit (EBITA)					
Main markets	31.7	29.8	105.9	71.9	113.5
Other markets	20.2	9.5	47.4	34.6	41.6
Business development and services	-1.7	-1.8	-4.6	-6.1	-11.7
Total EBITA	50.2	37.5	148.7	100.4	143.4
Amortisation of intangible assets	-4.3	-4.1	-12.8	-11.8	-15.9
Operating profit (EBIT)	45.9	33.4	135.9	88.6	127.5
Financial items – net	-16.3	-7.8	-40.8	-20.5	-27.8
Profit/loss before tax	29.6	25.6	95.1	68.1	99.7

Items affecting comparability

Revaluation of acquisition purchase price	10.3	0.2	10.3	0.2	0.2
Transaction costs	-0.9	-	-0.9	-2.3	-5.0
Integration costs	-11.6	-	-11.6	-3.7	-3.7
Repayment AFA	-	-	-	-	6.3
Total	-2.2	0.2	-2.2	-5.8	-2.2

EBITA per segment excluding items affecting comparability

Main markets	33.0	29.6	108.1	75.4	110.7
Other markets	20.2	9.5	47.4	34.6	41.6
Total	53.2	39.1	155.5	110.0	152.3
Business development and services	-0.8	-1.8	-4.6	-3.8	-6.7
Total	52.4	37.3	150.9	106.2	145.6
Items affecting comparability	-2.2	0.2	-2.2	-5.8	-2.2
EBITA	50.2	37.5	148.7	100.4	143.4

Revenue from external customers by manufacturing technology

SEK million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Mechanics	488.9	374.9	1,532.3	1,158.5	1,594.0
Electronics	349.1	222.5	1,015.4	640.1	921.2
Business development and services	0.4	-	0.4	-	-
Total	838.4	597.4	2,548.1	1,798.6	2,515.2

Note 5**Net financial items**

SEK million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Interest income	-	-	-	-	-
Financial expenses					
Interest expenses	-8.3	-4.7	-21.8	-13.8	-20.0
Other financial expenses	-2.3	-1.9	-6.3	-5.7	-7.5
Total financial expenses	-10.6	-6.6	-28.1	-19.5	-27.5
Net exchange gains and losses	-5.7	-1.2	-12.7	-1.0	-0.3
Total financial items - net	-16.3	-7.8	-40.8	-20.5	-27.8

Note 6**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	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Weighted average number of shares before dilution	35,779,928	35,779,928	35,779,928	35,365,642	35,395,270
Adjustment upon calculation of earnings per share after dilution: Warrants	489,512	233,584	469,448	30,305	192,612
Weighted average number of shares after dilution	36,269,440	36,013,512	36,249,376	35,295,947	35,587,882
Number of shares at the end of the period	35,779,928	35,779,928	35,779,928	35,779,928	35,779,928

The warrant program issued in May 2020 has had a dilutive effect in 2021 and 2022. For more information on this, please refer to note 2 in the company's 2021 annual report.

Earnings per share	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Earnings per share before dilution, SEK	0.73	0.56	2.28	1.56	2.26
Earnings per share after dilution, SEK	0.72	0.55	2.25	1.56	2.25

Note 7**Acquisition of subsidiaries**

An updated assessment of the additional purchase price for the acquisition of Beyers, which was completed in 2021, has resulted in a positive release of the reserve by SEK 10.3 million.

On July 4, 2022, all shares in Budelmann Elektronik GmbH ("Budelmann"), with domicile in Münster, Germany, were acquired. The company operates within research and development and consist of an interdisciplinary team of 10 people with expertise in electronics, mechanics, and software development. The total purchase price amounts to SEK 8.6 million and a variable additional purchase price of no more than SEK 2.2 million and is linked to turnover for the financial years 2022 and 2023. The expected additional purchase price was estimated at the maximum amount, which after discounting amounts to SEK 2.1 million. In addition, in the amount of SEK 9.4 million is reported in the acquisition. The acquisition analysis is still preliminary.

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

Purchase price, SEK million

Cash and cash equivalents paid upon entry into possession	8.6
Conditional additional purchase price due in Q1 2023	2.2
Total estimated purchase price	10.8

Reported amounts of identifiable acquired and assumed liabilities

Cash and cash equivalents	0.4
Machinery and equipment	1.0
Right-of-use assets	3.7
Deferred tax assets	0.2
Current assets	1.9
Short-term interest-bearing liabilities	-0.7
Lease liabilities	-3.7
Accounts payable and other liabilities	-1.4
Total identified net assets	1.4
Goodwill	9.4
Total net assets transferred	10.8

Cash flow effect from the acquisition

Cash and cash equivalents paid upon entry into possession	-8.6
Cash and cash equivalents in acquired company	0.4
Cash flow from acquisition	-8.2

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

Net sales and EBITA in the acquired company, SEK million	Jul-Sep 2022	Jan-Sep 2022
<i>Date of acquisition July 4, 2022</i>		
Net sales before acquisition	-	1.7
Net sales after acquisition	0.4	0.4
Total net sales if the company had been held for the full period	0.4	2.1
EBITA before acquisition	-	-1.2
EBITA before acquisition	-0.2	-0.2
Total EBITA if the company had been held for the full period	-0.2	-1.4

KEY RATIOS, DEFINITIONS AND FINANCIAL CALENDAR

	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Key ratios according to IFRS					
Net sales, SEK million	838.4	597.4	2,548.1	1,798.6	2,515.2
Operating profit (EBIT), SEK million	45.9	33.4	135.9	88.6	127.5
Amortization of intangible assets, SEK million	-4.3	-4.1	-12.8	-11.8	-15.9
Earnings per share before dilution, SEK	0.73	0.56	2.28	1.56	2.26
Earnings per share after dilution, SEK	0.72	0.55	2.25	1.56	2.25
Cash flow from operating activities, MSEK	82.9	-19.3	125.6	66.2	126.1
Average number of employees	1,752	1,581	1,891	1,698	1,741
 Alternative performance measurements					
EBITDA, SEK million	75.9	59.3	224.6	164.7	232.1
EBITDA margin, %	9.1	9.9	8.8	9.2	9.2
Operational segments EBITA, SEK million	51.9	39.3	153.3	106.4	155.1
EBITA Business development and services, SEK million	-1.7	-1.8	-4.6	-6.1	-11.7
Operational EBITA margin, %	6.2	6.6	6.0	5.9	6.2
Operating profit (EBITA), SEK million	50.2	37.5	148.7	100.4	143.4
EBITA margin, %	6.0	6.3	5.8	5.6	5.7
Operating capital, SEK million	1,433.4	1,147.4	1,433.4	1,147.4	1,297.6
Return on operating capital, %	3.5	3.4	10.9	9.7	12.9
Capital turnover on operating capital, times	0.6	0.5	2.5	2.3	2.3
Return on capital employed, %	3.0	2.8	9.4	7.9	10.6
Net interest-bearing debt, SEK million	602.6	481.5	602.6	481.5	583.0
Net debt/equity ratio, times	0.8	0.9	0.8	0.9	1.0
Net debt in relation to adjusted EBITDA, times	2.3	2.7	2.3	2.7	2.9
Equity ratio, %	29.6	31.7	29.6	31.7	30.0
Equity per share at end of period, SEK	19.83	15.61	19.83	16.61	16.36

Key ratios

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.

Key ratios according to IFRS – Definitions

EBIT (earnings before interest and taxes) is operating profit, i.e. profit before net financial items, provisions and taxes.

Alternative performance measurements – Definitions, reconciliations and motives

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

Return on capital employed is EBIT before financial items divided by average capital employed.

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

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.

Adjusted EBITDA is EBITDA excluding amortization of lease liabilities related to buildings and premises in accordance with IFRS 16.

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 for segment Main markets and Other markets.

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

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

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

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

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, excluding lease liabilities related to the right-of-use assets for buildings and premises in accordance with IFRS 16 less cash in hand, cash equivalents 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

- 2022 Year-end report: Tuesday February 14, 2023
- Annual report 2022: Friday March 31, 2023
- Interim report, Q1, 2023: Wednesday May 3, 2023
- Annual General Meeting: Monday May 8, 2023
- Interim report, Q2 2023: Tuesday July 25, 2023
- Interim report, Q3 2023: Tuesday November 8, 2023

ABOUT HANZA

HANZA is a global knowledge-based manufacturing company that modernizes and streamlines the manufacturing industry. Through supply chain advisory services and with production facilities grouped in local manufacturing clusters we create stable deliveries, increased profitability and an environmentally friendly manufacturing process for our customers.

The company was founded in 2008 and in 2021 had sales exceeding SEK 2.5 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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