

A background image showing a group of business professionals in a meeting. A woman in a dark suit is looking at a laptop held by a man in a light blue shirt. Another man in a light blue shirt is visible on the left, also looking towards the laptop. The scene is brightly lit, possibly from a window, creating a professional and collaborative atmosphere.

Q4

YEAR-END REPORT
JANUARY – DECEMBER
2020

Please note that this English translation is for information purposes only. In case of any discrepancies between this version and the Swedish version of the interim report, the Swedish version shall prevail.

Year-end report 2020

Positive prospects following a challenging period

FOURTH QUARTER (October 1 – December 31, 2020)

- Net sales amounted to SEK 493.7 million (547.9). Sales have been negatively affected mainly by loss of volumes through the Group's action program (approx. SEK 25 M), lower volumes from the Group's largest customer, caused by the pandemic (approx. SEK 25 M), as well as currency effects (approx. SEK 15 M).
- Operating profit (EBITA) amounted to SEK 18.6 million (11.7), which corresponds to an EBITA margin of 3.8% (2.1). The operating profit has been negatively affected by volume reductions connected to the pandemic.
- Profit after tax amounted to SEK 5.2 million (5.5), which corresponds to SEK 0.15 per share (0.16).
- Cash flow from operating activities amounted to SEK 61.6 million (8.9).

FULL YEAR (January 1 – December 31, 2020)

- Net sales amounted to SEK 2,154.9 million (2,067.7). The increase is the net of acquisitions, new customers, reduced customer volumes connected to the pandemic, volume losses during the Group's action program and negative currency changes.
- Operating profit (EBITA) amounted to SEK 47.8 million (67.9), which corresponds to an EBITA margin of 2.2% (3.3). The operating profit has been negatively affected by volume reductions connected to the pandemic, as well as costs from the action program carried out at the virus outbreak, which charged the operating profit during the second quarter with SEK 24.7 million.
- Profit after tax amounted to SEK -1.4 million (23.6), which corresponds to SEK -0.04 per share (0.73).
- Cash flow from operating activities amounted to SEK 181.8 million (122.0).
- The Board will propose to the AGM a dividend of SEK 0.25 per share (0.00).

MATERIAL EVENTS DURING 2020

- **Developing the Group structure**

HANZA's manufacturing cluster in Central Europe, which previously comprised factories in Germany, Poland and the Czech Republic, was on April 1, 2020, divided into two units:

- The factory in Germany is the starting point for a separate manufacturing cluster aimed at customers in the so-called DACH area (Germany, Austria and Switzerland).
- The factories in Poland and the Czech Republic constitute HANZA's new cluster Central Europe, with production for both the Nordic region and DACH.

In parallel, a decentralization of select Group functions was carried out, which led to a reduction in the company's group management from six to three persons.

- **Action program**

In April 2020, to meet uncertain demand in some customer segments, HANZA initiated an action program in which the electronics factory in Åtvidaberg was phased out and the factory in Narva was refined to only focus on heavy mechanics. In total, approx. 90 persons were affected, and the result (EBIT) during the second quarter was charged with SEK 27.5 million.

- **Selected material events**

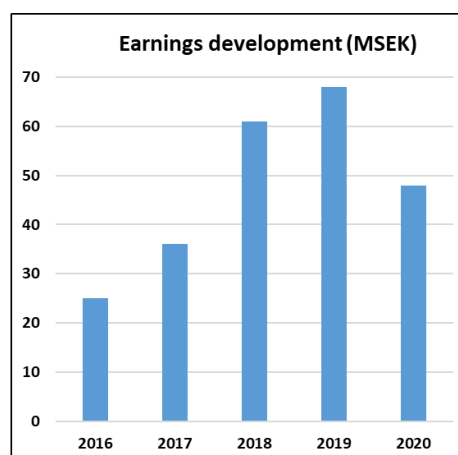
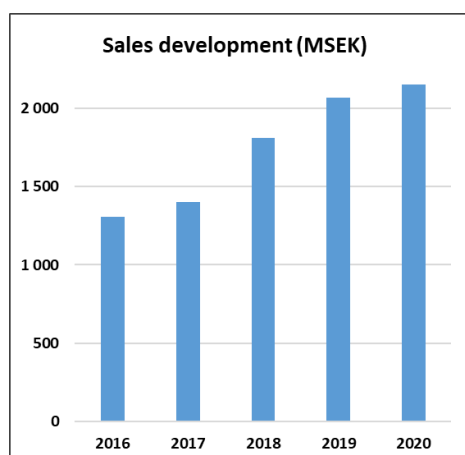
- In June, a so-called MIG™ analysis was completed in Finland, where the customer received a proposal for a more efficient supply chain including a double-digit percentage reduction of the manufacturing cost.
- During the spring, HANZA was commissioned to develop a complete DNA analyzer for a leading company in molecular diagnostics, which includes the design of mechanics, electronics, cabling and software. The development is expected to be completed during the first quarter of 2021 and then put into volume production.
- During the second quarter, HANZA signed a production agreement with a new customer in logistics management, and received a new, larger project from an existing industrial customer.
- In November, HANZA signed an agreement with the German KHS Group for the complete development of a mechatronics system that will be ready for production during the first half of 2021. The production value will depend on market development but is estimated to exceed SEK 10 million annually.
- During the fourth quarter, HANZA received awards from four different global customers thanks to good dependability and high-quality deliveries during a challenging period.

- **Other events**

- In May, an incentive program was offered to Group Management, where all 850,000 warrants were acquired to a total amount of SEK 365,000. Each warrant entitles the holder to subscribe for one share at a subscription price of SEK 20 from June 1, 2023 to September 30, 2023.

In December, HANZA decided to expand capacity in the Baltics by building a new production facility of just over 12,000 m² in Tartu, Estonia. The total investment amounts to approx. SEK 80 million and is financed with a combination of own funds and bank loans. Work has begun and the opening is planned to take place in the first quarter of 2022.

FIVE YEAR OVERVIEW



The graphs illustrate net sales and operating profit, EBITA for the last five years. An action program which was initiated at the outbreak of the pandemic charges the operating profit for the year 2020 with approximately SEK 25 million.

KEY RATIOS

SEK million	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Key ratios according to IFRS				
Net sales	493.7	547.9	2 154.9	2 067.7
Operating profit (EBIT)	15.4	8.1	31.3	56.8
Amortisation and write-down of intangible assets	-3.2	-3.6	-16.5	-11.1
Cash flow from operating activities	61.6	8.9	181.8	122.0
Alternative performance measurements				
Operational segments EBITA	21.3	13.0	51.2	83.6
Business development segment EBITA	-2.7	-1.3	-3.4	-15.7
EBITA	18.6	11.7	47.8	67.9
Operating margin (EBITA)	3.8%	2.1%	2.2%	3.3%
Net interest-bearing debt	450.4	543.3	450.4	543.3
Operational net debt	270.7	350.2	270.7	350.2
Equity ratio	33.6%	32.6%	33.6%	32.6%

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.

CEO COMMENT

In the 2019 year-end report, we described how the then newly discovered corona virus created uncertainty regarding the market development. Subsequently, the virus accelerated to a pandemic that came to dominate the entire financial year 2020. This year's CEO word is about how HANZA has been affected by the crisis, what the Group looks like today and our strategy for the future.

Financial development

HANZA has experienced good growth since the company was founded in 2008, on average about 20% annually (CAGR) through a combination of acquisitions and organic growth. During 2020, this trend was broken when some of the Group's largest customers were affected by significant sales declines. Above all, sales volumes from our largest customer decreased by just over SEK 100 million, corresponding to approximately 5% of the HANZA Group's sales. This customer – gained through the acquisition of German RITTER - is active in the textile industry, an industry that was hit hard by the lockdowns.

When sales declined, we immediately launched an action program where we, among other things, consolidated electronics volumes in Sweden and mechanics volumes in Estonia. The program was carried out according to plan and caused further impact on sales as we discontinued volumes of around SEK 100 million annually. Additionally, a weakened euro exchange rate has negatively affected the comparison with last year by approx. SEK 17 million. On the other hand, we have new and existing customers that have had a positive effect on sales. In total, growth in 2020 was approx. 4%, which can be compared with customers' forecasts at the beginning of 2020 which showed double-digit growth.

Profitability was affected by the rapid decline in sales. Our first, and also largest, manufacturing cluster in Sweden was hit hard in terms of earnings and as we have earlier described, the operating margin decreased to 6% during the third quarter of 2020. Sweden accounts for about a third of HANZA's sales and during the fourth quarter of 2020 sales were still approx. 12% lower than the corresponding quarter last year. In light of this, it is pleasing that in Sweden during the fourth quarter of 2020 we were again able to show an operating margin of just over 9%.

The margin recovery shows the strength of our cluster model. The size and breadth of technologies in Sweden make it possible to act as volumes decrease. This is, however, harder in those parts of HANZA that are under construction and have not yet reached Sweden's scope. In our Main markets segment, it was therefore challenging in both Finland and Germany. In our segment Other markets, it was primarily our factory in Narva that was affected. There, we responded to the sharp economic downturn by refining the Narva factory to heavy mechanics, a specialization that will have a negative effect also on 2021, but which is positive in the long run. Our long-term focus is important for the construction of HANZA.

Cash flow is crucial to fast-growing companies, and it is of course even more important during a crisis. We have previously described that this is a continuous focus area and we have for a long time shown strong cash flows. This was also the case in 2020, with a cash flow amounting to SEK 182 million (122). Our operating net debt could therefore be reduced by as much as 23%, from SEK 350 million to SEK 270 million. HANZA continues to be financially strong, even during the pandemic.

Important environmental work

The virus outbreak has temporarily overshadowed the great challenge of our time, to reduce carbon dioxide emissions.

This important issue will continue to be prioritized and we see how well HANZA's business model supports the global climate trend. Like other manufacturers, we work with performance measures to reduce consumption and emissions, but our major contribution comes through the work of streamlining our customers' supply chains. It is an operation that creates customer value; a green supply chain provides competitive advantages for the product companies, both in terms of cost and the environment.

Looking ahead

During the pandemic, we have received several great recognitions and awards for maintaining high delivery accuracy and quality in difficult conditions. We have also taken on new contracts and our existing customers are essentially stable companies, whose volumes will return once the virus has released its hold on the world. Furthermore, we see how disruptions in the global and complex supply chains influence product companies to reconsider their manufacturing strategy, which is positive for HANZA.

We therefore estimate that 2020 will only be a dent in our growth curve.

For this reason, in December 2020 we decided to expand our capacity in the Baltics by investing approx. SEK 80 million in the build of a new production facility for complex assembly of just over 12,000 m² in Tartu, Estonia, directly adjacent to our existing sheet metal factory. Work has already begun, and the opening is planned to take place in the first quarter of 2022.

In terms of results, we announced at the end of 2019 that we had reached a point in our development work where our segment Other markets will increase its operating margin significantly. And despite major impact by covid-19, the segment is also showing rising margins. Work on increasing margins for Other markets will continue, while recurring volumes will support the Main markets segment to regain earlier, higher margins.

HANZA will also grow through acquisitions, which are a fundamental part of our business model. But here it is important to distinguish between HANZA and classic manufacturers. A contract manufacturer of a certain technology that acquires another factory with the same technology does grow - but does not increase customer value. However, we do not acquire manufacturers to become a *larger*, but to become a *better* manufacturing partner. The purpose and customer value of each acquisition are clearly described via our market announcements. This compass course also makes it easier to choose from the many contract manufacturers that are for sale today.

The pandemic will have a continued impact also in 2021, with the entire manufacturing industry experiencing challenges from component and material shortages as a result of an increase in demand. But we note that HANZA is navigating well through the pandemic. We have seen how well our mature manufacturing clusters have handled volume fluctuations. Furthermore, the global trends with increased regional production and an increased focus on sustainability are completely in line with our business model. Our strategy ahead is primarily to strengthen our development clusters and thereby increase the margin at Group level. We look forward to the coming years with confidence.

MARKET DEVELOPMENT

HANZA's customer markets are mainly the Nordics and Germany, but customers are also found in the rest of Europe, Asia and the USA. Because HANZA's customers have a wide industry spread, the business cycle is normally reflected in HANZA's sales. However, HANZA has a special opportunity to gain new market shares during a recession, as product companies find a fresh need to streamline and regionalize their supply chain.

Demand in the Nordic markets strengthened at the end of 2020, while lockdowns in the rest of Europe have dampened demand and over time have become increasingly noticeable. HANZA estimates that the pandemic will control the Group's demand for a large part of 2021, and that possibilities to start new customer projects will be affected by the opportunities to visit the Group's factories and customers. At the same time, HANZA sees new opportunities for market shares, as the pandemic has strengthened the trend towards complete, regional manufacturing close to the customer. This reinforces a trend that has previously been driven by, among other things, trade barriers, transport costs, delivery times and environmental aspects.

The Board has analyzed the Group's financial targets with regards to the pandemic and have assessed that they are still realistic and as such should remain unchanged. This means, among other things, that the Group's growth target is still an average sales increase of at least 10% per year over a business cycle, which is measured as the net change, i.e. the sum of additional volumes from new customers, company acquisitions, discontinued volumes and currency changes. It also means that HANZA's margin target of 6% after amortization of intangible assets (EBIT) remains unchanged.

SALES AND PROFIT

Fourth quarter

The Group's net sales amounted to SEK 493.7 million (547.9). Exchange rates have negatively impacted sales by approximately SEK 15 million. During the fourth quarter, the full effect of the Group's action program in the spring of 2020 is also evident, which among other things included a termination of volumes in Estonia and a divested production facility in Åtvidaberg, which in total negatively affected sales by approx. SEK 25 million. Remaining volume reduction, approximately 3%, is the net of reduced volumes, primarily in Germany and Sweden, but also increasing volumes and new contracts in the rest of the Group.

The Main market segment (Sweden, Finland, Germany) shows net sales of SEK 255.4 million (308.9), a decrease of 17.3%. Excluding exchange rate effects, the decrease is 15.3%. The Other market segment (The Baltics, Central Europe and China) shows net sales of SEK 238.3 million (239.0), which is a marginal change. Excluding exchange rate effects, sales increased by 3.4%.

EBITDA for the quarter amounted to SEK 39.8 million (36.0), which corresponds to an EBITDA margin of 8.1% (6.6). Depreciations, amortizations and write-downs during the period amounted to SEK 24.4 million (27.9) consisting of depreciations of tangible fixed assets of SEK 21.2 million (24.3) and amortizations of intangible assets of SEK 3.2 million (3.6).

The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to SEK 18.6 million (11.7), which corresponds to an operating margin of 3.8% (2.1). The operating margin is marginally impacted by currency fluctuations. The EBITA margin in the Main market segment amounts to 4.3% (6.1) and in the Other markets segment to 4.4% (-2.5). The margins in both segments are affected by covid-19 as described above.

In the Business Development segment, we report costs for special Group development projects not linked to HANZA's operations, such as acquisitions, divestments, listing expenses, development of service products etc. In the fourth quarter, EBITA for the Business Development segment amounted to SEK -2.7 million (-1.3). The increase is due to activities related to new business opportunities and acquisitions.

EBIT for the Group amounted to SEK 15.4 million (8.1). The gross margin amounted to 46.3% (47.4). Other external costs amounted to SEK 64.8 million (67.3) and personnel costs amounted to SEK 129.0 million (154.8).

Net financial income amounted to SEK -4.8 million (-5.1). Of this, net interest amounts to SEK -4.2 million (-3.9). Currency rate gains and losses net amounted to SEK 0.9 million (0.1). Other financial expenses amounted to SEK -1.5 million (-1.3).

Profit before tax amounted to SEK 10.6 million (3.0). Profit after tax amounted to SEK 5.2 million (5.5). Profit per share before and after dilution amounts to SEK 0.15 (0.16) for the quarter.

Full year

Net sales for the year amounted to SEK 2,154.9 million (2,067.7). The Main market segment increased to SEK 1,164.7 million (1,112.7) The Other market segment increased to SEK 989.9 million (954.9). Sales have increased through the acquisitions of RITTER (July 2019) and Toolfac (January 2019) and been affected negatively by the pandemic, see "Fourth quarter" above. The currency effect is negative and amounts to approximately SEK 17 million.

EBITDA amounted to SEK 138.6 million (149.0), which corresponds to an EBITDA margin of 6.4% (7.2). Depreciations, amortizations and write-downs during the period amounted to SEK 107.3 million (92.2), of which, amortization and write-down of intangible assets of SEK 16.5 million (11.1) and the write-downs of tangible fixed assets, in connection with the action program, of SEK 7.5 million (-). The gross margin amounted to 44.3% (45.8).

The Group's EBITA amounted in the year to SEK 47.8 million (67.9), which corresponds to an operating margin of 2.2% (3.3). The result is charged by the Group's action program of SEK 27.5 million of which EBITA is charged with SEK 24.7 million. The SEK 24.7 million is distributed with SEK 9.5 million to Main markets and SEK 15.2 million to Other markets. The Main market segment reports EBITA of SEK 41.5 million (80.4), which corresponds to an operating margin of 3.6% (7.2). The Other market segment shows EBITA of SEK 9.7 million (3.2), which corresponds to an operating margin of 1.0% (0.3). The business development segments EBITA amounted for the year to SEK 1.0 million (0.3). EBITA for the Business Development segment amounted to SEK -3.4 million (-15.7).

The Groups EBIT amounted to SEK 31.3 million (56.8). Net financial income amounted to SEK -22.4 million (-24.5). Of this, net interest amounts to SEK -17.5 million (-18.1). Currency rate gains and losses net amounted to SEK 0.8 million (-1.2). Other financial costs amounted to SEK -5.7 million (-5.2). Profit before tax amounted to SEK 8.9 million (32.3). Profit after tax amounted to SEK -1.4 million (23.6). Profit per share before and after dilution amounts to SEK -0.04 (0.73).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities remains positive and amounted in the last quarter to SEK 61.6 million (8.9). For the full year it amounted to SEK 181.8 million (122.0). Changes in working capital amounted to SEK 21.0 million (-26.0) in the fourth quarter and to SEK 75.5 million (-5.6) for the full year.

Cash flow from investment activities amounted in the fourth quarter to SEK -2.1 million (-10.3) which in its entirety consisted of investments in fixed assets. For the full year cash flow from investment activities amounted to SEK -60.0 million (-137.4). Cashflow from acquisition of subsidiaries to SEK -3.1 million (-89.4).

Total acquisitions of tangible fixed assets amounted to SEK 9.1 million (13.8) in the quarter. The difference from investments in the cash flow statement consists of acquisitions of machinery and equipment through leasing.

Cash flow from financing activities for the fourth quarter amounted to SEK -43.7 million (-32.4) and consists of new loans and repayments. During the full year cash flow from financing activities amounted to SEK -63.2 million (5.1).

FINANCIAL POSITION

Shareholder's equity at the end of the period amounted to SEK 474.9 million (497.7) whereas the equity ratio was 33.6% (32.6). The balance sheet total amounted to SEK 1,414.2 million (1,527.9). Cash and cash equivalents amounted to SEK 121.2 million (66.7) at the end of the period. The interest-bearing net debt amounted to SEK 450.4 million (543.3). The interest-bearing net debt has decreased by SEK 54.1 million in the fourth quarter 2020, mainly attributable to the strong cash flow. In the spring HANZA negotiated new terms and conditions for borrowing, so called covenants, with the company's larger creditors. The new terms concern the size of the net debt in relation to EBITDA and are adapted to the effects of covid-19. During the fourth quarter the levels for 2021 were agreed upon.

In connection with the Q2 report the acquisition balances for the acquisition of RITTER was finalized. This led to marginal changes in the balance sheet and key ratios. The income statement was not affected. See also Note 9 Acquisitions of subsidiaries.

DIVIDEND

HANZA's policy is to distribute 30% of the profit after tax. As the dividend for the financial year 2019 was not paid for prudential reasons, the Board will propose to the AGM a dividend for the financial year 2020 of SEK 0.25 (0.00), corresponding to an amount of approximately SEK 8.5 million. The Board's proposal is based on the fact that no dividend was paid in 2019, that the company has proved financially strong through the pandemic and that liquidity allows a dividend.

THE SHARE

At the beginning of the year, the total number of shares was 33,979,928 and the share capital amounted to SEK 3,397,993. No changes in number of shares or share capital have occurred during the year. During the second quarter, 850,000 warrants were issued to the company's senior executives at market value consideration. Each warrant entitles the holder to subscribe for one share in the company at a subscription price of SEK 20 from June 1, 2023 to September 30, 2023.

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,535 (1,752). The number of employees at the end of the period was 1,637 compared to 1,771 at the start of the year, which is explained by the employee reductions which HANZA has performed.

THE PARENT COMPANY

The parent company's net sales, which consists exclusively of income from Group companies, amounted in the quarter to SEK 5.6 million (4.1) and in the full year to SEK 21.1 million (21.5). Profit before tax in the quarter amounted to SEK -34.8 million (1.6) and in the full year to SEK -114.8 million (4.1). The quarterly result includes write-down of shares in subsidiaries amounted to SEK 44.8 million due to adjusted company values. During the year write-down of shares in subsidiaries of SEK 127.1 million. There have been no investments in the parent company during the year.

MATERIAL RISKS AND UNCERTAINTIES

The risk factors that are most material to HANZA are the financial risks and changes in the market, which currently are mainly driven by the outbreak of covid-19. For more information about risks and uncertainties, please refer to Note 3 in the company's 2019 annual report. In excess of the risks with an accelerating pandemic, there have been no material changes in risks since the preparation of the 2019 annual report.

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 interim report gives a true and fair view of parent company and Group operations, as well as their position and earnings, and describes the material risks and uncertainties faced by the parent company and the companies forming part of the Group.

Stocksund, 16 February 2021

On behalf of the Board

Erik Stenfors, CEO

FINANCIAL REPORTS

CONSOLIDATED INCOME STATEMENT

Amount in SEK millions	Note	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Net sales	4	493.7	547.9	2,154.9	2,067.7
Change of inventories in production, finished goods and work in progress on behalf of others		-17.8	-9.1	-52.0	-15.5
Raw materials and consumables		-247.4	-279.2	-1 147.9	-1 105.5
Other external costs		-64.8	-67.3	-263.9	-262.6
Costs of personnel		-129.0	-154.8	-562.1	-535.5
Depreciations, amortizations and write-downs		-24.4	-27.9	-107.3	-92.2
Other operating income	5	7.4	3.7	15.8	8.6
Other operating expenses	5	-2.3	-5.2	-6.2	-8.2
Operating profit	4	15.4	8.1	31.3	56.8
Profit/loss from financial items					
Financial income		0.9	0.2	0.8	0.5
Financial expenses		-5.7	-5.3	-23.2	-25.0
Financial items – net	6	-4.8	-5.1	-22.4	-24.5
Profit/loss before tax		10.6	3.0	8.9	32.3
Income tax	7	-5.4	2.5	-10.3	-8.7
Profit/loss for the period		5.2	5.5	-1.4	23.6

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

Earnings per share before dilution, SEK	0.15	0.16	-0.04	0.73
Earnings per share after dilution, SEK	0.15	0.16	-0.04	0.73

The number of shares before and after dilution are presented in Note 8.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amount in SEK millions	Note	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Profit/loss for the period		5.2	5.5	-1.4	23.6
Other comprehensive income					
Items that will not be reclassified to the income statement					
Remeasurement of post-employment benefits		-2.8	3.6	-4.7	3.6
Tax on items that will not be reclassified to the income statement		0.9	-1.1	1.5	-1.1
Total items that will not be reclassified to the income statement, net of tax		-1.9	2.5	-3.2	2.5
Items that can subsequently be reversed in profit or loss					
Exchange rate differences		-20.4	-10.1	-20.1	3.6
Exchange rate difference on acquisition loan		2.6	1.9	2.0	1.3
Tax on items that can subsequently be reversed in profit or loss		-0.5	-0.4	-0.4	-0.3
Total items that may be reclassified to the income statement, net of tax		-18.3	-8.6	-18.5	4.6
Other comprehensive income for the period		-20.2	-6.1	-21.7	7.1
Total comprehensive income for the period		-15.0	-0.6	-23.1	30.7

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

CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	Note	31.12.2020	31.12.2019
ASSETS			
Fixed assets			
Intangible assets			
Goodwill		297.9	302.8
Other intangible assets		97.8	113.1
Intangible assets		395.7	415.9
Right-of-use assets		137.8	143.7
Tangible fixed assets		269.6	278.5
Financial fixed assets			
Other long-term securities holdings		0.3	0.3
Deferred tax assets		26.9	32.8
Financial fixed assets		27.2	33.1
Total fixed assets		830.3	871.2
Current assets			
Inventories		342.4	422.7
Accounts receivable		76.8	122.1
Other receivables		24.6	27.9
Prepaid expenses and accrued income		18.9	17.3
Cash and cash equivalents		121.2	66.7
Total current assets		583.9	656.7
TOTAL ASSETS		1,414.2	1,527.9

CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	Note	31.12.2020	31.12.2019
SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to the parent company's shareholders		474.9	497.7
LIABILITIES			
Long-term liabilities			
Post-employment benefits		110.3	108.9
Deferred tax liabilities		43.4	45.8
Liabilities to credit institutions	3	174.6	209.9
Lease liabilities		80.9	92.8
Total long-term liabilities		409.2	457.4
Current liabilities			
Overdraft facility	3	44.2	52.1
Liabilities to credit institutions	3	81.5	97.7
Lease liabilities		43.1	45.5
Other interest-bearing liabilities		37.0	3.1
Accounts payable		199.9	231.7
Other liabilities		43.0	53.2
Accrued expenses and deferred income		81.4	89.5
Total current liabilities		530.1	572.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,414.2	1,527.9

CONDENSED CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions	Note	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Opening balance		489.9	498.3	497.7	410.5
Profit/loss for the period		5.2	5.5	-1.4	23.6
Other comprehensive income		-20.2	-6.1	-21.7	7.1
Total comprehensive income		-15.0	-0.6	-23.1	30.7
Transactions with shareholders					
Non-cash issue		-	-	-	64.5
Warrant issue		-	-	0.3	-
Issue costs		-	-	-	-0.3
Dividend		-	-	-	-7.7
Total contributions from and distributions to shareholders, recognized directly in equity		-	-	0.3	56.5
Closing balance		474.9	497.7	474.9	497.7

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Not e	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
		2020	2019	2020	2019
Cash flows from operating activities					
Profit/loss after financial items		10.6	3.0	8.9	32.3
Depreciations, amortizations and write-downs		24.4	27.9	107.3	92.2
Other non-cash items		-0.4	3.0	1.3	4.8
Paid income tax		6.0	1.0	-11.2	-1.7
Cash flows from operating activities prior to the change in working capital		40.6	34.9	106.3	127.6
Total change in working capital		21.0	-26.0	75.5	-5.6
Cash flows from operating activities		61.6	8.9	181.8	122.0
Cash flows from investing activities					
Investments in subsidiaries	9	-	-	-3.1	-89.4
Investments in fixed assets		-4.9	-11.9	-59.9	-50.5
Disposals of tangible fixed assets		2.8	1.6	3.0	2.5
Cash flows from investing activities		-2.1	-10.3	-60.0	-137.4
Cash flows from financing activities					
Warrant issue		-	-	0.3	-
New loans		2.2	12.4	97.0	149.5
Repayment of borrowings		-45.9	-44.8	-160.5	-136.7
Dividends paid		-	-	-	-7.7
Cash flows from financing activities		-43.7	-32.4	-63.2	5.1
Increase/reduction in cash and cash equivalents		15.8	-33.8	58.6	-10.3
Cash and cash equivalents at the beginning of the period		110.1	103.7	66.7	77.5
Exchange differences in cash and cash equivalents		-4.7	-3.2	-4.1	-0.5
Cash and cash equivalents at the end of the period		121.2	66.7	121.2	66.7

CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Operating income	5.6	4.1	21.1	21.5
Operating expenses	-5.1	-4.0	-19.1	-20.0
Other operating income	0.4	-	0.4	-
Other operating expenses	-0.2	-	-0.2	-
Operating profit	0.7	0.1	2.2	1.5
Profit/loss from financial items				
Profit/loss from shares in group companies	-44.8	-	-127.1	-
Other interest income and similar income items	5.2	2.1	7.6	4.2
Interest charges and similar income items	-0.7	-0.6	-2.3	-1.6
Total profit/loss from financial items	-40.3	1.5	-121.8	2.6
Profit/loss after net financial items	-39.6	1.6	-119.6	4.1
Appropriations	4.8	-	4.8	-
Profit/loss before tax	-34.8	1.6	-114.8	4.1
Tax on profit for the period	-2.6	-0.6	-2.6	-0.6
Profit/loss for the period	-37.4	1.0	-117.4	3.5

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

Amount in SEK millions	Note	31.12.2020	31.12.2019
ASSETS			
Fixed assets			
Financial fixed assets		339.8	453.7
Total fixed assets		339.8	453.7
Current assets			
Current receivables		9.6	1.4
Cash and cash equivalents		1.3	0.1
Total current assets		10.9	1.5
TOTAL ASSETS		350.7	455.2

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity		239.9	357.0
Untaxed reserves		0.5	-
Long-term liabilities		47.0	70.1
Current liabilities		63.3	28.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		350.7	455.2

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 Groups accounting principles are described in 2 of the company's 2019 annual report. These have been applied when this interim report was prepared too, but with the adjustments and clarifications below.

- HANZA has from 1 January 2020 adjusted the segment classification which is described in note 4.
- In connection with the covid-19 pandemic HANZA has had the possibility to use different types of government grants which are not covered by the descriptions in the 2019 annual report. The most important are temporarily reduced social security fees and postponed payments of taxes and social security fees. In cases where fees have been reduced the actual cost has been booked. Hence, the grants become cost reductions. Postponed payments of taxes and fees are interest-bearing and treated as other interest-bearing liabilities.

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' further below.

Description of segment reporting

HANZA divide the 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 characterised 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 characterised by heavy labour input, 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.

Ritter that was acquired in July 2019 with operations in Germany and Czech Republic was during 2019, organizationally included in cluster Central Europe and thereby included in former cluster Rest of the world. From the beginning of 2020, the organization has been developed so that the production units in the acquisition have been split into two different manufacturing clusters. Thereby has Germany come to form an own manufacturing cluster reported in segment Main markets (former Nordic), while the unit in Czech Republic is reported in Other markets (former Rest of the world), see definitions above. The values for 2019 have been recalculated.

Transactions between segments are made on market terms.

Revenues by segment

SEK millions	Oct - Dec 2020			Oct - Dec 2019		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	257.1	-1.7	255.4	313.7	-4.8	308.9
Other markets	250.8	-12.5	238.3	241.5	-2.5	239.0
Business development	-	-	0.0	-	-	-
Total	507.9	-14.2	493.7	555.2	-7.3	547.9

SEK millions	Jan - Dec 2020			Jan - Dec 2019		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	1,168.8	-4.1	1,164.7	1121.2	-8.5	,112.7
Other markets	1,016.3	-26.4	989.9	984.8	-29.9	954.9
Business development	0.3	-	0.3	0.1	-	0.1
Total	2,185.4	-30.5	2,154.9	2,106.1	-38.4	2,067.7

Profit by segment

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

SEK millions	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
EBITA				
Main markets	10.9	18.9	41.5	80.4
Other markets	10.4	-5.9	9.7	3.2
Business development	-2.7	-1.3	-3.4	-15.7
Total EBITA	18.6	11.7	47.8	67.9
Amortisation of intangible assets	-3.2	-3.6	-16.5	-11.1
Operating profit	15.4	8.1	31.3	56.8
Financial items – net	-4.8	-5.1	-22.4	-24.5
Profit/loss before tax	10.6	3.0	8.9	32.3
Items affecting comparability				
Revaluation of acquisition purchase price	2.5	1.1	2.5	1.1
Transaction costs	-	-0.4	-	-8.4
Costs for change of listing	-	-	-	-3.7
Write-down of assets	-	-3.0	-	-3.0
Action programme covid-19	-	-	-24.7	-
Amortization of over-value in inventory identified in the acquisition of RITTER	-	-2.5	-	-4.2
Total	2.5	-4.8	-22.2	-18.2
EBITA per segment excluding items affecting comparability				
Main markets	10.9	20.3	51.0	83.8
Other markets	10.4	-2.9	24.9	6.2
Total	21.3	17.4	75.9	90.0
Business development	-5.2	-0.9	-5.9	-3.9
Total	16.1	16.5	70.0	86.1
Items affecting comparability	2.5	-4.8	-22.2	-18.2
EBITA	18.6	11.7	47.8	67.9

Revenue from external customers by manufacturing technology

SEK millions	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Mechanics	316.5	327.4	1 309.7	1 367.8
Electronics	177.2	220.5	844.9	699.8
Business development	-	-	0.3	0.1
Total	493.7	547.9	2 154.9	2 067.7

Note 5 Other operating income and operating expenses

SEK millions	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
Other operating income	2020	2019	2020	2019
Profit on disposal of fixed assets	0.6	0.2	1.0	0.6
Revaluation of acquisition purchase price	2.5	1.1	2.5	1.1
Government grants	1.7	-	3.3	-
Exchange gains	0.8	1.6	3.8	4.5
Other items	1.8	0.8	5.2	2.4
Total other operating income	7.4	3.7	15.8	8.6
Other operating expenses				
Loss on disposal of fixed assets	-0.3	-2.7	-1.0	-2.8
Exchange losses	-1.7	-1.4	-4.5	-3.9
Other items	-0.3	-1.1	-0.7	-1.5
Total other operating expenses	-2.3	-5.2	-6.2	-8.2

Note 6 Financial income and expenses – Net financial items

SEK millions	Oct - Dec	Oct - Dec	Jan - Dec	Jan - Dec
Financial income	2020	2019	2020	2019
Interest income	-	0.1	-	0.5
Net exchange gains and losses	0.9	0.1	0.8	-
Total financial income	0.9	0.2	0.8	0.5
Financial expenses				
Interest expenses	-4.2	-4.0	-17.5	-18.6
Net exchange gains and losses	-	-	-	-1.2
Other financial expenses	-1.5	-1.3	-5.7	-5.2
Total financial expenses	-5.7	-5.3	-23.2	-25.0
Total financial items - net	-4.8	-5.1	-22.4	-24.5

Note 7 Income tax

The effective tax rate for the quarter was 51 percent (-83). A part of the Group's operations derives from Estonia, where profits are only taxed upon distribution of dividends. The parent company rules over the dividends and there are currently no plans or needs to take dividends, which would result in taxes, from the Estonian companies. The Estonian tax rate has therefore been set at 0 percent for purposes of the calculation. The effective tax rate therefore varies according to the proportion of pre-tax profits stemming from Estonia and from units where the company has deemed that deferred tax assets cannot be booked due to insecurity about the possibility to use the tax losses in the future.

Note 8 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 number of shares at the end of the period is also shown.

Number of shares	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Weighted average number of shares before dilution	33,979,928	33,979,928	33,979,928	32,125,760
Adjustment upon calculation of earnings per share after dilution:				
Warrants	-	-	-	617
Weighted average number of shares after dilution	33,979,928	33,979,928	33,979,928	32,126,377
Number of shares at the end of the period	33,979,928	33,979,928	33,979,928	33,979,928

Note 9 Rörelseförvärv

HANZA Holding have not done any acquisitions during 2020. In February, a liability referring to an additional purchase price from the acquisition of Toolfac oy amounting to SEK 3.1 million was settled. The liability was settled without any effect on the income statement.

The acquisition analysis for RITTER, which was acquired on July 25th, 2019 was determined as of June 30th, 2020, in which the items accrued liabilities and prepaid income were increased by SEK 5.3 million and deferred tax assets were increased by SEK 1.7 million. Goodwill in the acquisition thereby increased by SEK 3.6 million. The balance sheets for previous periods have been recalculated which affects the comparison values for December 31, 2019 in this report. Also, the equity ratio as of those dates are marginally affected. Income statements for previous periods are not affected by the changes.

An agreement has been achieved on reduction of the purchase price for RITTER of SEK 2.5 million which is reported as other operating income in Q4.

KEY RATIOS

	Oct - Dec 2020	Oct - Dec 2019	Jan - Dec 2020	Jan - Dec 2019
Key ratios according to IFRS				
Net sales, SEK millions	493.7	547.9	2,154.9	2,067.7
Earnings per share before dilution, SEK	0.15	0.16	-0.04	0.73
Earnings per share after dilution, SEK	0.15	0.16	-0.04	0.73
Average number of employees	1,535	1,752	1,543	1,603
Alternative performance measurements				
EBITDA margin, % ^{*)}	8.1%	6.6%	6.4%	7.2%
Operating margin, %	3.1%	1.5%	1.5%	2.7%
Operational segments EBITA, SEK millions	21.3	13.0	51.2	83.6
Operational EBITA margin, %	4.3%	2.4%	2.4%	4.0%
Operating capital, SEK millions ^{*)}	925.3	1,041.0	925.3	1,041.0
Return on operating capital, % ^{*)}	1.9%	1.1%	4.9%	7.9%
Capital turnover on operating capital, times ^{*)}	0.5	0.5	2.2	2.4
Net interest-bearing debt, SEK millions ^{*)}	450.4	543.3	450.4	543.3
Net debt/equity ratio, times ^{*)}	0.9	1.1	0.9	1.1
Operational net debt, SEK millions	270.7	350.2	270.7	350.2
Equity ratio, % ^{*)}	33.6%	32.6%	33.6%	32.6%
Equity per share at end of period, SEK	13.98	14.65	13.97	14.65

The alternative performance measurements above are considered relevant to give a picture of HANZA's operational profitability, the distribution of financing between equity and external financing, return on contributed capital and the company's financial risk. Reconciliation tables for alternative performance measurements and motives for using each measurement are published on the company's web page.

FORTHCOMING DISCLOSURES

- Annual report for 2020 will be published during week 13, 2021
- The interim report for the period January-March 2021 will be presented on Monday April 26, 2021
- Annual general meeting will be held on Monday April 26, 2021
- The interim report for the period January-June 2021 will be presented on Tuesday July 27, 2021
- The interim report for the period January-September 2021 will be presented on Tuesday November 9, 2021

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DEFINITIONS, ALTERNATIVE PERFORMANCE MEASUREMENTS AND TERMS

KEY RATIOS ACCORDING TO IFRS - Definitions

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

ALTERNATIVE PERFORMANCE MEASUREMENTS – Definitions, reconciliation and motives

The alternative performance measurements below are used in this 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.

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 assets

EBITDA margin is EBITDA divided by net sales

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

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.

Non-recurring items are revenue and expense items in the operating profit which only by way of exception occurs in the operations. To non-recurring items 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

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

Operating margin (EBIT margin) is operating profit divided by net sales

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

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

TERMS – Definitions established by HANZA

CORE (Cluster Operational Excellence) is a method used by HANZA to develop the factories operationally, which are carried out in shape of projects.

MIG (Manufacturing Solutions for Increased Growth & Earnings) is an advisory service developed by HANZA which analyses and gives advices on improvements in the customers complete manufacturing and logistic chain.

MCS (Material Compliance Services) is a service developed by HANZA which helps the customer to secure that a product fulfils regulations regarding included components.

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

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 processes and increased profitability for our customers.

HANZA was founded in 2008 and since 2019 has sales exceeding SEK 2 billion, with operations in Sweden, Germany, Finland, Estonia, Poland, the Czech Republic and China.

Among our clients you find leading companies such as ABB, Epiroc, GE, Getinge, Oerlikon, SAAB and Siemens.

Read more at www.hanza.com

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