

The background of the entire page is a close-up, artistic photograph of a 3D printer's nozzle. The nozzle is positioned vertically, and a small, glowing orange filament is being extruded from its tip, creating a fine, coiled pattern on a surface below. The scene is illuminated with a strong blue and purple light, creating a high-tech, industrial atmosphere. The printer's frame and other components are visible in the background, slightly out of focus.

HANZA

ALL YOU NEED IS ONE™

INTERIM REPORT

HANZA Holding AB (publ)

1 January – 30 June 2021U



INTERIM REPORT JANUARY - JUNE 2021

Solid quarter with continued investments for growth

Second quarter 2021

- Net sales increased by 13% to SEK 633.8 million (559.0).
- Operating profit (EBITA) increased to SEK 40.4 million (-12.6), which corresponds to an operating margin of 6.4 % (-2.3).
- Profit after tax amounted to SEK 26.0 million (-19.6), which corresponds to SEK 0.73 per share (-0.58).
- Cash flow from operating activities amounted to SEK 19.4 million (26.7).

First half-year 2021

- Net sales increased by 4% to SEK 1,201.2 million (1,158.1).
- Operating profit (EBITA) increased to SEK 62.9 million (7.8), which corresponds to an operating margin of 5.2 % (0.7).
- Profit after tax amounted to SEK 35.1 million (-13.2), which corresponds to SEK 1.00 per share (-0.39).
- Cash flow from operating activities amounted to SEK 85.5 million (94.3).

Material events during and after the period

- During the period, HANZA continued a development program for the Group's manufacturing clusters including decisions on new investments amounting to approx. SEK 35 million.
- On April 26, the Annual General Meeting resolved, among other things, to re-elect the Board in its entirety, to pay a dividend of SEK 0.25 per share and to authorize the Board to, on one or more occasions during the period until the next AGM, increase the company's share capital through the issue of shares, warrants and/or convertibles corresponding to approx. 9.8% of the current share capital.
- In July, HANZA signed an agreement with air-tech company Njord, for the complete manufacture of air purifiers. Production will take place in Sweden and the initial order is approx. SEK 12 million.



HANZA Sweden

Opening of facility for protective coating of circuit boards and investments of approx. SEK 25 million



HANZA China

Rent larger premises and investments of approx. SEK 10 million

CEO COMMENT

The quarter

HANZA has a unique offer, well appreciated by the market. During the spring of 2021, we have secured a number of new customers and projects, such as a German company that offers kitchen equipment, an American company that develops wheelchair-accessible vehicles, a Norwegian company that works with products for air purification and a Swedish company that develops transport systems.

To meet the demand, we continue to develop and invest in our six manufacturing clusters. In the first quarter, we started building a new factory in Estonia, and made an important acquisition in Finland. In the second quarter, we continued the development by opening a new coating department for circuit boards in Sweden, which means that we can offer electronics for challenging environments. Furthermore, we decided to expand the business in China by renting new and larger production premises. In total, we decided on investments of approximately SEK 35 million during the quarter.



Financial development

HANZA increases product companies' growth and profitability by streamlining their supply chains. Among other things, this means that we help our customers to relocate production and that we offer manufacturing close to the market in our clusters. Thus, our business model creates a high customer value, which enables a good operating margin for HANZA as well. Our mature manufacturing clusters achieve double-digit operating margins, while the clusters that are in the build-up phase show lower margins. During an initial phase, negative margins can also occur.

During the second quarter, approximately 70% of HANZA had an operating margin of around 10%, which resulted in a Group margin of 6.4%. Retained financial costs during the expansion mean that the net result improves significantly; earnings per share amounted to SEK 0.73 in the second quarter and accumulated to SEK 1.00 for the first half-year.

Some industries have not recovered from the pandemic. Sales to the Group's largest customer, active in the textile industry, remain low, and even fell short of the corresponding quarter of 2020, when the downturn began. Overall, we see organic growth of just over 10%.

Working capital is negatively affected by the global shortage of materials and components. However, we show continued positive cash flow in the quarter, approx. SEK 20 million.

The future

Our establishment in Germany in 2019 was an important milestone in the Group's development. During the pandemic, the German market has been difficult to access due to an extensive lockdown, but during the spring the restrictions have been gradually lifted and we are now increasing activity in this area.

The main development of HANZA is driven by investments and improvements in our manufacturing clusters. In addition, there are acquisitions, but it is worth noting that we do not acquire companies in order to increase the Group's size, but in order to further improve our customer offer. Assessments of suitable companies are always ongoing and will likely lead to further acquisitions.

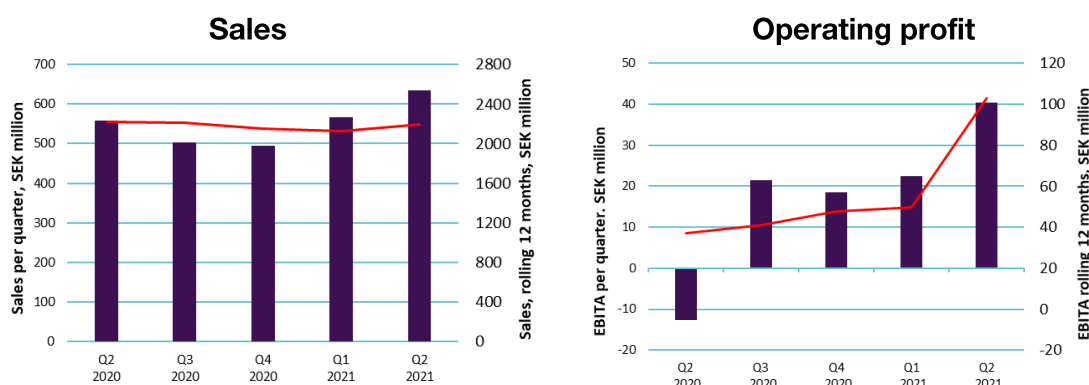
Currently, the biggest challenge is raw materials and components; the shortage situation has affected our sales and earnings negatively during the second quarter. At the same time, this shortage situation highlights the advantage of a rational supply chain - which HANZA offers. This in turn increases the need for our advisory services, and we have several ongoing studies of customers' supply chains to create streamlined alternatives with significant benefits.

Long-term perspective is a guiding principle for HANZA. The Group has been built up gradually and following a brief pause during the pandemic, we now continue the work of completing our currently six manufacturing clusters. When this phase is completed, we will further scale up our company to meet the global needs of HANZA's business model.

Kista July 27, 2021

Erik Stenfors
CEO





The graphs illustrate net sales and operating profit (EBITA) per quarter (bars), and on a rolling 12-month basis (lines). The action program during the pandemic affected the operating profit by SEK -24,7 million in Q2, 2020.

Market development

HANZA's customer markets are mainly the Nordic countries 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 sees opportunities for new market shares also during a recession, as product companies normally discover new needs to streamline and regionalize their supply chain.

HANZA is experiencing very strong demand in the Nordic markets. In Germany, the extended lockdown has lowered the demand, but we now see a recovery that is faster than previous assessments. However, some of HANZA's customer groups are still affected by the effects of the pandemic, such as equipment for the textile industry, breweries and shops. This temporary weakening is expected to continue until the end of the year. The extreme flooding that hit areas near HANZA's plant in Germany did not affect operations.

HANZA sees opportunities for new market shares as the pandemic reinforces the trend towards regional and complete manufacturing. This is a trend that has previously been driven by, among other things, trade barriers, transport costs, delivery times and environmental aspects. A limiting factor for HANZA and the manufacturing industry will be the availability of raw materials and components that are already strained today.

Second quarter

Net sales amounted to SEK 633.8 million (559.0). Sales have increased through new sales and increased volumes, but was negatively affected due to the effects of covid-19, where sales to the Group's largest customer were lower in Q2 2021, compared to Q2 2020. The global material shortage situation has also led to delayed production and thus lower sales during the quarter. Furthermore, exchange rate fluctuations have negatively affected sales by approx. SEK 21 million while the acquisition of the Finnish company Suomen Levypölylii (SLP) affects sales positively by approx. SEK 41 million. Excluding exchange rate fluctuations and acquisitions the growth is approx. 10 % in the quarter.

In Q2, segment Main markets shows sales of SEK 338.9 million (305.8), an increase by 11%. Negative exchange rate effects affect this segment by SEK 9 million. Segment Other markets shows sales of SEK 294.9 million (252.9), an increase by approx. 17 %. Negative exchange rate effect affects this segment by SEK 12 million.

The gross margin amounted to 47.0% (42.5). The increase from last year is due to improved margins but also a continued increase of our inventory and work in progress as a result of component shortages, and that Q2 2020 was burdened by non-recurring costs.

EBITDA for the quarter amounted to SEK 62.7 million (19.1), which corresponds to an EBITDA margin of 9.9% (3.4). Depreciations and amortizations during the period amounted to SEK 26.5 million (35.2), of which amortization of intangible assets amounted to SEK 4.2 million (3.5) which mainly refers to customer relations added in acquisitions. The comparison figure for 2020 included write-downs of SEK 10.5 million.

The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to SEK 40.4 million (-12.6), which corresponds to an operating margin of 6.4% (-2.3). The comparison result for Q2 2020 includes items affecting comparability of SEK 27.5 million. The EBITA margin in the Main market segment amounts to 7.9% (0.1). In the Other markets segment the margin amounts to 5.0% (-5.2). Without the component shortage described above, both sales and earnings would have been greater.

In the Business Development segment, costs for special Group development projects not linked to HANZA's operations, such as acquisitions, divestments, listing expenses, development of service products etc. are reported. In the second quarter, EBITA for the Business Development segment amounted to SEK -1.1 million (0.3).

Other external costs amounted to SEK 68.6 million (65.9) and personnel costs amounted to SEK 168.8 million (155.0). The increased costs are due to increased net sales and acquired units. EBIT for the Group amounted to SEK 36.2 million (16.1). Net financial income amounted to SEK -5.5 million (-4.2). Of this, net interest amounts to SEK -4.8 million (-4.4). Currency rate gains and losses net amounted to SEK 1.2 million (1.6). Other financial costs amounted to SEK -1.9 million (-1.4).

Profit before tax amounted to SEK 30.7 million (-20.3). Profit after tax amounted to SEK 26.0 million (-19.6). Profit per share before and after dilution amounts to SEK 0.73 (-0.58) for the quarter.

First half-year

Net sales in the first half-year amounted to SEK 1,201.2 million (1,158.1). Main markets decreased slightly, to SEK 639.8 million (643.6) and Other markets increased to SEK 561.4 million (514.2). Exchange rate fluctuations have negatively affected sales by approx. SEK 46 million compared to 2020.

EBITDA amounted to SEK 105.4 million (60.6), which corresponds to an EBITDA margin of 8.8% (5.2). Depreciations and amortizations during the period amounted to SEK 50.2 million (59.9), of which amortization of intangible assets amounted to SEK 7.7 million (7.1) which mainly refers to customer relations added in acquisitions. The comparison figure for 2020 included write-downs of SEK 10.5 million.

The Group's EBITA amounted to SEK 62.9 million (7.8), which corresponds to an operating margin of 5.2% (0.7). The Main market segment reports an EBITA of SEK 42.1 million (19.2), which corresponds to an operating margin of 6.6% (3.0). The Other markets segment shows an EBITA of SEK 25.1 million (-10.9), which corresponds to an operating margin of 4.5% (-2.1). EBITA for the Business Development segment amounted in the first half-year to SEK -4.3 million (-0.5) and consists mainly of acquisition costs. The Group's EBIT amounted to SEK 55.2 million (0.7). Net financial income amounted to SEK -12.7 million (-11.5), of which net interest SEK -9.1 million (-9.0).

Profit before tax amounted to SEK 42.5 million (-10.8), while profit after tax amounted to SEK 35.1 million (-13.2). Profit per share before and after dilution amounts to SEK 1.00 (-0.39).

Cash flow and investments

Cash flow from operating activities in the second quarter amounted to SEK 19.4 million (26.7). For the first half-year the cash flow amounted to SEK 85.5 million (94.3). The change in working capital amounted in the quarter to SEK -36.2 million (10.4) and for the first half-year to SEK 1.2 million (50.1). The above-mentioned lack of components has led to increasing safety stocks.

Cash flow from investment activities amounted in the second quarter to SEK -41.0 million (-15.4) of which investments in building SEK -11.5 million (-0.9), other fixed assets to a net of SEK -29.5 million (-14.5). For the first half-year cash flow from investment activities amounted to SEK -79.4 million (-37.0) of which cash flow from acquisitions, SEK -20.2 million (-3.1).

Total investments in tangible fixed assets amounted in the quarter to SEK 46.3 million (17.8). The difference from cash flow from investments is due to the fact that certain investments do not affect cash flow as they are made through leasing or are an accounts-payable at the end of the period.

Cash flow from financing activities in the second quarter amounted to SEK -27.0 million (-4.3) and consists of new loans and repayments and paid dividend of SEK -8.9 million (-). In the first half-year cash flow from financing activities amounted to SEK -38.7 million (-25.2).

Financial position

Shareholder's equity at the end of the period amounted to SEK 534.8 million (483.8) whereas the equity ratio was 31.5% (31.6). The balance sheet total amounted to SEK 1,696.5 million (1,530.9). Cash and cash equivalents at the end of the period amounted to SEK 89.8 million (98.4).

The net interest-bearing debt at the end of the period amounted to SEK 533.3 (488.7) and has increased in the quarter by SEK 33.1 million. The operating net debt amounts to SEK 316.1 million (306.8), an increase by SEK 41.5 million in the quarter. Investments in a new factory building in Estonia have increased net debt by SEK 11.5 million in the quarter and SEK 16.0 million in the first half-year.

Dividend

The AGM on 26 April 2021 decided on a dividend of SEK 0.25 (-) per share, which resulted in a total dividend of SEK 8.9 million (-).

The parent company

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

Material risks and uncertainties

The risk factors that are most material to HANZA are the financial risks and changes in the market, which today 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 2020 annual report. There have been no material changes in risks since the preparation of the 2020 annual report.

Related party transactions

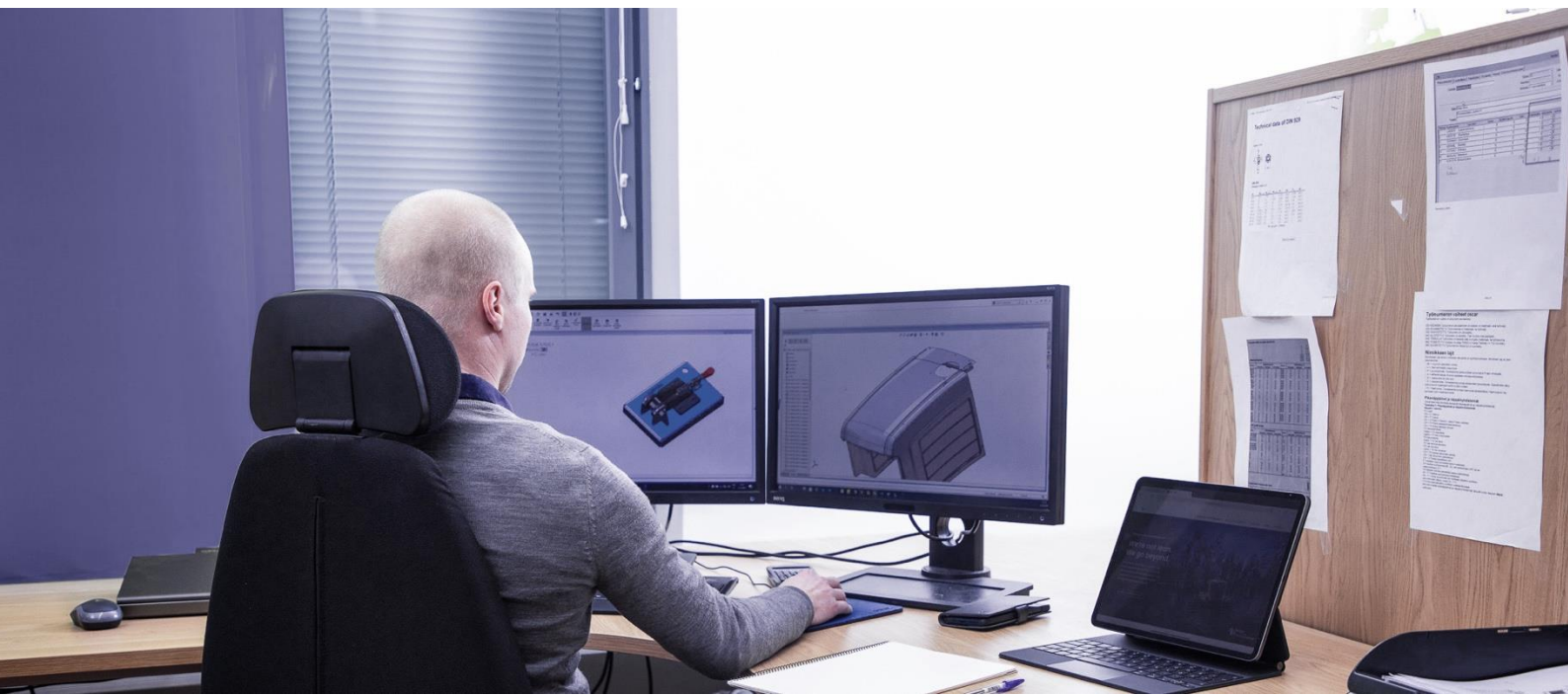
There have been no transactions between the HANZA Group and related parties during the quarter affecting the Group's position or earnings, beyond customary payments of remunerations to the Board of Directors and Group management salaries.

The share

At the beginning of the year the number of shares amounted to 33,979,928. On 1 April, the number of shares was increased by 1,800,000 when the share issue in connection with the acquisition of SLP was registered.

Employees

In the quarter the average number of employees in the Group amounted to 1,857 (1,645). At the end of the period the number was 1,876 and at the beginning of the year the number was 1,637. The increase is mainly due to the acquisition of SLP.



Consolidated income statement

SEK millions	Note	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Net sales	4	633.8	559.0	1,201.2	1,158.1	2,154.9
Change of inventories in production, finished goods and work in progress on behalf of others		40.8	-15.1	80.1	-13.0	-52.0
Raw materials and consumables		-376.6	-306.5	-722.9	-629.4	-1 147.9
Other external costs		-68.6	-65.9	-137.7	-145.0	-263.9
Costs of personnel		-168.8	-155.0	-318.3	-313.1	-562.1
Depreciations, amortizations and write- downs		-26.5	-35.2	-50.2	-59.9	-107.3
Other operating income	5	2.5	1.8	5.4	4.6	15.8
Other operating expenses	5	-0.4	0.8	-2.4	-1.6	-6.2
Operating profit	4	36.2	-16.1	55.2	0.7	31.3
Profit/loss from financial items						
Financial income		1.2	1.6	0.2	0.2	0.8
Financial expenses		-6.7	-5.8	-12.9	-11.7	-23.2
Financial items – net	6	-5.5	-4.2	-12.7	-11.5	-22.4
Profit/loss before tax		30.7	-20.3	42.5	-10.8	8.9
Income tax		-4.7	0.7	-7.4	-2.4	-10.3
Profit/loss for the period		26.0	-19.6	35.1	-13.2	-1.4

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

Earnings per share before dilution, SEK	0.73	-0.58	1.00	-0.39	-0.04
Earnings per share after dilution, SEK	0.73	-0.58	1.00	-0.39	-0.04

The number of shares before and after dilution are presented in Note 7.

Consolidated comprehensive income statement

SEK millions	Note	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Profit/loss for the period		26.0	-19.6	35.1	-13.2	-1.4
Other comprehensive income						
Items that will not be reclassified to the income statement						
Remeasurement of post-employment benefits		-	-	2.9	1.2	-4.7
Tax on items that will not be reclassified to the income statement		-	-	-0.9	-0.4	1.5
Total items that will not be reclassified to the income statement, net of tax		-	-	2.0	0.8	-3.2
Items that can subsequently be reversed in profit or loss						
Exchange rate differences		-2.9	-22.7	4.9	-1.6	-20.1
Exchange rate difference on acquisition loan		0.2	2.4	-0.7	-0.3	2.0
Tax on items that can subsequently be reversed in profit or loss		-0.1	-0.5	0.1	0.1	-0.4
Total items that may be reclassified to the income statement, net of tax		-2.8	-20.8	4.3	-1.8	-18.5
Other comprehensive income for the period		-2.8	-20.8	6.3	-1.0	-21.7
Total comprehensive income for the period		23.2	-40.4	41.4	-14.2	-23.1

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

Condensed consolidated balance sheet

SEK millions	Note	30.06.2021	30.06.2020	31.12.2020
ASSETS				
Fixed assets				
Goodwill		336.8	303.3	297.9
Customer relations		100.0	98.6	90.7
Other intangible assets		8.6	10.2	7.1
Buildings and land		124.0	107.7	101.0
Machinery and equipment		218.2	165.1	168.6
Right-of-use assets		166.4	132.2	137.8
Other long-term securities holdings		0.6	0.3	0.3
Deferred tax assets		18.5	35.1	26.9
Total fixed assets		973.1	852.5	830.3
Current assets				
Inventories		463.1	404.5	342.4
Accounts receivable		103.4	129.6	76.8
Other receivables		49.9	28.2	24.6
Prepaid expenses and accrued income		17.2	17.7	18.9
Cash and cash equivalents		89.8	98.4	121.2
Total current assets		723.4	678.4	583.9
TOTAL ASSETS		1,696.5	1,530.9	1,414.2

Condensed consolidated balance sheet, cont'd

SEK millions	Note	30.06.2021	30.06.2020	31.12.2020
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		534.8	483.8	474.9
LIABILITIES				
Long-term liabilities				
Post-employment benefits		109.3	109.0	110.3
Deferred tax liabilities		43.8	42.9	43.4
Liabilities to credit institutions	3	183.0	186.3	174.6
Lease liabilities		116.2	77.7	80.9
Total long-term liabilities		452.3	415.9	409.2
Current liabilities				
Overdraft facility	3	46.3	42.1	44.2
Liabilities to credit institutions	3	97.2	94.8	81.5
Lease liabilities		38.2	43.9	43.1
Other interest-bearing liabilities	3	32.9	33.3	37.0
Accounts payable		307.0	240.6	199.9
Other liabilities		52.2	60.1	43.0
Accrued expenses and deferred income		135.6	116.4	81.4
Total current liabilities		709.4	631.2	530.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,696.5	1,530.9	1,414.2

Condensed consolidated report of changes in shareholders' equity

SEK millions	Note	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Opening balance		520.5	523.9	474.9	497.7	497.7
Profit/loss for the period		26.0	-19.6	35.1	-13.2	-1.4
Other comprehensive income		-2.8	-20.8	6.3	-1.0	-21.7
Total comprehensive income		23.2	-40.4	41.4	-14.2	-23.1
Transactions with shareholders						
Non-cash issue		-	-	27.6	-	-
Issue costs		-	-	-0.2	-	-
Warrant issue		-	0.3	-	0.3	0.3
Dividend		-8.9	-	-8.9	-	-
Total contributions from and distributions to shareholders, recognized directly in equity		-8.9	0.3	18.5	0.3	0.3
Closing balance		534.8	483.8	534.8	483.8	474.9

Condensed consolidated statement of cash flows

SEK millions	Note	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Cash flows from operating activities						
Profit/loss after financial items		30.7	-20.3	42.5	-10.8	8.9
Depreciations, amortizations and write-downs		26.5	35.2	50.2	59.9	107.3
Other non-cash items		-0.4	2.7	0.4	0.6	1.3
Paid income tax		-1.2	-1.3	-8.8	-5.5	-11.2
Cash flows from operating activities prior to the change in working capital		55.6	16.3	84.3	44.2	106.3
Total change in working capital		-36.2	10.4	1.2	50.1	75.5
Cash flows from operating activities		19.4	26.7	85.5	94.3	181.8
Cash flows from investing activities						
Acquisition in subsidiaries	8	-	-	-20.2	-3.1	-3.1
Investments in fixed assets		-42.0	-15.3	-60.9	-34.2	-59.9
Disposals of tangible fixed assets		1.0	-0.1	1.7	0.3	3.0
Cash flows from investing activities		-41.0	-15.4	-79.4	-37.0	-60.0
Cash flows from financing activities						
New share issue		-	0.3	-	0.3	0.3
New loans		25.6	38.0	63.3	53.6	97.0
Repayment of borrowings		-43.7	-42.6	-93.1	-79.1	-160.5
Dividends paid		-8.9	-	-8.9	-	-
Cash flows from financing activities		-27.0	-4.3	-38.7	-25.2	-63.2
Increase/reduction in cash and cash equivalents		-48.6	7.0	-32.6	32.1	58.6
Cash and cash equivalents at the beginning of the period		138.8	97.0	121.2	66.7	66.7
Exchange rate differences in cash and cash equivalents		-0.4	-5.6	1.2	-0.4	-4.1
Cash and cash equivalents at the end of the period		89.8	98.4	89.8	98.4	121.2

Condensed parent company income statement

SEK millions	Note	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Operating income		7.0	5.0	12.2	10.3	21.1
Operating expenses		-6.6	-4.4	-11.8	-9.5	-19.1
Other operating income		0.1	-	0.2	-	0.4
Other operating expenses		-0.1	-0.1	-0.1	-	-0.2
Operating profit		0.4	0.5	0.5	0.8	2.2
Profit/loss from financial items						
Profit/loss from shares in group companies		-	-19.0	-	-19.0	-127.1
Other interest income and similar income items		0.4	2.0	0.5	2.6	7.6
Interest charges and similar income items		0.3	3.3	-2.3	-1.1	-2.3
Total profit/loss from financial items		0.7	-13.7	-1.8	-17.5	-121.8
Profit/loss after net financial items		1.1	-13.2	-1.3	-16.7	-119.6
Appropriations		-	-	-	-	4.8
Profit/loss before tax		1.1	-13.2	-1.3	-16.7	-114.8
Tax on profit for the period		-	-	-	-	-2.6
Profit/loss for the period		1.1	-13.2	-1.3	-16.7	-117.4

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 millions	Note	30.06.2021	30.06.2020	31.12.2020
ASSETS				
Fixed assets				
Financial fixed assets		394.3	444.9	339,8
Total fixed assets		394.3	444.9	339,8
Current assets				
Current receivables		5.9	4.9	9,6
Cash and cash equivalents		1.3	0.7	1,3
Total current assets		7.2	5.6	10,9
TOTAL ASSETS		401.5	450.5	350,7
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		257.3	340.7	239,9
Untaxed reserves		0.5	-	0,5
Long-term liabilities		52.2	59.7	47,0
Current liabilities		91.5	50.1	63,3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		401,5	450.5	350.7

Notes

Note 1 General information

All amounts are reported in millions of SEK (SEK million) and refers to The Group unless otherwise stated. Information in brackets refers to the corresponding period of the preceding year. The interim information on pages 5 to 8 forms an integral part of this financial report.

Note 2 Basis for the preparation of reports and accounting principles

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

The accounting principles are in accordance with the principles that were applied in the previous financial year. For more information on these, please refer to Note 2 of the company's 2020 annual report.

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

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

Note 4 Revenue and segment information

Description of revenue from contracts with customers

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

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

Description of segment reporting

HANZA 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.

Transactions between segments are made on market terms.

Revenues by segment

SEK millions	Apr – Jun 2021			Apr – Jun 2020		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	342.8	-3.9	338.9	306.6	-0.8	305.8
Other markets	298.6	-3.7	294.9	259.9	-7.0	252.9
Business development	-	-	-	0.3	-	0.3
Total	641.4	-7.6	633.8	566.8	-7.8	559.0

SEK millions	Jan – Jun 2021			Jan – Jun 2020		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	645.7	-5.9	639.8	645.6	-2.0	643.6
Other markets	568.7	-7.3	561.4	526.4	-12.2	514.2
Business development	-	-	-	0.3	-	0.3
Total	1,214.4	-13.2	1,201.2	1,172.3	-14.2	1,158.1

Profit by segment

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

SEK millions	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
EBITA					
Main markets	26.8	0.2	42.1	19.2	41.5
Other markets	14.7	-13.1	25.1	-10.9	9.7
Business development	-1.1	0.3	-4.3	-0.5	-3.4
Total EBITA	40.4	-12.6	62.9	7.8	47.8
Amortisation of intangible assets	-4.2	-3.5	-7.7	-7.1	-16.5
Operating profit	36.2	-16.1	55.2	0.7	31.3
Financial items – net	-5.5	-4.2	-12.7	-11.5	-22.4
Profit/loss before tax	30.7	-20.3	42.5	-10.8	8.9
Items affecting comparability					
Revaluation of acquisition purchase price	-	-	-	-	2.5
Transaction costs	-	-	-2.3	-	-
Integration costs	-	-	-3.7	-	-
Action programme covid-19	-	-27.5	-	-27.5	-24.7
Total	-	-27.5	-6.0	-27.5	-22.2
EBITA per segment excluding items affecting comparability					
Main markets	26.8	9.7	45.8	28.7	51.0
Other markets	14.7	4.9	25.1	7.1	24.9
Total	41.5	14.6	70.9	35.8	75.9
Business development	-1.1	0.3	-2.0	-0.5	-5.9
Total	40.4	14.9	68.9	35.3	70.0
Items affecting comparability	-	-27.5	-6.0	-27.5	-22.2
EBITA	40.4	-12.6	62.9	7.8	47.8
Revenue from external customers by manufacturing technology					
	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
SEK millions					
Mechanics	421.6	342.1	783.6	698.0	1,309.7
Electronics	212.2	216.6	417.6	459.8	844.9
Business development	-	0.3	-	0.3	0.3
Total	633.8	559.0	1,201.2	1,158.1	2,154.9

Note 5 Other operating income and operating expenses

SEK millions	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Other operating income	2021	2020	2021	2020	2020
Profit on disposal of fixed assets	1.0	-	1.6	0.1	1.0
Revaluation of acquisition purchase price	-	-	-	-	2.5
Government grants	0.3	1.0	0.9	1.0	3.3
Exchange gains	0.3	0.1	0.4	1.6	3.8
Other items	0.9	0.7	2.5	1.9	5.2
Total other operating income	2.5	1.8	5.4	4.6	15.8
Other operating expenses					
Loss on disposal of fixed assets	-0.1	-	-0.1	-	-1.0
Exchange losses	-0.3	0.2	-2.1	-1.2	-4.5
Other items	-	0.6	-0.2	-0.4	-0.7
Total other operating expenses	-0.4	0.8	-2.4	-1.6	-6.2

Note 6 Financial income and expenses – Net financial items

SEK millions	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Financial income	2021	2020	2021	2020	2020
Net exchange gains and losses	1.2	1.6	0.2	0.2	0.8
Total financial income	1.2	1.6	0.2	0.2	0.8
Financial expenses					
Interest expenses	-4.8	-4.4	-9.1	-9.0	-17.5
Net exchange gains and losses	-	-	-	-	-
Other financial expenses	-1.9	-1.4	-3.8	-2.7	-5.7
Total financial expenses	-6.7	-5.8	-12.9	-11.7	-23.2
Total financial items - net	-5.5	-4.2	-12.7	-11.5	-22.4

Note 7 **Number of shares**

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

Number of shares	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Weighted average number of shares before dilution	35,779,928	33,979,928	35,004,928	33,979,928	33,979,928
Adjustment upon calculation of earnings per share after dilution: Warrants	-	-	-	-	-
Weighted average number of shares after dilution	35,779,928	33,979,928	35,004,928	33,979,928	33,979,928
Number of shares at the end of the period *)	35,779,928	33,979,928	35,779,928	33,979,928	33,979,928

Note 8 **Acquisition of subsidiaries**

On 19 March 2020, all shares in Suomen Levypöytä Oy (SLP), with domicile in Joensuu, Finland were acquired. The company performs manufacturing in sheet metal mechanics with net sales of about SEK 150 million per year and just over 100 employees. The total purchase price amounts to SEK 35.2 million (cannot exceed SEK 37.7 million) consisting of a cash component in the amount of SEK 5.1 million paid upon entry into possession, 1,800,000 shares in HANZA valued at SEK 27.6 million and a variable additional purchase price of no more than EUR 0,5 million to be paid in the third quarter 2021. The expected additional purchase price was estimated at SEK 2.5 million in the acquisition analysis. At the acquisition a shareholder loan in the amount of SEK 15.4 million was also taken over. This amount is also included in cash flow from acquisition.

In the acquisition, an intangible asset in the form of customer relations was identified in the amount of SEK 15.2 million. The depreciation period for these customer relations is estimated to 10 years. Deferred tax liability related to this item amounts to SEK 3.0 million. In addition, goodwill in the amount of SEK 37.8 million is reported in the acquisition. This goodwill mainly consists of synergies with the other HANZA units in Finland. This goodwill will not be tax deductible. The acquisition analysis is still preliminary.

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

Purchase price, SEK million

Cash and cash equivalents paid upon entry into possession	5.1
Equity instruments 1,800,000 ordinary shares	27.6
Conditional additional purchase price due in Q3 2021	2.5
Total estimated purchase price	35.2
Reported amounts of identifiable acquired assets and assumed liabilities	
Cash and cash equivalents	0.3
Intangible fixed assets	17.0
Buildings and land	0.5
Machinery and equipment	16.6
Right-of-use assets	38.8
Deferred tax assets	0.1
Financial assets	0.3
Inventories	11.6
Accounts receivable and other receivables	16.1
Deferred tax liability	-3.1
Liabilities to credit institutions	-21.0
Lease liabilities	-38.8
Shareholder loan	-15.4
Accounts payable and other liabilities	-25.6
Total identified net assets	-2.6
Goodwill	37.8
Total net assets transferred	35.2
Cash flow effect from the acquisition	
Cash and cash equivalents paid upon entry into possession	-5.1
Cash and cash equivalents in acquired company	0.3
Take-over of shareholder loan	-15.4
Cash flow from acquisitions	-20.2

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

Net sales and EBIT in the acquired company, SEK million	Apr-Jun 2021	Jan-Jun 2021
<i>Date of acquisition</i>		19.03.2021
Net sales before acquisition	-	33.6
Net sales after acquisition	40.6	46.1
Total net sales if the company had been held for the full period	40.6	79.7
EBIT before acquisition	-	2.1
EBIT after acquisition	3.4	4.1
Total EBIT if the company had been held for the full period	3.4	6.2

KEY RATIOS, DEFINITONS AND FINANCIAL CALENDER

Key ratios

	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Key ratios according to IFRS					
Net sales, SEK million	633.8	559.0	1,201.2	1,158.1	2,154.9
Operating pit (EBIT), SEK million	36.2	-16.1	55.2	0.7	31.3
Amortisation of intangible assets, SEK million	-4.2	-3.5	-7.7	-7.1	-16.5
Earnings per share before dilution, SEK	0.73	-0.58	1.00	-0.39	-0.04
Earnings per share after dilution, SEK	0.73	-0.58	1.00	-0.39	-0.04
Cash flow from operating activities, SEK million	19.4	26.7	85.5	94.3	181.8
Average number of employees	1,857	1,645	1,765	1,662	1,543
Alternative performance measurements					
EBITDA, SEK million	62.7	19.1	105.4	60.6	138.6
EBITDA margin, %	9.9	3.4	8.8	5.2	6.4
Operational segments EBITA, SEK million	41.5	-12.9	67.2	8.3	51.2
Business development segment EBITA, SEK million	-1.1	0.3	-4.3	-0.5	-3.4
Operational EBITA margin, %	6.5	-2.3	5.6	0.7	2.4
EBITA, SEK million	40.4	-12.6	62.9	7.8	47.8
EBITA margin, %	6.4	-2.3	5.2	0.7	2.2
Operating capital, SEK million	1,068.1	972.5	1,068.1	972.5	925.3
Return on operating capital, %	3.9	-1.3	6.3	0.8	4.9
Capital turnover on operating capital, times	0.6	0.6	2.4	2.3	2.2
Return on capital employed, %	3.2	-1.3	5.0	0.1	2.9
Operational net debt, SEK million	316.1	306.8	316.1	306.8	270.7
Net interest-bearing debt, SEK million	533.3	488.7	533.3	488.7	450.4
Net debt/equity ratio, times	1.0	1.0	1.0	1.0	0.9
Net debt in relation to EBITDA, times	2.9	3.7	2.9	3.7	3.2
Equity ratio, %	31.5	31.6	31.5	31.6	33.6
Equity per share at end of period, SEK	14.95	14.24	14.95	14.24	13.97

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

Definitions

Key ratios according to IFRS – Definitions

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

Alternative performance measurements – Definitions, reconciliations and motives

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

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

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

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

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

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

EBITDA margin is EBITDA divided by net sales.

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

EBITA margin is EBITA divided by net sales.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Calendar 2021

→ Interim report third quarter: 9 November 2021

ABOUT HANZA

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

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

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

More information

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

For more information please contact:

Erik Stenfors, CEO
Tel: +46 709 50 80 70
E-mail: erik.stenfors@hanza.com

Lars Åkerblom, CFO
Tel: +46 707 94 98 78
E-mail: lars.akerblom@hanza.com

