HANZA

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INTERIM REPORT

HANZA Holding AB (publ)

1 January – 30 September 2021

INTERIM REPORT JANUARY - SEPTEMBER 2021

Increased profitability and strategic acquisition in Germany

Third quarter 2021

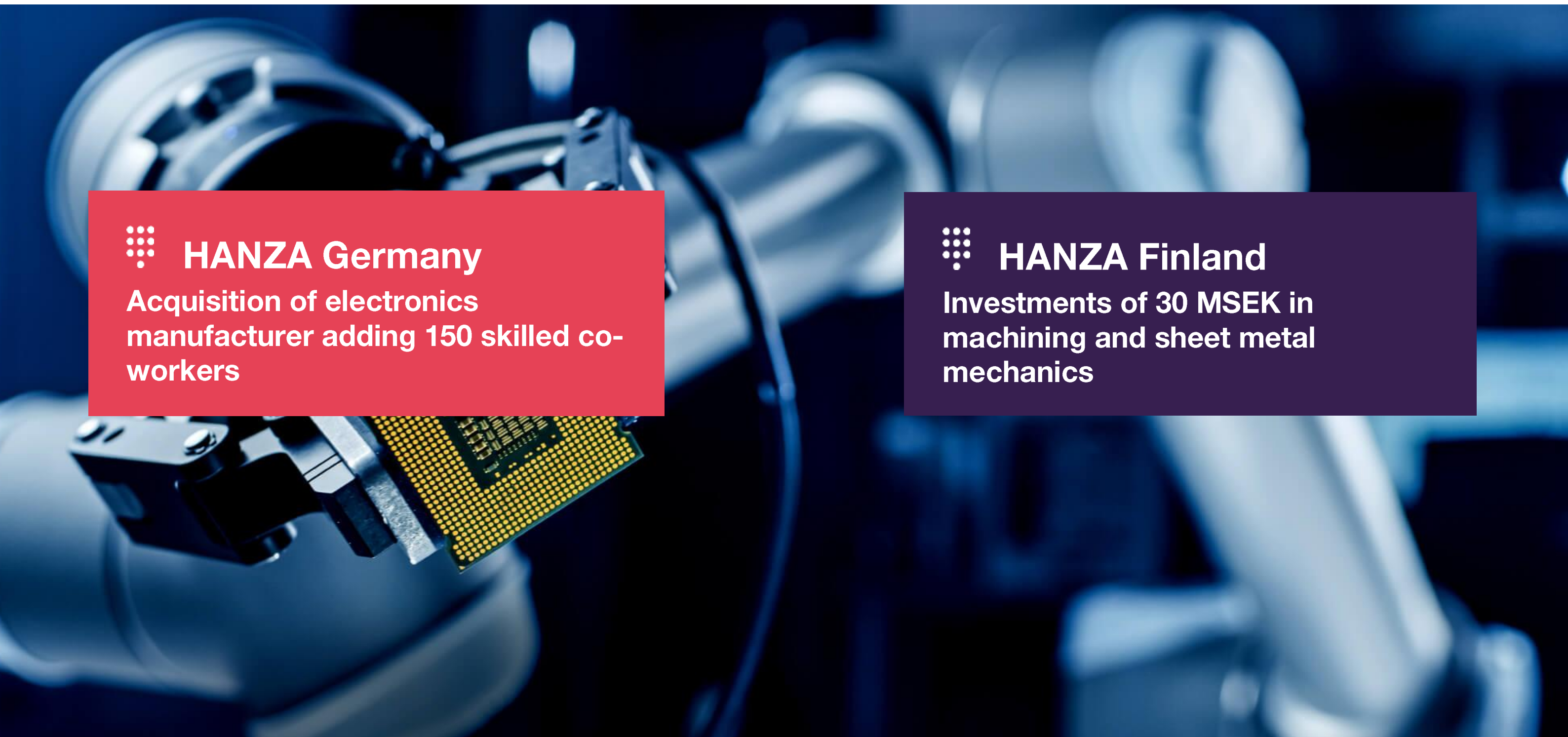
- Net sales increased by 18.7% to SEK 597 million (503).
- Operating profit (EBITA) increased to SEK 37.5 million (21.4),
  which corresponds to an operating margin of 6.3% (4.3).
- Profit after tax amounted to SEK 19.9 million (6.6),
  which corresponds to SEK 0.56 per share (0.20).
- Cash flow from operating activities amounted to SEK -19.3 million (25.9).

The nine-month period 2021

- Net sales increased by 8.3% to SEK 1,799 million (1,661).
- Operating profit (EBITA) increased to SEK 100.4 million (29.2),
  which corresponds to an operating margin of 5.6% (1.8).
- Profit after tax amounted to SEK 55.0 million (-6.6),
  which corresponds to SEK 1.56 per share (-0.19).
- Cash flow from operating activities amounted to SEK 66.2 million (120.2).

Significant events during and after the period

- In July, HANZA signed an agreement with the air-tech company Njord for the complete manufacture of air purifiers. Production takes place in Sweden and the initial order is approximately SEK 12 million.
- To meet increasing demand in Finland, in September HANZA invested a total of approximately SEK 30 million in equipment for machining and sheet metal mechanics.
- On October 25, HANZA acquired Helmut Beyers GmbH (“Beyers”), an electronics manufacturer in Mönchengladbach, approximately 70 km from HANZA's other operations in Germany. Beyers has about 150 employees and is estimated to have sales of about 18 MEUR during the year 2021. The deal provides an opportunity to accelerate HANZA's expansion in Germany, which has been halted during the pandemic. The purchase price corresponds to the equity in the company, which preliminarily amounts to EUR 2.7 million. Furthermore, there is an additional purchase price that can total to a maximum of EUR 2.5 million for the financial years 2022 and 2023. Beyers has suffered a volume decline caused by the pandemic, which has had a negative effect on earnings and the company currently has a zero margin. Beyers contributes competence and capacity in the so-called EMS area, which is an important prerequisite for HANZA's continued expansion. The acquisition of Beyers is expected to have a positive effect on the Group's growth and profitability during 2022.
- On October 26, Beyer's CEO and former main owner bought a total of 450,000 shares in HANZA, corresponding to 1.3% of the total number of shares. Price per share amounted to SEK 33, equaling a total purchase price of SEK 14,850,000.
- Transaction and integration costs for the acquisition of Beyers are estimated to total approximately SEK 10 million, which will mainly be charged to the fourth quarter of 2021.
- In October, HANZA received SEK 6.3 million in repayment from Afa Försäkring regarding the health insurance in the collective agreement AGS, attributable to previous years. The amount will be reported as other income in the fourth quarter of 2021.



CEO COMMENT

The quarter

Ten years after founding HANZA, our sales reached close to SEK 2 billion in the Nordic market. In the fall of 2019, we took the next step by establishing HANZA in Germany, but only six months later the pandemic started, and large parts of society were shut down. During 2021 we have, despite the absence of customer meetings and factory audits, received manufacturing contracts for Estonia, Finland and China from the German market, which shows the strength of our business model.

In the summer, most restrictions were lifted and during the third quarter we worked to restart our expansion. In October, our work resulted in the acquisition of a modern electronics manufacturer in Mönchengladbach, a town that, in accordance with our cluster model, is geographically close to our other operations in Germany.
This an important acquisition for the future, and we welcome 150 new colleagues to HANZA!

Erik Stenfors, CEO

Financial development

Our business model is focused on creating a high customer value. By reducing costs and increasing flexibility for our customers, we enable a good profit development for HANZA as well. Our developed manufacturing clusters show double-digit operating margins, while factories in the build-up phase perform lower results, even negative margins may occur.

During the third quarter, we experienced several temporary material-related challenges, mainly in the Other markets segment, where we see rapid growth. In that segment, we also have our factories that are in the build-up phase and the operating margin during the quarter was 3.4%. In the Main markets segment, the material situation was better, and the operating margin amounted to 9.5%. The operating margin for the Group amounted to 6.3 %, which means a significant profit improvement during a challenging time.

Working capital has continued to be affected by the global shortage of materials and components and we showed a negative cash flow of approximately SEK 19 million during the quarter, mainly due to inventory build-up. We will act to the extent possible under the current material situation to regain our usual strong and positive cash flows.

The future

Our sales today are not limited by the order intake but rather by the availability of materials and components. An uneven material flow creates challenges in fulfilling our delivery promises. Everyone in the HANZA team have made great efforts during the quarter, and we have received several recognitions from customers for managing successful deliveries in the current shortage situation.

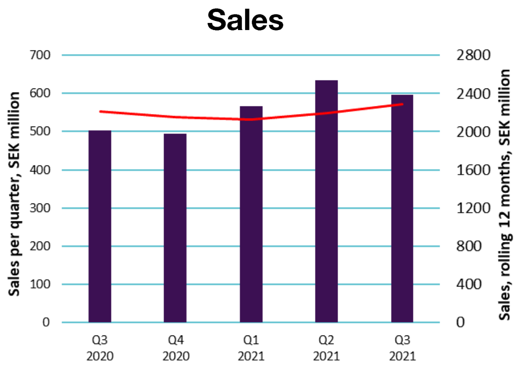
Though material shortages are expected to continue in 2022, the upside is that this situation highlights the advantages of a streamlined supply chain, which is HANZA's core offer. This leads to dialogues with various product companies where we can offer local and complete manufacturing alternatives. Fewer suppliers lead to more benefits for our customers.

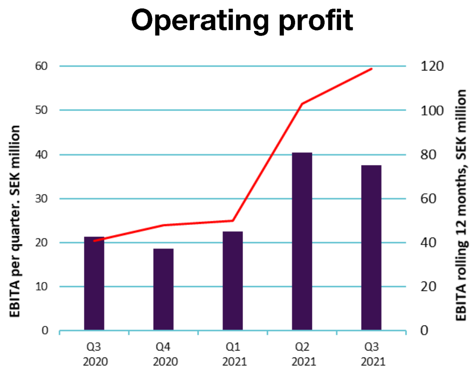
During 2021, we have carried out several activities, acquisitions, and new investments to develop our manufacturing clusters for continued expansion with both new and existing customers. Next, we look forward to the opening of our new premises in China and our new factory in Estonia, which with its modern assembly halls is tailored to our future development. Along with the acquisition in Germany comes several marketing activities, and it is clear that our opportunities for continued profitable growth are very good.

Kista November 9, 2021

Erik Stenfors
Group President and CEO

HANZA welcomes the management of Beyers. From left to right: Willibald Berger, CAO HANZA, Timo Dreyer, CEO Beyers, Erik Stenfors, CEO HANZA and Wolfgang Beyers, former principal owner of Beyers.





The graphs illustrate net sales and operating profit (EBITA) per quarter (bars), and on a rolling 12-month basis (lines).

Market development

HANZA's customer markets are mainly the Nordic countries and Germany, but customers are also located in the rest of Europe, Asia and the USA. HANZA is experiencing very good demand in the Nordic markets. In Germany, the market has re-opened after a long shutdown and HANZA sees a rapid recovery. Some of HANZA's customer groups continue to be affected by the effects of the pandemic, such as equipment for the textile industry, breweries and shops. However, HANZA experienced a significant increase in the order backlog in Germany during the third quarter. This means that growth in HANZA's two segments is expected to be more even going forward.

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

The availability of raw materials and components will continue to be a limiting factor for HANZA and the manufacturing industry in general for some time. However, the initial margin difference caused by material challenges between HANZA's segments is expected to even out in the future.

Third quarter

HANZA shows a seasonal variation during the financial year, where sales and earnings are negatively affected by the holiday period during the third quarter. Net sales amounted to SEK 597.4 million (503.1). Sales have increased through new sales and increasing volumes. There is still some negative impact on the volumes of certain customer groups due to the effects of covid-19. The global material shortage situation has also led to delayed production and thus lower sales during the quarter. Furthermore, exchange rate fluctuations negatively affected the Group's sales by approximately SEK 4 million, while the acquisition of the Finnish company Suomen Levyprofiili (SLP) had a positive effect on sales of approximately SEK 36 million. Excluding currency and acquisitions, growth is approximately 12% during the quarter.

In Q3, segment Main markets shows sales of SEK 315.1 million (265.7), an increase by 18.6%. This includes SEK 36 million related to SLP where negative exchange rate effects affect this segment by SEK 1 million. Segment Other markets shows sales of SEK 282.3 million (237.4), an increase by 18.9 %. Negative exchange rate effect affects this segment by SEK 3 million.

The gross margin amounted to 45.4% (41.9). The increase compared to the previous year is due to work with material costs, product mix and a continued high build-up of inventories and ongoing work as a result of component shortages.

EBITDA for the quarter amounted to SEK 59.3 million (38.2), which corresponds to an EBITDA margin of 9.9% (7.6). Depreciations and amortizations during the period amounted to SEK 25.9 million (23.0), of which amortization of intangible assets amounted to SEK 4.1 million (-6.2) which are mainly related to customer relations added in acquisitions.

The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to SEK 37.5 million (21.4), which corresponds to an operating margin of 6.3 % (4.3). The EBITA margin in the Main market segment amounts to 9.5 % (4.3). In the Other markets segment the margin amounts to 3.4 % (4.3). 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 third quarter, EBITA for the Business Development segment amounted to SEK -1.8 million (-0.2).

Other external costs amounted to SEK 69.0 million (54.1) and personnel costs amounted to SEK 145.8 million (120.0). The increased costs are due to increased net sales and acquired units. EBIT for the Group amounted to SEK 33.4 million (15.2). Net financial income amounted to SEK -7.8 million (-6.1). Of this, net interest amounts to SEK -4.7 million (-4.3). Currency rate gains and losses net amounted to SEK -1.2 million (-0.3). Other financial costs amounted to SEK -1.9 million (-1.5).

Profit before tax amounted to SEK 25.6 million (9.1). Profit after tax amounted to SEK 19.9 million (6.6). Profit per share before dilution amounts to SEK 0.56 (0.20) and after dilution amounts to 0.55 (0.20) for the quarter.

Nine-month period

Net sales for the first nine months amounted to SEK 1,798.6 million (1,661.2). Main markets decreased slightly, to SEK 954.9 million (909.3) and Other markets increased to SEK 843.7 million (715.6). Exchange rate fluctuations have negatively affected sales by approx. SEK 50 million compared to 2020.

EBITDA amounted to SEK 164.7 million (98.8), which corresponds to an EBITDA margin of 9.2 % (5.9). Depreciations and amortizations during the period amounted to SEK 76.1 million (82.9), of which amortization of intangible assets amounted to SEK 11.8 million (13.3) 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 100.4 million (29.2), which corresponds to an operating margin of 5.6 % (1.8). The Main market segment reports an EBITA of SEK 71.9 million (30.6), which corresponds to an operating margin of 7.5 % (3.4). The Other markets segment shows an EBITA of SEK 34.6 million (-0.7), which corresponds to an operating margin of 4.1 % (-0.1). EBITA for the Business Development segment amounted in the first nine months to SEK -6.1 million (-0.7) and consists mainly of acquisition costs. The Group's EBIT amounted to SEK 88.6 million (15.9). Net financial income amounted to SEK 20.5 million (-17.6), of which net interest SEK -13.8 million (-13.3).

Profit before tax amounted to SEK 68.1 million (-1.7), while profit after tax amounted to SEK 55.0 million (-6.6). Profit per share before and after dilution amounts to SEK 1.56 (-0.19) for the nine-month period.

Cash flow and investments

Cash flow from operating activities in the third quarter amounted to SEK -19.3 million (25.9), and during the nine-month period to SEK 66.2 million (120.2). The change in working capital in the quarter amounted to SEK -69.1 million (4.4) and for the nine-month period to SEK -67.9 million (54.5). The above-mentioned component shortage has led to increasing safety stocks.

Cash flow from investment activities amounted in the third quarter to SEK -24.9 million (-20.9) of which investments in building SEK 16.4 million (-), other fixed assets, mainly machines, to a net of SEK 8.5 million (20.9). For the nine-month period, cash flow from investment activities amounted to SEK -104.3 million (-57.9) of which cash flow from acquisitions, SEK -20.2 million (-3.1).

Total investments in tangible fixed assets amounted to SEK 35.7 million (38.0) in the quarter. The difference from cash flow from investments is due to the fact that certain investments do not affect cash flow as they are made through leasing or are an accounts-payable at the end of the period.

Cash flow from financing activities in the third quarter amounted to SEK 3.9 million (5.7) and consists of new loans and repayments. In the nine-month period, cash flow from financing activities amounted to SEK -34.8 million (-19.5).

Financial position

Shareholder's equity at the end of the period amounted to SEK 558.5 million (489.9) whereas the equity ratio was 31.7% (32.2). The balance sheet total amounted to SEK 1,761.2 million (1,520.3). Cash and cash equivalents at the end of the period amounted to SEK 49.4 million (110.1).

The net interest-bearing debt at the end of the period amounted to SEK 588.9 (504.5) and has increased in the quarter by SEK 55.7 million. The operating net debt amounts to SEK 373.1 million (324.8), an increase by SEK 57.0 million in the quarter. Investments in a new factory building in Estonia have increased net debt by SEK 16.5 million in the quarter and SEK 32.4 million in the nine-month period.

Acquisition of Helmut Beyers GmbH

On October 25th, HANZA acquired all shares in Helmut Beyers GmbH, an electronics manufacturer in Mönchengladbach, Germany, with approximately 150 employees. The purchase price corresponds to the company's equity and amounts to EUR 2.7 million according to the preliminary financial statements. There is also an additional purchase price that is linked to an expected increase in sales for the financial year 2022 and 2023. This can amount to a maximum of EUR 2.5 million.

Beyers is estimated to have sales of approximately EUR 18 million in 2021, which is a volume decline of approximately 10% compared with 2020 due to the pandemic. The result has also been negatively affected and the company currently has a zero margin.

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 and negative development of the material shortage situation. 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

The number of shares have been unchanged and amounted to 35,779,928 during the third quarter. The share capital amounts to 3,577,992.

Colleagues

In the quarter the average number of employees in the Group amounted to 1,581 (1,325). At the end of the period the number was 1,867 and at the beginning of the year the number was 1,637.

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

HANZA Holding AB, corporate identity number 556748-8399

Introduction

We have reviewed the condensed interim report for HANZA Holding AB as at September 30, 2021 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, November 9, 2021

Ernst & Young AB

Charlotte Holmstrand
Authorized Public Accountant

Consolidated income statement

SEK millions	Note	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Net sales	4	**597.4**	**503.1**	**1,798.6**	**1,661.2**	**2,154.9**
Change of inventories in production, finished goods and work in progress on behalf of others		45.1	-21.2	125.2	-34.2	-52.0
Raw materials and consumables		-371.3	-271.1	-1,094.2	-900.5	-1,147.9
Other external costs		-69	-54.1	-206.7	-199.1	-263.9
Costs of personnel		-145.8	-120.0	-464.1	-433.1	-562.1
Depreciations, amortizations and write-downs		-25.9	-23.0	-76.1	-82.9	-107.3
Other operating income	5	3.5	3.8	8.6	8.4	15.8
Other operating expenses	5	-0.6	-2.3	-2.7	-3.9	-6.2
Operating profit	4	**33.4**	**15.2**	**88.6**	**15.9**	**31.3**
Profit/loss from financial items						
Financial income		-	-	-	-	0.8
Financial expenses		-7.8	-6.1	-20.5	-17.6	-23.2
Financial items – net	6	**-7.8**	**-6.1**	**-20.5**	**-11.5**	**-22.4**
Profit/loss before tax		**25.6**	**9.1**	**68.1**	**-1.7**	**8.9**
Income tax		-5.7	-2.5	-13.1	-4.9	-10.3
Profit/loss for the period		**19.9**	**6.6**	**55.0**	**-6.6**	**-1.4**

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

Earnings per share before dilution, SEK	0.56	0.20	1.56	-0.19	-0.04
Earnings per share after dilution, SEK	0.55	0.20	1.56	-0.19	-0.04

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

Consolidated comprehensive income statement

SEK millions	Note	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Profit/loss for the period		**19.9**	**6.6**	**55.0**	**-6.6**	**-1.4**
Other comprehensive income						
Items that will not be reclassified to the income statement						
Remeasurement of post-employment benefits		1.5	-3.1	4.4	-1.9	-4.7
Tax on items that will not be reclassified to the income statement		-0,5	1.0	-1.4	0.6	1.5
Total items that will not be reclassified to the income statement, net of tax		**1.0**	**-2.1**	**3.0**	**-1.3**	**-3.2**
Items that can subsequently be reversed in profit or loss						
Exchange rate differences		3.3	1.9	8.2	0.3	-20.1
Exchange rate difference on acquisition loan		-0.5	-0.3	-1.2	-0.6	2.0
Tax on items that can subsequently be reversed in profit or loss		-	-	0.1	0.1	-0.4
Total items that may be reclassified to the income statement, net of tax		**2.8**	**1.6**	**7.1**	**-0.2**	**-18.5**
Other comprehensive income for the period		**3.8**	**-0.5**	**10.1**	**-1.5**	**-21.7**
Total comprehensive income for the period		**23.7**	**6.1**	**65.1**	**-8.1**	**-23.1**

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

Condensed consolidated balance sheet

SEK millions	Note	30.09.2021	30.09.2020	31.12.2020
ASSETS				
Fixed assets				
Goodwill	8	337.9	304.1	297.9
Customer relations		99.9	95.9	90.7
Other intangible assets		5.8	7.4	7.1
Buildings and land		103.0	106.6	101.0
Machinery and equipment		256.1	178.5	168.6
Right-of-use assets		168.0	139.7	137.8
Other long-term securities holdings		-	0.3	0.3
Deferred tax assets		14.1	26.9	26.9
Total fixed assets		**984.8**	**859.4**	**830.3**
Current assets				
Inventories		539.1	373.3	342.4
Accounts receivable		114.2	120.3	76.8
Other receivables		59.4	38.9	24.6
Prepaid expenses and accrued income		14.3	18.3	18.9
Cash and cash equivalents		49.4	110.1	121.2
Total current assets		**776.4**	**660.9**	**583.9**
TOTAL ASSETS		**1,761.2**	**1,520.3**	**1,414.2**

Condensed consolidated balance sheet, cont'd

SEK millions	Note	30.09.2021	30.09.2020	31.12.2020
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		**558.5**	**489.9**	**474.9**
LIABILITIES				
Long-term liabilities				
Post-employment benefits		108.4	113.5	110.3
Deferred tax liabilities		45.0	41.9	43.4
Liabilities to credit institutions	3	179.2	187.3	174.6
Lease liabilities		116.6	80.4	80.9
Total long-term liabilities		**449.2**	**423.1**	**409.2**
Current liabilities				
Overdraft facility	3	64.8	51.5	44.2
Liabilities to credit institutions	3	98.9	102.1	81.5
Lease liabilities		38.1	46.5	43.1
Other interest-bearing liabilities	3	32.3	33.3	37.0
Accounts payable		344.0	221.6	199.9
Other liabilities		59.4	51.8	43.0
Accrued expenses and deferred income		116.0	100.5	81.4
Total current liabilities		**753.5**	**607.3**	**530.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,761.2**	**1,520.3**	**1,414.2**

Condensed consolidated report of changes in shareholders’ equity

SEK millions	Note	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Opening balance		**534.8**	**483.8**	**474.9**	**497.7**	**497.7**
Profit/loss for the period		19.9	6.6	55.0	-6.6	-1.4
Other comprehensive income		3.8	-0.5	10.1	-1.5	-21.7
Total comprehensive income		**23.7**	**6.1**	**65.1**	**-8.1**	**-23.1**
Transactions with shareholders						
Non-cash issue		-	-	27.6	-	-
Issue costs		-	-	-0.2	-	-
Warrant issue		-	-	-	0.3	0.3
Dividend		-	-	-8.9	-	-
Total contributions from and distributions to shareholders, recognized directly in equity		**-**	**-**	**18.5**	**0.3**	**0.3**
Closing balance		**558.5**	**489.9**	**558.5**	**489.9**	**474.9**

Condensed consolidated statement of cash flows

SEK millions	Note	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Cash flows from operating activities						
Profit/loss after financial items		25.6	9.1	68.1	-1.7	8.9
Depreciations, amortizations and write-downs		25.9	23.0	76.1	82.9	107.3
Other non-cash items		-0.5	1.1	-0.1	1.7	1.3
Paid income tax		-1.2	-11.7	-10.0	-17.2	-11.2
Cash flows from operating activities prior to the change in working capital		**49.8**	**21.5**	**134.1**	**65.7**	**106.3**
Total change in working capital		**-69.1**	**4.4**	**-67.9**	**54.5**	**75.5**
Cash flows from operating activities		**-19.3**	**25.9**	**66.2**	**120.2**	**181.8**
Cash flows from investing activities						
Acquisition in subsidiaries	8	-	-	-20.2	-3.1	-3.1
Investments in fixed assets		-26.0	-20.8	-86.9	-55.0	-59.9
Disposals of tangible fixed assets		1.1	-0.1	2.8	0.2	3.0
Cash flows from investing activities		**-24.9**	**-20.9**	**-104.3**	**-57.9**	**-60.0**
Cash flows from financing activities						
New share issue		-	-	-	0.3	0.3
New loans		40.3	41.2	103.6	94.8	97.0
Repayment of borrowings		-36.4	-35.5	-129.5	-114.6	-160.5
Dividends paid		-	-	-8.9	-	-
Cash flows from financing activities		**3.9**	**5.7**	**-34.8**	**-19.5**	**-63.2**
Increase/reduction in cash and cash equivalents		**-40.3**	**10.7**	**-72.9**	**42.8**	**58.6**
Cash and cash equivalents at the beginning of the period		89.8	98.4	121.2	66.7	66.7
Exchange rate differences in cash and cash equivalents		-0.1	1.0	1.1	0.6	-4.1
Cash and cash equivalents at the end of the period		**49.4**	**110.1**	**49.4**	**110.1**	**121.2**

Condensed parent company income statement

SEK millions	Note	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Operating income		**5.1**	**5.2**	**17.3**	**15.5**	**21.1**
Operating expenses		**-5.7**	**-4.5**	**-17.5**	**-14.0**	**-19.1**
Other operating income		-	-	0.2	-	0.4
Other operating expenses		-	-	-0.1	-	-0.2
Operating profit		**-0.6**	**0.7**	**-0.1**	**1.5**	**2.2**
Profit/loss from financial items						
Profit/loss from shares in group companies		-0.5	-63.3	-0.5	-82.3	-127.1
Other interest income and similar income items		0.2	-	0.7	2.4	7.6
Interest charges and similar income items		-1.7	0.7	-4.0	-1.6	-2.3
Total profit/loss from financial items		**-2.0**	**-64.0**	**-3.8**	**-81.5**	**-121.8**
Profit/loss after net financial items		**-2.6**	**-63.3**	**-3.9**	**-80.0**	**-119.6**
Appropriations			-		-	4.8
Profit/loss before tax		**-2.6**	**-63.3**	**-3.9**	**-80.0**	**-114.8**
Tax on profit for the period		-	-	-	-	-2.6
Profit/loss for the period		**-2.6**	**-63.3**	**-3.9**	**-80.0**	**-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	30.09.2021	30.09.2020	31.12.2020
ASSETS				
Fixed assets				
Financial fixed assets		**393.5**	**387.2**	**339.8**
Total fixed assets		**393.5**	**387.2**	**339.8**
Current assets				
Current receivables		3.7	1.9	9.6
Cash and cash equivalents		0.1	3.7	1.3
Total current assets		**3.8**	**5.6**	**10.9**
TOTAL ASSETS		**397.3**	**392.8**	**350.7**
SHAREHOLDERS’ EQUITY AND LIABILITIES				
Shareholders’ equity		**254.7**	**277.4**	**239,9**
Untaxed reserves		**0.5**	**-**	**0.5**
Long-term liabilities		**109.0**	**54.6**	**47.0**
Current liabilities		**33.1**	**60.8**	**63.3**
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES		**397.3**	**392.8**	**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 divides its operations into so called manufacturing clusters and applies a financial segment classification based on primary customer markets. Operational reporting is broken down into the following segments:

- Main markets – Manufacturing clusters located in or near HANZA's primary geographical customer markets, which currently consist of Sweden, Finland, Norway and Germany. These clusters currently comprise Sweden, Finland and Germany. The operations in these areas are characterized by closeness to the customers factories and close collaboration with customer development departments.

- Other markets – Manufacturing clusters outside of HANZA's primary geographical customer areas. These clusters currently consist of the Baltics, Central Europe and China. The operations are characterized by a high work content, complex, extensive monitoring, and closeness to important end-customer areas.

- Business development – Costs and revenues not allocated to the Manufacturing Clusters, which primarily consist of Group-wide functions within the parent company, as well as Group-wide adjustments not allocated to the other two segments.

Transactions between segments are made on market terms.

Revenues by segment

SEK millions	**Jul – Sep 2021**			**Jul – Sep 2020**		
	Segment revenues	**Less sales between segments**	**Income from external customers**	**Segment revenues**	**Less sales between segments**	**Income from external customers**
Main markets	321.0	-5.9	315.1	266.1	-0.4	265.7
Other markets	285.6	-3.3	282.3	239.1	-1.7	237.4
Business development	-	-	-	-	-	-
Total	**606.6**	**-9.2**	**597.4**	**505.2**	**-2.1**	**503.1**

SEK millions	**Jan – Sep 2021**			**Jan – Sep 2020**		
	Segment revenues	**Less sales between segments**	**Income from external customers**	**Segment revenues**	**Less sales between segments**	**Income from external customers**
Main markets	966.7	-11.8	954.9	911.7	-2.4	909.3
Other markets	854.3	-10.6	843.7	765.5	-13.9	751.6
Business development	-	-	-	0.3	-	0.3
Total	**1,821.0**	**-22.4**	**1,798.6**	**1,677.5**	**-16.3**	**1,661.2**

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

SEK millions	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
EBITA					
Main markets	29.8	11.4	71.9	30.6	41.5
Other markets	9.5	10.2	34.6	-0.7	9.7
Business development	-1.8	-0.2	-6.1	-0.7	-3.4
Total EBITA	**37.5**	**21.4**	**100.4**	**29.2**	**47.8**
Amortisation of intangible assets	-4.1	-6.2	-11.8	-13.3	-16.5
Operating profit	**33.4**	**15.2**	**88.6**	**15.9**	**31.3**
Financial items – net	-7.8	-6.1	-20.5	-17.6	-22.4
Profit/loss before tax	**25.6**	**9.1**	**68.1**	**-1.7**	**8.9**
Items affecting comparability					
Revaluation of acquisition purchase price	0.2	-	0.2	-	2.5
Transaction costs	-	-	-2.3	-	-
Integration costs	-	-	-3.7	-	-
Action programme covid-19	-	2.8	-	-24.7	-24.7
Total	**0.2**	**2.8**	**-5.8**	**-24.7**	**-22.2**
EBITA per segment excluding items affecting comparability					
Main markets	29.6	11.4	75.4	40.1	51.0
Other markets	9.5	7.4	34.6	14.5	24.9
Total	**39.1**	**18.8**	**110.0**	**54.6**	**75.9**
Business development	-1.8	-0.2	-3.8	-0.7	-5.9
Total	**37.3**	**18.6**	**106.2**	**53.9**	**70.0**
Items affecting comparability	0.2	2.8	-5.8	-24.7	-22.2
EBITA	**37.5**	**21.4**	**100.4**	**29.2**	**47.8**

Revenue from external customers by manufacturing technology

SEK millions	Jul-Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Mechanics	374.9	295.2	1,158.5	993.2	1,309.7
Electronics	222.5	207.9	640.1	667.2	844.9
Business development	-	-	-	0.3	0.3
Total	**597.4**	**503.1**	**1,798.6**	**1,661.2**	**2,154.9**

Note 5 Other operating income and operating expenses

SEK millions Other operating income	Jul–Sep 2021	Jul–Sep 2020	Jan–Jun 2021	Jan–Jun 2020	Jan–Dec 2020
Profit on disposal of fixed assets	1.0	0.3	2.6	0.4	1.0
Revaluation of acquisition purchase price	0.2	-	0.2	-	2.5
Government grants	1.3	0.6	2.2	1.6	3.3
Exchange gains	-	1.4	0.1	3.0	3.8
Other items	1.0	1.5	3.5	3.4	5.2
Total other operating income	**3.5**	**3.8**	**8.6**	**8.4**	**15.8**
Other operating expenses					
Loss on disposal of fixed assets	-	-0.7	-0.1	-0.7	-1.0
Exchange losses	-0.3	-1.6	-2.1	-2.8	-4.5
Other items	-0.3	-	-0.5	-0.4	-0.7
Total other operating expenses	**-0.6**	**-2.3**	**-2.7**	**-3.9**	**-6.2**

Note 6 Financial income and expenses – Net financial items

SEK millions Financial income	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Net exchange gains and losses	-	-	-	-	0.8
Total financial income	**-**	**-**	**-**	**-**	**0.8**
Financial expenses					
Interest expenses	-4.7	-4.3	-13.8	-13.3	-17.5
Net exchange gains and losses	-1.2	-0.3	-1.0	-0.1	-
Other financial expenses	-1.9	-1.5	-5.7	-4.2	-5.7
Total financial expenses	**-7.8**	**-6.1**	**-20.5**	**-17.6**	**-23.2**
Total financial items - net	**-7.8**	**-6.1**	**-20.5**	**-17.6**	**-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	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Weighted average number of shares before dilution	35,779,928	33,979,928	35,265,642	33,979,928	33,979,928
Adjustment upon calculation of earnings per share after dilution: Warrants	233,584	-	30,305	-	-
Weighted average number of shares after dilution	**36,013,512**	**33,979,928**	**35,295,947**	**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**

In 2021, HANZA Holding AB have completed two acquisitions. Suomen Levyprofiili Oy ("SLP") was acquired in March, and in October, after the end of the reporting period, Helmut Beyers GmbH ("Beyers") was acquired. Regarding the latter acquisition, an acquisition analysis has not yet been prepared. Therefore, the following information in this note only refers to SLP.

On 19 March 2021, all shares in SLP, with domicile in Joensuu, Finland were acquired. The company conducts 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. This have been regulated with 2.3 MSEK during quarter 3 where a variable other income of 0.2 MSEK have been booked. 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	**Jul–Sep 2021**	**Jan–Sep 2021**
Date of acquisition		*19.03.2021*
Net sales before acquisition	-	33.6
Net sales after acquisition	36.4	82.5
Total net sales if the company had been held for the full period	**36.4**	**116.1**
EBIT before acquisition	-	2.1
EBIT after acquisition	-0.1	4.0
Total EBIT if the company had been held for the full period	**-0.1**	**6.1**

KEY RATIOS, DEFINITONS AND FINANCIAL CALENDER

Key ratios

	Jul–Sep 2021	Jul–Sep 2020	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Key ratios according to IFRS					
Net sales, SEK million	597.4	503.1	1,798.6	1,661.2	2,154.9
Operating pit (EBIT), SEK million	33.4	15.2	88.6	15.9	31.3
Amortisation of intangible assets, SEK million	-4.1	-6.2	-11.8	-13.3	-16.5
Earnings per share before dilution, SEK	0.56	0.20	1.56	-0.19	-0.04
Earnings per share after dilution, SEK	0.55	0.20	1.56	-0.19	-0.04
Cash flow from operating activities, SEK million	-19.3	25.9	66.2	120.2	181.8
Average number of employees	1,581	1,325	1,696	1,546	1,543
Alternative performance measurements					
EBITDA, SEK million	59.3	38.2	164.7	98.8	138.6
EBITDA margin, %	9.9	7.6	9.2	5.9	6.4
Operational segments EBITA, SEK million	39.3	21.6	106.5	29.9	51.2
Business development segment EBITA, SEK million	-1.8	-0.2	-6.1	-0.7	-3.4
Operational EBITA margin, %	6.6	4.3	5.9	1.8	2.4
EBITA, SEK million	37.5	21.4	100.4	29.2	47.8
EBITA margin, %	6.3	4.3	5.6	1.8	2.2
Operating capital, SEK million	1,147.4	994.4	1,147,4	994.4	925.3
Return on operating capital, %	3.4	2.2	9.7	2.9	4.9
Capital turnover on operating capital, times	0.5	0.5	2.3	2.2	2.2
Return on capital employed, %	2.8	1.4	7.9	1.4	2.9
Operational net debt, SEK million	373.1	324.8	373.1	324.8	270.7
Net interest-bearing debt, SEK million	588.9	504.5	588.9	504.5	450.4
Net debt/equity ratio, times	1.1	1.0	1.1	1.0	0.9
Net debt in relation to EBITDA, times	2.9	3.7	2.9	3.7	3.2
Equity ratio, %	31.7	32.2	31.7	32.2	33.6
Equity per share at end of period, SEK	15.61	14.42	15.61	14.42	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 Year-end report: Tuesday February 15, 2022
→ Annual report: Thursday March 31, 2022
→ Interim report, Q1, 2022: Tuesday May 3, 2022
→ Annual General Meeting: Tuesday May 10, 2022
→ Interim report, Q2, 2022: Tuesday July 26, 2022
→ Interim report Q3, 2022: Tuesday November 8, 2022

ABOUT HANZA

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

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

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

More information

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

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