HANZA

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INTERIM REPORT
HANZA Holding AB (publ)
1 January – 31 March 2021

INTERIM REPORT JANUARY - MARCH 2021

Increasing profit and strategic acquisition

First quarter 2021

- Net sales amounted to SEK 567.4 million (599.1). Quantifiable items that affect the comparison with Q1, 2020, amount to a net of approx. SEK -70 million. Adjusted for these, growth was approx. 7%.
- Operating profit (EBITA) increased to SEK 22.5 million (20.4), which corresponds to an operating margin of 4.0% (3.4). Costs directly related to the acquisition of SLP charged the quarter with SEK 6.0 million. Excluding these costs, operating profit amounted to SEK 28.5 million (20.4), which corresponds to an operating margin of 5.0% (3.4).
- Profit after tax amounted to SEK 9.1 million (6.4), which corresponds to SEK 0.27 per share (0.19).
- Cash flow from operating activities amounted to SEK 66.1 million (67.6).

Material events during the period

- On March 19, HANZA acquired Suomen Levyprofiili Oy ("SLP"), a successful Finnish manufacturer of sheet metal mechanics with over 100 employees.
- On March 23, the Nomination Committee presented its proposal to the Board ahead of the Annual General Meeting, which was a complete re-election of the Board.

CEO COMMENT

The quarter

In March we acquired the contract manufacturer SLP (Suomen Levyprofiili Oy) in Finland. This was not only an acquisition, but also an important part of our strategic plan.

Last year we saw how our mature manufacturing clusters managed to meet rapidly changing demand, and we received several awards from our customers. In addition, our larger clusters showed a good operating margin, despite lower sales.

This was a clear acknowledgement of our business model. After a period where we have focused on handling the pandemic, we have now returned to our strategic work. That is, to further develop our smaller clusters.

Therefore, the acquisition in Finland was an important step in the right direction. We have strengthened our Finnish manufacturing cluster in a way that adds customer value and increases margins.

Erik Stenfors, CEO

Financial development

We continue to show good profitability in our mature manufacturing clusters. The majority of the Group's sales now show an operating margin of around 9%. At Group level, the margin is lower (5%) due to challenges linked to the pandemic (Germany and the Czech Republic) and the unit in Narva, where we carried out a major action program in the spring of 2020. Narva has since then developed in accordance with our long-term plan.

Furthermore, we see organic growth in large parts of HANZA, which may not be apparent from a comparasion with last year’s figures. The main reason for a decrease in sales at Group level is that our largest customer has significantly reduced its sales during the pandemic, approx. SEK -40 million in the quarter, compared with quarter 1, 2020. Factory mergers together with currency fluctuations affect the quarterly comparison by a further approx. SEK -35 million. The acquisition contributes approximately SEK +5 million.

We can also see that HANZA has maintained a strong financial position through the pandemic. Cash flow continues to be strong and our net debt is today lower than a year ago, despite the pandemic as well as acquisition loans. This creates opportunities for the future.

The future

At the start of the year, Germany was closed down due to covid-19. Despite this, we have managed to broaden several important customer dialogues which shows how well our business model works even in this large and important market.

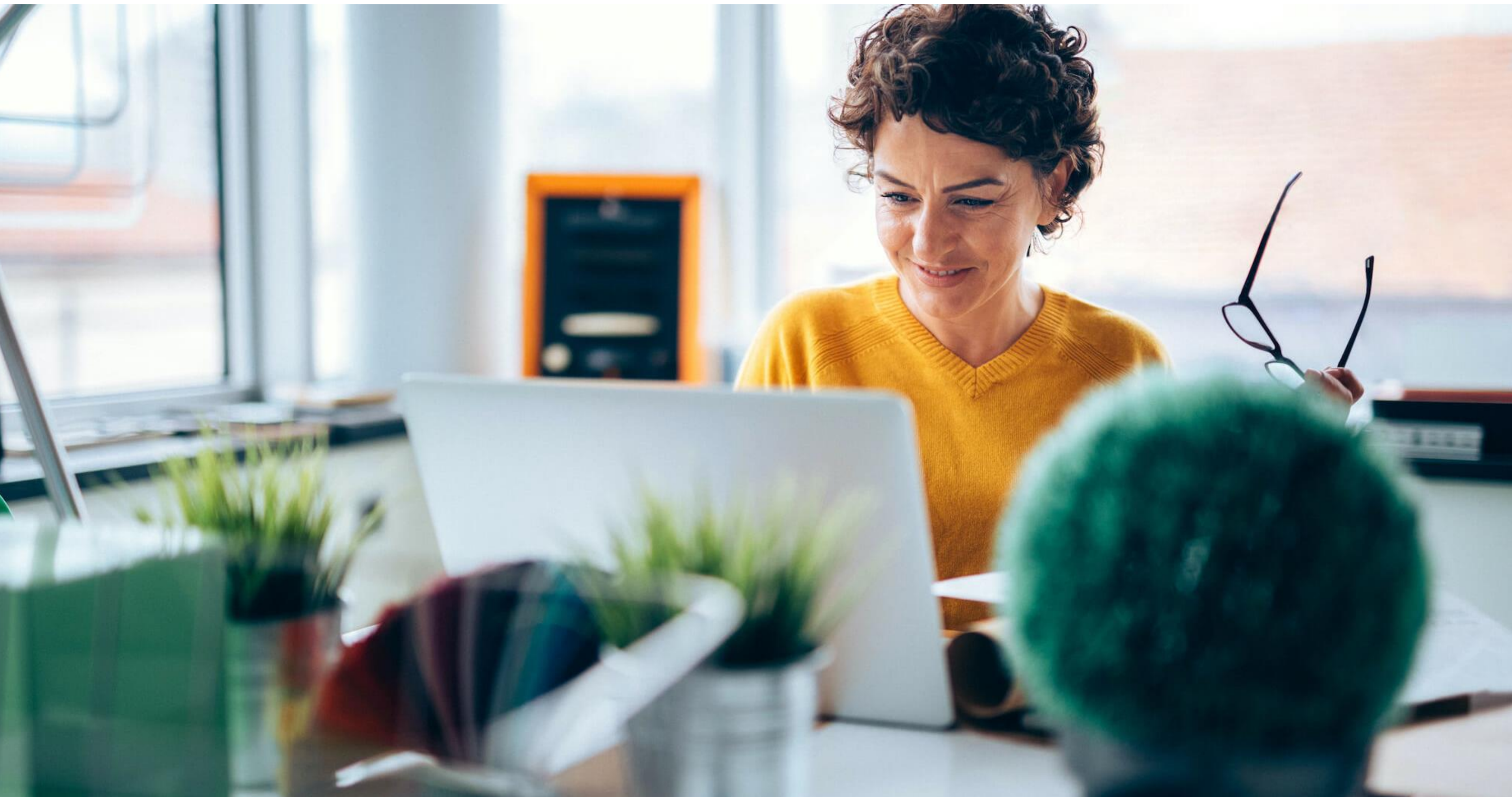
We see a good long-term development in sales, and during the first quarter we decided on capacity-increasing machine investments of approximately SEK 30 million, which will be installed during the autumn. In parallel, we are building our new production facility for complex assembly in Estonia, with the opening planned to the beginning of next year.

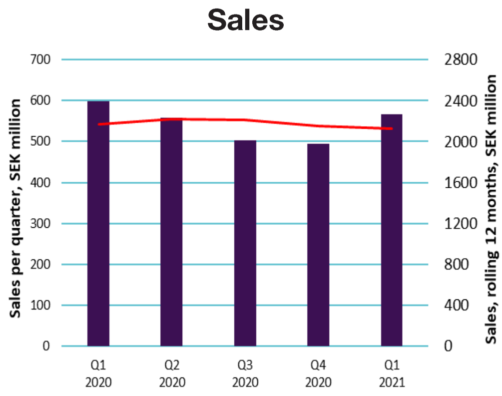
Not only do we offer complete manufacturing, we also offer streamlining of product-owning companies' supply chains. Such a project normally involves the relocation of production from factories in different countries, which is a unique competence that we have developed within HANZA. Significant customer value is created by trimming networks of different traditional contract manufacturers in different locations. And it's not just about cost savings and increased flexibility, the customer also gets a greener supply chain, i.e. a more environmentally friendly manufacturing and logistics process.

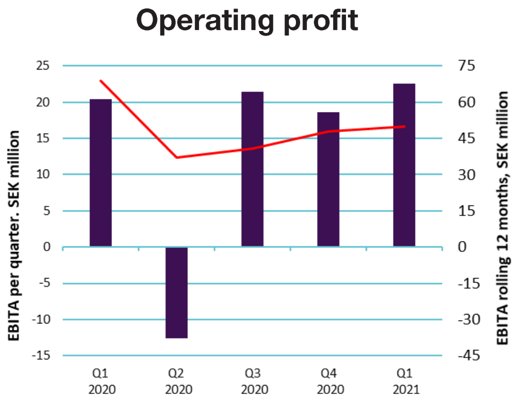
In summary, we are now back to an intensive work according to our original strategy:
To gain new market shares and continue working on our manufacturing clusters.

Kista, 26 April 2021

Erik Stenfors
CEO and President of HANZA Group







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 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 yo gain new market shares during a recession, as product companies find new needs to streamline and regionalize their supply chain.

Demand in the Nordic markets has strengthened significantly during the beginning of 2021, while in Germany the extended lock-down has delayed the upturn. Some of HANZA's customer groups continue to be affected by the effects of the pandemic, such as machinery and equipment for the textile industry, breweries and shops.

HANZA estimates that demand in the Nordic region will remain strong and that the market in Germany will recover towards the end of 2021. HANZA sees opportunities for new market shares as the pandemic has strengthened the trend towards regional and complete manufacturing. This reinforces a trend that has previously been driven by, among other things, trade barriers, transport costs, delivery times and environmental aspects. A limiting factor for the entire manufacturing industry, however, may be the availability of raw materials and components that to some extent is strained already today.

First quarter

Net sales amounted to SEK 567.4 million (599.1). Sales have increased through new sales and decreased due to the effects of covid-19, where sales to the Group's largest customer have decreased by approx SEK 40 million compared with Q1, 2020. Factory consolidation during 2020 affects the Group's sales negatively by approx. SEK 10 million. Exchange rate fluctuations have negatively affected sales by approx. SEK 25 million. The acquisition of SLP affects sales positively by approx. SEK 5 million. Excluding these items, growth is approx. 7% which is due to a recovery in the market and new market shares.

In the first quarter of 2021, segment Main markets shows sales of SEK 300.9 million (337.8), a decrease by 11%, which is mainly due to reasons explained above. Negative exchange rate effects affects this segment by SEK 11 million. Segment Other markets shows sales of SEK 266.5 million (261.3), an increase by approx. 2%. Negative exchange rate effect affects this segment by SEK 14 million.

EBITDA for the quarter amounted to SEK 42.7 million (41.5), which corresponds to an EBITDA margin of 7.5% (6.9). Depreciations and amortizations during the period amounted to SEK 23.7 million (24.7), of which amortization of intangible assets amounted to SEK 3.5 million (3.6) which mainly refers to customer relations added in acquisitions.

The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to SEK 22.5 million (20.4), which corresponds to an operating margin of 4.0% (3.4). The result include one-time costs of SEK 6.0 million. Adjusted for these costs EBITA amounts to SEK 28.5 million, which corresponds to an operating margin of 5.0%. The operating margin is marginally impacted by currency fluctuations. The EBITA margin in the Main market segment amounts to 5.1% (5.6). Excluding items affecting comparability from the acquisition of SLP in the amount of SEK 3,7 million the margin amounts to 6.3%. In the Other markets segment the margin amounts to 3,9% (0,8). The margin in both segments is adversely affected by covid-19.

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 first quarter, EBITA for the Business Development segment amounted to SEK -3.2 million (-0.8) of which SEK 2.3 million where costs directly related to the acquisition of SLP.

EBIT for the Group amounted to SEK 19.0 million (16.8). The gross margin amounted to 45.9% (46.5). Other external costs amounted to SEK 69.1 million (79.1) and personnel costs amounted to SEK 149.5 million (158.1). The lower costs are due to cost reductions in 2020 and to some extent, exchange rate effects.

Net financial income amounted to SEK -7.2 million (-7.3). Of this, net interest amounts to SEK -4.3 million (-4.6). The lower interest costs are mainly due to lower net debt. Currency rate gains and losses net amounted to SEK -1.0 million (-1.4). Other financial costs amounted to SEK -1.9 million (-1.3). Profit before tax amounted to SEK 11.8 million (9.5). Profit after tax amounted to SEK 9.1 million (6.4). Profit per share before and after dilution amounts to SEK 0.27 (0.19) for the quarter.

Cash flow and investmenst

Cash flow from operating activities in the first quarter amounted to SEK 66.1 million (67.6). The working captial during the period decreased by SEK 37.4 million (39.7). Cash flow from investment activities in the first quarter amounted to SEK -38.4 million (-21.6) of which investments in building SEK -4.5 million (-), other fixed assets to a net of SEK -13.7 million (-18.5) and acquisition of subsidiary SEK -20.2 million (-3.1). Cash flow from financing activities in the first quarter amounted to SEK -11.7 million (20.9) and consists of new loans and repayments. Total investments in tangible fixed assets amounted to SEK 31.1 million in the quarter (20.7). 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.

Financial position

Shareholder's equity at the end of the period amounted to SEK 520.5 million (523.9) whereas the equity ratio was 31.1% (32.0). The balance sheet total amounted to SEK 1,672.1 million (1,638.1). Both shareholder's equity and balance sheet total decrease as a result of a negative exchange rate effect. Cash and cash equivalents at the end of the period amounted to SEK

138.8 million (97.0).

The net interest-bearing debt at the end of the period amounted to SEK 500.2 (513.4) and has increased by SEK 48.8 million during the quarter due to the acquisition of SLP. The acquisition increased the debt by approx. SEK 80 million in total, of which leasing costs, mainly rental agreements, amounted to SEK 38.8 million (see Note 8). Excluding the acquisition the net debt has decreased by SEK 31.2 million during quarter 1, 2021, and by SEK 93.2 million compared to March 31, 2020. The operating net debt amounts to SEK 274.6 million (317.3), a decrease by SEK 42.7 million, despite the acquisition of SLP that contributed a net increase of SEK 41.2 million.

Dividend

The Board has proposed to the AGM a dividend of SEK 0.25 (-) per share for the financial year 2020, which equates to an amount of approx. SEK 8.9 million.

The parent company

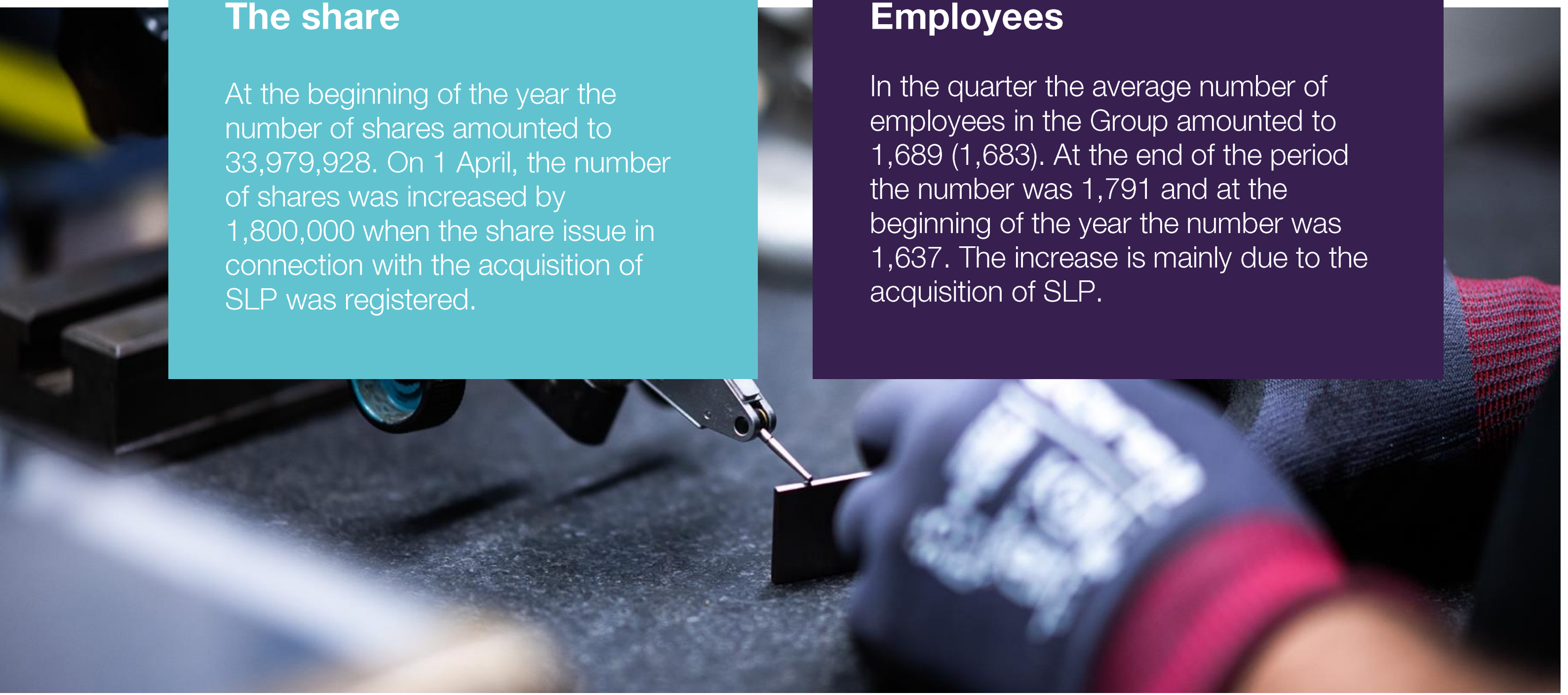
The parent company's net sales consists exclusively of income from Group companies. There have been no investments in the parent company during the quarter.

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 1,689 (1,683). At the end of the period the number was 1,791 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

Amount in MSEK	Note	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Net sales	4	**567.4**	**599.1**	**2,154.9**
Change of inventories in production, finished goods and work in progress on behalf of others		39.3	2.1	-52.0
Raw materials and consumables		-346.3	-322.9	-1 147.9
Other external costs		-69.1	-79.1	-263.9
Costs of personnel		-149.5	-158.1	-562.1
Depreciations, amortizations and write-downs		-23.7	-24.7	-107.3
Other operating income	5	2.9	2.8	15.8
Other operating expenses	5	-2.0	-2.4	-6.2
Operating profit	4	**19.0**	**16.8**	**31.3**
Profit/loss from financial items				
Financial income		-	-	0.8
Financial expenses		-7.2	-7.3	-23.2
Financial items – net	6	**-7.2**	**-7.3**	**-22.4**
Profit/loss before tax		**11.8**	**9.5**	**8.9**
Income tax		-2.7	-3.1	-10.3
Profit/loss for the period		**9.1**	**6.4**	**-1.4**

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

Earnings per share before dilution, SEK	0.27	0.19	-0.04
Earnings per share after dilution, SEK	0.27	0.19	-0.04

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

Consolidated comprehensive income statement

Amount in MSEK	Note	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Profit/loss for the period		**9.1**	**6.4**	**-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		7.8	21.1	-20.1
Exchange rate difference on acquisition loan		-0.9	-2.7	2.0
Tax on items that can subsequently be reversed in profit or loss		0.2	0.6	-0.4
Total items that may be reclassified to the income statement, net of tax		**7.1**	**19.0**	**-18.5**
Other comprehensive income for the period		**9.1**	**19.8**	**-21.7**
Total comprehensive income for the period		**18.2**	**26.2**	**-23.1**

Comprehensive income is in it’s entirety attributable to the parent company’s shareholders

Condensed consolidated balance sheet

Amount in SEK millions	Note	31.03.2021	31.03.2020	31.12.2020
ASSETS				
Fixed assets				
Goodwill		338.5	310.6	297.9
Customer relations		104.0	104.5	90.7
Other intangible assets		8.7	9.9	7.1
Buildings and land		110.1	114.1	101.0
Machinery and equipment		190.9	175.6	168.6
Right-of-use assets		183.3	145.1	137.8
Other long-term securities holdings		0.6	0.3	0.3
Deferred tax assets		23.4	31.1	26.9
Total fixed assets		959.5	891.2	830.3
Current assets				
Inventories		404.4	448.6	342.4
Accounts receivable		100.9	151.4	76.8
Other receivables		48.1	30.0	24.6
Prepaid expenses and accrued income		20.4	19.9	18.9
Cash and cash equivalents		138.8	97.0	121.2
Total current assets		712.6	746.9	583.9
TOTAL ASSETS		1,672.1	1,638.1	1,414.2

Condensed consolidated balance sheet, cont'd

Amount in SEK millions	Note	31.03.2021	31.03.2020	31.12.2020
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		**520.5**	**523.9**	**474.9**
LIABILITIES				
Long-term liabilities				
Post-employment benefits		109.9	115.2	110.3
Deferred tax liabilities		45.8	45.3	43.4
Liabilities to credit institutions	3	195.8	198.9	174.6
Lease liabilities		125.1	89.1	80.9
Total long-term liabilities		**476.6**	**448.5**	**409.2**
Current liabilities				
Overdraft facility	3	36.1	61.2	44.2
Liabilities to credit institutions	3	94.3	98.6	81.5
Lease liabilities		42.9	47.4	43.1
Other interest-bearing liabilities	3	34.9	-	37.0
Accounts payable		291.8	297.5	199.9
Other liabilities		52.4	54.1	43.0
Accrued expenses and deferred income		122.6	106.9	81.4
Total current liabilities		**675.0**	**665.7**	**530.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,672.1**	**1,638.1**	**1,414.2**

Condensed consolidated report of changes in shareholders' equity

Amount in MSEK	Note	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Opening balance		**474.9**	**497.7**	**497.7**
Profit/loss for the period		9.1	6.4	-1.4
Other comprehensive income		9.1	19.8	-21.7
Total comprehensive income		**18.2**	**26.2**	**-23.1**
Transactions with shareholders				
Non-cash issue		27.6	-	-
Issue costs		-0.2	-	-
Warrant issue		-	-	0.3
Total contributions from and distributions to shareholders, recognized directly in equity		**27.4**	**-**	**0.3**
Closing balance		**520.5**	**523.9**	**474.9**

Condensed consolidated statement of cash flows

Amount in MSEK	Note	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Cash flows from operating activities				
Profit/loss after financial items		11.8	9.5	8.9
Depreciations, amortizations and write-downs		23.7	24.7	107.3
Other non-cash items		0.8	-2.1	1.3
Paid income tax		-7.6	-4.2	-11.2
Cash flows from operating activities prior to the change in working capital		**28.7**	**27.9**	**106.3**
Total change in working capital		**37.4**	**39.7**	**75.5**
Cash flows from operating activities		**66.1**	**67.6**	**181.8**
Cash flows from investing activities				
Aquisition in subsidiaries	8	-20.2	-3.1	-3.1
Investments in fixed assets		-18.9	-18.9	-59.9
Disposals of tangible fixed assets		0.7	0.4	3.0
Cash flows from investing activities		**-38.4**	**-21.6**	**-60.0**
Cash flows from financing activities				
New share issue		-	-	0.3
New loans		37.7	15.6	97.0
Repayment of borrowings		-49.4	-36.5	-160.5
Dividends paid				
Cash flows from financing activities		**-11.7**	**-20.9**	**-63.2**
Increase/reduction in cash and cash equivalents		**16.0**	**25.1**	**58.6**
Cash and cash equivalents at the beginning of the period		121.2	66.7	66.7
Exchange rate differences in cash and cash equivalents		1.6	5.2	-4.1
Cash and cash equivalents at the end of the period		**138.8**	**97.0**	**121.2**

Condensed parent company income statement

Amount in MSEK	Note	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Operating income		**5.2**	**5.3**	**21.1**
Operating expenses		-5.2	-5.1	-19.1
Other operating income		0.1	0.1	0.4
Other operating expenses		-	-	-0.2
Operating profit		**0.1**	**0.3**	**2.2**
Profit/loss from financial items				
Profit/loss from shares in group companies		-	-	-127.1
Other interest income and similar income items		0.1	0.6	7.6
Interest charges and similar income items		-2.6	-4.4	-2.3
Total profit/loss from financial items		**-2.5**	**-3.8**	**-121.8**
Profit/loss after net financial items		**-2.4**	**-3.5**	**-119.6**
Appropriations		-	-	4.8
Profit/loss before tax		**-2.4**	**-3.5**	**-114.8**
Tax on profit for the period		-	-	-2.6
Profit/loss for the period		**-2.4**	**-3.5**	**-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

Amount in SEK millions	Note	31.03.2021	31.03.2020	31.12.2020
ASSETS				
Fixed assets				
Financial fixed assets		365.6	459.8	339.8
Total fixed assets		**365.6**	**459.8**	**339.8**
Current assets				
Current receivables		31.9	1.7	9.6
Cash and cash equivalents		7.7	8.7	1.3
Total current assets		**39.6**	**10.4**	**10.9**
TOTAL ASSETS		**405.2**	**470.2**	**350.7**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		265.1	353.5	239.9
Untaxed reserves		0.5	-	0.5
Long-term liabilities		59.0	68.6	47.0
Current liabilities		80.6	48.1	63.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**405.2**	**470.2**	**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 7 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' 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.

Transactions between segments are made on market terms.

Revenues by segment

SEK millions	Jan – Mar 2021			Jan – Mar 2020		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	302.9	-2.0	300.9	339.0	-1.2	337.8
Other markets	270.1	-3.6	266.5	266.5	-5.2	261.3
Business development	-	-	-	-	-	-
Total	**573.0**	**-5.6**	**567.4**	**605.5**	**-6.4**	**599.1**

Profit by segment

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

SEK millions	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
EBITA			
Main markets	15.3	19.0	41,5
Other markets	10.4	2.2	9,7
Business development	-3.2	-0.8	-3,4
Total EBITA	**22.5**	**20.4**	**47,8**
Amortisation of intangible assets	-3.5	-3.6	-16,5
Operating profit	**19.0**	**16.8**	**31,3**
Financial items – net	-7.2	-7.3	-22,4
Profit/loss before tax	**11.8**	**9.5**	**8,9**
Items affecting comparability			
Revaluation of acquisition purchase price	-	-	2,5
Transaction costs	-2.3	-	-
Integration costs	-3.7	-	-
Action programme covid-19	-	-	-24,7
Total	**-6.0**	**-**	**-22,2**
EBITA per segment excluding items affecting comparability			
Main markets	19.0	19.0	51,0
Other markets	10.4	2.2	24,9
Total	**29.4**	**21.2**	**75,9**
Business development	-0.9	-0.8	-5,9
Total	**28.5**	**20.4**	**70,0**
Items affecting comparability	-6.0	-	-22,2
EBITA	**22.5**	**20.4**	**47,8**

Revenue from external customers by manufacturing technology

SEK millions	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Mechanics	362,0	355.9	1 309.7
Electronics	205,4	243.2	844.9
Business development	-	-	0.3
Total	**567,4**	**599.1**	**2 154.9**

Note 5 Other operating income and operating expenses

SEK millions Other operating income	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Profit on disposal of fixed assets	0.6	0.1	1.0
Revaluation of acquisition purchase price	-	-	2.5
Government grants	0.6	-	3.3
Exchange gains	0.1	1.5	3.8
Other items	1.6	1.2	5.2
Total other operating income	**2.9**	**2.8**	**15.8**
Other operating expenses			
Loss on disposal of fixed assets	-	-	-1.0
Exchange losses	-1.8	-1.4	-4.5
Other items	-0.2	-1.0	-0.7
Total other operating expenses	**-2.0**	**-2.4**	**-6.2**

Note 6 Financial income and expenses – Net financial items

SEK millions Financial income	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Net exchange gains and losses	-	-	0.8
Total financial income	**-**	**-**	**0.8**
Financial expenses			
Interest expenses	-4.3	-4.6	-17.5
Net exchange gains and losses	-1.0	-1.4	-
Other financial expenses	-1.9	-1.3	-5.7
Total financial expenses	**-7.2**	**-7.3**	**-23.2**
Total financial items - net	**-7.2**	**-7.3**	**-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	**Jan – Mar 2021**	**Jan – Mar 2020**	**Jan – Dec 2020**
Weighted average number of shares before dilution	34,219,928	33,979,928	33,979,928
Adjustment upon calculation of earnings per share after dilution:			
Warrants	-	-	-
Weighted average number of shares after dilution	**34,219,928**	**33,979,928**	**33,979,928**
Number of shares at the end of the period *)	**35,779,928**	**33,979,928**	**33,979,928**

*) Including 1,800,000 shares issued at the acquisition of SLP which were regitred at the Swedish Companies Registration Office on 1 April 2021.

Note 8 **Acquisition of subsidiaries**

On 19 March 2020, all shares in Suomen Levyprofiili 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 (can not 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 are 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	**Jan – Mar 2021**
Date of acquisition	*19.03.2021*
Net sales before acquisition	33.6
Net sales after acquisition	5.5
Total net sales if the company had been held for the full period	**39.1**
EBIT before acquisition	2.1
EBIT after acquisition	0.7
Total EBIT if the company had been held for the full period	**2.8**

KEY RATIOS, DEFINITONS AND FINANCIAL CALENDER

Key ratios

SEK millions	Jan – Mar 2021	Jan – Mar 2020	Jan – Dec 2020
Net sales	567.4	599.1	2 154.9
Operating profit (EBIT)	19.0	16.8	31.3
Avskrivning immateriella tillgångar	-3.5	-3.6	-16.5
Earnings per share before dilution, SEK	0.27	0.19	-0.04
Earnings per share after dilution, SEK	0.27	0.19	-0.04
Cash flow from operating activities	66.1	67.6	181.8
Average number of employees	1,689	1,683	1,543
Alternative performance measurements			
EBITDA	42.7	41.5	138.6
EBITDA margin	7.5%	6.9%	6.4%
Operational segments EBITA	25.7	21.2	51.2
Business development segment EBITA	-3.2	-0.8	-3.4
Operational EBITA margin	4.5%	3.5%	2.4%
EBITA	22.5	20.4	47.8
EBITA margin	4.0%	3.4%	2.2%
Operating capital	1,020.7	1,037.3	925.3
Return on operating capital	2.3%	2.0%	4.9%
Capital turnover on operating capital, times	0.6	0.6	2.2
Return on capital employed	1.7%	1.5%	2.9%
Operational net debt	274.6	317.3	270.7
Net interest-bearing debt	500.2	513.4	450.4
Net debt/equity ratio, times	1.0	1.0	0.9
Net debt in relation to EBITDA, times	3.6	3.4	3.2
Equity ratio	31.1%	32.0%	33.6%
Equity per share at end of period, SEK	14.55	15.42	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, reconciliation 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 second quarter: 27 July 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 environmentaly 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 Europé and China.

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