

**HANZA**

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**Year-end report 2022**  
HANZA AB



# YEAR-END REPORT 2022

## Strong finish, sales in Q4 reached SEK 1 billion

### Fourth quarter 2022

- Net sales increased by 40% to SEK 1,001 million (717). Adjusted for acquisitions and currency, growth amounted to 29.3%.
- Operating profit (EBITA) increased to SEK 63.3 million (43.1), which corresponds to an operating margin of 6.3% (6.0). The margin was negatively affected by increased costs of energy and certain material, which have been forwarded to the customer with no added margin.
- Profit after tax amounted to SEK 39.8 million (25.2), which corresponds to SEK 1.06 (0.70) per share before dilution and SEK 1.04 (0.70) after dilution.
- Cash flow from operating activities amounted to SEK 19.5 million (59.9).

### Full year 2022

- Net sales increased by 41% to SEK 3,549 million (2,515). Adjusted for acquisitions and currency, growth amounted to 27.6%.
- Operating profit (EBITA) increased to SEK 212,0 million (143,4), which corresponds to an operating margin of 6.0% (5.8).
- Profit after tax amounted to SEK 121.3 million (80.2), which corresponds to SEK 3.35 (2.26) per share before dilution and SEK 3.30 (2.26) after dilution.
- Cash flow from operating activities amounted to SEK 145.1 million (126.1).
- The Board proposes a dividend of SEK 0.75 (0.50) per share for 2022.

# SIGNIFICANT EVENTS DURING AND AFTER THE FISCAL YEAR 2022

→ In March, HANZA inaugurated a newly built 12,000 sqm assembly hall in Tartu, Estonia. The new factory is an investment of approximately SEK 80 million and strengthens HANZA's position as a strong supplier of regional and complete manufacturing, as well as creating further opportunities for future growth.

→ During the year, HANZA had several sales successes with new manufacturing contracts, including to the logistics automation company Swisslog, the gas detection company Samon, the heat pump company Thermia and a leading developer of digital security solutions.

→ In May, the name of the parent company was changed to HANZA AB (formerly HANZA Holding AB). The company's share is traded on Nasdaq Stockholm with an unchanged short name, HANZA.

→ In July, HANZA acquired the product development company Budelmann Elektronik GmbH ("Budelmann") in Münster, Germany, in order to meet growing demand in this area. The acquisition is almost debt-free and has annual sales of approximately SEK 15 million. The purchase price amounted to SEK 8.6 million, plus a further SEK 2.2 million in estimated additional consideration. The company has been renamed HANZA Tech Solutions and represents an important commitment on the service side.

→ During the year, HANZA completed new manufacturing facilities in Poland, the Czech Republic and China. In total, HANZA's factory space was expanded by more than 6,000 square meters.

→ In October, HANZA acquired a previously leased property in Tartu, Estonia, which comprises the cluster's sheet metal mechanics. In addition to the property of approximately 6,300 sqm, the acquisition includes land of approximately 11,000 sqm. The sheet metal plant is located directly adjacent to HANZA's new assembly plant which opened in March 2022 (see above). The purchase price amounted to SEK 40 million.



HANZA's new building for complex assembly, pictured left.



The management of HANZA Tech Solutions, Jeannine and Christoph Budelmann.



HANZA's sheet metal mechanics in Estonia. In 2023 it will be expanded.

- In November, the shareholder base was widened through a directed issue of SEK 147 million to selected international and institutional investors. The issue was significantly oversubscribed. The company's main shareholder Gerald Engström also participated in the issue following approval at an extraordinary general meeting in December.
- In 2022, HANZA fulfilled the operational and financial targets presented in 2018, which is why the Board of Directors and the management have prepared a strategy with direction and targets for the coming years called "HANZA 2025". In connection with the new strategy, the Board of Directors decided in November to expand and raise the Group's financial targets as follows:
- **Growth:** Sales to reach at least SEK 5 billion by 2025.  
Previous: Average sales growth of at least 10% per year over a business cycle.
  - **Profitability:** The operating margin (EBITA) shall be at least 8% by the end of 2025.  
Previous: Average operating margin (EBIT) of at least 6% over a business cycle.
  - **Capital structure:** The equity ratio shall be at least 30%. Unchanged target.
  - **Debt ratio:** Net interest-bearing debt/EBITDA shall not exceed 2,5.  
New target defined as net interest-bearing debt at the end of the period divided by EBITDA rolling 12 months.
  - **Dividend policy:** The annual dividend shall be equal to 30% of the profit after tax, considering the company's financial position. Unchanged policy.
- The Board of Directors has decided to propose a dividend of SEK 0.75 per share (0.50) to the Annual General Meeting, corresponding to an amount of SEK 29.5 million (17.9).



## CEO COMMENT | Year-end report

The fourth quarter brought a strong finish to a successful year. For the first time, net sales reached SEK 1 billion in a single quarter, bringing our annual turnover to over SEK 3.5 billion. This means an increase of 1 billion compared to 2021.

In 2022, we also passed an important milestone: we fulfilled our operational plan and exceeded our financial targets for the development phase we presented in 2018. Thus, in November, we launched a new strategy for the coming years, "HANZA 2025", which includes, among other things, to reach sales of at least SEK 5 billion by 2025, with an operating margin of at least 8%.

HANZA offers a unique manufacturing concept to product-owning companies, which drives rapid growth. It means that we also need to continuously increase our manufacturing capacity – and this must be done in a cost-effective manner, to maintain a positive profitability development. Here, we see some of the strengths of HANZA's business model: Firstly, we have created a scalable and decentralized organization that allows us to execute multiple expansion projects in different regions in parallel. Secondly, we have placed our manufacturing clusters in areas where they can be expanded modularly. That is, our existing factories can increase step by step, with new space, new employees and new machines. In 2022, we completed a number of such capacity-increasing projects, which are described under "Significant events" above.



**Erik Stenfors, CEO**

### Financial development

Our original manufacturing cluster in Sweden continues to deliver a double-digit operating margin and the other clusters are increasing profitability as they develop in line with our business model. In 2022, some energy/material costs have been invoiced with no mark-up, which makes the operating margin slightly misleading. The profitability trend is more visible in the operating profit development during the year and the bottom-line result shows the highest level so far for earnings per share, SEK 3.35 for 2022 and SEK 1.06 for Q4.

Growth ties up capital, and during the past year we also experienced a unique situation where we needed to increase inventory for certain long lead-time components. Therefore, we are pleased to show positive cash flows from operating activities, SEK 145 million for 2022, which among other things has allowed us to reduce our net debt.

In November, we carried out a new share issue of SEK 147 million to selected international and institutional investors in Germany, Finland, Norway and Sweden. Our main shareholder and board member Gerald Engström also participated in the issue following a unanimous approval at an extraordinary general meeting. It is positive to see how HANZA is attracting long-term owners.

The issue together with our already strong financial position created the conditions for a kick-start of the HANZA 2025 strategy. In December 2022, we decided on additional machine investments of approximately SEK 100 million and started an expansion of our sheet metal plant in Estonia.

## The future

Sustainability is a priority for HANZA and therefore we are also working on revising and developing our sustainability targets in the HANZA 2025 strategy. The targets will be presented together with our 2022 Annual Report on March 31, 2023. The work will be carried out within three key areas: Environment and climate, Safety and ethics, and Employees.

Another prioritized development area in HANZA 2025, is our service offering. We strengthened our product development in 2022 through an acquisition, which has now become HANZA Tech Solutions – please visit our website for more information. In 2023, we will also strengthen our advisory service for optimizing manufacturing chains, so-called MIG™ assignments.

We see no slowdown in demand, and we enter 2023 with a record-high order book. One reason is our customer base, which consists of stable companies in industries that are not directly affected by a consumer downturn, such as energy companies, security products, reverse vending, defense, mining, etc. Another reason is that HANZA's concept of complete and local manufacturing fits perfectly with the global trend in the manufacturing industry, driving new sales.

Acquisitions remain an important part of our business model going forward, and we see many deal opportunities in traditional contract manufacturing. However, our strategy remains that acquisitions should not be made for the purpose of growing HANZA, but that each acquisition must create clear benefits for our customer base. As a result, we evaluate each opportunity carefully.

HANZA 2025 has already started, and we will take some important steps already in 2023.

Kista February 14, 2023

Erik Stenfors  
CEO

### The share

At the beginning of the year, the number of shares was 35,779,928. The number of shares was increased by a total of 3,500,000 by two share issues. The number of shares at the end of the year was 39,279,928.

### Colleagues

During the quarter, the average number of employees in the Group was 1,938 (1,798). At the end of the period, the number was 2,107 and at the beginning of the year, 2,001.

# BUSINESS DEVELOPMENT

## Market

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

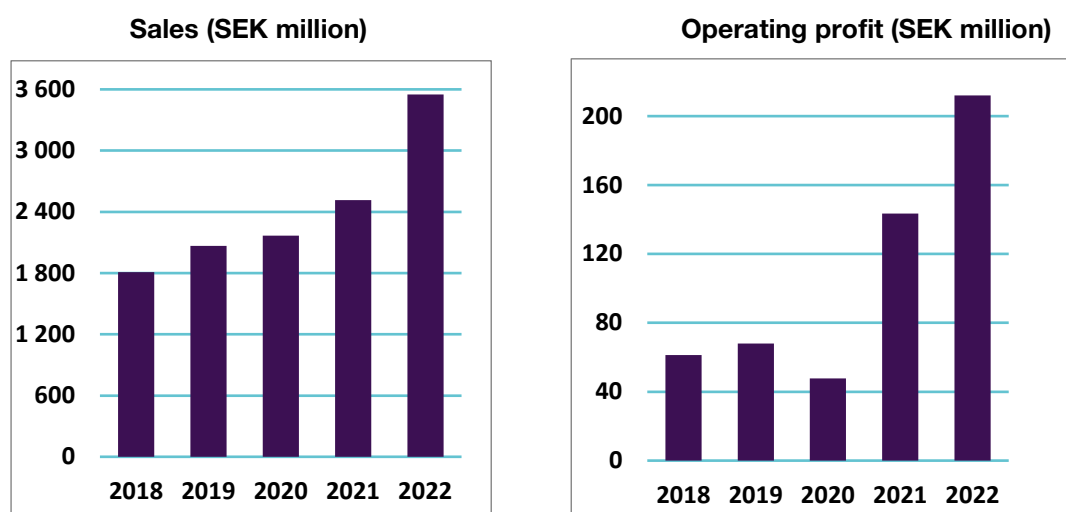
HANZA sees opportunities to gain further market shares as the trend towards complete manufacturing close to the end market strengthens. This is a trend that has so far been driven by trade barriers, transport costs, delivery times, environmental aspects and the pandemic, among other factors. Now the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

HANZA's growth in 2022 has been limited by the availability of raw materials and components, a situation that looks set to improve in 2023.

## Fourth quarter

Net sales amounted to SEK 1,001.0 million (716.6), an increase of 39.7%. Sales have increased through new sales, increased volumes to existing customers, acquisitions and increased prices for energy and materials. The global material shortage situation has had a negative impact on sales. Changes in currency exchange rates affected the Group's sales positively by SEK 44.1 million and acquisitions have had a positive effect on sales of SEK 30.2 million. Excluding currency and acquisitions, the organic growth amounted to 29.3% during the quarter.

EBITDA for the quarter amounted to SEK 91.1 million (67.4), which corresponds to an EBITDA margin of 9.1% (9.4). The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to SEK 63.3 million (43.1), which corresponds to an operating margin of 6.3% (6.0). Last year's profit was positively impacted by a repayment from AFA insurance by SEK 6.3 million, corresponding to an improvement of the margin with 0.9%. The decrease in the operating margin is mainly affected by the no-margin customer invoicing for the increased costs of material and energy. The gross margin for the quarter amounts to 42.8% (44.6). The margin was negatively affected by the above-mentioned invoicing of costs and acquired entities.



The diagrams show sales and operating profit over the past five years.

Profit before tax amounted to SEK 47.9 million (31.6) and profit after tax amounted to SEK 39.8 million (25.2). Profit per share for the quarter amounted to SEK 1.06 (0.70) before dilution and to SEK 1.04 (0.69) after dilution.

## Full year

Net sales in the year amounted to SEK 3,549.1 million (2,515.2), a growth of 41.1%. Exchange rates have positively affected the Group's sales by SEK 105.3 million compared to 2021. Acquisitions have contributed with SEK 233.2 million. Excluding acquisitions and exchange rates, organic growth amounts to 27.6%.

EBITDA amounted to SEK 315.7 million (232.1), which corresponds to an EBITDA margin of 8.9% (9.2). The Group's EBITA amounted to SEK 212.0 million (143.4), which corresponds to an operating margin of 6.0% (5.7). The improvement is mainly due to higher margins in the Other Markets segment. The margin is negatively impacted by the re-invoicing of increased material and energy costs and the acquisition in Germany of HANZA Beyers (see below), which was completed in quarter 4 2021. This has also negatively impacted the gross margin, which amounted to 43.1% (45.7).

The integration of HANZA Beyers and the coordination of production have resulted in reduction of staff, which has affected the result negatively with non-recurring items amounting to SEK 11.6 million. At the same time, an updated assessment of the additional purchase price for the acquisition of Beyers has resulted in a positive release of the reserve by SEK 10.3 million. The strengthening of the EUR and USD exchange rates towards SEK has negatively affected the net financial income by approximately SEK 5 million in the form of both realized and unrealized exchange rate losses.

Profit before tax amounted to SEK 143.0 million (99.7) and profit after tax amounted to SEK 121.3 million (80.2). Income tax corresponds to a tax rate of 15.2% (19.6). The lower tax rate is due to the fact that a larger proportion of the profit comes from entities with a lower tax rate. Profit per share amounted to SEK 3.35 (2.26) before dilution and to 3.30 (2.25) after dilution in the year.

## Cash flow and investments

Cash flow from operating activities for the fourth quarter amounted to SEK 19.5 million (59.9) and for the year to SEK 145.1 million (126.1). The change in working capital during the quarter amounted to SEK -62.3 million (0.5) and for the year to SEK -88.6 million (-67.4). Working capital requirements are driven by rapid growth. In addition, shortages of components have led to an increase in safety stocks and work in progress, while increased prepayments from customers have reduced the working capital requirements in the period.

The strong expansion has also increased the need for investments. Total investments in tangible fixed assets amounted to SEK 81.1 million (41.4) in the quarter and SEK 187.4 million (154.5) in the year and consisted mainly of investments in buildings and other fixed assets, mainly machinery. Cash flow from investment activities during the fourth quarter amounted to SEK -77.9 million (-81.4) and for the year to SEK -183.9 million (-185.7) of which acquisitions amounted to 8.2 MSEK. For more information on these, please refer to Note 7. The difference against cash flow from investments is due to the fact that certain investments do not affect the cash flow as they are made through leasing or are an accounts-payable at the end of the period.



## Financial position

Organic growth, acquisitions, and a challenging material situation with a need for increased safety stock has led to an increase of the balance sheet total. The new share issue during quarter 4 improved the equity/assets ratio and decreased the net debt.

The balance sheet total at the end of the year amounted to SEK 2,541.4 million (1,951.3). Shareholders' equity at the end of the year amounted to SEK 897.6 million (558.5), which gives an equity/assets ratio of 35.3% (30.0).

The Group's interest-bearing net debt at the end of the year amounted to SEK 556.1 million (583.0). Net debt in relation to adjusted EBITDA for the past 12 months has thus decreased and amounts to 1.9 times (2.9).

## Dividend

The Board of Directors proposes a dividend of 0.75 SEK per share (0.50), corresponding to an amount of SEK 29.5 million (17.9). The board's proposal is based on the company's dividend policy, financial position and liquidity.

## 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 year.

## Material risks and uncertainties

The risk factors that generally carry the greatest significance for HANZA are unpredicted global incidents, financial risks, and changes in demand. For more information on risks and uncertainties, see Note 3 in the company's annual report for 2021. No significant changes in the risks have occurred since the annual report for 2021 was submitted.

## Related party transactions

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

## Audit review

As in previous years, this report has not been subject to review by the company's auditor.

# SEGMENT OVERVIEW

## Description of segment reporting

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

Operational reporting is broken down into the following segments:

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

Transactions between segments are made on market terms.

## Main markets segment

SEK million	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Segment revenues	569.8	408.4	1,991.8	1,375.1
Less sales between segments	-7.4	-1.0	-15.8	-12.8
<b>Income from external customers</b>	<b>562.4</b>	<b>407.4</b>	<b>1,976.2</b>	<b>1,362.3</b>
<b>Operating profit (EBITA)</b>	<b>41.7</b>	<b>41.6</b>	<b>147.6</b>	<b>113.5</b>

Income from external customers amounted to SEK 562.4 million (407.4) in the quarter, which is an increase of 38.0%. Exchange rate effect had a positive impact of net sales of SEK 18.3 million and acquisition had a positive impact of SEK 25.5 million. Excluding currency and acquisitions, the organic growth amounted to 27.3% during the quarter.

The segment's EBITA amounted to SEK 41.7 million (41.6), which corresponds to an operating margin of 7.4% (10.2). Last year's profit was positively impacted by a repayment from AFA insurance by SEK 6.3 million. The increased prices for energy and materials have led to increased turnover through re-invoicing and negatively affected the margin.

The growth for the full year was a total of 45.1%, and 25.2% adjusted for currency and acquisition. EBITA amounts to SEK 147.6 million (113.5), an increase of 30.0%. The margin amounts to 7.4% (8.3). Adjusted for non-recurring items, the margin in 2021 was 7.5%. In addition to the increased costs mentioned above, the acquisition of HANZA Beyers in Germany, completed in Q4 2021, has impacted the margin negatively during the first three quarters of the year, as the unit has been at zero margin profitability during the coordination period.

## Other markets segment

SEK million	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Segment revenues	437.1	312.9	1,582.3	1,167.2
Less sales between segments	-3.2	-3.7	-14.5	-14.3
<b>Income from external customers</b>	<b>433.9</b>	<b>309.2</b>	<b>1,567.8</b>	<b>1,152.9</b>
<b>Operating profit (EBITA)</b>	<b>23.7</b>	<b>7.0</b>	<b>71.1</b>	<b>41.6</b>

Within Other markets, the group has completed the expansion project in Poland, the Czech Republic and China, which had a positive effect on the segment. Income from external customers amounted to SEK 433.9 million (309.2) in the quarter, which is an increase of 40.3%. Exchange rate effect had a positive impact of net sales of SEK 25.8 million. Excluding currency, the organic growth amounted to 32.0%.

The segment's EBITA has more than tripled and amounted to SEK 23.7 million (7.0) in the quarter, which corresponds to an operating margin of 5.5% (1.7). The increased prices for energy and material have led to increased turnover through re-invoicing and negatively affected the margin.

The growth for the full year was 36.0% and 30.5% adjusted for currency. EBITA amounts to SEK 71.1 million (41.6) an increase of 70.9%. The margin amounts to 4.5% (3.6). Here, too, the increased prices have affected turnover and margin.

## Business development and services segment

Since quarter 3 2022, the acquired company Budelmann Elektronik GmbH was added, which has been renamed HANZA Tech Solutions GmbH.

Income from external customers amounted to SEK 4.7 million (-) in the quarter and to SEK 5.1 million (-) for the full year. Internal Group sales amounted to SEK 1.6 million (-) in the quarter and to SEK 1.6 million (-) for the full year.

EBITA amounted to SEK -2.1 million (-5.6) in the quarter. For the year EBITA amounted to SEK -6.7 million (-11.7), of which SEK -0.9 million relates to transaction costs in connection with the acquisition of Budelmann.

# FINANCIAL DEVELOPMENT

## Consolidated income statement

SEK million	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Net sales</b>	4	<b>1,001.0</b>	<b>716.6</b>	<b>3,549.1</b>	<b>2,515.2</b>
Change of inventories in production, finished goods and work in progress on behalf of others		16.7	39.4	152.4	164.6
Raw materials and consumables		-589.6	-436.4	-2,170.6	-1,530.6
Other external costs		-129.8	-90.4	-452.5	-297.1
Costs of personnel		-210.6	-170.0	-780.8	-634.1
Depreciations, amortizations and write-downs of tangible fixed assets		-27.8	-24.3	-103.7	-88.7
Other operating income and expenses		3.4	8.2	18.1	14.1
<b>Operating profit (EBITA)</b>	4	<b>63.3</b>	<b>43.1</b>	<b>212.0</b>	<b>143.4</b>
Depreciations, amortizations and write-downs of intangible fixed assets		-5.9	-4.2	-18.7	-15.9
<b>Operating profit (EBIT)</b>	4	<b>57.4</b>	<b>38.9</b>	<b>193.3</b>	<b>127.5</b>
<b>Financial items - net</b>	5	<b>-9.5</b>	<b>-7.3</b>	<b>-50.3</b>	<b>-27.8</b>
<b>Profit/loss before tax</b>	4	<b>47.9</b>	<b>31.6</b>	<b>143.0</b>	<b>99.7</b>
Income tax		-8.1	-6.4	-21.7	-19.5
<b>Profit/loss for the period</b>		<b>39.8</b>	<b>25.2</b>	<b>121.3</b>	<b>80.2</b>

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

## Consolidated comprehensive income statement

SEK million	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Profit/loss for the period</b>	<b>39.8</b>	<b>25.2</b>	<b>121.3</b>	<b>80.2</b>
<b>Items that will not be reclassified to the income statement</b>				
Remeasurement of post-employment benefits	-11.1	-2.2	20.5	2.2
Tax on items that will not be reclassified to the income statement	3.4	0.7	-6.5	-0.7
<b>Total items that will not be reclassified to the income statement</b>	<b>-7.6</b>	<b>-1.5</b>	<b>14.1</b>	<b>1.5</b>
<b>Items that can subsequently be reversed in profit or loss</b>				
Exchange rate differences	11.2	2.4	49.7	10.6
Exchange rate difference on acquisition loan	-0.2	0.9	-0.7	-0.3
Tax on items that can subsequently be reversed in profit or loss	2.3	-	3.2	0.1
<b>Total items that may be reclassified to the income statement</b>	<b>13.2</b>	<b>3.3</b>	<b>52.1</b>	<b>10.4</b>
<b>Other comprehensive income for the period</b>	<b>5.5</b>	<b>1.8</b>	<b>66.1</b>	<b>11.9</b>
<b>Total comprehensive income for the period</b>	<b>45.4</b>	<b>27.0</b>	<b>187.4</b>	<b>92.1</b>

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

## Condensed consolidated balance sheet

SEK million	Note	31.12.2022	31.12.2021
<b>ASSETS</b>			
<b>Fixed assets</b>			
Goodwill		387.5	361.7
Other intangible assets		90.0	102.6
Tangible fixed assets		551.4	406.6
Right-of-use assets		180.3	187.9
Deferred tax assets		16.7	22.2
<b>Total fixed assets</b>		<b>1,225.9</b>	<b>1,081.0</b>
<b>Current assets</b>			
Inventories		937.4	662.9
Accounts receivable		150.9	106.6
Other receivables		90.7	55.0
Cash and cash equivalents		136.5	45.8
<b>Total current assets</b>		<b>1,315.5</b>	<b>870.3</b>
<b>TOTAL ASSETS</b>		<b>2,541.4</b>	<b>1,951.3</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity attributable to the parent company's shareholders</b>		<b>897.6</b>	<b>585.5</b>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Post-employment benefits		102.4	109.3
Deferred tax liabilities		48.7	44.2
Liabilities to credit institutions	3	223.2	244.9
Lease liabilities		124.5	132.5
<b>Total long-term liabilities</b>		<b>498.8</b>	<b>530.9</b>
<b>Current liabilities</b>			
Overdraft facility	3	55.3	58.7
Liabilities to credit institutions	3	176.6	107.2
Lease liabilities		41.3	41.8
Other interest-bearing liabilities	3	74.7	63.5
Accounts payable		487.5	373.4
Other liabilities		309.6	190.3
<b>Total current liabilities</b>		<b>1,145.0</b>	<b>835.0</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2,541.4</b>	<b>1,951.3</b>

## Condensed consolidated report of changes in shareholders' equity

SEK million	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Opening balance</b>	<b>709.7</b>	<b>558.5</b>	<b>585.5</b>	<b>474.9</b>
Profit/loss for the period	39.8	25.2	121.3	80.2
Other comprehensive income	5.5	1.8	66.1	11.9
<b>Total comprehensive income</b>	<b>45.4</b>	<b>27.0</b>	<b>187.4</b>	<b>92.1</b>
<b>Transactions with shareholders</b>				
Non-cash issue	-	-	-	27.6
New share issue	147.0	-	147.0	-
Issue costs	-4.4	-	-4.4	-0.2
Dividend	-	-	-17.9	-8.9
<b>Total contributions from and distributions to shareholders, recognized directly in equity</b>	<b>142.6</b>	<b>-</b>	<b>124.7</b>	<b>18.5</b>
<b>Closing balance</b>	<b>897.6</b>	<b>558.5</b>	<b>897.6</b>	<b>585.5</b>



## Condensed consolidated statement of cash flows

SEK million	Note	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Cash flows from operating activities</b>					
Profit/loss after financial items		47.9	31.6	143.0	99.7
Depreciations, amortizations and write-downs		33.7	28.5	122.4	104.6
Other non-cash items	7	2.1	-2.2	-9.2	-2.3
Paid income tax		-1.9	1.5	-22.5	-8.5
<b>Cash flows from operating activities prior to the change in working capital</b>		<b>81.8</b>	<b>59.4</b>	<b>233.7</b>	<b>193.5</b>
<b>Total change in working capital</b>		<b>-62.3</b>	<b>0.5</b>	<b>-88.6</b>	<b>-67.4</b>
<b>Cash flows from operating activities</b>		<b>19.5</b>	<b>59.9</b>	<b>145.1</b>	<b>126.1</b>
<b>Cash flows from investing activities</b>					
Acquisition in subsidiaries	7	-	-28.2	-8.2	-48.4
Investments in fixed assets		-79.2	-54.2	-180.1	-141.1
Disposals of tangible fixed assets		1.3	1.0	4.4	3.8
<b>Cash flows from investing activities</b>		<b>-77.9</b>	<b>-81.4</b>	<b>-183.9</b>	<b>-185.7</b>
<b>Cash flows from financing activities</b>					
New loans		142.6	-	142.6	-
Repayment of borrowings		23.4	70.0	263.3	173.6
Dividends paid		-72.4	-56.7	-268.3	-186.2
<b>Cash flows from financing activities</b>		<b>-</b>	<b>-</b>	<b>-17.9</b>	<b>-8.9</b>
		<b>93.6</b>	<b>13.3</b>	<b>119.7</b>	<b>-21.5</b>
<b>Increase/reduction in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the period		<b>35.2</b>	<b>-8.2</b>	<b>80.9</b>	<b>-81.1</b>
Exchange rate differences in cash and cash equivalents		99.3	49.4	45.8	121.2
<b>Cash and cash equivalents at the end of the period</b>		<b>2.0</b>	<b>4.6</b>	<b>9.8</b>	<b>5.7</b>
<b>Cash flows from operating activities</b>		<b>136.5</b>	<b>45.8</b>	<b>136.5</b>	<b>45.8</b>

## Condensed parent company income statement

SEK million	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Operating income</b>	<b>9.2</b>	<b>8.5</b>	<b>24.2</b>	<b>25.8</b>
<b>Operating expenses</b>	<b>-7.3</b>	<b>-7.0</b>	<b>-24.5</b>	<b>-24.5</b>
Other operating income and expenses	-	-	-	0.1
<b>Operating profit</b>	<b>1.8</b>	<b>1.5</b>	<b>-0.3</b>	<b>1.4</b>
<b>Profit/loss from financial items</b>				
Profit/loss from shares in group companies	15.7	5.0	27.1	4.5
Financial items - net	-1.8	-0.4	-11.2	-3.7
<b>Total profit/loss from financial items</b>	<b>13.8</b>	<b>4.6</b>	<b>15.9</b>	<b>0.8</b>
<b>Profit/loss after net financial items</b>	<b>15.7</b>	<b>6.1</b>	<b>15.6</b>	<b>2.2</b>
Appropriations	34.0	6.0	34.0	6.0
<b>Profit/loss before tax</b>	<b>49.7</b>	<b>12.1</b>	<b>49.6</b>	<b>8.2</b>
Tax on profit for the period	-3.7	-0.8	-3.7	-0.8
<b>Profit/loss for the period</b>	<b>45.9</b>	<b>11.3</b>	<b>45.8</b>	<b>7.4</b>

There are no parent company items that are recognized in comprehensive income, for which reason total comprehensive income is consistent with the profit/loss for the period.

## Condensed parent company balance sheet

SEK million	Note	31.12.2022	31.12.2021
<b>ASSETS</b>			
<b>Fixed assets</b>			
Financial fixed assets		503.6	391.7
<b>Total fixed assets</b>		<b>503.6</b>	<b>391.7</b>
<b>Current assets</b>			
Current receivables		2.8	13.1
Cash and cash equivalents		29.6	0.3
<b>Total current assets</b>		<b>32.4</b>	<b>13.4</b>
<b>TOTAL ASSETS</b>		<b>536.0</b>	<b>405.1</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	6	436.5	266.0
Untaxed reserves		1.7	1.7
Long-term liabilities		58.8	103.1
Current liabilities		38.9	34.3
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>536.0</b>	<b>405.1</b>

# 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 9 to 14 forms an integral part of this financial report.

## **Note 2      Basis for the preparation of reports and accounting principles**

HANZA AB (publ) applies IFRS (International Financial Reporting Standards), as adopted by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The interim report for the parent company has been prepared in accordance with chapter 9 of the Swedish Annual Reports Act, and with RFR 2, Accounting for legal entities. The accounting principles are in accordance with the principles that were applied in the previous fiscal year. For more information on these, please refer to Note 2 of the HANZA AB's 2021 annual report.

## **Note 3      Financial instruments – Fair value of financial liabilities valued at amortized cost.**

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

## **Note 4      Revenue and segment information**

### **Description of revenue from contracts with customers**

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

The breakdown of external revenue by segment, which is in line with the Group's cluster-based organization, 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.

During the year, the "Business Development" segment changed its name to "Business Development and Services" following the addition of the acquired company Budelmann in quarter 3.

## Profit by segment

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

SEK million	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Operating profit (EBITA)</b>				
Main markets	41.7	41.6	147.6	113.5
Other markets	23.7	7.0	71.1	41.6
Business development and services	-2.1	-5.6	-6.7	-11.7
<b>Total EBITA</b>	<b>63.3</b>	<b>43.0</b>	<b>212.0</b>	<b>143.4</b>
Amortization of intangible assets	-5.9	-4.2	-18.7	-15.9
<b>Operating profit (EBIT)</b>	<b>57.4</b>	<b>38.9</b>	<b>193.3</b>	<b>127.5</b>
Financial items – net	-9.5	-7.3	-50.3	-27.8
<b>Profit/loss before tax</b>	<b>47.9</b>	<b>31.6</b>	<b>143.1</b>	<b>99.7</b>

### Items affecting comparability

Revaluation of acquisition purchase price	-	-	10.3	0.2
Transaction costs	-	-2.7	-0.9	-5.0
Integration costs	-	-	-11.6	-3.7
Repayment AFA	-	6.3	-	6.3
<b>Total</b>	<b>-</b>	<b>3.6</b>	<b>-2.2</b>	<b>-2.2</b>

### EBITA per segment excluding items affecting comparability

Main markets	41.7	35.3	148.9	110.7
Other markets	23.7	7.0	71.1	41.6
<b>Total</b>	<b>65.4</b>	<b>42.3</b>	<b>220.0</b>	<b>152.3</b>
Business development and services	-2.1	-2.9	-5.8	-6.7
<b>Total</b>	<b>63.3</b>	<b>39.4</b>	<b>214.2</b>	<b>145.6</b>
Items affecting comparability	-	3.6	-2.2	-2.2
<b>EBITA</b>	<b>63.3</b>	<b>43.0</b>	<b>212.0</b>	<b>143.4</b>

### Revenue from external customers by manufacturing technology

SEK million	Oct-Dec,2022	Oct-Dec,2021	Jan-Dec,2021	Jan-Dec,2021
Mechanics	578.9	435.5	2,111.2	1,594.0
Electronics	417.4	281.1	1,432.8	921.2
Business development and services	4.7	-	5.1	-
<b>Total</b>	<b>1,001.0</b>	<b>716.6</b>	<b>3,549.1,</b>	<b>2,515.2</b>

**Note 5****Financial items - net**

<b>SEK million</b>	<b>Oct-Dec 2022</b>	<b>Oct-Dec 2021</b>	<b>Jan-Dec 2022</b>	<b>Jan-Dec 2021</b>
Interest income	0.2	-	0.2	-
<b>Financial expenses</b>				
Interest expenses	-10.1	-6.2	-31.9	-20.0
Other financial expenses	-3.4	-1.8	-9.7	-7.5
<b>Total financial expenses</b>	<b>-13.5</b>	<b>-8.0</b>	<b>-41.6</b>	<b>-27.5</b>
Net exchange gains and losses	3.8	0.7	-8.9	-0.3
<b>Total financial items - net</b>	<b>-9.5</b>	<b>-7.3</b>	<b>-50.3</b>	<b>-27.8</b>

**Note 6****Number of shares**

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

<b>Number of shares</b>	<b>Oct-Dec 2022</b>	<b>Oct-Dec 2021</b>	<b>Jan-Dec 2022</b>	<b>Jan-Dec 2021</b>
Weighted average number of shares before dilution	37,679,385	35,779,928	36,258,695	35,395,270
Adjustment upon calculation of earnings per share after dilution: Warrants	490,521	435,176	475,009	192,612
<b>Weighted average number of shares after dilution</b>	<b>38,169,905</b>	<b>36,215,104</b>	<b>36,733,704</b>	<b>35,587,882</b>
<b>Number of shares at the end of the period</b>	<b>39,279,928</b>	<b>35,779,928</b>	<b>39,279,928</b>	<b>35,779,928</b>

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

<b>Earnings per share</b>	<b>Jul-Sep 2022</b>	<b>Jul-Sep 2021</b>	<b>Jan-Sep 2022</b>	<b>Jan-Dec 2021</b>
Earnings per share before dilution, SEK	1.06	0.70	3.35	2.26
Earnings per share after dilution, SEK	1.04	0.69	3.30	2.25

**Note 7****Acquisition of subsidiaries**

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

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

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

**Purchase price, SEK million**

Cash and cash equivalents paid upon entry into possession	8.6
Estimated conditional additional purchase price due in 2023 and 2024	2.2
<b>Total estimated purchase price</b>	<b>10.8</b>

Reported amounts of identifiable acquired and assumed liabilities

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

**Cash flow effect from the acquisition**

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

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

<b>Net sales and EBITA in the acquired company, SEK million</b>	<b>Oct-Dec 2022</b>	<b>Jan-Dec 2022</b>
<i>Date of acquisition July 4, 2022</i>		
Net sales before acquisition	-	1.7
Net sales after acquisition	4.7	5.1
<b>Total net sales if the company had been held for the full period</b>	<b>4.7</b>	<b>6.8</b>
EBITA before acquisition	-	-1.2
EBITA after acquisition	0.8	-0.7
<b>Total EBITA if the company had been held for the full period</b>	<b>0.8</b>	<b>-1.9</b>



# KEY RATIOS, DEFINITIONS AND FINANCIAL CALENDER

	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Key ratios according to IFRS</b>				
Net sales, SEK million	1,001.0	716.6	3,549.1	2,515.2
Operating profit (EBIT), SEK million	57.5	38.9	193.3	127.5
Amortization of intangible assets, SEK million	-5.9	-4.1	-18.7	-15.9
Earnings per share before dilution, SEK	1.06	0.70	3.35	2.26
Earnings per share after dilution, SEK	1.04	0.69	3.30	2.25
Cash flow from operating activities, MSEK	19.5	59.9	145.1	126.1
Average number of employees	1,938	1,798	1,936	1,741

	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<b>Alternative performance measurements</b>				
EBITDA, SEK million	91.1	67.4	315.7	232.1
EBITDA margin, %	9.1	9.4	8.9	9.2
Operational segments EBITA, SEK million	65.4	48.6	218.7	155.1
EBITA Business development and services, SEK million	-2.1	-5.6	-6.7	-11.7
Operational EBITA margin, %	6.5	6.8	6.2	6.2
Operating profit (EBITA), SEK million	63.3	43.0	212.0	143.4
EBITA margin, %	6.3	6.0	6.0	5.7
Operating capital, SEK million	1,559.1	1,297.5	1,559.1	1,297.6
Return on operating capital, %	4.2	3.5	14.8	12.9
Capital turnover on operating capital, times	0.7	0.6	2.5	2.3
Return on capital employed, %	3.6	3.1	12.7	10.7
Net interest-bearing debt, SEK million	556.1	583.0	556.1	583.0
Net debt/equity ratio, times	0.7	1.0	0.7	1.0
Net debt in relation to adjusted EBITDA, times	1.9	2.9	1.9	2.9
Equity ratio, %	35.3	30.0	35.3	30.0
Equity per share at end of period, SEK	22.85	16.36	22.85	16.36

## Key ratios

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

### **Key ratios according to IFRS – Definitions**

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

### **Alternative performance measurements – Definitions, reconciliations and motives**

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

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

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

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

**EBITDA margin** is EBITDA divided by net sales.

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

**EBITA margin** is EBITA divided by net sales.

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

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

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

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

**Operational segments EBITA** (operational EBITA) is EBITA for segment Main markets and Other markets.

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

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

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

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

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

**Net interest-bearing debt** is interest-bearing liabilities, including provisions for post-employment benefits, excluding lease liabilities related to the right-of-use assets for buildings and premises in accordance with IFRS 16 less cash in hand, cash equivalents and short-term investments.

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

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

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

## Financial Calendar

- Annual report 2022: Friday March 31, 2023
- Interim report, Q1, 2023: Wednesday May 3, 2023
- Annual General Meeting: Monday May 8, 2023
- Interim report, Q2 2023: Tuesday July 25, 2023
- Interim report, Q3 2023: Tuesday November 7, 2023

# ABOUT HANZA

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

The company was founded in 2008 and in 2022 had sales exceeding SEK 3.5 billion. The company has six manufacturing clusters: Sweden, Finland, Germany, Baltics, Central Europe, and China.

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

## More information

At [www.hanza.com](http://www.hanza.com) you find more information about HANZA Group, as well as financial reports, presentations, and press releases.

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