HANZA

ALL YOU NEED IS ONE ™

Year-end report 2023

YEAR-END REPORT 2023

A successful year and new financial targets

Fourth quarter 2023

- → Net sales increased by 5% to SEK 1,056 million (1,001). Adjusted for currency and re-invoicing of energy and material costs the growth amounted to 4%.
- → Operating profit (EBITA) increased to SEK 76 million (63), which corresponds to an operating margin of 7.2% (6.3). Adjusted for costs related to the acquisition of Orbit One and cost of revaluation of additional purchase price the underlying operating profit was SEK 89 million, which corresponds to an operating margin of 8.4%.
- → Profit after tax increased to SEK 47 million (40), which corresponds to SEK 1.16 (1.06) per share before dilution and SEK 1.15 (1.04) after dilution.
- → Cash flow from operating activities amounted to SEK 97 million (19).

Full year 2023

- → Net sales increased by 17% to SEK 4,143 million (3,549). Adjusted for currency, acquisitions and re-invoicing of energy and material costs the growth amounted to 12%.
- → Operating profit (EBITA) increased to SEK 344 million (212), which corresponds to an operating margin of 8.3% (6.0). Non-recurring items (mainly received energy subsidy and costs related to acquisitions) affected the result negatively by SEK 6 million. Excluding these items the operating profit amounted to SEK 350 million, which corresponds to an operating margin of 8.4%.
- → Profit after tax increased to SEK 214 million (121), which corresponds to SEK 5.36 (3.35) per share before dilution and SEK 5.31 (3.30) after dilution.
- → Cash flow from operating activities amounted to SEK 277 million (145).
- → The Board proposes a dividend of SEK 1.20 (0.75) per share for 2023.

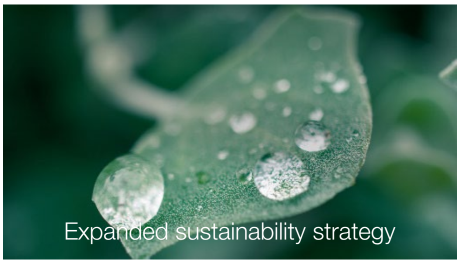
SIGNIFICANT EVENTS DURING AND AFTER THE FISCAL YEAR 2023

→ At the start of 2023 we deepened our cooperation with Thermia, a world-leading supplier of heat pumps. The co-operation increases annual sales by approx. SEK 35 million and is expected to continue to increase.

35 MSEK +

Increased annual sales to Thermia

→ In March, we presented an expanded sustainability strategy. Together with the strategy and financial goals in ”HANZA 2025”, it aims to ensure long-term profitable and sustainable growth.


Expanded sustainability strategy

→ In Q2, HANZA's management exercised the warrants they had previously purchased under the company's warrant program 2020/2023.

→ HANZA's AGM in May resolved to elect Per Holmberg to the Board. The AGM also resolved to introduce a share savings scheme 2023/2026, where the participants are allocated shares provided that they invest in shares, and that the financial targets for 2025 are met. Participation was high, with investment in 32,600 of a maximum of 33,450 shares.

2023-2026

The AGM resolves on a share savings scheme

→ The order backlog from a customer in the defense industry increased to approx. SEK 150 million per year, more than doubling compared to 2022. The orders relate to both production and product development and entail a deeper cooperation with HANZA.

150 MSEK +

Annual increase in order backlog from customer in the defense industry

→ In June, HANZA acquired a previously leased factory in Töcksfors of 11,000 sqm and approx. 28,000 sqm of adjacent land. The purpose is to prepare for continued expansion in Sweden and to reduce cost of premises.

Expansion in Töcksfors

→ In July, HANZA signed a manufacturing agreement with Mitsubishi Logisnext Europe (“MLE”), a leading provider of logistics solutions with customized forklifts. The agreement covers complete manufacturing of a series of forklifts for the European market. The annual sales is expected to exceed SEK 100 million per year and be fully operational in the first half of 2024.

100 MSEK +

Increased annual sales to Mitsubishi Logisnext Europe

→ In December HANZA signed an agreement to acquire Swedish electronics manufacturer Orbit One, adding new capacity and expertise in this area. The company has a turnover of approx. SEK 1.1 billion, with two production facilities in Sweden and one in Poland, and a total of approx. 620 employees. The company was accessed on January 4, 2024.

Orbit One acquisition

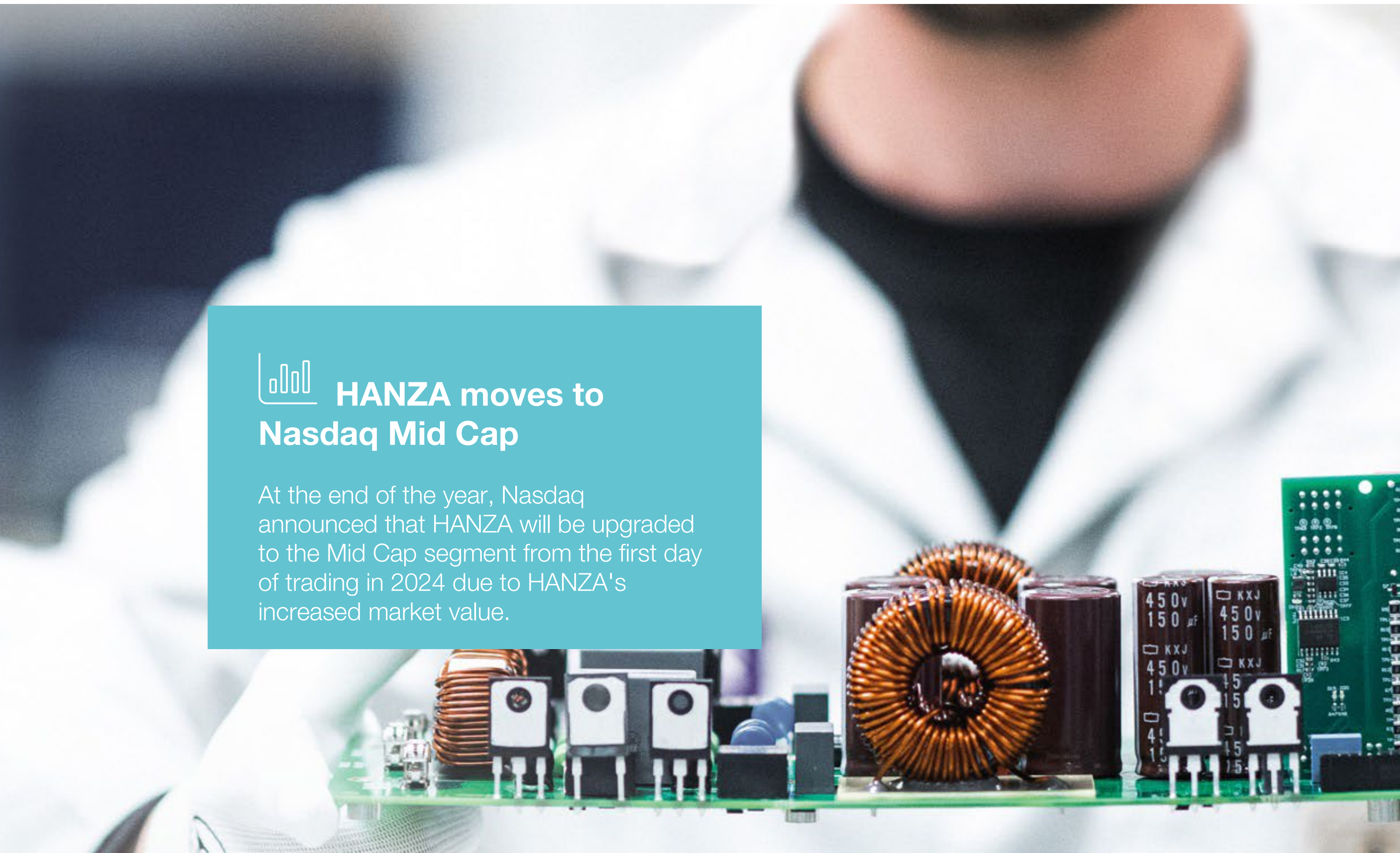
→ In December HANZA inaugurated a new assembly plant in Narva, Estonia, of 5,000 sqm, expanding the group's offering in heavy mechanics.


Inauguration in Narva

→ In December, HANZA carried out a directed share issue of SEK 300 million, of which SEK 260 million was realised in December and SEK 40 million in January 2024, following approval at an extraordinary general meeting.

→ To meet increasing volumes, HANZA decided in January 2024 to invest approx. SEK 75 million in building a new factory section of 8,800 square meters in Töcksfors, Sweden.

→ On February 13, 2024, the Board decided on new financial targets, where the sales target for 2025 was raised to SEK 6.5 billion (previously SEK 5 billion) and the operating profit target increased to 8% to apply to the full year 2025 (previously 8% by the end of 2025).



HANZA moves to Nasdaq Mid Cap

At the end of the year, Nasdaq announced that HANZA will be upgraded to the Mid Cap segment from the first day of trading in 2024 due to HANZA's increased market value.

CEO COMMENT | Year-end report

An eventful quarter closed a successful year. To understand the activities, it is important to remember that HANZA is fundamentally a growth company. Since its inception just over 15 years ago, HANZA has had an average growth rate (CAGR) of 19%. The reason for this development - during different economic cycles - is that we have created a new offering in a traditional industry. This continuously provides new market shares, which leads to an ongoing need for expansion.

Erik Stenfors, CEO HANZA

We normally meet the expansion need by developing our clusters. During the fourth quarter, two inaugurations took place: a robotized sheet metal line in Sweden and a brand-new assembly plant in Estonia.

We also expand through strategic acquisitions. On December 1, we signed an agreement to acquire Orbit One, one of the leading electronics manufacturers in the Nordics. The company brings new expertise and capacity in a central part of our complete offering. We accessed the company on January 4 this year, after receiving the necessary regulatory approvals.

With Orbit One, HANZA reaches a pro forma turnover of SEK 5.2 billion for 2023. This exceeds our financial target for 2025 and the Board has therefore decided to increase the target by 30% to SEK 6.5 billion for 2025. A target that HANZA is ready to fulfill.

Profitable growth also increases the market value, and at the turn of the year 2023/2024, Nasdaq moved the trading of our share from Small Cap to Mid Cap. This is a great acknowledgement of the HANZA Group's development.

Financial development

The fourth quarter developed according to expectations. Sales exceeded SEK 1 billion and thus increased the turnover for the full year 2023 by approx. 17% to SEK 4.1 billion (3.5).

During the quarter we had costs directly linked to the acquisition of Orbit One. Furthermore, our previous acquisition in Germany developed better than forecast, which resulted in an increased additional purchase price. Adjusted for these one-off costs, the operating margin amounted to 8.4%. Also for the full year 2023, HANZA shows an operating margin of 8.4%. Both operating segments are developing positively, although Main markets continues to show a higher margin than Other markets.

In December, we carried out a directed share issue of SEK 300 million, which further strengthened our financial position. The equity to asset ratio now exceeds 45% and the net debt/EBITDA ratio has decreased to 0.8 (1.9). This gives HANZA a financial preparedness for new business opportunities and room for maneuver for our acquisition strategy.

HANZA has shown stable cash flows for many years, which continued during the period. For the fourth quarter, cash flow from operating activities amounted to SEK 97 million and for the full year 2023, it amounted to SEK 277 million.

The future

At the beginning of 2024 we see that some customers experience weaker demand, while other customers continue to grow. Our offer provides many advantages compared to classic contract manufacturers, and historically economic downturns have offered opportunities for new market shares for HANZA, when product companies have had to act and review their supply chain. With our stable growth history, we are confident that in the long term we can continue organic growth even in a weaker economy. We are therefore continuing the expansion of the Group's factories and services.

Our latest acquisition, Orbit One, has a couple of percentage points lower operating margin than HANZA. This, in combination with weaker demand from some customers, lowers the group's margin. However, we have already started our integration and synergy program with project teams from HANZA and Orbit One. HANZA has long experience of acquisitions and we are confident that the work will have a positive impact on the margin during the current year. The effect of the program, combined with new market shares, means that we have set a goal of returning to an operating margin of at least 8% during the full year 2025. A possible economic upturn can of course also contribute to the margin.

To achieve continued long-term growth, we decided in January to invest SEK 75 million in an expansion of the Group's manufacturing cluster in Sweden. In particular, it will provide new areas for assembly and the inauguration is planned for the turn of the year 2024/2025. Expansion is also underway in Tartu, Estonia. In 2023, we have built a new production hall for sheet metal mechanics with a new transportation system for welded, painted and finished sheet metal boxes to our nearby assembly factory. This expansion will be operational in the beginning of 2024. We also see a need for another strategic acquisition in the coming years.

So, we have an eventful time ahead of us as well. The immediate goal is to finalize our strategy "HANZA 2025", which in brief is based on meeting our financial targets by developing existing operations. In turn, the purpose of HANZA 2025 is to create a robust platform for the next geographical expansion. Systematically, step by step, HANZA will continue the journey towards becoming one of Europe's leading players in contract manufacturing.

Kista, February 13, 2024

Erik Stenfors
CEO

The share

The number of shares amounted to 39,279,928 at the beginning of the year and increased by 850,000 shares in Q2, through the exercise of warrants, and by 3,058,912 in Q4, through a directed share issue. At the end of the year, the number of shares amounted to 43,188,840.

Colleagues

The average number of employees in Q4 amounted to 2,024 (1,938). At the end of the period, the number of employees amounted to 2,178. At the beginning of 2023, the number was 2,107.

HANZA 2025

In the fall of 2022, the company developed a strategy for the next three years called "HANZA 2025". In brief, it is based on developing capacity and expertise in existing manufacturing clusters and services. Acquisitions that support this direction are also part of the strategy.

In connection with the strategy, HANZA launched new financial targets for 2025, where the sales target was set to SEK 5 billion in 2025. Significant organic growth together with a major acquisition means that HANZA pro forma exceeds the sales target in 2023. The Board of Directors has therefore evaluated and revised the financial targets for HANZA 2025.

Revised financial targets

The Board has decided to increase certain financial targets for the HANZA 2025 strategy as follows:

→ **Growth:** Net sales of at least SEK 6.5 billion by 2025.
Previously: At least SEK 5 billion by 2025.

→ **Profitability:** The operating margin (EBITA) for the financial year 2025 shall amount to at least 8%.
Previously: To be at least 8% by the end of 2025.

→ **Capital structure:** The equity ratio should be at least 30%.
Unchanged target.

→ **Debt:** Interest-bearing net debt/EBITDA to be a maximum of 2.5.
Unchanged target.

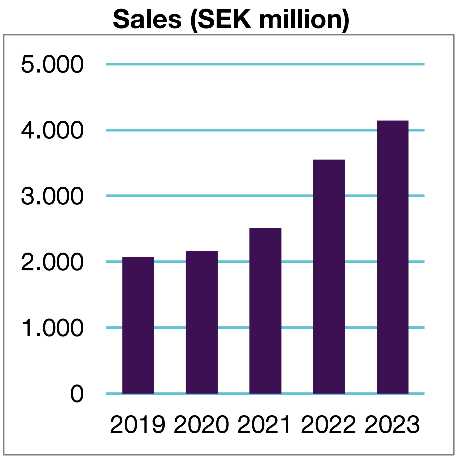
→ **Dividend policy:** The annual dividend shall correspond to 30% of the profit after tax, taking into account the financial position of the company.
Unchanged policy.

GROUP OVERVIEW

Market

HANZA has, also including the acquisition of Orbit One, an evenly distributed customer base where no customer accounts for more than 10% of annual sales, and where the ten largest customers combined account for less than 50%. Our customers operate in various industries such as logistics, mining, defense, energy sector, agricultural and forestry products and recycling companies. Geographically, customers are mainly located in the Nordic region and Germany, but there are also customers in the rest of Europe, Asia and the USA. HANZA sees a slowdown in order intake from some customers in the beginning of 2024, while other parts of the customer base continue to grow.

HANZA offers a competitive alternative to traditional contract manufacturers, which is particularly sought after during an economic downturn. A decrease in order intake could therefore be expected to be compensated with new market shares during the year. Furthermore, HANZA's business model is supported by the trend towards complete and regional manufacturing. This is a trend that has so far been driven by, among other things, trade barriers, transportation costs, delivery times, environmental aspects and the pandemic. The invasion of Ukraine has also added a political dimension, where product companies with manufacturing in countries with political risks are reviewing their supply chain and for that reason plan to move their production closer to their market. Another geopolitical risk has recently been added by the escalating unrest around the Red Sea.



The graphs show sales and EBITA for the last five years.

A step into the future. HANZA's VR glasses, which launched in the fourth quarter, lets customers explore HANZA's factories virtually.

SUSTAINABILITY

HANZA's sustainability work is focused on three areas: Environment & Climate, Safety & Ethics and Employees. The sustainability goals, together with the financial goals in the company's overall strategy "HANZA 2025", shall ensure that HANZA achieves long-term profitable and sustainable growth.

Selected activities during 2023

→ HANZA joined the UN Global Compact, committing to the ten principles of human rights, labor, environment and anti-corruption.

→ A supplier relationship management (SRM) software was implemented. The system supports the communication of, among other things, our sustainability standards to suppliers.

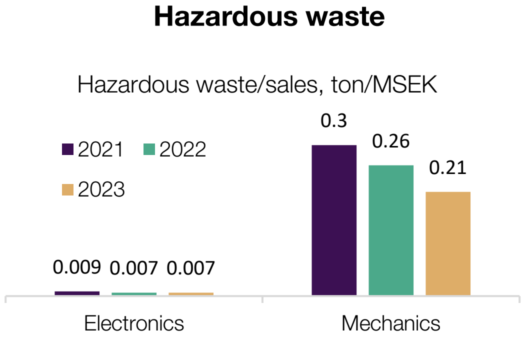
→ The results of HANZA's annual employee survey show improvements in all indices.

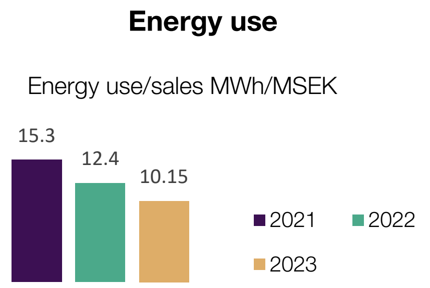
→ A pilot project was carried out in Sweden to calculate the carbon footprint at item level.

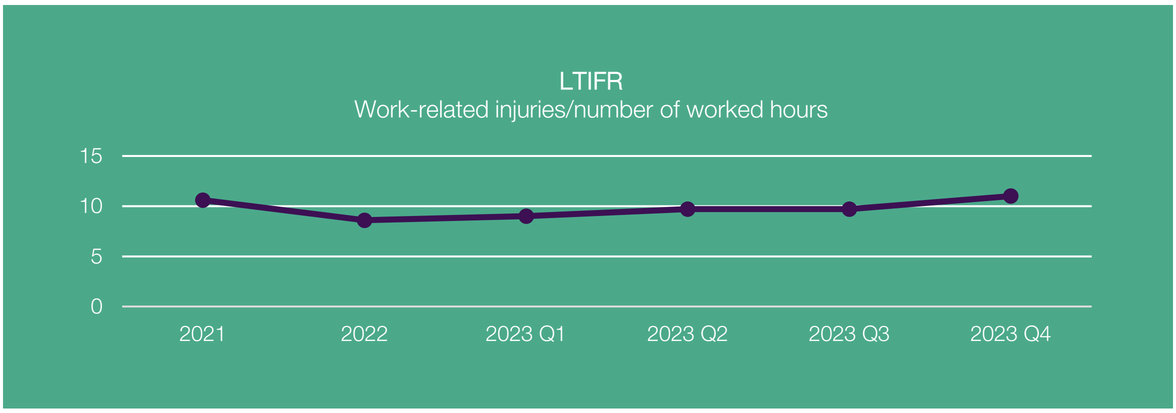
→ HANZA's sheet metal factory in Värmland installed an automated punching and bending line with a picking and stacking robot for material handling. The new line minimizes internal transports and is characterized by low energy consumption, low maintenance needs and reduced noise levels.

→ Cooperation started with Finnish Gaia Consulting, who will support HANZA during 2024 with complete GHG-calculations within scope 1, 2 & 3.

→ Lockers with free menstrual protection were installed in HANZA factories and offices.







FINANCIAL DEVELOPMENT

Fourth quarter

Net sales increased by 5% to SEK 1,056 million (1,001). Sales have increased through new sales and increased volumes to existing customers. Changes in currency exchange rates affected the Group's sales positively by SEK 36 million. Adjusted for currency and re-invoicing of energy and material costs in the same quarter 2022 the growth amounted to 4%.

The gross margin amounted in the quarter to 44.4% (42.8). EBITDA for the quarter amounted to SEK 108 million (91), which corresponds to a margin of 10.2% (9.1). The Group's operating profit (EBITA) amounted to SEK 76 million (63), which corresponds to an operating margin of 7.2% (6.3). The result was charged with costs related to the acquisition of Orbit One of SEK 12 million and cost of revaluation of additional purchase price from a previous acquisition of SEK 1 million. Adjusted for these items the underlying operating profit was SEK 89 million, which corresponds to an operating margin of 8.4%.

Profit before tax amounted to SEK 48 million (48). Tax cost corresponds to a tax rate of 2% (17). The low tax rate is due to a larger part of the result coming from units in countries with lower tax rates and recording of tax losses carried forward. Profit per share increased in the quarter to SEK 1.16 (1.06) before dilution and to SEK 1.15 (1.04) after dilution.

Full year

Net sales amounted to SEK 4,143 million (3,549), corresponding to a growth of 17%. Exchange rates and acquisitions have positively affected the Group's sales by about SEK 217 million. Excluding acquisitions and exchange rates, growth amounts to 11%. Adjusted also for re-invoicing of energy and material cost, the growth amounted to 12%.

The gross margin amounted in the full year to 44.5% (43.1). EBITDA amounted to SEK 464 million (316), which corresponds to an EBITDA margin of 11.2% (8.9). The Group's EBITA amounted to SEK 344 million (212), which corresponds to an operating margin of 8.3% (6.0). Non-recurring items (mainly received energy subsidy and costs related to acquisitions) affected the result negatively by SEK 6 million. Excluding these items the operating profit amounted to SEK 350 million, which corresponds to an operating margin of 8.4%.

Profit before tax amounted to SEK 247 million (143) in the full year while profit after tax amounted to SEK 214 million (121). Profit per share amounted to SEK 5.36 (3.35) before dilution and to 5.31 (3.30) after dilution in the year.

Cash flow and investments

Cash flow from operating activities for the fourth quarter amounted to SEK 97 million (19) and for the year to SEK 277 million (145). The improved cash flow in the fourth quarter is mainly due to decreased capital tied up in working capital in the Group, contributing with SEK 6 million (-63). The improvement in the full year is to a larger part due to further improved profitability.

Total investments in tangible fixed assets amounted in the fourth quarter to SEK 68 million (81), of which buildings accounted for SEK 33 million, and for the full year SEK 306 million (187), of which buildings SEK 107 million. The remaining SEK 199 million consist mainly of investment in machinery and other fixed assets. Cash flow from investment activities during the fourth quarter amounted to SEK -62 million (-78) and for the year to SEK -295 million (-184). The difference against cash flow from investments is due to 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

Net interest-bearing debt amounted to SEK 363 million (556) at the end of the period.
This is a decrease from the end of Q3 of SEK 279 million which is mainly due to a positive cash flow and a directed share issue which contributed with SEK 253 million after issue costs. The net debt corresponds to a net debt ratio in relation to adjusted EBITDA of 0.8 times (1.9). The balance sheet total amounted to 2,929 (2,541) at the end of the period. The increase is mainly due to the growth and the new share issue which was done at the end of the year. Shareholders' equity at the end of the period amounted to SEK 1,345 million (898), which corresponds to an equity/assets ratio of 45.9% (35.3). During the quarter, a dividend of SEK 29 million was paid to the shareholders, and new share issues contributed with SEK 270 million after deduction of issue costs.

Dividend

The Board of Directors proposes a dividend of 1.20 SEK per share (0.75), corresponding to an amount of SEK 52 million (29). 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 in 2023.

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 2022. No significant changes in the risks have occurred since the annual report for 2022 was submitted.

Related party transactions

During the quarter, there have been no related party transactions between the HANZA Group and related parties other than the above-mentioned subscription of shares via options and those described in Note 34 in the company's annual report for 2022.

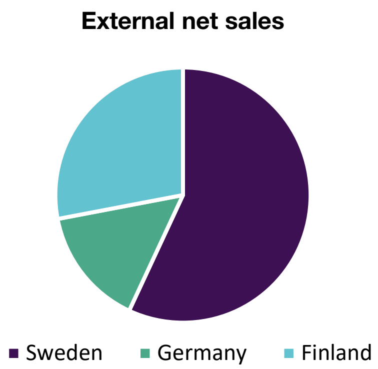
SEGMENT OVERVIEW

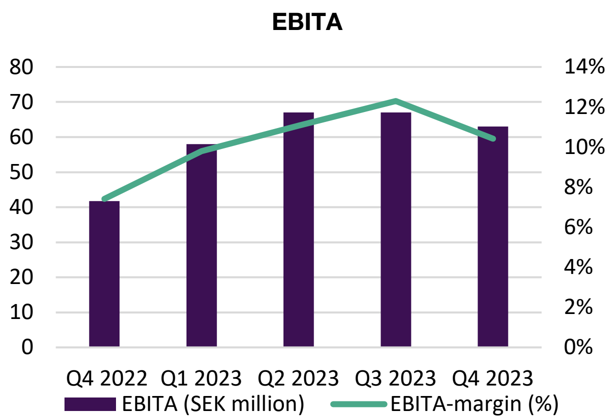
Description of segment reporting

HANZA divides its operations into so called manufacturing clusters and applies a financial segmentation based on primary customer markets. There are also operations within business development and service. This is reported in a separate segment.

Main markets segment

SEK million	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
External net sales	**605**	**562**	**2,349**	**1,976**
Operating profit (EBITA)	**63**	**42**	**255**	**148**
EBITA-margin (%)	10.4	7.4	10.9	7.4





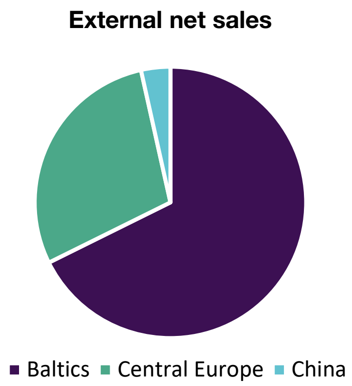
The Main markets segment is characterized by manufacturing clusters located in or near HANZA's primary geographical customer markets, which currently consist of Sweden, Finland, Norway and Germany. These clusters currently comprise HANZAs manufacturing clusters in Sweden, Finland and Germany. HANZAs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

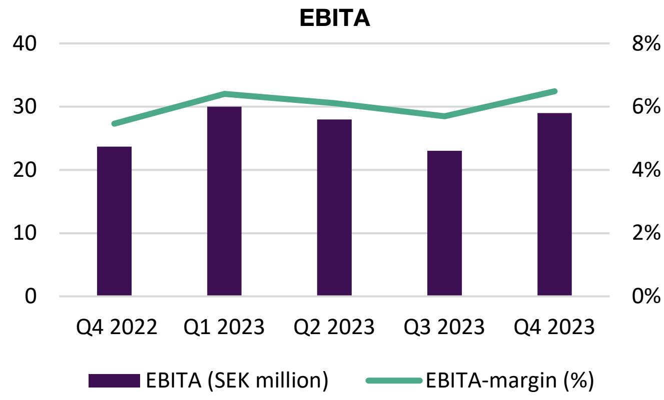
External net sales increased by 7.7% in the fourth quarter compared to the corresponding period last year. Adjusted for currency effects, growth in the quarter amounted to 4.6%. EBITA has increased significantly, and the segment reached a margin of 10.4% (7.4) in the fourth quarter.

For the full year, external net sales amounted to SEK 2,349 million (1,976), a growth of 18,9% which excluding currency effects corresponds to 14.3%. Operating margin, excluding energy subsidy of SEK 7 million, amounts to 10,6%. The improved margin is mainly due to continued efficiency improvements and the fact that the manufacturing cluster in Germany has increased its margin after a coordination project implemented in 2022 following the acquisition of electronics manufacturer Helmut Beyers GmbH at the end of 2021.

Other markets segment

SEK million	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
External net sales	**447**	**434**	**1,777**	**1,568**
Operating profit (EBITA)	**29**	**24**	**110**	**71**
EBITA-margin (%)	6.5	5.5	6.2	4.5





Other markets segment refers to manufacturing clusters outside of HANZA's primary geographical customer areas. Currently, the Other markets segment includes HANZA's manufacturing clusters in the Baltics, Central Europe and China. The business is characterized by a high work content, extensive complex assembly, and proximity to important end-customer areas.

External net sales increased in the fourth quarter by 3.0% compared to the corresponding period previous year. Excluding currency effect, sales decreased in the quarter by -1.4%. EBITA and operating margin have Improved and amounts to 6.5% (5.5)

For the full year, external net sales amounted to SEK 1,777 million (1,568), a growth of 13.3% of which 5.6% excluding currency effect. Operating margin have increased significantly during the nine-month period and amounts to 6.2% (4.5). The margin improvement is an effect of capacity investments and efficiency improvements, e.g. the new assembly hall in Tartu that was completed at the end of Q1 2022, and expansion projects that was completed in Poland, the Czech Republic and China during 2022. In 2023, further expansion of factory space in Tartu, Poland and the Czech Republic was carried out, which will be operational in Q1 2024.

Business development and services segment

Business development and services segment refers to 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.

External net sales amounted to SEK 4 million (5) and EBITA to SEK -15 million (-3) in the quarter. EBITA has been charged with items comparing comparability related to the acquisition of Orbit One of SEK 12 million. In the full year, external net sales amounted to SEK 17 million (5) and EBITA to SEK -20 million (-7).

FINANCIAL DEVELOPMENT

Consolidated income statement

SEK million	Note	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net sales	4	**1,056**	**1,001**	**4,143**	**3,549**
Change of inventories in production, finished goods and work in progress on behalf of others		-26	16	33	152
Raw materials and consumables		-561	-589	-2,334	-2,170
Other external costs		-134	-130	-484	-453
Costs of personnel		-229	-211	-904	-781
Depreciations, amortizations and write-downs of tangible fixed assets		-32	-27	-120	-103
Other operating income and expenses		2	3	10	18
Operating profit (EBITA)	4	**76**	**63**	**344**	**212**
Depreciations, amortizations and write-downs of intangible fixed assets		-5	-6	-17	-19
Operating profit (EBIT)	4	**71**	**57**	**327**	**193**
Financial items - net	5	**-23**	**-9**	**-80**	**-50**
Profit/loss before tax	4	**48**	**48**	**247**	**143**
Income tax		-1	-8	-33	-22
Profit/loss for the period		**47**	**40**	**214**	**121**
Earnings per share					
Before dilution, SEK		1.16	1.06	5.36	3.35
After dilution, SEK		1.15	1.04	5.31	3.30

Consolidated comprehensive income statement

SEK million	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Profit/loss for the period	**47**	**40**	**214**	**121**
Remeasurement of post-employment benefits	-11	-12	-7	20
Tax on items that will not be reclassified to the income statement	3	4	2	-6
Total items that will not be reclassified to the income statement	**-8**	**-8**	**-5**	**14**
Exchange rate differences	-26	11	-4	50
Exchange rate difference on acquisition loan	1	-	-	-1
Tax on items that can subsequently be reversed in profit or loss	-	2	-	3
Total items that may be reclassified to the income statement	**-25**	**13**	**-4**	**52**
Other comprehensive income for the period	**-33**	**5**	**-9**	**66**
Total comprehensive income for the period	**14**	**45**	**205**	**187**

Condensed consolidated balance sheet

SEK million	Note	31.12.2023	31.12.2022
ASSETS			
Fixed assets			
Goodwill		387	388
Other intangible assets		77	90
Tangible fixed assets		714	551
Right-of-use assets		186	180
Deferred tax assets		23	17
Total fixed assets		**1,387**	**1,226**
Current assets			
Inventories		936	937
Accounts receivable		175	151
Other receivables		91	90
Cash and cash equivalents		340	137
Total current assets		**1,542**	**1,315**
TOTAL ASSETS		**2,929**	**2,541**
SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to the parent company's shareholders		**1,345**	**898**
LIABILITIES			
Long-term liabilities			
Post-employment benefits		102	102
Deferred tax liabilities		57	49
Liabilities to credit institutions	3	326	223
Lease liabilities		114	125
Total long-term liabilities		**599**	**499**
Current liabilities			
Overdraft facility	3	99	55
Liabilities to credit institutions	3	86	177
Lease liabilities		53	41
Other interest-bearing liabilities	3	11	75
Accounts payable		450	487
Other liabilities		286	309
Total current liabilities		**985**	**1,144**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,929**	**2,541**

Condensed consolidated report of changes in shareholders' equity

SEK million	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Opening balance	**1,078**	**710**	**898**	**586**
Profit/loss for the period	47	40	214	121
Other comprehensive income	-33	5	-9	66
Total comprehensive income	**14**	**45**	**205**	**187**
Transactions with shareholders				
New share issue	260	147	277	147
Share savings program 2025	-	-	1	-
Issue costs	-7	-4	-7	-4
Dividend	-	-	-29	-18
Total contributions from and distributions to shareholders, recognized directly in equity	**253**	**143**	**242**	**125**
Closing balance	**1,345**	**898**	**1,345**	**898**

Condensed consolidated statement of cash flows

SEK million	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Cash flows from operating activities				
Profit/loss after financial items	48	48	247	143
Depreciations, amortizations and write-downs	37	33	137	122
Other non-cash items	6	2	12	-9
Paid income tax	0	-1	-17	-22
Cash flows from operating activities prior to the change in working capital	**91**	**82**	**379**	**234**
Total change in working capital	**6**	**-63**	**-102**	**-89**
Cash flows from operating activities	**97**	**19**	**277**	**145**
Cash flows from investing activities				
Acquisition in subsidiaries	-	-	-2	-8
Acquisition of assets	-	-	-49	-
Investments in fixed assets	-64	-79	-249	-180
Disposals of tangible fixed assets	2	1	5	4
Cash flows from investing activities	**-62**	**-78**	**-295**	**-184**
Cash flows from financing activities				
New share issue	253	143	270	143
New loans	326	23	517	263
Repayment of borrowings	-374	-72	-541	-268
Dividends paid	-	-	-29	-18
Cash flows from financing activities	**205**	**94**	**217**	**120**
Increase/reduction in cash and cash equivalents	**240**	**35**	**199**	**81**
Cash and cash equivalents at the beginning of the period	98	99	137	46
Exchange rate differences in cash and cash equivalents	2	3	4	10
Cash and cash equivalents at the end of the period	**340**	**137**	**340**	**137**

Condensed parent company income statement

SEK million	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Operating income	**13**	**9**	**32**	**24**
Operating expenses	**-8**	**-7**	**-30**	**-24**
Operating profit	**5**	**2**	**2**	**0**
Financial items - net	**-1**	**14**	**-4**	**16**
Profit/loss after net financial items	**4**	**16**	**-2**	**16**
Appropriations	8	34	8	34
Profit/loss before tax	**12**	**50**	**6**	**50**
Tax on profit for the period	-1	-4	-	-4
Profit/loss for the period	**11**	**46**	**6**	**46**

Condensed parent company balance sheet

SEK million	31.12.2023	31.12.2022
ASSETS		
Financial fixed assets	886	504
Current receivables	29	2
Cash and cash equivalents	164	30
TOTAL ASSETS	**1,079**	**536**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	**684**	**437**
Untaxed reserves	2	2
Long-term liabilities	216	58
Current liabilities	177	39
Total liabilities	**395**	**99**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,079**	**536**

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 10 to 13 forms an integral part of this financial report.

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

HANZA AB 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 2022 annual report.

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

In connection with the acquisition of Orbit One a major part of the Group’s contracts were renegotiated and refinanced with a fewer number of larger loans in the parent company from a consortium of three banks, a so-called club deal. These loans have a maturity of 5 years and carry a floating rate of interest. The Group’s other borrowings consist of a minor 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.

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

SEK million	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Operating profit (EBITA)				
Main markets	63	42	255	148
Other markets	29	24	110	71
Business development and services	-16	-3	-21	-7
Total EBITA	**76**	**63**	**344**	**212**
Amortization of intangible assets	-5	-6	-17	-19
Operating profit (EBIT)	**71**	**57**	**327**	**193**
Financial items – net	-23	-9	-80	-50
Profit/loss before tax	**48**	**48**	**247**	**143**
Items affecting comparability				
Revaluation of acquisition purchase price	-1	-	-1	10
Transaction costs	-10	-	-10	-1
Integration costs	-2	-	-2	-11
Total	**-13**	**-**	**-13**	**-2**
EBITA per segment excluding items affecting comparability				
Main markets	64	41	256	149
Other markets	29	24	110	71
Total	**93**	**65**	**366**	**220**
Business development and services	-4	-2	-9	-6
Total	**89**	**63**	**357**	**214**
Items affecting comparability	-13	-	-13	-2
EBITA	**76**	**63**	**344**	**212**

Revenue from external customers by manufacturing technology

	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Mechanics	607	578	2,347	2,111
Electronics	444	418	1,779	1,433
Business development and services	5	5	17	5
Total	**1,056**	**1,001**	**4,143**	**3,549**

Not 5 **Financial items - net**

SEK million	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Financial income and expenses				
Interest income	1	-	1	-
Interest expenses	-20	-10	-66	-32
Other financial expenses	-5	-3	-18	-9
Total financial income and expenses	**-24**	**-13**	**-83**	**-41**
Net exchange gains and losses	1	4	3	-9
Total financial items - net	**-23**	**-9**	**-80**	**-50**

Not 6 Acquisition of assets

On June 29, HANZA acquired two properties in Töcksfors, Sweden of just over 11,000 square meters, with an additional approx. 28,000 square meters of associated land. The properties were previously rented by HANZA's manufacturing cluster in Sweden. As the acquisition in its entirety concerned real estate, it is recognized as an investment in fixed assets in the statement of cash flows. The acquired company has not had any income of expenses during the period before the acquisition. The purchase price amounted to a total of SEK 49 million and was financed through bank loans and own funds. The identified net assets amounted to a total of SEK 49 million, and consists of, in addition to buildings and land valued at SEK 50 million, a short-term liability of SEK 1 million related to title deed costs. The acquisition analysis is still preliminary.

Acquisition after the balance sheet date

On January 4, 2024, all shares in Orbit One AB with domicile in Ronneby, Sweden were acquired. The company offers contract manufacturing of electronics in Sweden and Poland and has a total of approximately 620 employees. The initial purchase price amounts to SEK 382 million and is based on the company's balance sheet as of November 30, 2023. The purchase price is preliminary until the balance sheet as of that date is confirmed. There is also an additional purchase price linked to expected profit improvements in 2024 compared with 2023 which can amount to a maximum of SEK 91 million. The additional purchase price was in the purchase price allocation estimated to SEK 46 million which has been discounted to SEK 43 million. In the purchase price allocation an intangible asset made up of customer relations of SEK 76 million was identified. The amortization period for those is estimated to 10 years. Deferred tax related to customer relations amounts to SEK 16 million. In addition, a goodwill of SEK 117 million is reported, mainly consisting of market position, staff and synergies with HANZA's other operations in Sweden and Poland. The goodwill will not be deductible for taxes. The acquisition analysis is still preliminary. The table on the next page summarizes the purchase price for Orbit One and the fair value of the acquired assets and assumed liabilities that were recognized on the acquisition date.

Purchase price, SEK million	
Initial purchase price	382
Estimated conditional additional purchase price due in 2025	43
Total estimated purchase price	**425**
Reported amounts of identifiable acquired and assumed liabilities	
Cash and cash equivalents	11
Intangible fixed assets	76
Tangible fixed assets	42
Right-of-use assets	33
Shares in associated companies	6
Long-term receivables	3
Inventories	380
Accounts receivables and other receivables	185
Deferred tax liabilities	-28
Liabilities to credit institutions	-180
Lease liabilities	-33
Accounts payable and other liabilities	-187
Total identified net assets	**308**
Goodwill	**117**
Total net assets transferred	**425**

The aquired company's net interest-bearing debt is SEK -169 million.

Financial calendar

- Annual report 2023: Thursday March 28, 2024
- Interim report, Q1, 2024: Tuesday May 7, 2024
- Annual General Meeting: Tuesday May 14, 2024
- Interim report, Q2, 2024: Tuesday July 23, 2024
- Interim report Q3, 2024: Tuesday October 29, 2024

KEY RATIOS AND DEFINITIONS

	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Key ratios according to IFRS				
Net sales, SEK million	1,056	1,001	4,143	3,549
Operating profit (EBIT), SEK million	71	57	327	193
Amortization of intangible assets, SEK million	-5	-6	-17	-19
Earnings per share before dilution, SEK	1.16	1.06	5.36	3.35
Earnings per share after dilution, SEK	1.15	1.04	5.31	3.30
Cash flow from operating activities, MSEK	97	19	277	145
Average number of employees	2,024	1,938	2,001	1,936
Alternative performance measurements				
EBITDA, SEK million	108	90	464	315
EBITDA margin, %	10.2	9.1	11.2	8.9
Operational segments EBITA, SEK million	92	66	365	219
EBITA Business development and services, SEK million	-16	-3	-21	-7
Operational EBITA margin, %	8.7	6.5	8.8	6.2
Operating profit (EBITA), SEK million	76	63	344	212
EBITA margin, %	7.2	6.3	8.3	6.0
Operating capital, SEK million	1,796	1,559	1,796	1,559
Return on operating capital, %	4.2	4.2	20.5	14.8
Capital turnover on operating capital, times	0.6	0.7	4.9	2.5
Return on capital employed, %	3.5	3.6	17.1	12.7
Net interest-bearing debt, SEK million	363	556	363	556
Net debt/equity ratio, times	0.3	0.7	0.3	0.7
Net debt in relation to adjusted EBITDA, times	0.8	1.9	0.8	1.9
Equity ratio, %	45.9	35.3	45.9	35.3
Equity per share at end of period, SEK	31.14	22.85	31.14	22.85
Weighted average number of shares before dilution	40,961,154	37,679,385	39,987,799	36,258,695
Adjustment upon calculation of earnings per share after dilution: Warrants	163,000	490,521	347,689	475,009
Weighted average number of shares after dilution	41,124,154	38,169,905	40,335,488	36,733,704
Number of shares at the end of the period	43,188,840	39,279,928	43,188,840	39,279,928

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	Definitions
Key ratios according to IFRS	
EBIT	Earnings before interest and taxes is operating profit, i.e., profit before net financial items, provisions, and taxes.
Alternative performance measurements	
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	EBIT before financial items divided by average capital employed.
Gross margin	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	Earnings before interest, taxes, depreciation, and amortization of tangible and intangible items.
EBITDA-margin	EBITDA divided by net sales.
EBITA	Earnings before interest, taxes, and amortization of intangible items.
EBITA-marginal	EBITA divided by net sales.
Equity per share	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	EBITDA excluding amortization of lease liabilities related to buildings and premises in accordance with IFRS 16.
Items affecting comparability	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	Net sales divided by average operating capital.
Operational segments EBITA	(Operativt EBITA). EBITA för segmenten Huvudmarknader och Övriga marknader.
Operational EBITA margin	Operational segments EBITA divided by operational segments net sales.
Operating capital	The balance sheet total less cash and cash equivalents, financial assets, and non-interest-bearing liabilities.
Net debt/equity ratio	Net interest-bearing debt divided by shareholders' equity.
Net debt in relation to adjusted EBITDA	Net interest-bearing debt at year end divided by adjusted EBITDA on a rolling 12-months basis.
Return on operating capital	Operating EBITA divided by average operating capital.
Net interest-bearing debt	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	Shareholders' equity divided by the balance sheet total.
Capital employed	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.	

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.

HANZA was founded in 2008 and has a pro forma annual turnover of over SEK 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, Mitsubishi, SAAB, Sandvik, Siemens and Tomra.

More information

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

For more information please contact:

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

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