



HANZA

**ALL YOU NEED
IS ONE™**

Interim report

HANZA AB (publ)

January 1 – June 30 2022



INTERIM REPORT JANUARY-JUNE 2022

Record quarter and acquisition in Germany

Second quarter 2022

- Net sales increased by 40% to 886 MSEK (634). Adjusted for acquisitions and currency, growth amounted to 29%.
- Operating profit (EBITA) increased to 57.3 MSEK (40.4), which corresponds to an operating margin of 6.5% (6.4).
- Profit after tax amounted to 36.2 MSEK (26.0), which corresponds to 1.01 SEK per share (0.73).
- Cash flow from operating activities amounted to 29.7 MSEK (19.4).

First half year 2022

- Net sales increased by 42% to 1,710 MSEK (1,201). Adjusted for acquisitions and currency, growth amounted to 27%.
- Operating profit (EBITA) increased to 98.5 MSEK (6.8), which corresponds to an operating margin of 5.8% (5.2).
- Profit after tax amounted to 55.4 MSEK (35.1), which corresponds to 1.55 SEK per share (1.00).
- Cash flow from operating activities amounted to 43.1 MSEK (85.5).

Significant events during and after the period

- On May 10, the Annual General Meeting decided to change the company's name to HANZA AB (previously: HANZA Holding AB). The company's share is traded on Nasdaq Stockholm with the unchanged ticker "HANZA". Furthermore, the Annual General Meeting decided to elect an unchanged Board of Directors, to pay a dividend of SEK 0.50 per share (0.25) and to authorize the Board, on one or more occasions during the period until the next Annual General Meeting, to decide to increase the company's share capital by issuing shares, warrants and/or convertibles up to approximately 9.8% of the current share capital.
- On July 4, HANZA acquired the product development company Budelmann Elektronik GmbH ("Budelmann") in Germany in order to meet growing demand in this area. Budelmann consists of a multidisciplinary team of 10 people with excellence in electronics, mechanics and software development. The company is located in Münster, close to HANZA's other operations in Germany. Budelmann is almost debt free and has an annual turnover of approximately 15 MSEK. The purchase price for the shares is approx. 8 MSEK, with an additional purchase price of approx. 2 MSEK.

CEO'S COMMENT

Second quarter

HANZA's mission is to increase the competitiveness of our customers - the product-owning companies. We do this by offering regional and complete manufacturing in our unique manufacturing clusters. In addition, we offer related services, such as advisory services to streamline supply chains and advanced product development. Following this clear path, we continued our work in Q2:

We continued a series of activities aimed to complete our expansion program for the Group's six manufacturing clusters. As part of this program, we have both acquired and built new production facilities in 2021/2022 and invested over 100 MSEK in our machinery.

We have also worked to further strengthen our service offering. We achieved an important result in July, when we acquired Budelmann in Germany, a company that complements our existing development department in Remscheid and is also geographically close. We welcome further new, talented colleagues to the HANZA team!



Erik Stenfors, CEO

The financial development

During the second quarter, we reached our highest sales and earnings to date. HANZA's expansion program has successfully developed capacity and as we complete our manufacturing clusters, the Group will reach higher margins.

The Main markets segment posted a margin of 7.6%, which can be compared to the first quarter this year (7.7%) and the corresponding quarter last year (7.8%). In this segment, we have sales from a strategic acquisition at the end of 2021 that initially results in a zero margin, see further below. Excluding this volume, the margin in the segment was 8.5% (7.8).

The Other markets segment increased its margin to 5.6% from a temporarily low margin in the first quarter (1.3%), when the segment carried costs of the expansion program, notably a new plant in Estonia. Also compared to quarter 2, 2021, the trend is good (5.0%). In this segment during 2022, work to complete new production areas in Poland, the Czech Republic and China is ongoing.

The development of profitability is evident in earnings per share, which increased to 1.01 SEK in quarter two compared to 0.54 SEK for quarter one and 0.73 SEK for the corresponding quarter last year. On the negative side, we continue to see the need for extensive inventory to maintain good delivery accuracy. Despite this and the rapid expansion, we showed a positive cash flow of 29.7 MSEK in the quarter.

The future

Those who follow HANZA know that our long-term view is an important cornerstone. We are currently in the third development phase since the company was founded. One of the goals, is to create a solid base in Germany. Work started in the second half of 2019 but was put on hold a few months later due to the outbreak of covid-19. When restrictions were lifted last summer, the project was restarted and we have since seen good development in our German cluster, which already today reaches a turnover of around half a billion SEK. We expect to be ready in early 2023, and then Germany will also contribute with a good profitability to the Main markets segment. At that point, we will be ready to take the next step in scaling up HANZA to meet the global demand for our business model.

Looking at the surrounding world, a major challenge in recent years has been the availability of raw materials and components. Our order book is record high, but both our growth and profitability are constrained by a lack of materials. Today, there are some signs that the situation will improve, but we expect a tough material situation to remain throughout 2022. In addition, there is an ongoing discussion in the media about a possible downturn in the economy. We do not see any slowdown, on the contrary, but should the economy decelerate, we have seen historically how our business model creates opportunities for new market shares during a downturn, which separates us from traditional contract manufacturers.

We continue to build HANZA step by step, and we are confident in our long-term focus and solid business model. Hence, we cannot be anything but positive about the future. Welcome to join us on our journey as a colleague, supplier, customer or investor!

Kista July 26, 2022

Erik Stenfors
CEO



The share

At the beginning of the year, the number of shares was 35,779,928. The number of shares has remained unchanged during the first half of 2022.

Colleagues

During the quarter, the average number of employees in the Group was 1,981 (1,857). At the end of the period, the number was 2,107; at the beginning of the year, it was 2,001.

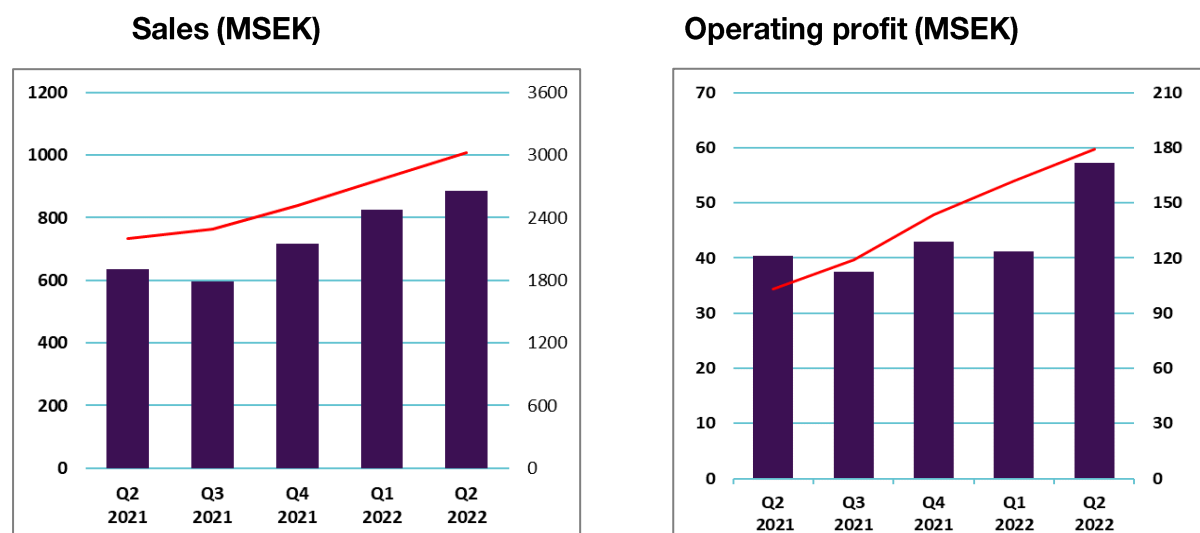
BUSINESS DEVELOPMENT

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. Order intake is very good in all markets.

In the future, 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 is currently limited by the availability of raw materials and components, a situation that should improve in the future. However, HANZA believes that the availability of materials will continue to be a limiting factor for both HANZA and the manufacturing industry in general in 2022. The rapid growth has also led to capacity challenges in the segment Other markets, which are being addressed through various projects in the expansion program that is to be completed this year.



The diagrams show sales and operating profit per quarter (bars), and rolling 12-month basis (lines)

Second quarter

Net sales amounted to 885.8 MSEK (633.8), an increase of 40%. Sales have increased through new sales, increased volumes to existing customers, price increases and acquisitions. The global material shortage situation has also led to delayed production and thus lower sales. Changes in currency exchange rates affected the Group's sales positively by approximately 20 MSEK. Excluding currency and acquisitions, the organic growth amounted to approximately 29% during the quarter.

For the second quarter, the Main Markets segment sales amounted to of 484.5 MSEK (338.9), which is an increase of 43%. Exchange rate effect positively impacted the segment by approximately 8.1 MSEK and acquisitions by 50.2 MSEK. The Other markets segment sales amounted to 401.3 MSEK (294.9), an increase of 36%. Exchange rate effect had a positive impact on net sales of approximately 11.7 MSEK.

Gross margin amounted to 43.5% (47.0). The change from the previous year is due to price increases, product mix and acquired companies, as mentioned above.

EBITDA for the quarter amounted to 82.3 MSEK (62.7), which corresponds to an EBITDA margin of 9.3% (9.9). Depreciations and amortizations during the period amounted to 29.2 MSEK (26.5), of which amortization of intangible assets amounted to 4.2 MSEK (4.2) which are mainly related to customer relations that were added through acquisitions.

The Group's operating profit before amortizations of intangible fixed assets (EBITA) amounted to 57.3 MSEK (40.3), which corresponds to an operating margin of 6.5% (6.4). The EBITA margin in the Main market segment amounted to 7.6% (7.9). The margin was negatively affected by the newly acquired electronics unit in Germany, which has not yet reached the same margin as other clusters in this segment. In the Other markets segment the margin amounted to 5.6% (5.0). The margin has been temporarily negatively affected by the ongoing expansion program which is creating new production space in Poland, the Czech Republic and China

In the Business Development segment, costs for special group development projects not linked to HANZA's operations, such as acquisitions, divestments, listing expenses, development of service products etc. are reported. In the second quarter, EBITA for the Business Development segment amounted to -2.0 MSEK (-1.1).

The Group's EBIT for the quarter amounted to 53.1 MSEK (36.2), which corresponds to a margin of 6.0% (6.4). Net financial income amounted to -12.9 MSEK (-5.5). Of this, net interest amounted to -7.2 MSEK (-4.8). The increased interest costs are due to increased interest-bearing debt and higher interest rates. Exchange rate gains and losses amounted to net -3.6 MSEK (1.2) and are mainly related to unrealized translation differences. Other financial expensed amounted to 2.1 MSEK (-1.9).

Profit before tax amounted to 40.2 MSEK (30.7). Income tax amounted to -4.0 MSEK (-4.7). The lower tax rate is due to the fact that a larger proportion of the profit comes from units with a lower tax rate. Profit after tax amounted to 36.2 MSEK (26.0). Profit per share for the quarter before dilution amounted to SEK 1.01 and after dilution to 1.00 (0.73).

First half-year

Net sales in the first half-year amounted to 1,709.7 MSEK (1,201.2). The Main markets segment increased to 966.3 MSEK (639.8) and the Other markets segment increased to 743.4 MSEK (561.4). Currency exchange rates affected the Group's sales positively by approximately 37.1 MSEK compared to 2021. Acquisitions have contributed with 143.7 MSEK. EBITDA amounted to 148.7 MSEK (105.4), which corresponds to an EBITDA margin of 8.7% (8.8).

The Group's EBITA amounted to 98.5 MSEK (62.9), which corresponds to an operating margin of 5.8% (5.2). The Main market segment reported an EBITA of 74.2 MSEK (42.1), which corresponds to an operating margin of 7.7% (6.6). The margin in the segment was negatively affected due to the newly acquired electronics unit in Germany, which has not yet reached the same margin as other clusters in this segment. The Other markets segment showed an EBITA of 27.2 MSEK (25.1), which corresponds to an operating margin of 3.7% (4.5). The margin in this segment was negatively impacted by lack of capacity, production disruptions related to the pandemic and costs connected to the relocation of the final assembly of the newly opened production facility in Tartu. EBITA for the Business Development segment amounted in the first half-year to -2.9 MSEK (-4.3).

The Group's EBIT amounted to 90.0 MSEK (55.2). Net financial income amounted to -24.5 MSEK (-12.7), of which net interest amounted to -13.5 MSEK (-9.1). Profit before tax amounted to 65.5 MSEK (42.5), while profit after tax amounted to 55.4 MSEK (35.1). Profit per share for the first half year amounted to SEK 1.55 (1.00) before dilution and to 1.53 (1.00) after dilution.

Cash flow and investments

Cash flow from operating activities for the second quarter amounted to 29.3 MSEK (19.4). For the first half-year the cash flow amounted to 42.7 MSEK (85.5). The change in working capital during the quarter amounted to -28.6 MSEK (-36.2) and for the first half-year to -66.5 MSEK (1.2). The above-mentioned component shortage has led to increasing safety stocks.

Cash flow from investment activities during the second quarter amounted to -32.2 MSEK (-41.0) of which investments in buildings were -15.1 MSEK (-11.5), other fixed assets, mainly machines, to a net of -17.1 MSEK (-29.5). For the first half-year, the cash flow from investment activities amounted to -64.8 MSEK (-79.4), of which acquisitions amounted to 0 MSEK (-20.2). Total investments in tangible fixed assets amounted to 36.8 MSEK (46.3) in the quarter and 75.5 MSEK (77.4) for the first half-year.

Financial position

Organic growth, acquisitions, and a challenging material situation with a need for increased safety stock has led to an increase of total assets. Total assets at the end of the year amounted to 2,218.2 MSEK (1,696.5) and shareholders' equity at the end of the year amounted to 664.8 MSEK (534.8), which gives an equity/assets ratio of 30.0% (31.5).

Cash and cash equivalents at the end of the period amounted to 46.1 MSEK (89.8). In addition to cash and cash equivalents, the Group has unutilized credits, which combined with cash, unused credit facilities and positive cash flows provide a satisfactory liquidity. The Group's interest-bearing net debt at the end of the year amounted to 645.4 MSEK (533.3) and increased by 28.4 MSEK during the quarter. The increase is mainly related to the need for increased working capital and investments.

Dividend

The Annual General Meeting on May 10, 2022, decided on a dividend of SEK 0.50 (0.25) per share, which corresponds to an amount of SEK 17.9 million (8.9)

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 first half-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 taken place since the annual report for 2021 was prepared.

Related party transactions

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

Audit review

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



From left: Morgan Sahlin, Cluster President Sweden, Diana Thorin, Global HR manager, Erik Nyqvist, Project Leader, Veronica Svensson, Sales Director Scandinavia and Julia Myrvold, HR specialist

FINANCIAL DEVELOPMENT

Consolidated income statement

SEK millions	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Net sales	4	885.8	633.8	1,709.7	1,201.2	2,515.2
Change of inventories in production, finished goods and work in progress on behalf of others		53.4	40.8	94.9	80.1	164.6
Raw materials and consumables		-554.1	-376.6	-1,059.0	-722.9	-1,530.6
Other external costs		-106.1	-68.6	-206.9	-137.7	-297.1
Costs of personnel		-196.7	-168.8	-393.2	-318.3	-634.1
Depreciations, amortizations and write-downs of tangible fixed assets		-25.0	-22.4	-50.2	-42.6	-88.7
Other operating income	5	4.8	2.5	10.2	5.4	19.8
Other operating expenses	5	-4.8	-0.4	-7.0	-2.4	-5.7
Operating profit (EBITA)	4	57.3	40.3	98.5	62.8	143.4
Depreciations, amortizations and write-downs of intangible fixed assets		-4.2	-4.1	-8.5	-7.6	-15.9
Operating profit (EBIT)	4	53.1	36.2	90.0	55.2	127.5
Profit/loss from financial items						
Financial income		-	1.2	-	0.2	-
Financial expenses		-12.9	-6.7	-24.5	-12.9	-27.8
Financial items – net	6	-12.9	-5.5	-24.5	-12.7	-27.8
Profit/loss before tax		40.2	30.7	65.5	42.5	99.7
Income tax		-4.0	-4.7	-10.1	-7.4	-19.5
Profit/loss for the period		36.2	26.0	55.4	35.1	80.2
Profit/loss for the period is in its entirety attributable to the parent company's shareholders						
Earnings per share before dilution, SEK		1.01	0.73	1.55	1.00	2.26
Earnings per share after dilution, SEK		1.00	0.73	1.53	1.00	2.25

The number of shares before and after dilution is shown in Note 7

Consolidated comprehensive income statement

SEK millions	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Profit/loss for the period		36.2	26.0	55.4	35.1	80.2
Other comprehensive income						
Items that will not be reclassified to the income statement						
Remeasurement of post-employment benefits		14.3	-	23.2	2.9	2.2
Tax on items that will not be reclassified to the income statement		-4.5	-	-7.3	-0.9	-0.7
Total items that will not be reclassified to the income statement		9.8	-	15.9	2.0	1.5
Items that can subsequently be reversed in profit or loss						
Exchange rate differences		18.2	-2.9	24.5	4.9	10.6
Exchange rate difference on acquisition loan		-0.9	0.2	-0.1	-0.7	-0.3
Tax on items that can subsequently be reversed in profit or loss		0.4	-0.1	0.3	0.1	0.1
Total items that may be reclassified to the income statement		17.7	-2.8	24.7	4.3	10.4
Other comprehensive income for the period		27.5	-2.8	40.6	6.3	11.9
Total comprehensive income for the period		63.7	23.2	96.0	41.4	92.1

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

Condensed consolidated balance sheet

SEK millions	Note	30.06.2022	30.06.2021	31.12.2021
ASSETS				
Fixed assets				
Goodwill		369.9	336.8	361.7
Customer relations		89.2	100.0	93.8
Other intangible assets		8.2	8.6	8.8
Buildings and land		190.4	124.0	164.9
Machinery and equipment		269.3	218.2	241.7
Right-of-use assets		190.4	166.4	187.9
Other long-term securities holdings		-	0.6	-
Deferred tax assets		6.3	18.5	22.2
Total fixed assets		1,123.7	973.1	1,081.0
Current assets				
Inventories		800.8	463.1	662.9
Accounts receivable		159.1	103.4	106.6
Other receivables		66.6	49.9	36.3
Prepaid expenses and accrued income		21.9	17.2	18.7
Cash and cash equivalents		46.1	89.8	45.8
Total current assets		1,094.5	723.4	870.3
TOTAL ASSETS		2,218.2	1,696.5	1,951.3

Condensed consolidated balance sheet, cont'd

SEK million	Note	30.06.2022	30.06.2021	31.12.2021
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		664.8	534.8	585.5
LIABILITIES				
Long-term liabilities				
Post-employment benefits		92.3	109.3	109.3
Deferred tax liabilities		43.8	43.8	44.2
Liabilities to credit institutions	3	206.6	183.0	244.9
Lease liabilities		136.7	116.2	132.5
Total long-term liabilities		479.4	452.3	530.9
Current liabilities				
Overdraft facility	3	67.3	46.3	58.7
Liabilities to credit institutions	3	187.2	97.2	107.2
Lease liabilities		40.4	38.2	41.8
Other interest-bearing liabilities	3	87.0	32.9	63.5
Accounts payable		456.2	307.0	373.4
Other liabilities		84.0	52.2	75.5
Accrued expenses and deferred income		151.9	135.6	114.8
Total current liabilities		1,074.0	709.4	834.9
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,218.2	1,696.5	1,951.3

Condensed consolidated report of changes in shareholders' equity

SEK millions	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Opening balance		617.8	520.5	585.5	474.9	474.9
Profit/loss for the period		36.2	26.0	55.4	35.1	80.2
Other comprehensive income		28.7	-2.8	41.8	6.3	11.9
Total comprehensive income		64.9	23.2	97.2	41.4	92.1
Transactions with shareholders						
Non-cash issue		-	-	-	27.6	27.6
Issue costs		-	-	-	-0.2	-0.2
Dividend		-17.9	-8.9	-17.9	-8.9	-8.9
Total contributions from and distributions to shareholders, recognized directly in equity		-17.9	-8.9	-17.9	18.5	18.5
Closing balance		664.8	534.8	664.8	534.8	585.5

Condensed consolidated statement of cash flows

SEK millions	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Cash flows from operating activities						
Profit/loss after financial items		40.2	30.7	65.5	42.5	99.7
Depreciations, amortizations and write-downs		29.2	26.5	58.7	50.2	104.6
Other non-cash items		-1.4	-0.4	1.5	0.4	-2.3
Paid income tax		-10.1	-1.2	-16.5	-8.8	-8.5
Cash flows from operating activities prior to the change in working capital		57.9	55.6	109.2	84.3	193.5
Total change in working capital		-28.6	-36.2	-66.5	1.2	-67.4
Cash flows from operating activities		29.3	19.4	42.7	85.5	126.1
Cash flows from investing activities						
Acquisition in subsidiaries	8	-	-	-	-20.2	-48.4
Investments in fixed assets		-33.5	-42.0	-67.0	-60.9	-141.1
Disposals of tangible fixed assets		1.3	1.0	2.2	1.7	3.8
Cash flows from investing activities		-32.2	-41.0	-64.8	-79.4	-185.7
Cash flows from financing activities						
New loans		131.9	25.6	185.6	63.3	173.6
Repayment of borrowings		-86.9	-43.7	-150.8	-93.1	-186.2
Dividends paid		-17.9	-8.9	-17.9	-8.9	-8.9
Cash flows from financing activities		27.1	-27.0	16.9	-38.7	-21.5
Increase/reduction in cash and cash equivalents		24.2	-48.6	-5.2	-32.6	-81.1
Cash and cash equivalents at the beginning of the period		17.2	138.8	45.8	121.2	121.2
Exchange rate differences in cash and cash equivalents		4.7	-0.4	5.5	1.2	5.7
Cash and cash equivalents at the end of the period		46.1	89.8	46.1	89.8	45.8

Condensed parent company income statement

SEK millions	Note	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Operating income		5.1	7.0	9.9	12.2	25.8
Operating expenses		-6.6	-6.6	-12.2	-11.8	-24.5
Other operating income		0.3	0.1	0.3	0.2	0.2
Other operating expenses		-	-0.1	-0.2	-0.1	-0.1
Operating profit		-1.2	0.4	-2.2	0.5	1.4
Profit/loss from financial items						
Profit/loss from shares in group companies		11.4	-	11.4	-	4.5
Other interest income and similar income items		0.1	0.4	0.2	0.5	1.2
Interest charges and similar income items		-4.6	0.3	-6.4	-2.3	-4.9
Total profit/loss from financial items		6.9	0.7	5.2	-1.8	0.8
Profit/loss after net financial items		5.7	1.1	3.0	-1.3	2.2
Appropriations		-	-	-	-	6.0
Profit/loss before tax		5.7	1.1	3.0	-1.3	8.2
Tax on profit for the period		-1.1	-	-0.6	-	-0.8
Profit/loss for the period		4.6	1.1	2.4	-1.3	7.4

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

Condensed parent company balance sheet

SEK millions	Note	30.06.2022	30.06.2021	31.12.2021
ASSETS				
Fixed assets				
Financial fixed assets		368.6	394.3	391.7
Total fixed assets		368.6	394.3	391.7
Current assets				
Current receivables		2.8	5.9	13.1
Cash and cash equivalents		0.3	1.3	0.3
Total current assets		3.1	7.2	13.4
TOTAL ASSETS		371.7	401.5	405.1
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		250.4	257.3	266.0
Untaxed reserves		1.7	0.5	1.7
Long-term liabilities		87.9	52.2	103.1
Current liabilities		31.7	91.5	34.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		371.7	401.5	405.1

Notes

Note 1 General information

All amounts are reported in millions of SEK (SEK million) and refers to The Group unless otherwise stated. Information in brackets refers to the corresponding period of the preceding year. The interim information on pages 5 to 7 forms an integral part of this financial report.

Note 2 Basis for the preparation of reports and accounting principles

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

The accounting principles are in accordance with the principles that were applied in the previous financial year. For more information on these, please refer to Note 2 of the company's 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 different 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 customising 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 organisation, is set out in the segment information section below. In addition, the recognition of external revenue is divided into the manufacturing technologies 'Mechanics' and 'Electronics' in the end of this note.

Description of segment reporting

HANZA divides its operations into so called manufacturing clusters and applies a financial segment classification based on primary customer markets. Operational reporting is broken down into the following segments:

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

Transactions between segments are made on market terms.

Revenues by segment

SEK millions	Apr-Jun 2022			Apr-Jun 2021		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	487.5	-3.0	484.5	342.8	-3.9	338.9
Other markets	404.3	-3.0	401.3	298.6	-3.7	294.9
Business development	-	-	-	-	-	-
Total	891.8	-6.0	885.8	641.4	-7.6	633.8

SEK millions	Jan – Jun 2022			Jan – Jun 2021		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Main markets	971.5	-5.2	966.3	645.7	-5.9	639.8
Other markets	750.6	-7.2	743.4	568.7	-7.3	561.4
Business development	-	-	-	-	-	-
Total	1,722.1	-12.4	1,709.7	1,214.4	-13.2	1,201.2

Profit by segment

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

SEK millions	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
EBITA					
Main markets	36.7	26.8	74.2	42.1	113.5
Other markets	22.6	14.7	27.2	25.1	41.6
Business development	-2.0	-1.1	-2.9	-4.3	-11.7
Total EBITA	57.3	40.4	98.5	62.9	143.4
Amortisation of intangible assets	-4.2	-4.2	-8.5	-7.7	-15.9
Operating profit	53.1	36.2	90.0	55.2	127.5
Financial items – net	-12.9	-5.5	-24.5	-12.7	-27.8
Profit/loss before tax	40.2	30.7	65.5	42.5	99.7

Items affecting comparability

Revaluation of acquisition purchase price	-	-	-	-	0.2
Transaction costs	-	-	-	-2.3	-5.0
Integration costs	-	-	-	-3.7	-3.7
Repayment AFA	-	-	-	-	6.3
Total	-	-	-	-6.0	-2.2

EBITA per segment excluding items affecting comparability

Main markets	36.7	26.8	74.2	45.8	110.7
Other markets	22.6	14.7	27.2	25.1	41.6
Total	59.3	41.5	101.4	70.9	152.3
Business development	-2.0	-1.1	-2.9	-2.0	-6.7
Total	57.3	40.4	98.5	68.9	145.6
Items affecting comparability	-	-	-	-6.0	-2.2
EBITA	57.3	40.4	98.5	62.9	143.4

Revenue from external customers by manufacturing technology

SEK millions	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Mechanics	550.5	421.6	1,043.4	783.6	1,594.0
Electronics	335.3	212.2	666.3	417.6	921.2
Business development	-	-	-	-	-
Total	885.8	633.8	1,709.7	1,201.2	2,515.2

Note 5 Other operating income and operating expenses

SEK millions	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Other operating income	2022	2021	2022	2021	2021
Profit on disposal of fixed assets	1.2	1.0	1.6	1.6	3.7
Revaluation of acquisition purchase price	-	-	-	-	0.2
Government grants	0.6	0.3	1.6	0.9	2.8
Repayment AFA	-	-	-	-	6.3
Exchange gains	2.4	0.3	4.4	0.4	0.7
Other items	0.6	0.9	2.6	2.5	6.1
Total other operating income	4.8	2.5	10.2	5.4	19.8
Other operating expenses					
Loss on disposal of fixed assets	-	-0.1	-	-0.1	-0.2
Exchange losses	-3.4	-0.3	-5.3	-2.1	-4.1
Other items	-1.4	-	-1.7	-0.2	-1.4
Total other operating expenses	-4.8	-0.4	-7.0	-2.4	-5.7

Note 6 Financial income and expenses – Net financial items

SEK millions	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Financial income	2022	2021	2022	2021	2021
Net exchange gains and losses	-	1.2	-	0.2	-
Total financial income	-	1.2	-	0.2	-
Financial expenses					
Interest expenses	-7.2	-4.8	-13.5	-9.1	-20.0
Net exchange gains and losses	-3.6	-	-7.0	-	-0.3
Other financial expenses	-2.1	-1.9	-4.0	-3.8	-7.5
Total financial expenses	-12.9	-6.7	-24.5	-12.9	-27.8
Total financial items - net	-12.9	-5.5	-24.5	-12.7	-27.8

Not 7 Number of shares

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

Number of shares	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Weighted average number of shares before dilution	35,779,928	35,779,928	35,779,928	35,004,237	35,395,270
Adjustment upon calculation of earnings per share after dilution: Warrants	432,044	-	457,733	-	192,612
Weighted average number of shares after dilution	36,211,972	35,779,928	36,237,661	35,004,237	35,587,882
Number of shares at the end of the period	35,779,928	35,779,928	35,779,928	35,779,928	35,779,928

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.

Note 8 Acquisition of subsidiaries

On July 4, 2022, all shares in Bundelmann Elektronik GmbH ("Bundelmann") which domicile in Münster, Germany were acquired. The company conducts operations in production development with net sales of about SEK 15 million.

The acquisition is almost debt-free and the company consists of a multidisciplinary team of 10 people with excellence in electronics, mechanics and software development. The total purchase price for the shares is approximately SEK 8 million, with a further approximately 2 MSEK in the form of an additional purchase price. An acquisition analysis has not yet been prepared.

KEY RATIOS, DEFINITONS AND FINANCIAL CALENDER

Key ratios

	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Key ratios according to IFRS					
Net sales. SEK million	885.8	633.8	1,709.7	1,201.2	2,515.2
Operating pit (EBIT). SEK million	53.1	36.2	90.0	55.2	127.5
Amortisation of intangible assets. SEK million	-4.2	-4.2	-8.5	-7.7	-15.9
Earnings per share before dilution. SEK	1.01	0.73	1.55	1.00	2.26
Earnings per share after dilution. SEK	1.00	0.73	1.53	1.00	2.25
Cash flow from operating activities. SEK million	29.3	19.4	42.7	85.5	126.1
Average number of employees	1,981	1,857	1,971	1,765	1,741
Alternative performance measurements					
EBITDA. SEK million	82.3	62.7	148.7	105.4	232.1
EBITDA margin. %	9.3	9.9	8.7	8.8	9.2
Operational segments EBITA. SEK million	59.3	41.5	101.4	67.2	155.1
Business development segment EBITA. SEK million	-2.0	-1.1	-2.9	-4.3	-11.7
Operational EBITA margin. %	6.7	6.5	5.9	5.6	6.2
EBITA. SEK million	57.3	40.4	98.5	62.9	143.4
EBITA margin. %	6.5	6.4	5.8	5.2	5.7
Operating capital. SEK million	1,436.2	1,068.1	1,436.2	1,068.1	1,297.5
Return on operating capital. %	4.1	3.9	7.2	6.3	12.9
Capital turnover on operating capital. times	0.6	0.6	2.5	2.4	2.3
Return on capital employed. %	3.7	3.2	6.4	5.0	10.7
Net interest-bearing debt. SEK million	645.4	425.4	645.4	425.4	583.0
Net debt/equity ratio. times	1.0	0.8	1.0	0.8	1.0
Net debt in relation to adjusted EBITDA. times	2.6	2.7	2.6	2.7	2.9
Equity ratio. %	30.0	31.5	30.0	31.5	30.0
Equity per share at end of period. SEK	18.60	14.95	18.60	14.95	16.36

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

Definitions

Key ratios according to IFRS – Definitions

EBIT (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.

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

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

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

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

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

EBITDA margin is EBITDA divided by net sales.

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

EBITA margin is EBITA divided by net sales.

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

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 before business development costs.

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

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

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

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

→ Interim report Q3, 2022: Tuesday November 8, 2022

ABOUT HANZA

HANZA is a global knowledge-based manufacturing company that modernizes and streamlines the manufacturing industry. Through 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 2021 had sales exceeding SEK 2,5 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 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

