HANZA

A strategic manufacturing partner





INTERIM REPORT

First quarter 2016

This English translation is for the information purposes only. In case of any discrepancies between this version and the Swedish, the Swedish version shall prevail.

Interim report January 1 – March 31, 2016

Focus on profitability brings further earnings improvement

FIRST QUARTER FINANCIALS

- Net sales increased by 27% to SEK 338.6m (266.0).
  Excluding acquired and divested units, growth was 9%

- EBIT from the operational business areas amounted to SEK 14.5m (-2.7).
  The Group's EBIT amounted to SEK 12.5m (-4.6)

- Net profit amounted to SEK 5.4m (-7.6), equivalent to SEK 0.26 per share (-0.96)

- Cash flow from operating activities amounted to SEK 5.7m (-15.3)

Erik Stenfors, HANZA's CEO, comments on the report:

"Our acceleration programme 'Frontrunner', which we presented in early 2015, continues to produce results. Our profitability rose for the fifth consecutive quarter and the Group reached an operating margin of 3.7% in the first quarter. The capital structure is also continuously improving and the equity/assets ratio has increased to 34%, compared with 23% at the end of Q1 2015."

"In the first quarter we delivered yet another MIG™ analysis, which in turn awarded us a project to implement a customised optimisation of the customer's manufacturing process. For HANZA, the project generates manufacturing exceeding SEK 30 m annually on an annual basis, starting in the second quarter 2016. We expect to launch additional MIG projects during 2016."

"We will continue to develop HANZA with focus on profitable growth and lower debt/equity ratio in 2016. This means, among other things, further work to develop our manufacturing clusters and maximise the synergies from the acquisition of Metalliset."

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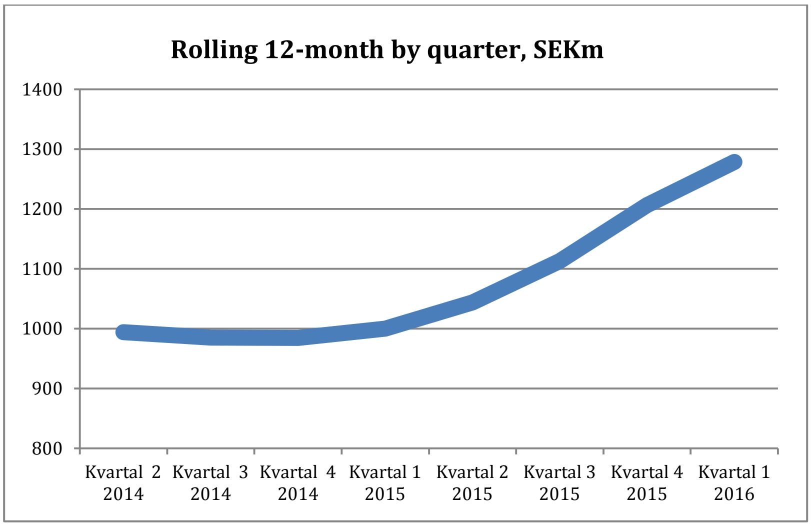
FIRST QUARTER HIGHLIGHTS

- As a further step to create modern and efficient manufacturing clusters, HANZA in February decided to move a large production unit, which had been obtained through the acquisition of Metalliset, from outside Tallinn to the Group's industrial park in Tartu. The decision affects around 80 employees and will result in limited one-off costs during the second quarter 2016, but is expected to have a positive effect on earnings as of the third quarter 2016.
- HANZA sold the Group's property in Töreboda, whose operations has been transferred to HANZA's factories in Årjäng and Tartu as part of the Frontrunner acceleration programme. One-off revenue was offset by one-off costs and provisions; see also Note 5.
- The Nomination Committee proposes the re-election of Board members Mikael Smedeby, Francesco Franzé, Håkan Halén and Pauli Pöllänen. Mikael Smedeby has been nominated as Chairman of the Board and Francesco Franzé as Deputy Chairman.
- The Nomination Committee proposes that the Annual General Meeting appoint Ernst & Young AB as the company's auditors, with Authorised Public Accountant Charlotte Holmstrand as chief auditor.



Consolidated sales are reported for eight quarters up to and including the quarter indicated in the graph.

SEKm	Jan-Mar 2016	Jan-Mar 2015	Jan - Dec 2015
Net sales	338.6	266.0	1,206.4
Operating business area EBIT	14.5	-2.7	12.5
Business development	-2.0	-1.9	38.6
EBIT	12.5	-4.6	51.1
Cash flow from operating activities	5.7	-15.3	5.0
Interest-bearing net debt	250.6	202.7	244.2
Equity/assets ratio	34.2%	23.2%	32.7%

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CEO COMMENT

Determined execution is producing results
Our acceleration programme 'Frontrunner', which we presented in early 2015, continues to produce results. Our profitability rose for the fifth consecutive quarter and the Group reached an operating margin of 3.7% in the first quarter. The capital structure is also continuously improving and the equity/assets ratio has increased to 34%, compared with 23% at the end of Q1 2015.

An important reason for our success is the work we have done to create *manufacturing clusters*, i.e., geographical areas where we bring together various forms of expertise to offer a complete manufacturing chain with high flexibility as well as total quality and cost control.

This development of clusters has continued in 2016, and we are currently finalizing one of the Nordic region's leading sheet metal manufacturers, in Tartu, Estonia, by merging two manufacturing units. This means that as of next autumn we can take on even more complex projects, at the same time that we improve the Group's profitability. Furthermore, the costs associated with the merger are limited, since we balance them against revenue from the sale of surplus assets.

A Value-adding offer
Classic contract manufacturing, e.g., part turning or manufacturing of an electronics board, deliver limited customer value, since this today is a standard offer. HANZA has developed a complete manufacturing solution, all-you-need-is-ONE™, to instead create a greater value, for instance by reducing the number of suppliers that the customer needs and eliminating unnecessary logistics. In addition, we have developed a service called MIG™, where we use our broad-based expertise to analyse classic manufacturing structures and create totally new solutions. For these customers, the job is not only to simplify and rationalise the existing manufacturing structure, but to create a completely new solution.

In the first quarter we delivered yet another MIG™ analysis, which in turn awarded us a project to implement a customised optimisation of the customer's manufacturing process. For HANZA, the project generates manufacturing exceeding SEK 30 m annually on an annual basis, starting in the second quarter 2016. We expect to launch additional MIG projects during 2016.

Continued focus on profitability
We will continue to develop HANZA with a focus on profitable growth and a lower debt/equity ratio in 2016. This means, among other things, further work to develop our manufacturing clusters and maximise the synergies from the acquisition of Metalliset.

Winning new business, at the same time that we phase out some contracts with limited volume and margin, is also important for our profitability. Hence, we were pleased to see an organic growth of 9% during the first quarter. HANZA has quickly become the Nordic leader in strategic contract manufacturing. It's a good position from where we will further develop HANZA.

Erik Stenfors, CEO

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MARKET DEVELOPMENT

HANZA's primary market is the Nordic region, but it also has customers in the rest of Europe, Asia and the US. The Swedish economy remains strong in 2016, although certain industries have continued to be hurt by the decline in oil and commodity prices. In Finland and Norway, the markets remain weak.

For HANZA, economic conditions are reflected in customer volumes. In Sweden, order bookings have increased in the pace of economic growth, while volumes in Finland and Norway have declined. In China, several customers have decided to repatriate production (known as backsourcing), which has had an adverse impact on production in China but a positive impact on Europe.

As part of the acceleration programme Frontrunner, HANZA is actively divesting contracts of limited size and profitability and focusing on larger projects involving its MIG™ service. HANZA does not issue any sales forecasts, but underlines that the Group has continued to grow organically.

NET SALES AND RESULTS

First quarter

HANZA's net sales increased during the first quarter by 27% to SEK 338.6m (266.0). During 2015, HANZA acquired the mechanical manufacturing group Metalliset while divesting four manufacturing units. Adjusted for acquisitions and divestments, organic growth was about 9%. Due to HANZA's broad range of operations, sales generally are not seasonal, except for the third quarter, when they are lower due to the summer holiday period. The currency rates has not materially affected comparable sales.

EBITDA for the quarter amounted to SEK 24.4m (2.8), corresponding to an EBITDA margin of 7.2% (1.1%). Depreciation amounted to SEK 11.9m (7.4) during the period. The change is due to the non-current assets obtained through the acquisition of Metalliset. The Group's EBIT amounted to SEK 12.5m (-4.6), corresponding to an operating margin of 3.7% (-1.7%)

During the first quarter 2016, the Electronics segment remained profitable with EBIT of SEK 7.3m (1.8), corresponding to an operating margin of 5.8% (1.4%).

EBIT for the Mechanics segment amounted to SEK 7.2m (-4.5), corresponding to an operating margin of 3.2% (-3.0%). A special effort has been underway in Mechanics since the fourth quarter 2015 to integrate Metalliset and extract synergies that increase profitability. Among other things, two factories in Estonia are being merged during the first half of 2016. The Group's strategy is to try to balance the additional costs that arise through factory mergers with revenue from the sale of redundant assets. The Group's property in Töreboda was sold during the quarter, resulting in a one-off gain. HANZA has withdrawn from leases in Estonia, where the owners are requesting compensation for lost rents. The compensation upheld by the lowest court has been allocated in its entirety, resulting in a negative one-off item. A legal process continues in Estonia and is expected to be finalised in 2016. HANZA remains confident that a legal case can be brought in Sweden to compensate for the amount. Both of these items are recognised together with negative one-off effects from the factory mergers in the Mechanics division.

As a whole, the one-off effect on profit was SEK -1.0m during the first quarter; see also note 5.

The Business Development segment recognises costs for special projects to develop the Group not associated with HANZA's normal operating activities, such as acquisitions, divestments, listing costs, the cluster strategy, etc. The result for the Business Development segment amounted to SEK -2.0m (-1.9) during the first quarter.

The gross margin is continuously improving as new projects are secured and older production is phased out, and during the quarter amounted to 45.1% (40.7%). External costs amounted to SEK -50.1m (-34.9) and personnel costs amounted to SEK -83.4m (-69.6). The increases are due to acquired units. Measured as a share of sales, operating expenses (excluding raw material and supplies) decreased by 0.3 percentage points to 39.5% (39.8).

Net financial items amounted to SEK -6.3m (-3.0) in the quarter. The increase is mainly due to the acquisition of Metalliset. Profit after financial items amounted to SEK 6.2m (-7.6). Net profit amounted to SEK 5.4m (-7.6).

CASH FLOW AND INVESTMENT

During the first quarter, cash flow from operating activities amounted to SEK 5.7m (-15.3).

The merger of production units ("cluster formation") reduces the capital tied up in operations and thus has a positive impact on cash flow. In recent years, HANZA has made extensive investments in the Group's production facilities and automated processes by installing new machinery, and today it is fully invested. As a result, investments are expected to be lower than depreciation moving forward. The merger of production units enhances this effect.

Cash flow from investing activities amounted to SEK 0.3m (-2.1) and consisted of investments in property, plant and equipment of SEK -4.8m and the divestment of a non-current asset for SEK 5.1m. Cash and cash equivalents changed by SEK -26.7m (-5.6) during the quarter, which is because the company reduced cash and cash equivalents during the period by lowering its use of bank overdraft facilities and other revolving credits and by amortising loans associated with the divested property.

FINANCIAL POSITION

Equity increased by SEK 8.1m during the quarter to SEK 262.2m. The equity/assets ratio at the end of the quarter was 34.2% (23.2%).

Total assets amounted to SEK 766.5m (588.0), compared with SEK 776.3m at the beginning of the quarter. Cash and cash equivalents amounted to SEK 21.8m (25.5) at the end of the period. Interest-bearing net debt amounted to SEK 250.6m (202.7) at the end of the quarter.

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,351 (1,007). The increase is due to the acquisition of Metalliset, which had 502 employees on the takeover date. At the end of the period, the number of employees was 1,378, compared with 1,432 at the beginning of the year.

PARENT COMPANY

The Parent Company's net sales, which consisted solely of revenues from Group companies, amounted to SEK 0.7m (0.6) during the first quarter. The result before income taxes during the quarter amounted to SEK -0.6m (-0.9). No investments were made in Parent Company.

ACCOUNTING POLICIES

The Group applies International Financial Reporting Standards (IFRS). This interim report has been prepared in compliance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act. For further information on accounting policies, reference is made to Note 2 in the company's annual report for 2015.

THE SHARE

The total number of shares at the end of the quarter was 20,642,179, unchanged from the beginning of the year. The company has only one class of shares. Erik Penser Bankaktiebolag is the company's Certified Adviser and also serves as liquidity provider.

The share is traded on Nasdaq First North Premier. Shares traded in the Premier segment are subject to more stringent requirements concerning information disclosure and financial reporting than shares subject to First North's normal regulations. A listing on the Premier segment also entails that the company operate with a higher level of transparency, thus preparing the company for a possible transfer to the main Nasdaq list. The share price at the end of the period was SEK 7.25.

The company has issued the following options.

Options	Number	Expiration date	Subscription price, SEK
Employee options	260,000	2017-11-30	25.39

The subscription price above has been restated to take into account the rights issue in August 2015. Following the restatement, each option provides entitlement to subscribe for 1.14 shares.

In February 2015, HANZA issued convertible debentures of SEK 4.5m. Under certain special conditions, the company is entitled during December 2016 to convert SEK 2.5m of this debt to shares at a price corresponding to 50% of the average price of the share during the preceding three months. From the viewpoint of the holders, the convertibles will lead to a maximum of 177,528 new shares. From the viewpoint of the company, the number of new shares is capped at 760,000.

In December 2015, a convertible loan was issued in a nominal amount of SEK 15m. The conversion price is 85% of the average market price of the company's share during the three-month period immediately preceding conversion, but not less than SEK 5.80.

The company has the following convertible loans.

Convertible loans	Duration	Loan amount SEK m	Issue price, SEK
Issued 2015	2016-12-31	4.5	25.39
Issued 2015	2017-12-31	15.0	See comment above

The exercise price of SEK 25.39 has been restated to take into account the rights issue in August 2015.

SIGNIFICANT RISKS AND UNCERTAINTIES

The risk factors of greatest significance to HANZA are financial risks and changes in market conditions. For further information about risks and uncertainties, reference is made to Note 3 in the company's annual report for 2015. No significant changes in the risks have arisen since the annual report for 2015 was published.

ANNUAL GENERAL MEETING

The Nomination Committee is proposing to the Annual General Meeting 2015 on May 10 that the Board of Directors consist of four or five members with no deputies. The Nomination Committee proposes the re-election of Board members Mikael Smedeby, Francesco Franzé, Håkan Halén and Pauli Pöllänen. The Nomination Committee also proposes that the Annual General Meeting appoint Mikael Smedeby as Chairman of the Board and Francesco Franzé as Deputy Chairman. Chairman of the Board Per Tjernberg and Board member Björn Boström declined re-election. Further, the Nomination Committee proposes that the Annual General Meeting appoint the registered auditing firm Ernst & Young AB as the company's auditors, with Authorised Public Accountant Charlotte Holmstrand as chief auditor.

RELATED-PARTY TRANSACTIONS

No related party transactions took place during the quarter.

The interim report provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group and describes the material risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, 10 May 2016

On behalf of the Board of Directors

Erik Stenfors, CEO

This report has not been reviewed by the company's auditors.

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HANZA ALL YOU NEED IS ONE™

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	Note	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
Net sales	**5**	**338.6**	**266.0**	**1,206.4**
Change in inventories due to production, finished goods and work in progress		-1.6	1.2	2.5
Other operating income	6	5.7	0.5	62.8
Total revenue		**342.7**	**267.7**	**1,271.7**
Operating costs				
Raw material and supplies		-184.4	-159.0	-713.9
Other external costs		-50.1	-34.9	-163.6
Personnel costs		-83.4	-69.6	-296.8
Depreciation		-11.9	-7.4	-39.5
Other operating costs		-0.4	-1.4	-6.8
Total operating costs		**-330.2**	**-272.3**	**-1,220.6**
EBIT	**5**	**12.5**	**-4.6**	**51.1**
Result from financial items				
Financial income		0.0	1.5	3.2
Financial costs		-6.3	-4.5	-20.3
Financial items - net	**7**	**-6.3**	**-3.0**	**-17.1**
Result before taxes		**6.2**	**-7.6**	**34.0**
Income taxes		-0.8	0.0	3.5
Net profit/loss		**5.4**	**-7.6**	**37.5**
Other comprehensive income				
Items that can later be reversed to profit or loss				
Currency differences		2.5	-2.3	-11.2
Other comprehensive income for the period		**2.5**	**-2.3**	**-11.2**
Total comprehensive income for the period		**7.9**	**-9.9**	**26.3**

Total comprehensive income is related in its entirety to the Parent Company's shareholders

Result per share, calculated on result attributable to Parent Company's shareholders during the period (expressed in SEK per share)

Result per share before dilution	0.26	-0.96	3.18
Result per share after dilution	0.26	-0.96	3.17
Weighted average number of shares before dilution	20,642,179	7,926,919	11,810,193
Adjustment for calculation of result per share after dilution:			
Convertibles	359,167	-	29,809
Weighted average number of shares after dilution	21,001,346	7,926,919	11,840,002

Calculated based on the number of shares adjusted for holdings of treasury shares 2015 and a restated historical number of shares due to the rights issue element of the 2015 rights issue.

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CONSOLIDATED BALANCE SHEET

Amounts in SEK m	Note	2016-03-31	2015-03-31	2015-12-31
ASSETS				
Non-current assets				
Intangible assets				
Goodwill		142.3	142.8	141.4
Other intangible assets		0.3	0.7	0.3
Intangible assets		**142.6**	**143.5**	**141.7**
Tangible non-current assets		**257.4**	**122.9**	**253.0**
Financial non-current assets				
Other long-term securities holdings		0.4	0.1	0.4
Deferred tax assets		16.8	13.1	17.0
Financial non-current assets		**17.2**	**13.2**	**17.4**
Total non-current assets		**417.2**	**279.6**	**412.1**
Current assets				
Inventory		238.2	210.8	239.3
Accounts receivable		62.6	54.4	51.7
Other receivables		16.5	8.1	15.0
Prepaid costs and accrued income		10.2	9.6	9.4
Cash and cash equivalents		21.8	25.5	48.8
Total current assets		**349.3**	**308.4**	**364.2**
TOTAL ASSETS		**766.5**	**588.0**	**776.3**

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CONSOLIDATED BALANCE SHEET, cont.

Amounts in SEK m	Note	2016-03-31	2015-03-31	2015-12-31
EQUITY				
Equity attributable to Parent Company's shareholders		**262.2**	**136.6**	**254.1**
LIABILITIES				
Long-term liabilities				
Liabilities to credit institutions	4	85.1	18.0	98.0
Other long-term interest-bearing liabilities		28.1	23.7	21.8
Convertible loan		13.0	-	12.8
Long-term non-interest-bearing liabilities		6.8	7.4	6.9
Total long-term liabilities		**133.0**	**49.1**	**139.5**
Current liabilities				
Bank overdraft	4	60.5	73.2	66.3
Liabilities to credit institutions		44.0	58.0	54.8
Convertible loan		4.5	13.8	4.5
Other interest-bearing liabilities		37.2	41.5	34.8
Accounts payable		144.6	148.0	147.4
Other liabilities		25.0	15.6	22.5
Accrued costs and deferred income		55.5	52.2	52.4
Total current liabilities		**371.3**	**402.3**	**382.7**
TOTAL EQUITY AND LIABILITIES		**766.5**	**588.0**	**776.3**
Equity per share at the end of the period, SEK		12.70	17.23	12.31
Number of shares at the end of the period		20,642,179	7,926,919	20,642,179

Calculated based on the number of shares adjusted for holdings of treasury shares in the previous year and a restated historical number of shares due to the rights issue element of the 2015 rights issue.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK m	Share capital	Other contributions received	Reserves	Profit brought forward including profit for the period	Total equity
Opening balance per 1 January 2016	**2.0**	**294.8**	**-3.3**	**-39.4**	**254.1**
Profit after tax	-	-	-	5.4	5.4
Other comprehensive income					
Currency differences	-	-	2.5	-	2.5
Total comprehensive income	**-**	**-**	**2.5**	**5.4**	**7.9**
Employee options	-	0.2	-		0.2
Total contribution from and value transfers to shareholders recognised directly in equity	**-**	**0.2**	**-**	**-**	**0.2**
Closing balance per 31 March 2016	**2.0**	**295.0**	**-0.8**	**-34.0**	**262.2**

Amounts in SEK m	Share capital	Other contributions received	Reserves	Profit brought forward including profit for the period	Total equity
Opening balance per 1 January 2015	**0.7**	**218.1**	**7.9**	**-80.4**	**146.3**
Profit after tax	-	-	-	-7.6	-7.6
Other comprehensive income					
Currency differences	-	-	-2.3	-	-2.3
Total comprehensive income	**-**	**-**	**-2.3**	**-7.6**	**-9.9**
Employee options	-	0.2	-	-	0.2
Total contribution from and value transfers to shareholders recognised directly in equity	**-**	**0.2**	**-**	**-**	**0.2**
Closing balance per 31 March 2015	**0.7**	**218.3**	**5.6**	**-88.0**	**136.6**

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CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

Amounts in SEK m	Jan - Mar 2016	Jan - Mar 2015	Jan-Dec 2015
Cash flow from operating activities			
Profit/loss after financial items	6.2	-7.6	34.0
Depreciation	11.9	7.4	39.5
Other non-cash items	-2.9	-0.7	-55.2
Income taxes paid	-1.9	0.0	-3.5
Cash flow from operating activities before changes in working capital	**13.3**	**-0.9**	**14.8**
Total change in working capital	**-7.6**	**-14.4**	**-9.8**
Cash flow from operating activities	**5.7**	**-15.3**	**5.0**
Cash flow from investing activities			
Company acquisitions	-	-	-36.8
Investments in non-current assets	-4.8	-2.1	-17.0
Sale of tangible non-current assets	5.1	-	7.7
Cash flow from investing activities	**0.3**	**-2.1**	**-46.1**
Cash flow from financing activities			
New share issue	-	-	66.2
Change in loans	-32.7	11.8	-8.0
Cash flow from financing activities	**-32.7**	**11.8**	**58.2**
Decrease/increase in cash and cash equivalents	**-26.7**	**-5.6**	**17.1**
Cash and cash equivalents on the opening date	48.8	31.8	31.8
Exchange rate differences in cash and cash equivalents	-0.3	-0.7	-0.1
Cash and cash equivalents at the end of the period	**21.8**	**25.5**	**48.8**

CONDENSED INCOME STATEMENT, PARENT COMPANY

Amounts in SEK m	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
Operating revenue	**0.7**	**0.6**	**3.0**
Operating costs	**-2.4**	**-2.1**	**-10.6**
EBIT	**-1.7**	**-1.5**	**-7.6**
Profit/loss from financial items			
Profit/loss from participations in Group companies	1.8	-	-63.5
Other interest income and similar profit/loss items	0.4	1.2	3.7
Interest costs and similar profit/loss items	-1.1	-0.6	-2.9
Total profit/loss from financial items	**1.1**	**0.6**	**-62.7**
Profit/loss before tax	**-0.6**	**-0.9**	**-70.3**
Tax on net profit/loss for the period	-	-	3.5
Net profit/loss	**-0.6**	**-0.9**	**-66.8**

Profit/loss from participations in Group companies refers to dividends from subsidiaries. Other interest income and similar profit/loss items include interest income from Group companies of SEK 0.4m (1.2).

Since there are no items in the Parent Company that are recognised in comprehensive income, total comprehensive income matches profit/loss for the period.

CONDENSED BALANCE SHEET, PARENT COMPANY

Amounts in SEK m	Note	2016-03-31	2015-03-31	2015-12-31
ASSETS				
Non-current assets				
Financial non-current assets		**256.4**	**235.0**	**258.2**
Total non-current assets		**256.4**	**235.0**	**258.2**
Current assets				
Current receivables		0.4	6.6	1.5
Cash and cash equivalents		0.8	0.5	1.0
Total current assets		**1.2**	**7.1**	**2.5**
TOTAL ASSETS		**257.6**	**242.1**	**260.7**
EQUITY AND LIABILITIES				
Equity		**213.2**	**202.1**	**213.7**
Provisions		**2.6**	**8.1**	**2.6**
Long-term liabilities		**15.8**	**8.2**	**16.0**
Current liabilities		**26.0**	**23.7**	**28.4**
TOTAL EQUITY AND LIABILITIES		**257.6**	**242.1**	**260.7**

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NOTES

Note 1 General information

All amounts are stated in SEK millions (SEKm) unless otherwise indicated. Figures in parentheses pertain to the corresponding year-earlier period. The quarterly information on pages 4-7 is an integral part of this financial report.

Note 2 Basis for preparation of the report

HANZA Holding AB (publ) applies the International Financial Reporting Standards (IFRS) adopted by the EU. This interim report has been prepared in compliance with IAS 34 Interim Reporting. The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities. The interim report should be read together with the Annual Report for the financial year that ended on 31 December 2015.

Note 3 Accounting policies

The accounting policies comply with the policies applied in the preceding financial year.

Note 4 Financial instruments – Fair value of financial liabilities measured at amortised cost

The Group's borrowing comprises a large number of contracts entered into at various times and subject to various terms. Most of the loans are subject to variable interest rates. Against this background, the recognised amounts may be considered a fair approximation fair value.

Because the discounting effect is not material, the fair value of short-term loans corresponds to their carrying amounts.

Note 5 Segment information

Revenues

Inter-segment sales take place on commercial terms.

	Jan – Mar 2016			Jan – Mar 2015		
	Segment revenues	**Less sales between segments**	**Revenues from external customers**	**Segment revenues**	**Less sales between segments**	**Revenues from external customers**
Mechanics	226.8	-5.4	221.4	149.4	-2.7	146.7
Electronics	126.6	-9.8	116.8	130.8	-11.5	119.3
Business Development	0.4	-	0.4	-	-	-
Total	**353.8**	**-15.2**	**338.6**	**280.2**	**-14.2**	**266.0**

This English translation is for the information purposes only. In case of any discrepancies between this version and the Swedish, the Swedish version shall prevail.

Note 5 Segment information, continued

EBIT is reconciled as income before tax as follows:

	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
EBIT			
Mechanics	7.2	-4.5	-10.3
Electronics	7.3	1.8	22.8
Business Development	-2.0	-1.9	38.6
Total	**12.5**	**-4.6**	**51.1**
Financial items - net	-6.3	-3.0	-17.1
Result before taxes	**6.2**	**-7.6**	**34.0**

One-offs	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
Revenue recognition negative goodwill	-	-	47.3
Revaluation of supplemental purchase price	-	-	5.5
Transaction costs Metalliset	0.4	-	-2.4
Restructuring	-2.1	-4.0	-10.0
Reserve rental costs Estonia	-3.7	-	-
Capital gain on property	4.4	-	-
Total	**-1.0**	**-4.0**	**40.4**
EBIT per segment excluding one-offs			
Mechanics	8.6	-2.2	-5.8
Electronics	7.3	3.5	25.6
Total	**15.9**	**1.3**	**19.8**
Business development	-2.4	-1.9	-9.1
Total	**13.5**	**-0.6**	**10.7**
One-offs	-1.0	-4.0	40.4
EBIT	**12.5**	**-4.6**	**51.1**

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Note 6 Other operating income

	Jan – Mar 2016	Jan – Mar 2015
Result from sale of non-current assets	4.4	0.2
Other items	1.3	0.3
Total	**5.7**	**0.5**

Result from sale of non-current assets in 2016 refers to the gain on the sale of the Group's property in Töreboda.

Note 7 Financial income and costs – Net financial items

Financial income	Jan – Mar 2016	Jan – Mar 2015	Jan - Dec 2015
Interest income	0.0	0.0	0.1
Net exchange rate gains and losses	-	1.5	3.1
	0.0	1.5	3.2
Financial costs			
Interest costs	-4.2	-3.7	-16.9
Net exchange rate gains and losses	-0.5	-	-
Other financial costs	-1.6	-0.8	-3.4
	-6.3	**-4.5**	-20.3
Total financial items - net	**-6.3**	**-3.0**	**-17.1**

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KEY FINANCIAL RATIOS

	Jan - Mar 2016	Jan - Mar 2015	Jan - Dec 2015
Net sales	338.6	266.0	1 206.4
EBITDA%	7.2%	1.1%	7.5%
Operating margin, %	3.7%	-1.7%	4.2%
Adjusted operating EBIT, SEKm	14.5	-2.7	12.5
Adjusted operating EBIT, %	4.3%	-1.0%	1.0%
Operating capital , SEKm	512.8	339.3	498.3
Return on operating capital, %	2.9%	-0.8%	3.0%
Capital turnover rate on operating capital, times	2.7	3.2	2.9
Interest-bearing net debt, SEKm	250.6	202.7	244.2
Net debt/equity ratio	1.0	1.5	1.0
Equity/assets ratio, %	34.2%	23.2%	32.7%
Average no. of employees	1,351	1,007	1,169

DATES FOR FORTHCOMING FINANCIAL INFORMATION

Interim report for the period January-June 2016: 25 August 2016
Interim report for the period January-September 2016: 31 October 2016

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DEFINITIONS

Unless otherwise stated in this interim report, the definitions refer to the Group. Figures in parentheses pertain to the outcome for the corresponding period in 2014.

EBITDA (Earnings before interest, taxes, depreciation and amortisation) is profit/loss before interest, taxes and depreciation and amortisation of tangible and intangible items

EBIT (Earnings before interest and taxes) is profit/loss before interest and taxes

EBIT margin is EBIT divided by net sales

Business development costs include non-recurring costs for developing the business model and the organisation, such as listing costs, costs of transition to IFRS, the discontinuation of unprofitable factories on acquisition and acquisition costs in the form of due diligence

Operating profit (operating EBIT) is operating profit/loss before business development costs

Adjusted operating EBIT is operating EBIT before business development costs

Adjusted operating EBIT % is adjusted operating EBIT divided by net sales

Operating capital is total assets less cash, financial assets and non-interest-bearing liabilities

Return on operating capital is operating profit divided by average operating capital

Capital turnover on average operating capital, times is net sales divided by average operating capital

Net debt/equity ratio is net debt divided by equity, where net debt is defined as interest-bearing liabilities less cash and cash equivalents plus short-term investments

Equity/assets ratio is equity divided by total assets

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ABOUT HANZA

HANZA is a fast-growing industrial business partner in manufacturing. The company creates increased growth and profitability for customers by providing complete manufacturing solutions involving mechanics, electronics, cabling and final assembly. HANZA was founded in 2008 and has rapidly grown into a billion kronor company. The company has operations in Sweden, Finland, Estonia, Poland, Czech Republic and China. HANZA's customers include leading companies such as ABB, Atlas Copco, Ericsson, Saab Defence and Siemens.

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