HANZA

INTERIM REPORT
FIRST QUARTER 2017

INTERIM REPORT 1 January – 31 March 2017

At the beginning of 2017, HANZA completed a major acceleration programme, Frontrunner, where the Group, over a 20-month period, consolidated production facilities and manufacturing resources in specific geographical areas, known as manufacturing clusters.

The sales volumes that were phased out during the programme, as well as items that affected results, are described in the sections *Impact of Frontrunner* and *Net Sales and Results*.

FIRST QUARTER (1 January – 31 March 2017)

- Net sales amounted to SEK 350.0m (338.6)
- EBIT from the operative business areas amounted to SEK 9.2m (14.5). The Group's EBIT amounted to SEK 8.4m (12.5). EBIT was charged with SEK -4.2m (2.3) for the Frontrunner programme.
- Net profit amounted to SEK 3.3m (5.4), equivalent to SEK 0.15 per share (0.26)
- Cash flow from operating activities amounted to SEK 33.1m (5.7)

Comment by CEO Erik Stenfors:

"It is obvious that product companies are in need of new manufacturing solutions. We are experiencing a good organic growth and we signed several important manufacturing contracts during the quarter. Our work with cash flow has also been successful and we show a significantly reduced debt, despite factory transitions and added volumes. In one year our net debt has decreased by nearly one third, from SEK 251m to SEK 175m."

"The activities we completed in the Electronics segment in 2015 began to positively affect earnings in 2016. Today, we have an industry-leading margin in electronics of 7.8%. Similar activities in the Mechanics segment are now under completion, why we see a margin increase there as well. Over all, earnings improved during the quarter by SEK 9.4m compared with the fourth quarter of 2016."

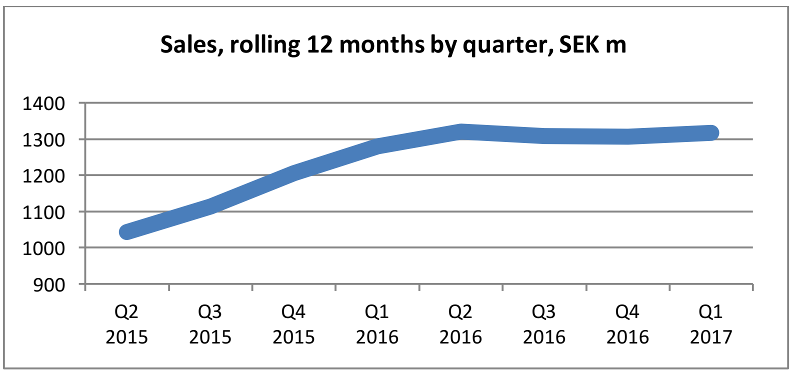
"We faced an unexpected challenge with our sheet metal factory in Vaasa, Finland, which is being converted to a logistics centre. In early 2017, we were unable to sign a new, more suitable lease agreement and we were forced to apply for a restructuring of our subsidiary. However, continued negotiations with the property owner resulted in an agreement, and the restructuring is expected to soon be finalised. The delay nevertheless caused some difficulties for the Mechanics segment during the quarter."

FIRST QUARTER 2017 HIGHLIGHTS

- In January, HANZA filed to reorganise its logistics company in Vaasa, Finland, after a new, more suitable lease could not be signed.
- HANZA's Nomination Committee presented its proposal for the Annual General Meeting on 10 May 2017. Mikael Smedeby, Francesco Franzé and Håkan Halén were nominated for re-election to the Board of Directors and Gerald Engström and Helene Richmond were nominated as new directors. *Gerald Engström* is the founder of Systemair AB and built it into one of the world's foremost ventilation companies, with operations in around 50 countries. *Helene Richmond* has extensive manufacturing experience and currently serves as Head of Product Management at SKF.
- Färna Invest AB, which is owned by Gerald Engström, in February converted a SEK 15m loan to 1,614,639 shares, thereby making Gerald Engström one of HANZA's largest shareholders.
- HANZA signed an agreement in February to create a customised manufacturing solution to supply complete subassemblies to a customer's final assembly plant in Finland. Components will be manufactured at HANZA's cluster in Estonia and modules will be assembled in proximity to the customer in Finland. Manufacturing will begin in second quarter of 2017 and is expected to reach full capacity within one year. Annual business volume is estimated at EUR 5m.
- In March, HANZA signed an agreement on a manufacturing solution for Flexenclosure, which develops Internet infrastructure and intelligent power management solutions.

SIGNIFICANT EVENTS AFTER THE PERIOD

- In May, HANZA expanded its co-operation with the defence and security company Saab by signing an agreement worth about SEK 16m to produce computer products for the international market. Delivery is scheduled for the summer of 2017 and production will take place at HANZA's manufacturing cluster in Sweden.
- A lease was signed with the property owner in Vaasa, Finland, thanks to which the reorganisation of the logistics company can be considered successful and should soon be finalised.



The HANZA Group's sales trend. The figure shows how sales increased through the acquisition of Metalliset in 2015 and how the factories that were shut and customers who were phased out during the Frontrunner programme in 2016 have successfully been replaced with new volumes.

CEO COMMENT

HANZA is a strategic manufacturing partner which is developing much faster than traditional contract manufacturers. We are proud of the advisory services and manufacturing clusters we offer to our business partners[*)].

A strong quarter

It is obvious that product companies are in need of new manufacturing solutions. We are experiencing a good organic growth and we signed several important manufacturing contracts during the first quarter of 2017. Our activities in our Frontrunner program for the Electronics segment in 2015 began to positively affect the earnings in 2016. Today we have an industry-leading margin in electronics of 7.8%. Similar activities in the Mechanics segment are now under completion and the margin is increasing there as well, although events at the Vaasa factory unfortunately delayed the work somewhat (see below). Over all, earnings improved during the quarter by SEK 9.4m compared with the fourth quarter of 2016.

Also worth mentioning are the results of our efforts with our working capital. We have significantly reduced our debt despite factory transitions and new customers. In a half-year our net debt has decreased by nearly one third, from SEK 251m to SEK 175m.

Customised manufacturing solutions
With its unique breadth of production technologies, HANZA customises manufacturing solutions that create great value for the customer, and for HANZA as well.

An unusual quarter

Sometimes the unexpected happens. As part of the Frontrunner programme we have converted our factory in Vaasa, Finland, to a logistics centre and the manufacturing operations in Vaasa are being transferred to our clusters. In early 2017, we were unable to sign a new, more suitable lease with the property owner and we were forced to apply for a restructuring of our subsidiary in Vaasa to avoid escalated problems. Continued negotiations was launched and eventually led to a lease agreement. As a result, the restructuring is expected to be successfully finalised within short, although the delay caused some difficulties for the Mechanics segment during the quarter.

Young company, long-term strategy

During our first two build-up phases, we have methodically created modern manufacturing clusters and unique advisory services. We have also added leading companies as customers and built up a strong customer portfolio. Now we are entering the Group’s third phase, a development phase where the focus is on further efficiency improvements in our clusters and expanding to new markets, possibly through acquisitions. But the coming development will be achieved by adding new parts to our existing structure. In other words, HANZA’s foundation is set and will not change.

[*)] *We do not use a customer ⇔ supplier model. Instead, we see HANZA as a strategic business partner to product companies.*

MARKET DEVELOPMENT

HANZA's primary market is the Nordic region, but customers are also located in the rest of Europe, Asia and the US. Its exposure to a broad range of industries means that economic conditions are normally reflected in HANZA's volumes.

Economic growth is spreading to more countries. Some parts of the world have come further than others, however. The US has come the furthest, while Europe still has potential for further growth. At the same time, there are risks, mainly associated with political developments, such as Brexit and the unpredictability surrounding global trade caused by the US president.

In Sweden, the economy remains strong, job growth continues and inflation is on the rise. In March, the Purchasing Managers Index for both manufacturing and services reached the highest levels since 2011. The Finnish economy has begun to grow after many years and continues to develop well, although the recovery is slower than average for the Eurozone.

HANZA does not issue sales forecasts, but is confident that prospects for further organic growth are very good.

IMPACT OF FRONTRUNNER

The purpose of the Frontrunner acceleration program has been to quickly put in place a unique cluster structure in selected geographical areas where HANZA can offer multiple manufacturing technologies. As part of Frontrunner, some production volumes and standalone factories have been moved to these clusters.

In volume terms, manufacturing generating the equivalent of about SEK 150m in annual sales has been phased out in the process. Furthermore, in consultation with the customer, the bulk of the high-tech production for the telecom industry has been phased out as well. In 2014, this was one of the Group's largest volumes, generating annual sales considerably higher than SEK 100m. Today, this volume represents annual sales of less than SEK 10m. The reason for this transition is the Group's focus on turnkey manufacturing and MIG^{TM} projects, which create higher value for customers and for HANZA.

Experience shows that staff reductions in connection with plant closings cost over SEK 100,000 per person. In 2016, around 130 employees were affected. Layoffs have continued in 2017 in Vaasa, Finland. Costs for vacated premises vary depending on whether the property is owned or leased. The costs for the programme have been recognised quarterly in the company's interim reports in Note 4. In terms of cash flow, a consolidation of production units ("Cluster formation") normally reduces tied-up capital.

HANZA has not created a restructuring reserve for Frontrunner, instead expensing the costs through the income statement (see Net Sales and Results below). One of Frontrunner's goals is to offset negative one-offs such as severance and costs for vacated premises with a structured divestment of the assets that are freed up as operations are concentrated in clusters. The reorganisation also affected the first quarter of 2017, and in total the items have reduced earnings by SEK 4.2m.

SEK m	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Net sales	350.0	338.6	1 305.8
Operative business areas' EBIT	9.2	14.5	30.0
Business development	-0.8	-2.0	-4.8
EBIT	8.4	12.5	25.2
Cash flow from operating activities	33.1	5.7	41.6
Interest-bearing net debt	175.2	250.6	226.7
Equity/assets ratio	37.3%	34.2%	35.6%

NET SALES AND RESULTS

First quarter

Net sales increased by 3.4% to SEK 350.0m (338.6). The previous year's sales include volumes that have since been divested as part of the Frontrunner programme; see above.

EBITDA for the quarter amounted to SEK 20.0m (24.4), corresponding to an EBITDA margin of 5.7% (7.2). Depreciation amounted to SEK 11.6m (11.9) during the period. The Group's EBIT amounted to SEK 8.4m (12.5), corresponding to an operating margin of 2.4% (3.7).

Recognised operating results include all costs, even for special programmes such as Frontrunner. As a result, there is no separate restructuring reserve or the equivalent. However, HANZA reports in the notes those costs that are non-recurring in nature, such as severance pay, rental costs for vacated premises and impairment of assets that will not be utilised in the future. In the first quarter, these totalled about SEK -4.2 m; see Note 4.

This only includes costs directly associated with the programme. There are also indirect costs such as quality assurance work, modifications of material structures, internal training of new employees etc.

HANZA's strategy when merging factories is to free up and sell surplus assets to cover the additional costs to establish cluster structures. No such one-offs were realised in the first quarter, however.

During the first quarter of 2017, the Electronics segment posted EBIT of SEK 9.9m (7.3), corresponding to an operating margin of 7.8% (6.3). Sales increased by SEK 10.0m to SEK 126.8m (116.8).

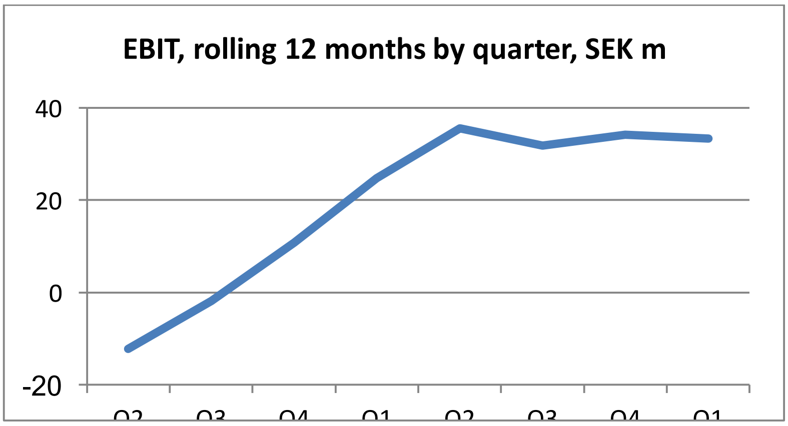
EBIT for the Mechanics segment amounted to SEK -0.7m (7.2), corresponding to an operating margin of -0.3% (3.3%). As part of the Frontrunner programme, electronics plants were restructured in 2015 and mechanics plants in 2016. As opposed to the Electronics segment, the Mechanics segment is still hampered by one-offs. Direct one-off costs within the Mechanics segment amounted to SEK 3.9m (1.4) in the first quarter; see also Note 4. There are also indirect costs that are not explicitly recognised; see above.

Costs for special projects to develop the Group not associated with HANZA's normal operating activities, such as acquisitions, divestments, listing costs, the development of services etc., are recognised in the Business Development segment. EBIT for the Business Development segment amounted to SEK -0.8m (-2.0) in the first quarter.

The gross margin was 42.7% (45.1). Other external costs amounted to SEK -46.5m (-50.1) and personnel costs amounted to SEK -85.4m (-83.4).

Net financial items amounted to SEK -3.7m (-6.3) in the quarter. This includes a net interest cost of SEK -3.1m (-4.9). The decrease in net interest is due to lower net debt and lower interest rate levels.

The result before taxes was SEK 4.7m (6.2). Net profit amounted to SEK 3.3m (5.4).



The HANZA Group's EBIT, excluding direct one-offs. The figure shows operating EBIT, excluding direct one-offs, which are shown separately below. This is in addition to indirect one-offs that cannot be quantified.

CASH FLOW AND INVESTMENTS

Cash flow from operating activities amounted to SEK 33.1m (5.7) in the first quarter. Cash flow was positively affected in the first quarter by a decrease in working capital of SEK 20.0m (-7.6).

The consolidation of production units ("cluster formation") reduces tied-up capital. In recent years, HANZA has made extensive investments to develop the Group's production facilities and automate 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 also leads to lower investment needs.

Cash flow from investing activities amounted to SEK 3.3m (0.3) in the first quarter and consisted of investments in property, plant and equipment of SEK 3.1m and the divestment of non-current assets for SEK 6.4m. Loans decreased by SEK 18.5m (decrease of 32.7) during the quarter.

FINANCIAL POSITION

Equity amounted to SEK 286.0m (262.2) at the end of the period and the equity/assets ratio was 37.3% (34.2). A convertible loan was converted during the quarter, which increased equity by SEK 14.1m and reduced interest-bearing net debt correspondingly.

Total assets amounted to SEK 766.3m (766.5). Cash and cash equivalents amounted to SEK 42.2m (21.8) at the end of the period. Interest-bearing net debt amounted to SEK 175.2m (250.6) at the end of the period.

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,329 (1,351). At the end of the period, the number of employees was 1,407, compared with 1,399 at the beginning of the year.

PARENT COMPANY

The Parent Company's net sales, which consist solely of revenues from Group companies, amounted to SEK 1.8m (0.7). The result before taxes during the quarter was SEK -1.5m (-0.6). No investments were made in the Parent Company.

THE SHARE

At the beginning of the year, HANZA had a convertible loan with a nominal value of SEK 15.0m from Färna Invest AB. This loan was converted at the beginning of March at a price of SEK 9.29, increasing the number of shares by 1,614,639 to 22,324,008 at the end of the quarter. The company has only one class of shares. Erik Penser Bank AB 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 disclosure and reporting requirements than shares subject to First North's normal regulations. A listing on the Premier segment also requires the company to provide with a higher level of transparency, preparing it for a possible transfer to the main list of Nasdaq. The share price at the end of the period was SEK 10.40 (7.25).

Since 2016, there is a warrant programme comprising 1,001,000 warrants with the right to subscribe for 1 share for SEK 12 during the period 1 November 2018 to 31 December 2018. Of these warrants, 721,000 were subscribed at the end of the period.

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, refer to Note 3 in the company's annual report for 2016. No significant changes in the risks have arisen since the annual report for 2016 was published.

RELATED-PARTY TRANSACTIONS

During the quarter, there were no transactions between the HANZA Group and related parties that materially affected the Group's financial position and results during the year.

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.

Stocksund, 10 May 2017

On behalf of the Board of Directors

Erik Stenfors, CEO

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

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK m	**Note**	**Jan - Mar 2017**	**Jan - Mar 2016**	**Jan - Dec 2016**
Net sales	**4**	**350.0**	**338.6**	**1 305.8**
Change in inventories due to production, finished goods and work in progress		4.8	-1.6	4.3
Raw material and supplies		-205.4	-184.4	-722.6
Other external costs		-46.5	-50.1	-196.2
Personnel costs		-85.4	-83.4	-332.8
Depreciation		-11.6	-11.9	-47.5
Other operating income	5	3.9	5.7	20.7
Other operating costs	5	-1.4	-0.4	-6.5
EBIT	**4**	**8.4**	**12.5**	**25.2**
Result from financial items				
Financial income		0.3	0.0	0.3
Financial costs		-4.0	-6.3	-22.0
Net financial items	**6**	**-3.7**	**-6.3**	**-21.7**
Result before taxes		**4.7**	**6.2**	**3.5**
Income taxes		-1.4	-0.8	-1.6
Net profit/loss		**3.3**	**5.4**	**1.9**
Other comprehensive income				
Items that can later be reversed to profit or loss				
Translation differences		-0.1	2.5	11.4
Other comprehensive income for the period		**-0.1**	**2.5**	**11.4**
Total comprehensive income for the period		**3.2**	**7.9**	**13.3**

Net profit/loss and total comprehensive income are related in its entirety to the Parent Company's shareholders

Result per share before dilution	0.15	0.26	0.09
Result per share after dilution	0.15	0.26	0.09
Weighted average number of shares before dilution	21,265,522	20,642,179	20,651,884
Adjustment for calculation of result per share after dilution:			
Convertibles	1,058,486	359,167	1,538,917
Weighted average number of shares after dilution	22,324,008	21,001,346	22,190,801

CONSOLIDATED BALANCE SHEET

Amounts in SEK m	Note	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS				
Non-current assets				
Intangible assets				
Goodwill		145.0	142.3	145.1
Other intangible assets		0.5	0.3	0.5
Intangible assets		**145.5**	**142.6**	**145.6**
Tangible non-current assets		**229.5**	**257.4**	**243.5**
Financial non-current assets				
Other long-term securities holdings		0.3	0.4	0.3
Deferred tax assets		16.1	16.8	17.2
Financial non-current assets		**16.4**	**17.2**	**17.5**
Total non-current assets		**391.4**	**417.2**	**406.6**
Current assets				
Inventory		256.3	238.2	243.5
Accounts receivable		52.6	62.6	57.2
Other receivables		14.1	16.5	14.6
Prepaid costs and accrued income		9.7	10.2	9.6
Cash and cash equivalents		42.2	21.8	24.1
Total current assets		**374.9**	**349.3**	**349.0**
TOTAL ASSETS		**766.3**	**766.5**	**755.6**

CONSOLIDATED BALANCE SHEET, cont.

Amounts in SEK m	Note	31 Mar 2017	31 Mar 2016	31 Dec 2016
EQUITY				
Equity attributable to Parent Company's shareholders		**286.0**	**262.2**	**268.8**
LIABILITIES				
Long-term liabilities				
Liabilities to credit institutions	3	88.5	110.5	69.1
Other long-term interest-bearing liabilities		-	2.7	-
Convertible loan		-	13.0	-
Long-term non-interest-bearing liabilities		7.6	6.8	7.1
Total long-term liabilities		**96.1**	**133.0**	**76.2**
Current liabilities				
Bank overdraft	3	61.5	60.5	74.5
Liabilities to credit institutions	3	60.7	69.4	86.4
Convertible loan		-	4.5	13.9
Other interest-bearing liabilities		6.7	11.8	6.9
Accounts payable		179.1	144.6	155.2
Other liabilities		29.0	25.0	25.1
Accrued costs and deferred income		47.2	55.5	48.6
Total current liabilities		**384.2**	**371.3**	**410.6**
TOTAL EQUITY AND LIABILITIES		**766.3**	**766.5**	**755.6**
Equity per share at the end of the period, SEK		12.81	12.70	12.98
Number of shares at the end of the period		22,324,008	20,642,179	20,709,369

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 as of 1 January 2016	**2.0**	**294.8**	**-3.3**	**-39.4**	**254.1**
Profit after tax	-	-	-	1.9	1.9
Other comprehensive income					
Translation differences	-	-	11.4	-	11.4
Total comprehensive income			**11.4**	**1.9**	**13.3**
Employee options	-	0.9	-	-	0.9
New share issue	0.1	0.6	-	-	0.7
Issue costs	-	-0.2	-	-	-0.2
Total contribution from and value transfers to shareholders recognised directly in equity	**0.1**	**1.3**	**-**	**-**	**1.4**
Closing balance as of 31 December 2016	**2.1**	**296.1**	**8.1**	**-37.5**	**268.8**
Opening balance as of 1 January 2017	**2.1**	**296.1**	**8.1**	**-37.5**	**268.8**
Profit after tax	-	-	-	3.3	3.3
Other comprehensive income					
Translation differences	-	-	-0.1	-	-0.1
Total comprehensive income	**-**	**-**	**-1.1**	**3.3**	**3.2**
Issue costs	-	-0.1	-	-	-0.1
Conversion of convertible loan	0.1	14.0	-	-	14.1
Total contribution from and value transfers to shareholders recognised directly in equity	**0.1**	**13.9**	**-**	**-**	**14.0**
Closing balance as of 31 March 2017	**2.2**	**310.0**	**8.0**	**-34.2**	**286.0**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

Amounts in SEK m	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Cash flow from operating activities			
Profit/loss after financial items	4.7	6.2	3.5
Depreciation	11.6	11.9	47.5
Other non-cash items	-1.6	-2.9	-7.4
Income taxes paid	-1.6	-1.9	-4.6
Cash flow from operating activities before changes in working capital	**13.1**	**13.3**	**39.0**
Total change in working capital	**20.0**	**-7.6**	**2.6**
Cash flow from operating activities	**33.1**	**5.7**	**41.6**
Cash flow from investing activities			
Investments in non-current assets	-3.1	-4.8	-28.2
Sale of tangible non-current assets	6.4	5.1	28.5
Cash flow from investing activities	**3.3**	**0.3**	**0.3**
Cash flow from financing activities			
New share issue	-	-	-0.2
Change in loans	-18.5	-32.7	-67.8
Cash flow from financing activities	**-18.5**	**-32.7**	**-68.0**
Decrease/increase in cash and cash equivalents	**17.9**	**-26.7**	**-26.1**
Cash and cash equivalents on the opening date	24.1	48.8	48.8
Exchange rate differences in cash and cash equivalents	0.2	-0.3	1.4
Cash and cash equivalents at the end of the period	**42.2**	**21.8**	**24.1**

CONDENSED INCOME STATEMENT, PARENT COMPANY

Amounts in SEK m	**Jan - Mar 2017**	**Jan - Mar 2016**	**Jan - Dec 2016**
Operating revenue	**1.9**	**0.7**	**9.2**
Operating costs	**-3.1**	**-2.4**	**-12.1**
EBIT	**-1.2**	**-1.7**	**-2.9**
Profit/loss from financial items			
Profit/loss from participations in Group companies	-	1.8	2.1
Other interest income and similar profit/loss items	0.3	0.4	1.2
Interest costs and similar profit/loss items	-0.6	-1.1	-4.2
Total profit/loss from financial items	**-0.3**	**1.1**	**-0.9**
Profit/loss before tax	**-1.5**	**-0.6**	**-3.8**
Tax on net profit/loss for the period	-	-	1.3
Net profit/loss	**-1.5**	**-0.6**	**-2.5**

Other interest income and similar profit/loss items include interest income from Group companies of SEK 0.3m (0.4).

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

CONDENSED BALANCE SHEET, PARENT COMPANY

Amounts in SEK m	Note	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS				
Non-current assets				
Financial non-current assets		**253.9**	**256.4**	**257.2**
Total non-current assets		**253.9**	**256.4**	**257.2**
Current assets				
Current receivables		0.4	0.4	0.4
Cash and cash equivalents		0.0	0.8	0.0
Total current assets		**0.4**	**1.2**	**0.4**
TOTAL ASSETS		**254.3**	**257.6**	**257.6**
EQUITY AND LIABILITIES				
Equity		**224.7**	**213.2**	**212.1**
Provisions		**-**	**2.6**	**0.1**
Long-term liabilities		**13.4**	**15.8**	**15.0**
Current liabilities		**16.2**	**26.0**	**30.4**
TOTAL EQUITY AND LIABILITIES		**254.3**	**257.6**	**257.6**

NOTES

Note 1 General information

All amounts are stated in SEK millions (SEK m) unless otherwise indicated. Figures in parentheses pertain to the corresponding year-earlier period. The quarterly information on pages 5-8 is an integral part of this financial report.

Note 2 Basis for preparation of the report and accounting policies

HANZA Holding AB (publ) applies the International Financial Reporting Standards (IFRS) endorsed 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 accounting policies comply with the policies applied in the preceding financial year. For more information, see Note 2 in the company's annual report for 2016. The interim report should be read together with this annual report.

Note 3 Financial instruments – Fair value of financial liabilities 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 carry floating interest rates. On this basis, the recognised amounts may be considered fair approximations of fair value.

The fair value of short-term borrowing corresponds to its carrying amount, since discounting effects are insignificant.

Note 4 Segment information

Revenues

Inter-segment sales are made on commercial terms.

	Jan - Mar 2017			**Jan - Mar 2016**		
	Segment revenue	**Less sales between segments**	**Revenues from external customers**	**Segment revenue**	**Less sales between segments**	**Revenues from external customers**
Mechanics	224.5	-1.7	222.8	226.8	-5.4	221.4
Electronics	136.0	-9.2	126.8	126.6	-9.8	116.8
Business Development	0.4	-	0.4	0.4	-	0.4
Total	**360.9**	**-10.9**	**350.0**	**353.8**	**-15.2**	**338.6**

Note 4 Segment information, continued

EBIT is reconciled as income before tax as follows:

	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
EBIT			
Mechanics	-0.7	7.2	6.0
Electronics	9.9	7.3	24.0
Business Development	-0.8	-2.0	-4.8
Total	**8.4**	**12.5**	**25.2**
Net financial items	-3.7	-6.3	-21.7
Result before taxes	**4.7**	**6.2**	**3.5**
One-offs			
Revaluation of supplemental purchase price	-	-	1.7
Transaction costs Metalliset	-	0.4	0.4
Restructuring	-4.2	-2.1	-17.7
Reserve rental costs Estonia	-	-3.7	-
Capital gain on property	-	4.4	6.6
Total	**-4.2**	**-1.0**	**-9.0**
EBIT per segment excluding one-offs			
Mechanics	3.2	8.6	15.7
Electronics	9.9	7.3	24.0
Total	**13.1**	**15.9**	**39.7**
Business Development	-0.5	-2.4	-5.5
Total	**12.6**	**13.5**	**34.2**
One-offs	-4.2	-1.0	-9.0
EBIT	**8.4**	**12.5**	**25.2**

Note 5 Other operating income and operating costs

Other operating income	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Result from sale of non-current assets	2.6	4.4	11.3
Revaluation of supplemental proceeds	-	-	1.7
Insurance compensation	-	-	0.7
Exchange rate gains	1.0	0.2	3.2
Other items	0.3	1.1	3.8
Total	**3.9**	**5.7**	**20.7**

Other operating costs			
Result from sale of non-current assets	-0.4	-	-0.5
Exchange rate losses	-0.9	-0.2	-4.9
Other items	-0.1	-0.2	-1.1
Total other operating income	**-1.4**	**-0.4**	**-6.5**

Result from sale of non-current assets in 2016 refers to gains on the sale of properties in Töreboda and Rihimäki, Finland, as well as equipment in Sweden.

Note 6 Financial income and costs – Net financial items

Financial income	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Interest income	0.0	0.0	0.0
Net exchange rate gains and losses	0.3	-	-
Other financial income	-	-	0.3
Total financial income	**0.3**	**0.0**	**0.3**

Financial costs			
Interest costs	-3.1	-4.9	-15.0
Net exchange rate gains and losses	-	-0.5	-3.4
Other financial costs	-0.9	-0.9	-3.6
Total financial costs	**-4.0**	**-6.3**	**-22.0**
Net financial items	**-3.7**	**-6.3**	**-21.7**

KEY FINANCIAL RATIOS

	Jan - Mar 2017	Jan - Mar 2016	Jan - Dec 2016
Net sales, SEK m	350.0	338.6	1,305.8
EBITDA margin, %	5.7%	7.2%	5.6%
Operating margin, %	2.4%	3.7%	1.9%
Operative business areas' EBIT, SEK m	9.2	14.5	30.0
Operative EBIT margin, %	2.6%	4.3%	2.3%
Operating capital, SEK m	461.2	512.8	495.5
Return on operating capital, %	1.9%	2.9%	6.0%
Capital turnover rate on operating capital, times	0.7	0.7	2.6
Interest-bearing net debt, SEK m	175.2	250.6	226.7
Net debt/equity ratio	0.6	1.0	0.8
Equity/assets ratio, %	37.3%	34.2%	35.6%
Average no. of employees	1,329	1,351	1,346

DATES FOR FORTHCOMING FINANCIAL INFORMATION

- Interim report for the period January-June 2017: 28 August 2017
- Interim report for the period January-September 2017: 23 October 2017

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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 2016.

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

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

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

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

EBITDA margin is EBITDA divided by net sales

Equity/assets ratio is equity divided by total assets

Interest-bearing net debt is interest-bearing liabilities less cash, similar assets and short-term investments

Net debt/equity ratio is interest-bearing net debt divided by equity

Operating margin (EBIT margin) is operating profit divided by net sales

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

Operative business areas' EBIT (operative EBIT) is operating profit/loss before business development costs

Operative EBIT margin is operative business areas' EBIT divided by net sales

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

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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