

HANZA



EMPOWERING  
INNOVATION

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**YEAR-END REPORT**  
JANUARY - DECEMBER 2017

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

## **YEAR END REPORT 2017**

### **The Group is ready for profitable expansion**

#### **FOURTH QUARTER (1 October - 31 December 2017)**

- Net turnover increased by 8.8% to SEK 357.8 million (328.9).
- Operating profit from the operational business areas amounted to SEK 9.2 million (0.0).  
The Group's operating profit amounted to SEK 6.4 million (-1.0).  
The figure includes costs for the acquisition of Wermland Mechanics in the amount of SEK 1.4 million, and closing costs for the liquidated property in Vaasa in the amount of SEK 1.1 million.
- Profit after tax amounted to SEK 1.3 million (-4.6), which corresponds to SEK 0.06 per share (-0.22).
- Cash flow from operating activities amounted to SEK 19.0 million (19.2).

#### **FULL-YEAR PERIOD (1 January - 31 December 2017)**

- Net turnover increased by 7.2% to SEK 1,399.7 million (1,305.8).
- Operating profit from the operational business areas amounted to SEK 39.8 million (30.0).  
The Group's operating profit amounted to SEK 35.7 million (25.2).  
The figure includes several one-off items linked to the ramping-up phase; see below.
- Profit after tax amounted to SEK 16.4 million (1.9), which corresponds to SEK 0.74 per share (0.09).
- Cash flow from operating activities amounted to SEK 72.0 million (41.6).

#### **CEO Erik Stenfors' commentary on the report:**

"In 2017, we completed our cluster concept – HANZA is now a unique manufacturing partner. Although significant development costs were incurred this year, profits have grown and debt has been paid down. We also estimate that our consolidation of factories into clusters will have a distinctly positive effect on Group profitability."

"By employing long-term thinking and a clear strategy, we have created trust among shareholders, clients and lenders. This in turn has created a jumping-off point for HANZA's next phase, whose focus will be on increased profitability through increased capacity utilization at the clusters. In January 2018 we acquired Wermland Mechanics for a cash consideration of up to SEK 167.5 million. Among other things, this deal gives us good access to Norway, which is a market with significant potential for HANZA."

"The problems posed by traditional contract manufacturing are global. That is why we will continue to expand HANZA's offer to new customer markets. Including Wermech on a pro forma basis, HANZA generated revenue of SEK 1,760 million in 2017, making us one of the largest manufacturers in the Nordic region.

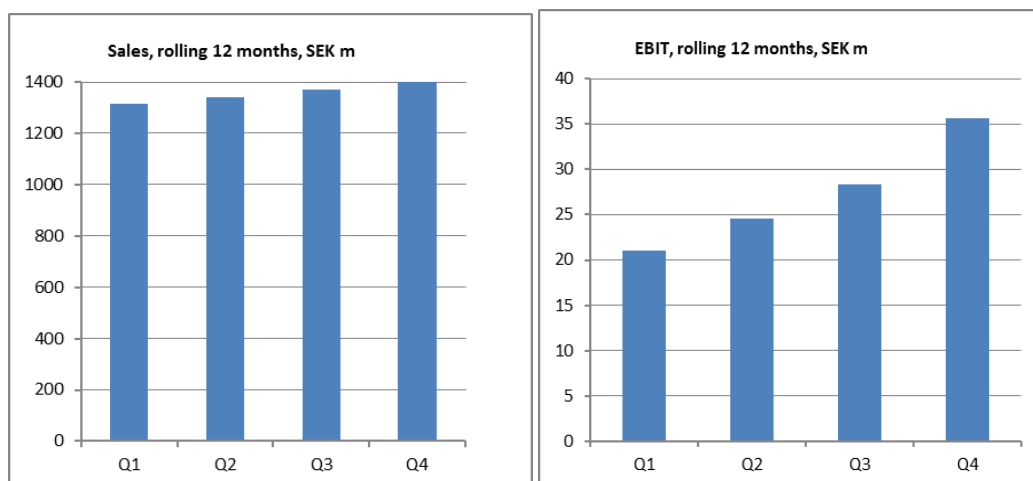
HANZA is at the forefront of the new, rational manufacturing industry. With a strong business model and a strong customer base, we see a very bright future ahead."

## MATERIAL EVENTS DURING 2017

- New customer contracts inked:
  - Mantex, a developer of x-ray-based products for measuring the quality of biofuels and paper pulp, chooses HANZA as its production partner, ordering a “MIG project”.
  - Getinge, which offers turnkey medical technology solutions for operating theatres and intensive care units, enters into an agreement for the manufacture of components and systems for medical engineering products, with an initial order value in excess of EUR 1 million.
  - The defence and security company Saab awards HANZA an order for computer products for the international market with a total order value of approximately SEK 16 million.
  - Flexenclosure, which creates sustainable Internet infrastructure for emerging markets, orders a manufacturing solution for their eSite power management system.
  - HANZA inks an agreement to set up a tailor-made manufacturing solution for complete modules at a customer's production plant in Finland, with an annual business volume estimated at EUR 5 million once production reaches full volume.
- HANZA completes the ramping-up phase
  - All that remains to be done to finalize the Group's Mechanics Division is to transform the operations in Vaasa, Finland, into a logistics and service center, and to site manufacturing itself at the Group's clusters. This change affects approximately 50 people, and will be completed through a re-organization process that will cause HANZA to incur closing costs until the end of 2017.
  - HANZA's Tallinn property, whose operations have been moved to the Group's clusters, is being sold. This move reduces interest-bearing net debt by approximately SEK 6 million, resulting in a positive one-off item of SEK 2 million.
  - HANZA shores up Group management for the forthcoming expansion by recruiting a Chief Operating Officer (COO) and a Head of Strategic HR (SHR).
- Ownership and board changes
  - Gerald Engström, who was involved in building Systemair, a leading ventilation company, converts a loan into shares, making him HANZA's largest single shareholder. The annual general meeting elects Gerald to the board together with Helene Richmond, who has a solid industrial background and is currently working as Sales & Marketing Director for an SKF Group company.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

- On 1 February, the Group acquires Wermland Mechanics Group AB (“Wermech”), one of the Nordic region's leading manufacturers of sheet metal parts. Wermech will form part of HANZA's manufacturing cluster in Sweden, which already includes electronics manufacturing and cutting plants. The purchase price is capped at SEK 167.5 million. Wermech has nearly 200 employees. In 2017 it reported sales of approximately SEK 365 million, with an estimated pre-tax profit of approximately SEK 25 million.
- HANZA receives a production order with an annual value in excess of EUR 3 million from the Estonian company Harju Elekter Elektrotehnika AS. Production will take place at HANZA's cluster in Estonia, and is expected to reach full-volume production no later than in 2Q 2018.
- In order to finance part of the acquisition of Wermech and to strengthen HANZA's overall financial position, on 13 February an Extraordinary General Meeting resolved to carry out a fully underwritten preferential rights issue in the amount of approximately SEK 60 million. The company plans to publish a prospectus on 21 February 2018.



The graphs show 12 months of accumulated revenue/operating profit, up to and including the quarter indicated.

SEK millions	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
Net turnover	357.8	328.9	1,399.7	1,305.8
Operating profit from operational business areas	9.2	0.0	39.8	30.0
Business development	-2.8	-1.0	-4.1	-4.8
Operating profit	6.4	-1.0	35.7	25.2
Cash flow from operating activities	19.0	19.2	72.0	41.6
Net interest-bearing debt	142.0	226.7	142.0	226.7
Equity ratio	40.2%	35.6%	40.2%	35.6%

## CEO'S COMMENTS

### Ramping-up phase complete

In 2014, we announced that HANZA was entering “phase 2,” where the plan was to aggregate factories within defined geographical areas into units referred to as manufacturing clusters. Relocating entities while manufacturing is ongoing is a complicated process, and one that few companies have managed. So, we are proud to announce that we successfully completed this effort in 2017. Our cluster concept is now complete, making HANZA a totally unique manufacturing partner. It is also gratifying to be able to report steadily improving profits and reduced indebtedness during a period in which we incurred significant development costs. Our debt position decreased by more than a third in 2017, from SEK 227 million to SEK 142 million.

In phase 2 we also developed two unique advisory services, MIG and MCS, both of which our clients have come to appreciate very much. These services include an advisory component to help clients create efficient and profitable production processes, while ensuring that product components are environmentally friendly and sustainable.

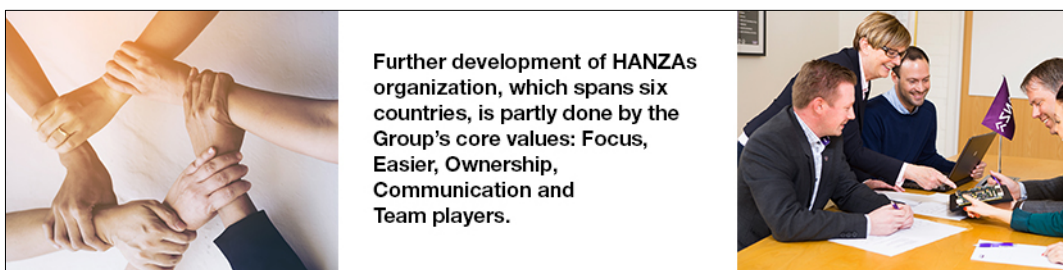
### The advantage of long-term thinking

By employing long-term thinking and a clear strategy we have created trust among shareholders, clients and lenders. This has made it possible for the next chapter of HANZA's history to get off to a flying start. Phase 3 focuses on increased profitability through increased cluster capacity utilization. In January 2018, we acquired Wermland Mechanics for a cash consideration of up to SEK 167.5 million. Among other things, this deal gives us good access to Norway, which is a market with significant potential for HANZA. The deal also shows HANZA's financial strength.

### Global need for HANZA

Including Wermech on a pro forma basis, HANZA generated revenue of SEK 1,760 million in 2017, which already makes us one of the largest manufacturers in the Nordic region. But we have no intention of leaving things at that: the problems that modern product companies are experiencing with traditional contract manufacturing are global in scope. That is why we will continue to expand HANZA's offer into new customer markets, potentially by making new strategic acquisitions that tally with our cluster concept.

HANZA is at the forefront of the new, rational manufacturing industry. With a strong business model and a strong customer base, we see a very bright future ahead.



## MARKET TRENDS

HANZA's market is currently mainly concentrated in the Nordic region, but it also counts companies in the rest of Europe, Asia and the United States among its customers. Thanks to our broad industry portfolio, HANZA's sales volumes generally reflect the business cycle.

Generally speaking, we continue to see strong global growth. For the first time since the financial crisis, demand is robust in Sweden, Finland and Norway at the same time. In Europe, many German manufacturers have reached their capacity ceiling. Product companies are seeking new solutions, which opens up opportunities for HANZA.

HANZA does not provide sales forecasts, but we can confirm that the company is well situated for continued organic growth. The recent consolidation of factories into clusters is also expected to provide a significant boost to Group profitability.

## ACQUISITION OF WERMLANDS MECHANICS

On 1 February, HANZA acquired Wermland Mechanics Group AB ("Wermech"), one of the Nordic region's leading manufacturers of sheet metal parts. In addition to Wermland Mechanics Group AB, the acquisition also includes the wholly-owned subsidiary Wermland Mechanics Töcksfors AB. In total the Group has nearly 200 employees. In 2017 it reported preliminary sales of approximately SEK 365 million, with an estimated pre-tax profit of approximately SEK 25 million. Wermech was acquired from the investment company Karnell, and from the company's former board and management team. Until now HANZA's manufacturing cluster in southwest Värmland consisted of two plants in Årjäng. It will now be expanded to include Wermech's plants in Töcksfors and Svanskog. These plants will be used for the manufacture of products for industrial, defence and medical technology, among other applications.

The purchase price is capped at a maximum of SEK 167.5 million. It consists of a fixed component in the amount of SEK 145 million that was paid upon entry into possession, and a variable supplementary purchase price of no more than SEK 22.5 million, based on the acquired group's 2018 turnover. The supplementary purchase price is payable in 1Q 2019. Wermech is being acquired by HANZA's wholly-owned subsidiary HANZA AB. The acquisition is being financed in part through loans extended by Westra Wermlands Sparbank, and in part through a proposed and fully underwritten issue of preferential rights in HANZA in the amount of SEK 60.3 million.

## PREFERENTIAL RIGHTS ISSUE

On 13 February 2018, an Extraordinary General Meeting resolved to carry out a preferential rights issue by which HANZA is expected to raise approximately SEK 60.3 million before issue costs. The preferential rights issue is fully underwritten through subscription commitments and underwriting guarantees, and is being carried out in order to finance part of the acquisition of Wermech, and to strengthen HANZA's overall financial position. Principal terms of the issue:

- An existing share in HANZA entitles the holder to one subscription right. Ten subscription rights entitle the holder to subscribe for three new shares. The share capital will increase by no more than SEK 669,720 and the number of shares will increase by no more than 6,697,200 shares.
- The subscription price is SEK 9 per share
- The record date for participation in the Preferential Rights Issue is 22 February 2018
- The subscription period runs from 27 February 2018 to 13 March 2018

A prospectus for the preferential rights issue is expected to be published on 21 February 2018.

## TURNOVER AND FINANCIAL RESULT

### Fourth quarter

Net turnover increased by 8.8%, to SEK 357.8 million (328.9). EBITDA for the quarter amounted to SEK 16.8 million (11.6), which corresponds to an EBITDA margin of 4.7% (3.5). Depreciation during the period amounted to SEK 10.4 million (12.6). The Group's operating profit amounted to SEK 6.4 million (-1.0), which corresponds to an operating margin of 1.8% (-0.3).

HANZA recognizes non-recurring items in notes, such as transaction costs on acquisition, severance packages, rental costs set aside for the liquidation of premises, stock scrapping and impairment of assets that will not be utilized in the future, etc. HANZA's strategy is to free up and sell off excess assets during factory consolidation in order to offset the additional costs incurred by the establishment of the Cluster Structure. For the fourth quarter, these amount to SEK 2.5 million (6.7). SEK 1.4 million of these costs are attributable to transaction costs for the acquisition of Wermland Mechanics. The remaining SEK 1.1 million is attributable to lease costs in Vaasa, which will end in December 2017; see Note 4.

In 4Q 2017, turnover in the Electronics segment increased by 20.9%, to SEK 133.3 million (110.3). The segment's operating profit for the period amounted to SEK 11.1 million (6.0), which corresponds to an operating margin of 8.3% (5.4).

In 4Q 2017, turnover in the Mechanics segment increased by 2.8%, to SEK 224.2 million (218.1). The segment's operating profit for the period amounted to SEK -1.9 million (-6.0), which corresponds to an operating margin of -0.8% (-2.8). During the reporting period, the results in the Mechanics segment were impacted by SEK 1.7 million associated with the withdrawal from the manufacturing unit in Vaasa. The results were also affected by a major "CORE" project (Cluster Operational Excellence, a streamlining methodology for HANZA clusters) at the mechanics factory in Narva, under the auspices of which the business is undergoing a reconfiguration in order to meet higher order volume, including by reinforcing management and working to implement HANZA's Group business system Monitor.

We recognize costs associated with special projects to develop the Group and which are not linked to HANZA's operational activities under the Business development segment; such special projects include acquisitions, disposals, listing costs, the development of service products, etc. During the fourth quarter, operating profit for the Business development segment amounted to SEK -2.8 million (-1.0). This result includes costs of SEK -1.4 million for the acquisition announced in January.

Gross margin amounts to 44.0% (46.3). The reduced margin is due to the above mentioned CORE project in Narva and changes in the customer mix. Other external charges amounted to SEK -50.4 million (-56.0), while costs of personnel amounted to SEK -92.2 million (-85.9).

Net financial items during the quarter amounted to SEK -5.6 million (-4.4). Of this amount, net interest income/expenses amount to SEK -2.4 million (-3.9). The lower net interest income/expense this year is due to lower net debt and lower interest rates.

Profit before tax amounted to SEK 0.8 million (-5.4). Profit after tax amounted to SEK 1.3 million (-4.6).

### **Full-year period**

HANZA's net turnover increased by 7.2% to SEK 1,399.7 million (1,305.8) during the year.

EBITDA for the year amounted to SEK 79.1 million (72.7), which corresponds to an EBITDA margin of 5.7% (5.6). Depreciation during the period amounted to SEK 43.4 million (47.5). The gross margin amounted to 42.3% (45.0). The Group's operating profit (EBIT) amounted to SEK 35.7 million (25.2), which corresponds to an operating margin of 2.6% (1.9).

Net financial items amounted to SEK -16.3 million (-21.7), of which net interest income/expenses amounted to SEK -11.2 million (-15.0). The improvement is primarily attributable to lower net debt and lowered interest rates; see Note 6. Profit before tax amounted to SEK 19.4 million (3.5). Profit after tax amounted to SEK 16.4 million (1.9).

### **CASH FLOW AND INVESTMENTS**

Cash flows from operating activities during the fourth quarter amounted to SEK 19.0 million (19.2). During the quarter, cash flow was positively affected by decreased working capital in the amount of SEK 5.1 million (10.3).

Cash flows from investing activities during the fourth quarter amounted to SEK -2.5 million (-5.9), comprising investments in machinery and equipment in the amount of SEK -5.0 million (-13.0), and disposals of fixed assets in the amount of SEK 2.5 million (7.1). During the quarter, outstanding loans decreased in the amount of SEK 9.3 million (8.7).

### **FINANCIAL POSITION**

Shareholders' equity at the end of the period amounted to SEK 309.3 million (268.8), whereas the equity ratio was 40.2% (35.6).

The balance sheet total amounted to SEK 769.8 million (755.6). Cash and cash equivalents amounted to SEK 56.1 million (24.1) at the end of the period. Net interest-bearing debt amounted to SEK 142.0 million (226.7) at the end of the period.

### **EMPLOYEES**

During the quarter, the average number of employees in the Group was 1,374 (1,337). For the full-year the average number of employees was 1,305 (1,346). The number of employees at the end of the period is 1,305 and at the start of the year the number was 1,399.

### **THE PARENT COMPANY**

The parent company's net turnover, which consists exclusively of income from Group companies, amounted to SEK 1.8 million (3.9) during the fourth quarter. Profit before tax for the quarter amounted to SEK 2.7 million (-1.8). No investments have been effected in the parent company.

### **SHARES**

At the beginning of the year, Hanza had an outstanding convertible loan from Färna Invest AB in a nominal amount of SEK 15.0 million. This loan was converted at the beginning of March at a strike price of 9.29, causing the number of shares to increase by 1,614,639 units, for a total of 22,324,008 units at the end of the period.



There were no changes in the number of shares outstanding during the fourth quarter. There is only one share class. Erik Penser Bank AB is the company's Certified Adviser, and also acts as the market maker.

The shares trade on the Nasdaq First North Premier Stockholm. The Premier segment places more stringent demands on the company in terms of disclosure and reporting than do the ordinary First North rules. The Premier segment also holds the company to a higher level of transparency, which serves to prepare the company for a possible transfer over to Nasdaq's main lists. The share price at the end of the period was SEK 11.60 (11.10).

Since 2016, there has also been a warrants programme in place for 1,001,000 warrants, under which warrant holders are entitled to subscribe for 1 share at SEK 12 from 1 November 2018 until 31 December 2018. Of these warrants, 721,000 were offered and subscribed for at the start of the period. During 2017, an additional 175,000 warrants were offered and subscribed for. Thus, the total number of subscribed warrants is 896,000 at the end of the period. As a result of the preferential rights issue, the subscription price for the options and the number of shares to which each option entitles its holder to subscribe will be recalculated.

## **DIVIDEND**

The Board proposes that no dividend be paid for the 2017 financial year.

## **MATERIAL RISKS AND UNCERTAINTIES**

The risk factors that are most material to HANZA are the financial risks and changes in the market. For more information about risks and uncertainties, please refer to Note 3 in the company's 2016 annual report. There have been no material changes in the risks since the preparation of the 2016 annual report.

## **RELATED PARTY TRANSACTIONS**

During the quarter, there have been no transactions between the HANZA Group and related parties with a material effect on the Group's position or earnings.

The interim report gives a true and fair view of parent company and Group operations, as well as their position and earnings, and describes the material risks and uncertainties faced by the parent company and the companies forming part of the Group.

Stocksund, 19 February 2018

On behalf of the Board of directors

Erik Stenfors, CEO

*This interim report has not been audited by the company's auditor.*

## FINANCIAL REPORTS

### CONSOLIDATED REPORT ON COMPREHENSIVE INCOME

Amount in SEK millions	Note	Oct - Dec 2017	Oct - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
<b>Net turnover</b>	<b>4</b>	<b>357.8</b>	<b>328.9</b>	<b>1,399.7</b>	<b>1,305.8</b>
Change of inventories in production, finished goods and work in progress on behalf of others		2.8	6.8	18.0	4.3
Raw materials and consumables		-203.2	-183.4	-825.0	-722.6
Other external charges		-50.4	-56.0	-191.1	-196.2
Costs of personnel		-92.2	-85.9	-339.2	-332.8
Depreciation		-10.4	-12.6	-43.4	-47.5
Other operating income	5	3.2	3.1	21.4	20.7
Other operating expenses	5	-1.2	-1.9	-4.7	-6.5
<b>Operating profit</b>	<b>4</b>	<b>6.4</b>	<b>-1.0</b>	<b>35.7</b>	<b>25.2</b>
<b>Profit/loss from financial items</b>					
Financial income		-	0.5	-	0.3
Financial expenses		-5.6	-4.9	-16.3	-22.0
<b>Financial items – net</b>	<b>6</b>	<b>-5.6</b>	<b>-4.4</b>	<b>-16.3</b>	<b>-21.7</b>
<b>Profit/loss before tax</b>		<b>0.8</b>	<b>-5.4</b>	<b>19.4</b>	<b>3.5</b>
Income tax		0.5	0.8	-3.0	-1.6
<b>Profit/loss for the period</b>		<b>1.3</b>	<b>-4.6</b>	<b>16.4</b>	<b>1.9</b>
<b>Other comprehensive income</b>					
<b>Items that can subsequently be reversed in profit or loss</b>					
Exchange rate differences		9.8	-2.5	10.0	11.4
<b>Other comprehensive income for the period</b>		<b>9.8</b>	<b>-2.5</b>	<b>10.0</b>	<b>11.4</b>
<b>Total comprehensive income for the period</b>		<b>11.1</b>	<b>-7.1</b>	<b>26.4</b>	<b>13.3</b>

Profit/loss for the period and total comprehensive income are in their entirety attributable to the parent company's shareholders

Earnings per share before dilution, SEK	0.06	-0.22	0.74	0.09
Earnings per share after dilution, SEK	0.06	-0.16	0.74	0.09
Weighted average number of shares before dilution	22,324,008	20,681,000	22,063,012	20,651,884
Adjustment upon calculation of earnings per share after dilution:				
Convertibles	-	1,538,917	260,996	1,538,917
Weighted average number of shares after dilution	22,324,008	22,219,917	22,324,008	22,190,801

## CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	Note	2017-12-31	2016-12-31
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible assets</b>			
Goodwill		147.6	145.1
Other intangible assets		3.8	0.5
<b>Intangible assets</b>		<b>151.4</b>	<b>145.6</b>
<b>Tangible fixed assets</b>		<b>205.8</b>	<b>243.5</b>
<b>Financial fixed assets</b>			
Other long-term securities holdings		0.3	0.3
Deferred tax assets		16.7	17.2
<b>Financial fixed assets</b>		<b>17.0</b>	<b>17.5</b>
<b>Total fixed assets</b>		<b>374.2</b>	<b>406.6</b>
<b>Current assets</b>			
Inventories		270.2	243.5
Accounts receivable		49.4	57.2
Other receivables		13.5	14.6
Prepayments and accrued income		6.4	9.6
Cash and cash equivalents		56.1	24.1
<b>Total current assets</b>		<b>395.6</b>	<b>349.0</b>
<b>TOTAL ASSETS</b>		<b>769.8</b>	<b>755.6</b>

## CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	Note	2017-12-31	2016-12-31
<b>SHAREHOLDERS' EQUITY</b>			
Shareholders' equity attributable to the parent company's shareholders		309.3	268.8
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Liabilities to credit institutions	3	87.3	69.1
Non-interest bearing long-term liabilities		7.4	7.1
<b>Total long-term liabilities</b>		<b>94.7</b>	<b>76.2</b>
<b>Current liabilities</b>			
Overdraft facility	3	68.8	74.5
Liabilities to credit institutions	3	39.9	86.4
Convertible loan		-	13.9
Other interest-bearing liabilities		2.1	6.9
Accounts payable		167.4	155.2
Other liabilities		44.4	25.1
Accrued expenses and deferred income		43.2	48.6
<b>Total current liabilities</b>		<b>365.8</b>	<b>410.6</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>769.8</b>	<b>755.6</b>
Shareholders' equity per share at the end of the period, SEK			
		13.86	12.98
Number of shares at the end of the period			
		22,324,008	20,709,369

## CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions

	Share capital	Other contributed capital	Reserves	Profit/loss carried forward including comprehensive income for the period	Total shareholders' equity
<b>Opening balance as at 1 January 2016</b>	<b>2.0</b>	<b>294.8</b>	<b>-3.3</b>	<b>-39.4</b>	<b>254.1</b>
Profit/loss for the period	-	-	-	1.9	1.9
<b>Other comprehensive income</b>					
Exchange rate differences	-	-	11.4	-	11.4
<b>Total comprehensive income</b>			<b>11.4</b>	<b>1.9</b>	<b>13.3</b>
Employee stock options	-	0.9	-	-	0.9
New share issue	0.1	0.6	-	-	0.7
Issue costs	-	-0.2	-	-	-0.2
<b>Total contributions from and distributions to shareholders, recognized directly in equity</b>	<b>0.1</b>	<b>1.3</b>	<b>-</b>	<b>-</b>	<b>1.4</b>
<b>Closing balance as at 31 December 2016</b>	<b>2.1</b>	<b>296.1</b>	<b>8.1</b>	<b>-37.5</b>	<b>268.8</b>
<b>Opening balance as at 1 January 2017</b>	<b>2.1</b>	<b>296.1</b>	<b>8.1</b>	<b>-37.5</b>	<b>268.8</b>
Profit/loss for the period	-	-	-	16.4	16.4
<b>Other comprehensive income</b>					
Exchange rate differences	-	-	10.0	-	10.0
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>10.0</b>	<b>16.4</b>	<b>26.4</b>
Employee stock options	-	0.1	-	-	0.1
Issue costs	-	-0.1	-	-	-0.1
Conversion of convertible loan	0.1	14.0	-	-	14.1
<b>Total contributions from and distributions to shareholders, recognized directly in equity</b>	<b>0.1</b>	<b>14.0</b>	<b>-</b>	<b>-</b>	<b>14.1</b>
<b>Closing balance as at 31 December 2017</b>	<b>2.2</b>	<b>310.1</b>	<b>18.1</b>	<b>-21.1</b>	<b>309.3</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Okt - Dec 2017	Okt - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
<b>Cash flows from operating activities</b>				
Profit/loss after financial items	0.8	-5.4	19.4	3.5
Depreciation	10.4	12.6	43.4	47.5
Other non-cash items	2.7	0.1	-1.8	-7.4
Paid income tax	0.0	1.6	0.8	-4.6
<b>Cash flows from operating activities prior to the change in working capital</b>	<b>13.9</b>	<b>8.9</b>	<b>61.8</b>	<b>39.0</b>
<b>Total change in working capital</b>	<b>5.1</b>	<b>10.3</b>	<b>10.2</b>	<b>2.6</b>
<b>Cash flows from operating activities</b>	<b>19.0</b>	<b>19.2</b>	<b>72.0</b>	<b>41.6</b>
<b>Cash flows from investing activities</b>				
Investments in fixed assets	-5.0	-13.0	-14.3	-28.2
Disposals of tangible fixed assets	2.5	7.1	23.0	28.5
<b>Cash flows from investing activities</b>	<b>-2.5</b>	<b>-5.9</b>	<b>8.7</b>	<b>0.3</b>
<b>Cash flows from financing activities</b>				
New share issue	-	-0.2	-	-0.2
Change in loans	-9.3	-8.7	-48.1	-67.8
<b>Cash flows from financing activities</b>	<b>-9.3</b>	<b>-8.9</b>	<b>-48.1</b>	<b>-68.0</b>
<b>Reduction/increase in cash and cash equivalents</b>	<b>7.2</b>	<b>4.4</b>	<b>32.6</b>	<b>-26.1</b>
Cash and cash equivalents at the beginning of the period	49.3	20.5	24.1	48.8
Exchange differences in cash and cash equivalents	-0.4	-0.8	-0.6	1.4
<b>Cash and cash equivalents at the end of the period</b>	<b>56.1</b>	<b>24.1</b>	<b>56.1</b>	<b>24.1</b>

## CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Okt - Dec 2017	Okt - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
<b>Operating income</b>	<b>1.8</b>	<b>3.9</b>	<b>8.6</b>	<b>9.2</b>
<b>Operating expenses</b>	<b>-3.2</b>	<b>-4.9</b>	<b>-12.7</b>	<b>-12.1</b>
<b>Operating profit</b>	<b>-1.4</b>	<b>-1.0</b>	<b>-4.1</b>	<b>-2.9</b>
<b>Profit/loss from financial items</b>				
Profit/loss from shares in group companies	-	-	-	2.1
Other interest income and similar income items	-	0.3	0.6	1.2
Interest charges and similar income items	-0.4	-1.1	-1.6	-4.2
<b>Total profit/loss from financial items</b>	<b>-0.4</b>	<b>-0.8</b>	<b>-1.0</b>	<b>-0.9</b>
<b>Profit/loss after net financial items</b>	<b>-1.8</b>	<b>-1.8</b>	<b>-5.1</b>	<b>-3.8</b>
Appropriations	<b>4.5</b>	-	<b>4.5</b>	-
<b>Profit/loss before tax</b>	<b>2.7</b>	<b>-1.8</b>	<b>-0.6</b>	<b>-3.8</b>
Tax on profit for the period	0.2	1.3	0.2	1.3
<b>Profit/loss for the period</b>	<b>2.9</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-2.5</b>

Other interest income and similar income items include interest income from Group companies in the amount of SEK 0.6 million (1.2).

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

<b>Amount in SEK millions</b>	<b>Note</b>	<b>2017-12-31</b>	<b>2016-12-31</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Financial fixed assets		238.2	257.2
<b>Total fixed assets</b>		<b>238.2</b>	<b>257.2</b>
<b>Current assets</b>			
Current receivables		5.6	0.4
Cash and cash equivalents		7.1	0.0
<b>Total current assets</b>		<b>12.7</b>	<b>0.4</b>
<b>TOTAL ASSETS</b>		<b>250.9</b>	<b>257.6</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity		225.8	212.1
Provisions		-	0.1
Long-term liabilities		8.6	15.0
Current liabilities		16.5	30.4
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>250.9</b>	<b>257.6</b>



## NOTES

### **Note 1      General information**

All amounts are reported in millions of SEK (SEK millions) unless otherwise stated. Information in brackets refers to the corresponding period of the preceding year. The interim information on pages 5 to 8 forms an integral part of this financial report.

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

HANZA Holding AB (publ) applies IFRS (International 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 2016 annual report. This announcement should be read in conjunction with this annual report.

The new IFRS 9 and IFRS 15 accounting standards have entered into force and apply as from 1 January 2018. The Group evaluated the impact of the new standards during the autumn, and has now completed its analysis.

Its assessment is that IFRS 9 will not have any material impact on either the valuation or classification of the Group's financial assets and liabilities. The standard requires the application of a new model for provisions for credit losses on accounts receivables, but because Hanza has historically incurred very low credit losses, this change will not have any effect. This standard will not necessitate any re-calculation of the opening balance.

Hanza has chosen prospective application of IFRS 15, which means that the 2017 comparison year will not be recalculated. Recognition of the vast majority of Group revenues will remain unchanged, but in some cases where delivery is made to what is referred to as buffer stock, the revenues will be recognized earlier. The balance sheet for 31-12-2017 will be recalculated; opening equity as at 01-01-2018 will be higher than that recognized in the 31-12-2017 financial statements. However, the increase will not exceed SEK 1 million. Under the new standard, more extensive disclosures about Group revenues will be made in both interim reports and the annual accounts.

### **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. Most of the loans carry a floating rate of interest. Against the background of the foregoing, the reported values may be deemed to provide a good approximation of fair values.

The fair value of short-term borrowing corresponds to its carrying amount, as the discount effect is not material.

#### Note 4 Segment information

##### Revenues

Sales between segments are made on market terms.

	Oct - Dec 2017			Oct - Dec 2016		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Mechanics	226.7	-2.5	224.2	221.8	-3.7	218.1
Electronics	142.1	-8.8	133.3	115.8	-5.5	110.3
Business development	0.3	-	0.3	0.5	-	0.5
<b>Total</b>	<b>369.1</b>	<b>-11.3</b>	<b>357.8</b>	<b>338.1</b>	<b>-9.2</b>	<b>328.9</b>

	Jan - Dec 2017			Jan - Dec 2016		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Mechanics	910.1	-9.4	900.7	867.2	-12.1	855.1
Electronics	532.4	-34.4	498.0	480.8	-31.2	449.6
Business development	1.0	-	1.0	1.1	-	1.1
<b>Total</b>	<b>1,443.5</b>	<b>-43.8</b>	<b>1,399.7</b>	<b>1,349.1</b>	<b>-43.3</b>	<b>1,305.8</b>

Operating profit is reconciled with profit/loss before tax as follows:

	Okt - Dec 2017	Okt - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
<b>Operating profit</b>				
Mechanics	-1.9	-6.0	2.4	6.0
Electronics	11.1	6.0	37.4	24.0
Business development	-2.8	-1.0	-4.1	-4.8
<b>Total</b>	<b>6.4</b>	<b>-1.0</b>	<b>35.7</b>	<b>25.2</b>
Financial items – net	-5.6	-4.4	-16.3	-21.7
<b>Profit/loss before tax</b>	<b>0.8</b>	<b>-5.4</b>	<b>19.4</b>	<b>3.5</b>
<b>Non-recurring items</b>				
Revaluation of additional purchase price considerations	-	0.1	-	1.7
Transaction costs	-1.4	-	-1.4	0.4
Restructuring	-1.1	-6.8	-5.2	-17.7
Real estate capital gains	-	-	2.4	6.6
<b>Total</b>	<b>-2.5</b>	<b>-6.7</b>	<b>-4.2</b>	<b>-9.0</b>

**Note 4 Segment information, continued**

**Operating profit per segment excluding non-recurring items**

Mechanics	-0.8	0.4	4.0	15.7
Electronics	11.1	6.0	37.4	24.0
<b>Total</b>	<b>10.3</b>	<b>6.4</b>	<b>41.4</b>	<b>39.7</b>
Business development	-1.4	-0.7	-1.5	-5.5
<b>Total</b>	<b>8.9</b>	<b>5.7</b>	<b>39.9</b>	<b>34.2</b>
Non-recurring items	-2.5	-6.7	-4.2	-9.0
<b>Operating profit</b>	<b>6.4</b>	<b>-1.0</b>	<b>35.7</b>	<b>25.2</b>

**Note 5 Other operating income and operating expenses**

	Okt - Dec 2017	Okt - Dec 2016	Jan - Dec 2017	Jan - Dec 2016
<b>Other operating income</b>				
Profit on disposal of fixed assets	1.6	0.9	8.1	11.3
Revaluation of additional purchase price considerations	-	0.1	-	1.7
Insurance payments	-	-	-	0.7
Exchange gains	0.9	0.8	4.5	3.2
Debt write-down	-	-	7.3	-
Other items	0.7	1.3	1.5	3.8
<b>Total</b>	<b>3.2</b>	<b>3.1</b>	<b>21.4</b>	<b>20.7</b>
<b>Other operating expenses</b>				
Loss on disposal of fixed assets	-0.1	-	-1.1	-0.5
Exchange losses	-1.0	-1.7	-3.3	-4.9
Other items	-0.1	-0.2	-0.3	-1.1
<b>Total other operating income</b>	<b>-1.2</b>	<b>-1.9</b>	<b>-4.7</b>	<b>-6.5</b>

Profit on disposal of fixed assets relates to the sale of real property and manufacturing machinery. The debt write-down relates to Hanza Finland, Vaasa Oy.

**Note 6 Financial income and expenses – Net financial items**

	Okt - Dec	Okt - Dec	Jan - Dec	Jan - Dec
	2017	2016	2017	2016
<b>Financial income</b>				
Interest income	-	-	-	0.0
Net exchange gains and losses	-	0.5	-	-
Other financial income	-	-	-	0.3
<b>Total financial income</b>	-	<b>0.5</b>	-	<b>0.3</b>
<b>Financial expenses</b>				
Interest expenses	-2.4	-3.9	-11.2	-15.0
Net exchange gains and losses	-2.4	-	-1.6	-3.4
Other financial expenses	-0.8	-1.0	-3.5	-3.6
<b>Total financial expenses</b>	<b>-5.6</b>	<b>-4.9</b>	<b>-16.3</b>	<b>-22.0</b>
<b>Total financial items - net</b>	<b>-5.6</b>	<b>-4.4</b>	<b>-16.3</b>	<b>-21.7</b>

**KEY RATIOS**

	Okt - Dec	Okt - Dec	Jan - Dec	Jan - Dec
	2017	2016	2017	2016
Net turnover, SEK millions	357.8	328.9	1,399.7	1,305.8
EBITDA margin, %	4.7%	3.5%	5.7%	5.6%
Operating margin, %	1.8%	-0.3%	2.6%	1.9%
Operating profit from operational business areas, SEK millions	9.2	0.0	39.8	30.0
Operational operating margin, %	2.6%	0.0%	2.8%	2.3%
Operating capital, SEK millions	451.3	495.5	451.3	495.5
Return on operating capital, %	2.0%	0.0%	8.4%	6.0%
Capital turnover on operating capital, times	0.8	0.7	3.0	2.6
Net interest-bearing debt, SEK millions	142.0	226.7	142.0	226.7
Net debt/equity ratio, times	0.5	0.8	0.5	0.8
Equity ratio, %	40.2%	35.6%	40.2%	35.6%
Average number of employees	1,374	1,337	1,305	1,346

#### **FORTHCOMING DISCLOSURES**

- The interim report for the period January-March 2018 will be presented on 21 May 2018
- The interim report for the period January-June 2018 will be presented on 20 August 2018
- The interim report for the period January-September 2018 will be presented on 12 November 2018
- Annual general meeting will be held on 21 May 2018

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## DEFINITIONS

The Group is the entity being referred to in this interim report except as otherwise stated. Figures in brackets indicate outcomes for the corresponding period in 2016.

**Business development costs** include non-recurring costs incurred in order to develop the business model and the organization, such as listing costs, costs for the transition to IFRS, decommissioning of unprofitable factories on acquisition, acquisition costs in the form of the due diligence

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

**EBITDA margin** is EBITDA divided by net turnover

**EBIT** refers to earnings before interest and taxes

**Capital turnover on average operating capital, x**, refers to net turnover divided by average operating capital

**Operating profit from operational business areas** (operating EBIT) is operating profit before business development costs

**Operational operating margin** refers to operating profit from operational business areas divided by net turnover

**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

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

**Net interest-bearing debt** is interest-bearing liabilities less cash in hand and similar assets and short-term investments

**Operating margin (EBIT margin)** is operating profit divided by net turnover

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

## **ABOUT HANZA**

HANZA is a rapidly-growing industrial business partner in the manufacturing sector. The company creates enhanced growth and profitability for its customers by offering consultancy services and complete manufacturing solutions in mechanics, electronics, cabling and final assembly, among other areas. HANZA was founded in 2008 and has rapidly grown into a company with a market capitalization running into the billions of SEK. The company has operations in Sweden, Finland, Estonia, Poland, the Czech Republic and China. HANZA's customers include leading companies such as ABB, Atlas Copco, Getinge, and Saab Defence.

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