INTERIM REPORT JANUARY - SEPTEMBER 2019

HANZA ALL YOU NEED IS ONE™

Please note that this English translation is for information purposes only. In case of any discrepancies between this version and the Swedish version of the interim report, the Swedish version shall prevail.

INTERIM REPORT 1 January – 30 September 2019

HANZA Group expands through acquisition in Germany

THIRD QUARTER (1 July – 30 September 2019)

- Net sales amounted to SEK 515.5 million (431.2).
- EBITA amounted to SEK 17.4 million (19.1). The result was negatively affected by direct costs of approx. SEK 6.7 million (2.5) attributable to acquisitions, integration and reversals of surplus values in the balance sheet at the acquisition of RITTER. Adjusted for these non-recurring items, EBITA amounts to SEK 24.1 million (21.6). EBIT was SEK 14.3 million (17.1).
- Profit after tax amounted to SEK 0.9 million (10.7), which corresponds to SEK 0.03 per share (0.37).
- Cash flow from operating activities amounted to SEK 29.1 million (14.1).

FIRST NINE MONTHS (1 January – 30 September 2019)

- Net sales amounted to SEK 1,519.8 million (1,377.8).
- EBITA amounted to SEK 56.2 million (62.4). The result was negatively affected by direct costs of approx. SEK 13.4 million (3.3) attributable to costs for listing on the Nasdaq Stockholm's main market, acquisitions, integration and reversals of surplus values in the balance sheet at the acquisition of RITTER. Adjusted for these non-recurring items, EBITA amounts to SEK 69.6 million (65.7). EBIT was SEK 48.7 million (57.2).
- Profit after tax amounted to SEK 18.1 million (30.5), which corresponds to SEK 0.58 per share (01.11).
- Cash flow from operating activities amounted to SEK 113.1 million (73.7).

On 25 July 2019, HANZA acquired the German RITTER Group, consisting of one production unit in Remscheid, Germany, with about 190 employees (pictures above) and one unit in Zabreh, Czech Republic, with about 100 employees.

SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- On 25 July, RITTER Elektronik GmbH (”RITTER”) was acquired, with two manufacturing sites; one in Germany (approx. 190 employees) and one in Czech Republic (approx. 100 employees):
  - The acquisition opens the door for market shares in Germany and adds expertise in customer-specific product development and manufacturing, which broadens HANZA’s offer.
  - The unit in the Czech Republic complements HANZA’s existing manufacturing cluster in Central Europe with cable harnesses and advanced final assembly.
  - The purchase price amounted to EUR 12 million, comprising a share part of 3,000,000 new shares and a cash part of EUR 7.2 million. For the issue of shares, HANZA’s Board of Directors exercised the authorisation from the Annual General Meeting. The cash portion was financed through a bank loan.
  - In 2018, the RITTER Group had a turnover of EUR 42.7 million, with an EBITDA of EUR 4.9 million. Combined with the acquisition of Toolfac, which was carried out during quarter one, and phased-out customer volumes, HANZA’s turnover is positively affected by approx. SEK 430 million annually, with full effect as of quarter four of 2019, see Market Development below.
    RITTER will only have a minor impact on earnings during the third quarter of 2019, as costs associated with the acquisition nearly equate to the contribution to profit.
- A non-cash issue of 3,000,000 shares, linked to the acquisition of RITTER, resulted in HANZA’s share capital increasing by SEK 300,000 and amount to SEK 3,397,993. As of 30 September 2019, the total number of shares in HANZA amounts to 33,979,928.

COMMENTS FROM THE CEO

During the quarter, we took an important and exciting step in the Group's development as we established HANZA in the German market through the acquisition of RITTER. This gives us access to a whole new customer market that fits HANZA’s manufacturing concept; Germany’s manufacturing industry is generally focused on high volumes of individual technologies, mainly driven by the automotive industry. Here, HANZA complements the market by offering a complete customer-specific module production with lower volumes.

The expansion during the quarter is part of HANZA’s ”Strategy 2022” which we have described in previous reports. Several important parts of this strategy have already been implemented during the year; in addition to RITTER, the acquisition of Toolfac in January and the listing on NASDAQ’s main market in March. Furthermore, there is an extensive ongoing effort to coordinate and streamline our production units. HANZA continues its rapid development and we have taken on significant costs during this year, in order to become a leading European manufacturing partner within a few years.

During the third quarter, our Nordic segment, which includes our manufacturing clusters in Sweden and Finland, continue to show an industry-leading operating margin of 8,1%. This is despite the fact the segment has carried costs for an efficiency improvement project, where HANZA’s unit in Tampere, Finland, was relocated and integrated with the Group’s other operations during the period.

The Rest of the World segment, which includes our clusters in the Baltics, Central Europe and China, shows a continued low operating margin, 2.4%, as a consequence of the ongoing efficiency program. The major projects in Strategy 2022 are, however, in their final phase, which is why we expect the profitability for HANZA Group to increase already at the beginning of 2020 (see "Market Development" below).

Following the recent acquisition, we have developed our reporting of financial performance measurements to more clearly describe the company's net debt and profitability development. Our acquisitions mean that a significant amount of the assets in the acquisition analysis are allocated to intangible assets, which are being amortised according to plan and thus affect the result. In order to show the underlying profitability development of the business, we will, as of this report, also report earnings before amortisation of intangible assets (EBITA). However, our financial target of achieving an operating margin (EBIT) of 6% remains.

Another change that has an effect on the historical comparison is the new accounting rule IFRS16 that apply from 2019. In accordance with this rule we, among other things, report future rental payments as a liability in the balance sheet. In order to provide a clear account of the Group's debt development, we will, in addition to interest-bearing net debt, also report the Group's operational net debt based on previous accounting rules (see "Definitions" below). Thus, we can compare our operational net debt as of 30 September 2019, SEK 345 million, with the corresponding debt as of 30 September 2018, SEK 285 million. We see only a moderate debt increase, despite two acquisitions (and acquisition loans) during this period. This is as a result from our focus on cashflow and continuous debt reduction.

The need for a new strategy for the manufacturing industry is growing and it is further accelerated by the increasing environmental awareness of many product companies. HANZA has during a short period of time, established a new, global manufacturing solution that meets this demand. Thus, there is great potential, especially in view of our establishment in Germany.

MARKET DEVELOPMENT

With the RITTER acquisition, HANZA's main customer markets are the Nordics and Germany. Some customers are also located in other parts of Europe, Asia and the USA. Since HANZA's customers are spread across a range of industries, the state of the business cycle is normally reflected in HANZA's sales volumes. Yet, historically HANZA has gained new sales opportunities during recessions. HANZA has a seasonal variation over the calendar year, where quarter 3 and 4 include weaker sales months due to annual leave and bank holidays.

HANZA noticed a slowdown in demand during the summer of 2019, which is reflected in this interim report. However, customers' current forecasts do not indicate a continued economic downturn.

HANZA does not provide sales forecasts, but summarises and complements the financial information provided to the market as follows:

- Net turnover. Excluding new sales, the Group is affected as follows: Net sales increase through the acquisitions of Toolfac and the RITTER Group, and decrease due to HANZA's decision in 2018 to terminate an agreement with a larger, non-strategic customer. Overall, based on the turnover outcome previous year, this has a positive impact on the Group's annual net sales by approx. SEK 430 million, with full effect as of the fourth quarter of 2019.

- The Nordic segment comprises HANZA's manufacturing clusters in Sweden and Finland. Profitability is positively affected by the acquisition of Toolfac and negatively by initial acquisition and integration costs, including coordination of IT systems. Furthermore, following the acquisition, an efficiency improvement project has been initiated, whereby HANZA's unit in Tampere, Finland, has been relocated and integrated with the Group's other operations during the summer of 2019. All in all, during the second half of 2019, including the aforementioned impact, the Nordic segment is expected to continue to maintain an EBIT margin exceeding the Group's profitability target of 6%.

- The Rest of the World segment comprises HANZA's manufacturing clusters in the Baltics, Central Europe and China. Profitability is positively affected by the acquisition of RITTER and negatively by initial acquisition and integration costs, including coordination of IT systems. A coordination project has been initiated in the Czech Republic following the acquisition, whereby HANZA Kunovice unit is organisationally coordinated with the acquired unit in Zabreh. In China operations will be adapted as HANZA sees a broader customer need as a result of the expansion into the German market. In the Baltics, a larger efficiency improvement program is in progress. All in all, during the second half of 2019, including the aforementioned impact, the Rest of the World segment is expected to continue to maintain a minor positive margin.

- The Group. The profitability of the HANZA Group is expected to increase during the beginning of 2020 as costs and projects mentioned above are completed. Opportunities for additional market shares have increased as a result of the establishment in the German market.

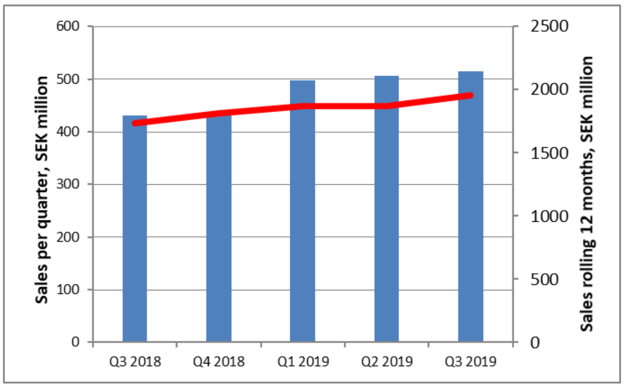
- Balance. RITTER was acquired on 25 July 2019. If HANZA's balance sheet is adjusted as of 30 June 2019, with the acquired company's balance sheet, according to a preliminary acquisition analysis, as well as the new share issue at the time of the acquisition and raised acquisition loans, the equity/assets ratio amounts to 31% and the Group's interest-bearing net debt amounts to approx. SEK 550 million. The acquisition loan amounted to EUR 7.2 million. Excluding the new accounting method introduced as of 1 January 2019 (IFRS16), the Group's net debt combined with the effects of the acquisition, amounts to approx. SEK 443 million. HANZA has always had- and will continue to have- a clear focus on positive cash flow and debt reduction, with a purpose of, among other things, reducing debts that arise in connection with acquisitions.

In addition to the above, HANZA concludes that the company is well positioned to continue to acquire new customers and volumes, due to HANZA's manufacturing concept. In addition, the acquisition in Germany has opened a new potential for future growth.

HANZA is actively pursuing strategic acquisitions and the development of its customer portfolio in order to increase its customer value, and thus profitability. As a result, non-strategic volumes can be phased out after acquisitions and replaced with new contracts. Thus, a change in sales does not give a complete picture of the Group's new sales and the phasing in of new customers will initially have a negative impact on the profit.

The Group's growth target is an average revenue growth of at least 10% per annum over a business cycle, which is measured as the net change, that is, the sum of additional volumes from new customers, acquisitions, phased out volumes and exchange rate fluctuations. The Group's profitability target is an average operating margin (EBIT) of at least 6% over a business cycle.

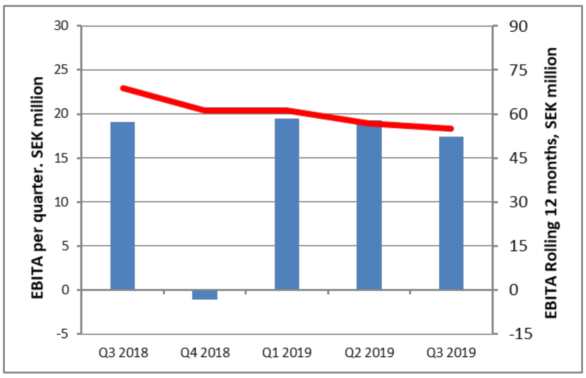
Net Sales development (SEK million)



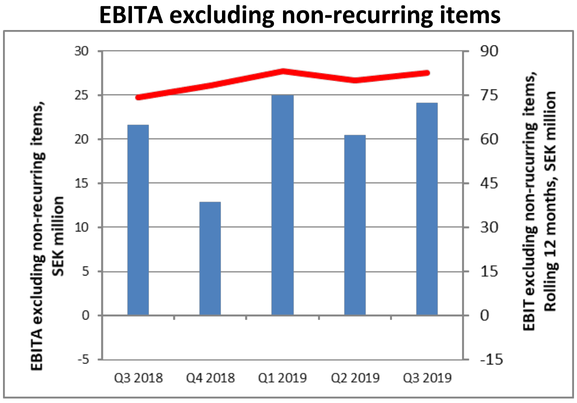
The graph illustrates net sales per quarter (bars) and on a rolling 12-month basis (line)

Operating result development (SEK million)

EBITA



EBITA excluding non-recurring items



The graphs illustrate EBITA per quarter (bars), and on a rolling 12-month basis (lines). The right graph has been adjusted for non-recurring items, see note 4.

SEK million	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Key ratios according to IFRS					
Net sales	515.5	431.2	1,519.8	1,377.8	1,810.6
Operating profit (EBIT)	14.3	17.1	48.7	57.2	54.1
Amortisation of intangible assets	-3.1	-2.0	-7.5	-5.2	-7.2
Cash flow from operating activities	29.1	14.1	113.1	73.7	113.5
Alternative performance measurements					
Operational segments EBITA	24.7	21.9	70.6	70.0	71.3
Business development segment EBITA	-7.3	-2.8	-14.4	-7.6	-10.0
EBITA	17.4	19.1	56.2	62.4	61.3
Operating margin (EBITA)	3.4%	4.4%	3.7%	4.5%	3.4%
Net interest-bearing debt *)	557.6	288.9	557.6	288.9	260.2
Operational net debt	345.4	284.5	345.4	284.5	255.7
Equity ratio *)	30.9%	36.3%	30.9%	36.3%	37.5%

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

*) The net interest-bearing debt has been increased with SEK 77.5 million as of 1 January 2019 due to the implementation of IFRS 16, since operational lease liabilities has been included in the balance sheet. This also caused the equity ratio to decrease with 2.5 percentage units, see note 2. The net interest-bearing debt has increased by 216.4 in Q3 due to liabilities directly attributable to the RITTER acquisition of which SEK 35.7 million are attributable to lease liabilities according to IFRS 16.

REVENUE AND PROFIT

Third quarter

Net sales amounted to SEK 515.5 million (431.2). The currency impact was positive, SEK 8 million. For the third quarter 2019, the Nordics segment reported revenue of SEK 217.0 million (203.8), an increase of 6.5%. The Rest of the World segment reported revenue of SEK 298.5 million (227.8), an increase of 31.0%. Revenue increased as a result of acquisitions, new customers and contracts, while decreasing due to phased out volumes, see "Market performance" above.

EBITDA for the quarter amounted to SEK 36.1 million (32.4), which corresponds to an EBITDA margin of 7.0% (7.5). Depreciation and amortisation during the period amounted to SEK 21.8 million (15.3), of which amortisation of intangible assets amounted to SEK 3.1 million (2.0) and amortisation of rights-of-use assets that arose upon transition to IFRS 16 (see note 2) amounted to SEK 6.0 million (-). IFRS 16 application had a marginal effect on operating profit as it decreased other external expenses by SEK 6.5 million and increased depreciation and amortisation by SEK 6.0 million, which had a positive impact of SEK 6.5 million on EBITDA and improved the EBITDA margin by 1.3 percentage points (see Note 2 for more information).

The Groups earnings before amortisation of intangible assets (EBITA) amounted to SEK 17.4 million (19.1) which corresponds to a margin of 3.4% (4.4). The operating margin is marginally affected by exchange rate effects. Earnings are affected positively by result contribution from RITTER and negatively trough one-time costs of SEK 6.7 million (2.5) connected to the acquisition. Excluding non-recurring items, the Group's EBITA amounts to SEK 23.3 million (21.6) corresponding to a margin of 4.5% (5.0).

EBITA margin in the Nordics segment amounts to 8,1% (7,9), a continuously good level. In the Rest of the World segment the EBITA margin amounts to 2,4% (2,6), which is a low margin for the Group explained by development costs for the Groups manufacturing clusters, see “Market performance” above.

We recognise 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. In the third quarter, EBITA for the Business Development segment amounted to SEK -7.3 million (-2.8), mainly comprising expenses for the RITTER acquisition.

The Group’s EBIT amounted to SEK 14.3 million (17.1). The gross margin amounted to 45.7% (44.8). Other external charges amounted to SEK 72.0 million (59.5), while costs of personnel amounted to SEK 128.9 million (102.9). Change in gross margin and increased costs are connected to the acquired companies.

Net financial items amounted to SEK -8.2 million (-4.8). Of this, net interest income/expenses amounted to SEK -6.0 million (-3.6). The increased net interest income/expenses are attributable to increased net debt due to the acquisitions of RITTER and Toolfac and the application of IFRS 16 (see Note 2). Net exchange gains and losses amounted to SEK -1.0 million (-0.2). Other financial expenses amounted to SEK -1.2 million (-1.0).

Profit before tax amounted to SEK 6.1 million (12.3). Profit after tax was SEK 0.9 million (10.7). The high tax percentage is explained in Note 7 further down. Earnings per share before dilution amounted to SEK 0.03 (0.37) and after dilution to SEK 0.03 (0.36).

Nine-month period
Net sales for the first nine months amounted to SEK 1,519.8 million (1,377.8). The Nordics segment increased to SEK 734.3 million (683.1). The Rest of the World segment increased to SEK 785.4 million (695.0). Revenue increased as a result of the Toolfac and RITTER acquisitions and of new customers and contracts, while decreasing due to phased out customers and decreased volumes, see also “Market performance” above. The currency effect was positive and amounts to about SEK 34 million.

EBITDA amounted to SEK 113.0 million (101.5), which corresponds to an EBITDA margin of 7.4% (7.4). Depreciation and amortisation during the period amounted to SEK 64.3 million (44.3), of which amortisation of intangible assets amounted to SEK 7.5 million (5.2) and amortisation of rights-of-use assets that arose upon transition to IFRS 16 (see note 2) amounted to SEK 18.0 million (-). IFRS 16 application had a marginal effect on operating profit through decreased other external expenses by SEK 19.5 million and increased depreciation and amortisation by SEK 18.0 million, which had a positive impact of SEK 19.5 million on EBITDA and improved the EBITDA margin by 1.3 percentage points (see Note 2 for more information). The gross margin amounted to 45.2% (44.9).

The Group’s EBITA for the first nine months amounted to SEK 56.2 million (62.4), corresponding to a margin of 3.7% (4.5). The Nordics segment reported EBITA of SEK 53.3 million (51.3), which corresponds to an EBITA margin of 7.3% (7.5). The Rest of the World segment reported EBITA of SEK 17.3 million (18.7), which corresponds to an EBITA margin of 2.2% (2.7). The Business Development segment’s EBITA for the first nine months of the year amounted to SEK -14.4 million (-7.6) and mainly comprises expenses for the list change process and acquisition expenses for Toolfac and RITTER.

The Group's EBIT amounted to SEK 48.7 million (57.2). Net financial items amounted to SEK -19.4 million (-20.1). Of this, net interest income/expenses amounted to SEK -14.2 million (-10.9). The change in net interest income/expenses is mainly due to the increase in net debt resulting from the Toolfac and RITTER acquisitions and the transition to IFRS 16 (see Note 2). Net exchange gains and losses amounted to SEK -1.3 million (-6.0). Other financial expenses amounted to SEK -3.9 million (-3.2).

CASH FLOW AND INVESTMENTS

Cash flows from operating activities are continuously positive and amounted in Q3 to SEK 29.1 million (14.1). For the first nine months it amounted to SEK 113.1 million (73.7). Change in working capital amounted to SEK 0.1 million (-11.0) in Q3 and SEK 20.4 million (-5.7) for the nine-month period.

The aggregation of production units ("Cluster formation") will reduce the amount of capital tied up over time, also leading to lower investment needs.

Cash flows from investing activities in Q3 amounted to SEK -75.0 million (-2.8), of which the acquisition of RITTER accounted for SEK -60.7 million and investments in fixed assets SEK-14.3 million. In the first nine months net cash flow from investments in fixed assets amounted to SEK -37.7 million (-24.7) and acquisitions of subsidiaries to SEK -89.4 million (-144.4).

Total investments in tangible fixed assets amounted in the quarter to SEK 19.0 million (13.8) and for the nine-month period SEK 50.2 million (41.3). The difference compared to cash flows are due to investments in machinery and equipment through leasing.

Cash flow from financing activities for Q3 amounted to SEK -62.7 million (2.8) comprising cash flow from loans. For the first nine months, cash flow from financing activities was SEK 37.5 million (109.5). The Group's borrowings include acquisition loans in the amount of SEK 92.2 million in connection with the acquisitions of Toolfac and RITTER. The acquisitions were also financed by new share issues to the sellers totaling SEK 64.4 million after transaction expenses.

FINANCIAL POSITION

Shareholders' equity at the end of the period amounted to SEK 498.3 million (410.2), whereas the equity ratio was 30.9% (36.3). The balance sheet total amounted to SEK 1,613.1 million (1,131.2). Cash and cash equivalents amounted at the end of the period to SEK 103.7 million (72.1). Net interest-bearing debt amounted to SEK 556.7 million (288.9) at the end of the period. The net interest-bearing debt has increased by 216.5 in Q3 in connection with the acquisition of RITTER. Excluding the RITTER acquisition, the net debt rose by SEK 14.5 million.

The application of IFRS 16 at 1 January 2019 caused the equity ratio to weaken by 2.5 percentage points and increased the interest-bearing net debt by SEK 77.5 million (see Note 2). At the acquisition of RITTER another SEK 35.7 million in debts related to IFRS 16 were added.

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,701 (1,318). The number of employees at the end of the period is 1,830. At the start of the year the number was 1,514. Of the employees at the end of the period, 340 came with the acquisitions.

THE PARENT COMPANY

The parent company's net sales, which consist exclusively of income from Group companies, amounted to SEK 7.2 million (3.9) during the quarter. Profit before tax for the quarter amounted to SEK 3.5 million (-2.1). No investments have been affected in the parent company in addition to the acquisition of RITTER Elektronik.

SHARES

At the beginning of the year, the number of shares outstanding was 29,869,718 and the share capital was SEK 2,986,972. A small remaining part of the warrants programme was registered in early January 2019, which increased the number of shares by 110,210 and the share capital by SEK 11,021. Toolfac was acquired on 31 January 2019, and part of the purchase price comprised shares, which increased the number of shares by 1,000,000 and the share capital by SEK 100,000. On 25 July, RITTER was acquired, and part of the purchase price comprised shares, which increased the number of shares by 3,000,000 and the share capital by SEK 300,000. After this, the total number of shares outstanding was 33,979,928 and the share capital was SEK 3,397,993.

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 2018 annual report. There have been no material changes in the risks since the preparation of the 2018 annual report.

RELATED PARTY TRANSACTIONS

There have been no transactions between the HANZA Group and related parties during the quarter with a material effect on the Group's position or earnings, in excess of usual payments of remunerations and wages to Board of Directors and Group management.

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, 29 October 2019

On behalf of the Board of Directors

Erik Stenfors, CEO

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

HANZA Holding AB, corporate identity number 556748-8399

Introduction

We have reviewed the condensed interim report for HANZA Holding AB as at September 30, 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, October 29th, 2019

Ernst & Young AB

Charlotte Holmstrand
Authorized Public Accountant

FINANCIAL REPORTS

CONSOLIDATED REPORT ON COMPREHENSIVE INCOME

Amount in SEK millions	Note	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Net sales	**4**	**515.5**	**431.2**	**1,519.8**	**1,377.8**	**1,810.6**
Change of inventories in production, finished goods and work in progress on behalf of others		-8.5	-8.5	-6.4	-1.5	-9.6
Raw materials and consumables		-271.5	-229.5	-826.3	-758.2	-996.1
Other external costs		-72.0	-59.5	-195.3	-183.4	-248.4
Costs of personnel		-128.9	-102.9	-380.7	-335.7	-445.7
Depreciation		-21.8	-15.3	-64.3	-44.3	-59.1
Other operating income	5	2.3	1.8	4.9	7.0	9.4
Other operating expenses	5	-0.8	-0.2	-3.0	-4.5	-7.0
Operating profit	**4**	**14.3**	**17.1**	**48.7**	**57.2**	**54.1**
Profit/loss from financial items						
Financial income		-	-	0.4	-	-
Financial expenses		-8.2	-4.8	-19.8	-20.1	-24.9
Financial items – net	**6**	**-8.2**	**-4.8**	**-19.4**	**-20.1**	**-24.9**
Profit/loss before tax		**6.1**	**12.3**	**29.3**	**37.1**	**29.2**
Income tax	7	-5.2	-1.6	-11.2	-6.6	-8.4
Profit/loss for the period		**0.9**	**10.7**	**18.1**	**30.5**	**20.8**
Other comprehensive income						
Items that can subsequently be reversed in profit or loss						
Exchange rate differences		5.9	-3.1	13.7	13.6	12.9
Exchange rate difference on acquisition loan		-0.6	-	-0.6	-	-
Tax on items that can subsequently be reversed in profit or loss		0.1	-	0.1	-	-
Other comprehensive income for the period		**5.4**	**-3.1**	**13.2**	**13.6**	**12.9**
Total comprehensive income for the period		**6.3**	**7.6**	**31.3**	**44.1**	**33.7**

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		0.03	0.37	0.58	1.11	0.74
Earnings per share after dilution, SEK		0.03	0.36	0.58	1.10	0.74

The number of shares before and after dilution are presented in Note 8.

CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	Note	2019-09-30	2018-09-30	2018-12-31
ASSETS				
Fixed assets				
Intangible assets				
Goodwill		310.4	264.7	264.5
Other intangible assets		117.7	67.3	65.9
Intangible assets		**428.1**	**332.0**	**330.4**
Right-of-use assets	**2**	**148.4**	**-**	**-**
Tangible fixed assets		**294.5**	**262.5**	**269.6**
Financial fixed assets				
Other long-term securities holdings		0.3	0.3	0.3
Deferred tax assets		20.7	9.4	16.4
Financial fixed assets		**21.0**	**9.7**	**16.7**
Total fixed assets		**892.0**	**604.2**	**616.7**
Current assets				
Inventories		447.7	299.0	290.1
Accounts receivable		126.6	124.2	83.8
Other receivables		30.7	21.1	18.1
Prepaid expenses and accrued income		12.4	10.6	9.9
Cash and cash equivalents		103.7	72.1	77.5
Total current assets		**721.1**	**527.0**	**479.4**
TOTAL ASSETS		**1,613.1**	**1,131.2**	**1,096.1**

CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	Note	2019-09-30	2018-09-30	2018-12-31
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		**498.3**	**410.2**	**410.5**
LIABILITIES				
Long-term liabilities				
Post-employment benefits	9	118.4	4.4	4.5
Non-interest-bearing long-term liabilities		46.1	26.8	28.9
Liabilities to credit institutions	3	250.0	216.7	207.2
Lease liabilities	2	91.1	-	-
Total long-term liabilities		**505.6**	**247.9**	**240.6**
Current liabilities				
Overdraft facility	3	59.1	65.9	45.3
Liabilities to credit institutions	3	81.7	62.2	68.1
Lease liabilities	2	56.8	-	-
Other interest-bearing liabilities		4.2	16.2	17.1
Accounts payable		259.2	230.8	219.4
Other liabilities		56.3	26.0	29.1
Accrued expenses and deferred income		91.9	72.0	66.0
Total current liabilities		**609.2**	**473.1**	**445.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,613.1**	**1,131.2**	**1,096.1**

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CONDENSED CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions	Note	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Opening balance		442.0	402.6	**410.5**	**309.3**	**309.3**
Profit/loss for the period		0.9	10.7	18.1	30.5	20.8
Other comprehensive income						
Exchange rate differences		5.3	-3.1	13.1	13.6	12.9
Tax on items in other comprehensive income		0.1	-	0.1	-	-
Total comprehensive income		6.3	7.6	**31.3**	44.1	**33.7**
Effect of implementation of IFRS 15		-	-	-	0.8	0.8
Transactions with shareholders						
Redemption of warrants		-	-	-	-	10.7
New share issue		-	-	-	60.3	60.3
Non-cash issue		50.0	-	64.5	-	-
Issue costs		-	-	-0.3	-4.3	-4.3
Dividend		-	-	-7.7	-	-
Total contributions from and distributions to shareholders, recognised directly in equity		**50.0**	**-**	**56.5**	**56.0**	**66.7**
Closing balance		**498.3**	**410.2**	**498.3**	**410.2**	**410.5**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Note	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Cash flows from operating activities						
Profit/loss after financial items		6.1	12.3	29.3	37.1	29.2
Depreciation and amortisations		21.8	15.3	64.3	44.3	59.1
Other non-cash items		1.2	-1.7	1.8	3.6	4.7
Paid income tax		-0.1	-0.8	-2.7	-5.6	-7.3
Cash flows from operating activities prior to the change in working capital		**29.0**	**25.1**	**92.7**	**79.4**	**85.7**
Total change in working capital		**0.1**	**-11.0**	**20.4**	**-5.7**	**27.8**
Cash flows from operating activities		**29.1**	**14.1**	**113.1**	**73.7**	**113.5**
Cash flows from investing activities						
Investments in subsidiaries	9	-60.7	-	-89.4	-144.4	-144.4
Investments in fixed assets		-14.3	-4.3	-38.6	-26.6	-46.5
Disposals of tangible fixed assets			1.5	0.9	1.9	1.8
Cash flows from investing activities		**-75.0**	**-2.8**	**-127.1**	**-169.1**	**-189.1**
Cash flows from financing activities						
New share issue		-	-	-	56.0	66.7
New loans		85.6	19.9	137.1	222.4	232.8
Repayment of borrowings		-22.9	-17.1	-91.9	-168.9	-204.4
Dividends paid		-	-	-7.7	-	-
Cash flows from financing activities		**62.7**	**2.8**	**37.5**	**109.5**	**95.1**
Increase/reduction in cash and cash equivalents		**16.8**	**14.1**	**23.5**	**14.1**	**19.5**
Cash and cash equivalents at the beginning of the period		85.1	58.0	77.5	56.1	56.1
Exchange differences in cash and cash equivalents		1.8	0.0	2.7	1.9	1.9
Cash and cash equivalents at the end of the period		**103.7**	**72.1**	**103.7**	**72.1**	**77.5**

CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Operating income	**7.2**	**3.9**	**17.4**	**11.2**	**19.8**
Operating expenses	**-3.5**	**-6.6**	**-16.0**	**-14.4**	**-18.5**
Operating profit	**3.7**	**-2.7**	**1.4**	**-3.2**	**1.3**
Profit/loss from financial items					
Other interest income and similar income items	0.4	0.6	2.1	1.6	2.2
Interest charges and similar income items	-0.6	0.0	-1.0	-0.8	-0.9
Total profit/loss from financial items	**-0.2**	**0.6**	**1.1**	**0.8**	**1.3**
Profit/loss after net financial items	**3.5**	**-2.1**	**2.5**	**-2.4**	**2.6**
Appropriations	-	-	-	-	2.3
Profit/loss before tax	**3.5**	**-2.1**	**2.5**	**-2.4**	**4.9**
Tax on profit for the period	-	-	-	-	-0.4
Profit/loss for the period	**3.5**	**-2.1**	**2.5**	**-2.4**	**4.5**

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

CONDENSED PARENT COMPANY BALANCE SHEET

Amount in SEK millions	Note	2019-09-30	2018-09-30	2018-12-31
ASSETS				
Fixed assets				
Financial fixed assets		**458.6**	**292.5**	**297.3**
Total fixed assets		**458.6**	**292.5**	**297.3**
Current assets				
Current receivables		1.6	0.8	2.9
Cash and cash equivalents		0.1	0.1	11.5
Total current assets		**1.7**	**0.9**	**14.4**
TOTAL ASSETS		**460.3**	**293.4**	**311.7**

SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		**356,0**	**279,3**	**297.0**
Long-term liabilities		**77.4**	**7.8**	**7.2**
Current liabilities		**26.9**	**6.3**	**7.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**460.3**	**293.4**	**311.7**

NOTES

Note 1 General information

All amounts are reported in millions of SEK (SEK millions) and refers to The Group unless otherwise stated. Information in brackets refers to the corresponding period of the preceding year. The interim information on pages 6 to 10 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 Financial Reporting Standards), as adopted by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The interim report for the parent company has been prepared in accordance with chapter 9 of the Swedish Annual Reports Act, and with RFR 2, Accounting for legal entities.

Aside from the changes described further down in this note, 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 2018 annual report.

Implementation of IFRS 16

IFRS 16 "Leasing" has been applied by the Group from 2019. The standard requires that assets and liabilities attributable to all leases, with some exceptions, are reported in the balance sheet. The transition has been done according to the modified retrospective approach where lease liability and the right of use asset values are set to the present value of remaining lease payments at the transition date 1 January 2019. Contracts which at the transition date had a shorter remaining contract period than one year were, according to a practical expedient, not included in the liability and right-of-use asset.

The essential difference for HANZA is that a number of rental contracts for factories and other premises, which previously have been treated as operational leases, now are reported as right-of-use assets and lease liabilities in the balance sheet, which has increased the balance sheet total with SEK 77.5 million at the opening of 2019. In addition, assets in financial leases of SEK 39.3 million which were previously included in tangible fixed assets, have now been reclassified to right-of-use assets. The lease liabilities in those financial leases amounted to SEK 35.9 million. The effect on the balance sheet and the most essential related key ratios are presented in the following table:

Effects of the implementation of IFRS 16

Amount in SEK millions	Closing balance 2018-12-31	Reclassification of financial contracts	Recording of *) operational contracts	Opening balance 2019-01-01
Tangible fixed assets	269.6	-39.3		230.3
Right-of-use assets		39.3	77.5	116.8
Long-term liabilities to credit institutions	207.2	-22.9		184.3
Long-term lease liabilities		22.9	53.1	76.0
Short-term liabilities to credit institutions	68.1	-13.0		55.1
Short-term lease liabilities		13.0	24.4	37.4
Net interest-bearing debt	260.2		77.5	337.7
Equity ratio	37.5%			35.0%

*) A reconciliation between recorded liability and reported future operational leasing fees according to IAS 17 is available in note 30 in the annual report 2018.

During the period right-of-use assets and lease liabilities have changed through acquisitions depreciations, repayments, capitalisation of interest and adding of new contracts after which right-of-use assets amounted to SEK 148,4 million, long-term lease liabilities to SEK 91,1 million and short-term lease liabilities to SEK 56,8 million.

In the income statement, the effect on the operating profit in Q3 is marginal. However, other external costs decrease by SEK 6.5 million while depreciations increase by SEK 6.0 million and interest costs by SEK 0.7 million. Hence the effect on EBITDA is SEK 6.5 million, on operating income SEK 0.5 million and SEK -0.2 million on income before tax. The effect on the EBITDA-margin is 1.3%-points while the effect on other income related key ratios are marginal. The corresponding figures for 2018 have not been recalculated.

At the acquisition of RITTER Elektronik GmbH (see Note 9) HANZA raised an acquisition loan in the acquisition currency, EUR. Exchange rate differences on this loan is reported in other comprehensive income as it is judged as part of the acquisition.

Note 3 Financial instruments - Fair value of financial liabilities valued at amortised cost

The Group’s borrowing consists of a large number of notes taken out at different times and with different maturities. Substantially all the loans carry a floating rate of interest. Against the background of the foregoing, the reported values may be deemed to provide a good approximation of fair values as the discount effect is not material.

Note 4 Revenue and segment information

Description of revenue from contracts with customers

HANZA’s revenue is attributable primarily to the production of components, subsystems and finished composite products according to the customer specifications, but where HANZA has been involved in customising the manufacturing process. HANZA's performance obligations are deemed to have been met when the component or composite product is delivered to the customer. Exceptions from the foregoing are cases where there is an agreement with the customer regarding a buffer stock of finished components or products. In these cases, the performance obligation is deemed to have been met at the time the component or product is placed in buffer stock, meaning that it is available to the customer.

The breakdown of external revenue by segment, which is in line with the Group's cluster-based organisation, is set out in the segment information section below. In addition, the recognition of external revenue is divided into the manufacturing technologies ‘Mechanics’ and ‘Electronics’ further below.

Description of segment reporting

HANZA applies cluster-based segment classification. Operational reporting is broken down into the following segments:

- **Nordic** – Manufacturing clusters located in or near HANZA's primary geographical customer markets, which currently consist of Sweden, Finland and Norway. These clusters currently comprise Sweden and Finland. The operations in these areas are characterised by a high degree of automation and close collaboration with customer development departments.
- **Rest of the World** – Manufacturing clusters outside of HANZA's primary geographical customer areas, but close to key end-customer regions. These clusters currently consist of the Baltic States, Central Europe and China (in China). The operations are characterised by heavy labour input, complex, extensive monitoring, and a focus on efficient logistics. During the quarter RITTER, with production in Germany and Czech Republic, mainly for German customers, have been added to this segment.
- **Business development** – Costs and revenues not allocated to the Manufacturing Clusters, which primarily consist of Group-wide functions within the parent company, as well as Group-wide adjustments not allocated to the other two segments

Transactions between segments are made on market terms.

Revenues by segment

SEK millions	Jul - Sep 2019			Jul - Sep 2018		
	Segment revenues	**Less sales between segments**	**Income from external customers**	**Segment revenues**	**Less sales between segments**	**Income from external customers**
Nordic	219.2	-2.2	217.0	208.5	-4.7	203.8
Rest of the world	303.5	-5.0	298.5	239.2	-11.4	227.8
Business development	-	-	-	-0.4	-	-0.4
Total	**522.7**	**-7.2**	**515.5**	**447.3**	**-16.1**	**431.2**

SEK millions	Jan – Sep 2019			Jan – Sep 2018		
	Segment revenues	**Less sales between segments**	**Income from external customers**	**Segment revenues**	**Less sales between segments**	**Income from external customers**
Nordic	738.0	-3.7	734.3	693.0	-9.9	683.1
Rest of the world	810.7	-25.3	785.4	735.0	-40.0	695.0
Business development	0.1	-	0.1	-0.3	-	-0.3
Total	**1,548.8**	**-29.0**	**1,519.8**	**1,427.7**	**-49.9**	**1,377.8**

Profit by segment

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

SEK millions	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
EBITA					
Nordic	17.6	16.0	53.3	51.3	67.4
Rest of the world	7.1	5.9	17.3	18.7	3.9
Business development	-7.3	-2.8	-14.4	-7.6	-10.0
Total EBITA	**17.4**	**19.1**	**56.2**	**62.4**	**61.3**
Amortisation of intangible assets	-3.1	-2.0	-7.5	-5.2	-7.2
Operating profit	**14.3**	**17.1**	**48.7**	**57.2**	**54.1**
Financial items – net	-8.2	-4.8	-19.4	-20.1	-24.9
Profit/loss before tax	**6.1**	**12.3**	**29.3**	**37.1**	**29.2**
Non-recurring items					
Revaluation of additional purchase price	-	-	-	-	-0.8
Transaction costs	-5.0	-	-8.0	-0.3	-0.3
Costs for change of listing	-	-2.5	-3.7	-3.0	-5.3
Write-down of inventory	-	-	-	-	-10.9
Amortisation of over-value in inventory identified in the acquisition of RITTER	-1.7	-	-1.7	-	-
Total	**-6.7**	**-2.5**	**-13.4**	**-3.3**	**-17.3**
EBITA per segment excluding non-recurring items					
Nordic	17.6	16.0	53.3	51.3	67.4
Rest of the world	9.1	5.9	19.3	18.7	14.8
Total	**26.7**	**21.9**	**72.6**	**70.0**	**82.2**
Business development	-2.6	-0.3	-3.0	-4.3	-3.6
Total	**24.1**	**21.6**	**69.6**	**65.7**	**78.6**
Non-recurring items	-6.7	-2.5	-13.4	-3.3	-17.3
EBITA	**17.4**	**19.1**	**56.2**	**62.4**	**61.3**

Revenue from external customers by manufacturing technology

SEK millions	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Mechanics	312.6	304.5	1,040.4	969.8	1,274.6
Electronics	202.9	127.1	479.3	408.3	536.3
Business development	-	-0.4	0.1	-0.3	-0.3
Total	**515.5**	**431.2**	**1,519.8**	**1,377.8**	**1,810.6**

Note 5 Other operating income and operating expenses

SEK millions	Jul - Sep	Jul - Sep	Jan - Sep	Jan - Sep	Jan - Dec
Other operating income	**2019**	**2018**	**2019**	**2018**	**2018**
Profit on disposal of fixed assets	0.1	1.1	0.4	1.4	1.6
Exchange gains	1.7	0.5	2.9	4.2	5.5
Other items	0.5	0.2	1.6	1.4	2.3
Total other operating income	**2.3**	**1.8**	**4.9**	**7.0**	**9.4**
Other operating expenses					
Loss on disposal of fixed assets	-0.1	-0.2	-0.1	-0.2	-0.2
Revaluation of additional purchase price	-	-	-	-	-0.8
Exchange losses	-0.6	-	-2.5	-4.1	-5.4
Other items	-0.1	-	-0.4	-0.2	-0.6
Total other operating expenses	**-0.8**	**-0.2**	**-3.0**	**-4.5**	**-7.0**

Note 6 Financial income and expenses – Net financial items

SEK millions	Jul - Sep	Jul - Sep	Jan - Sep	Jan - Sep	Jan - Dec
Financial income	**2019**	**2018**	**2019**	**2018**	**2018**
Interest income	-	-	0.4	-	-
Total financial income	**-**	**-**	**0.4**	**-**	**-**
Financial expenses					
Interest expenses	-6.0	-3.6	-14.6	-10.9	-14.1
Net exchange gains and losses	-1.0	-0.2	-1.3	-6.0	-6.4
Other financial expenses	-1.2	-1.0	-3.9	-3.2	-4.4
Total financial expenses	**-8.2**	**-4.8**	**-19.8**	**-20.1**	**-24.9**
Total financial items - net	**-8.2**	**-4.8**	**-19.4**	**-20.1**	**-24.9**

Note 7 Income tax

The effective tax rate for the quarter was 85 percent (13) and in the nine-month period 38 percent (18). An important part of the Group's operations derives from Estonia, where profits are only taxed upon distribution of dividends. The parent company rules over the dividends and there are currently no plans or needs to take dividends, which would result in taxes, from the Estonian companies. The Estonian tax rate has therefore been set at 0 percent for purposes of the calculation. The effective tax rate therefore varies according to the proportion of pre-tax profits stemming from Estonia and from units where the company has deemed that deferred tax assets cannot be booked due to insecurity about the possibility to use the tax losses in the future.

Note 8 Number of shares

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

Number of shares	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Weighted average number of shares before dilution	33,001,667	29,021,208	31,500,912	27,476,706	27,907,850
Adjustment upon calculation of earnings per share after dilution:					
Warrants	-	295,769	857	209,666	225,907
Weighted average number of shares after dilution	33,001,667	29,316,977	31,501,769	27,686,372	28,133,757
Number of shares at the end of the period	33,979,928	29,021,208	33,979,928	29,021,208	29,869,718

Note 9 Acquisitions of subsidiaries

HANZA Holding has during 2019 made two acquisitions. Toolfac Oy (”Toolfac”) was acquired in January and in July Ritter Elektronik GmbH (”RITTER”) was acquired.

On 31 January 2019, HANZA Holding acquired all shares in Toolfac Oy, with domicile in Iisalmi, Finland. The company conducts manufacturing with a focus on machining. Toolfac’s sales for 2018 were approximately SEK 80 million. The total purchase price is capped at SEK 34.1 million, consisting of a cash component in the amount of SEK 15.6 million that was paid upon entry into possession, 1,000,000 shares in HANZA Holding valued at SEK 14.4 million and a variable supplementary purchase price of no more than SEK 4.1 million, payable during the first quarter of 2020. The expected supplementary purchase price has been estimated at SEK 4.1 million in the acquisition analysis, which was discounted to SEK 4.0 million. An external valuation of Toolfac’s property identified a surplus value of SEK 6.5 million. The remaining surplus value of the acquisition, SEK 8.3 million before deferred tax, has been linked to customer relations. The deferred tax liability for these items is SEK 3.0 million. The acquisition analysis is still preliminary. The table on next page summarises the purchase price for Toolfac and the fair value of the acquired assets and assumed liabilities that were recognised on the acquisition date.

On 25 July 2019, HANZA Holding acquired all shares in RITTER Elektronik GmbH with domicile in Remscheid, Germany and with subsidiary RITTER CZ with domicile in Zabreh, Czech Republic. The company has one production unit in Remscheid, Germany, with about 180 employees, which offers manufacturing of electronics, mechanics and final assembly, and one production unit in Zabreh, Czech Republic, with about 110 employees, offering manufacturing of electronics, mechanics and advanced final assembly. RITTER’s sales for 2018 were approximately SEK 430 million. The total purchase price amounts to SEK 126.6 million, consisting of a cash component in the amount of SEK 76.6 million that was paid upon entry into possession and 3,000,000 shares in HANZA Holding valued at SEK 50.0 million. In the acquisition, an intangible asset in the form of customer relations was identified in the amount of SEK 45.2 million. The Customer relations will be amortized on a straight-line basis over 10 years. Deferred tax liability related to this item amounts to SEK 14.3 million. The German company has significant defined benefit pensions which HANZA previously only had to a marginal extent. The pension liability has been valued according to IAS 17 R at acquisition and will be reported as post-employment benefits. In inventory a surplus value of SEK 4.2 million was identified in work in progress. This surplus value will be amortised on a straight-line basis during 2019. In addition, goodwill in the amount of SEK 41.1 million is reported in the acquisition. This goodwill is not tax deductible. This goodwill mainly consists of synergies with the other HANZA units in Central Europe and presence on the German market. The acquisition analysis is still preliminary. The table below summarises the purchase price for RITTER and the fair value of the acquired assets and assumed liabilities that were recognised on the acquisition date.

Purchase price, SEK million	Toolfac	RITTER
Cash and cash equivalents paid upon entry into possession	15.6	76.6
Equity instruments 1,000,000 ordinary shares	14.4	50.0
Conditional additional purchase price due in Q1 2020	4.0	-
Total estimated purchase price	**34.0**	**126.6**
Reported amounts of identifiable acquired assets and assumed liabilities		
Cash and cash equivalents	4.1	15.9
Intangible fixed assets	8.3	47.3
Right-of-use assets	-	35.7
Buildings and land	8.1	16.1
Machinery and equipment	20.9	7.4
Deferred tax assets	-	11.5
Inventories	15.8	133.3
Accounts receivable and other receivables	5.7	57.5
Deferred tax liability	-3.2	-19.8
Post-employment benefits	-	-110,0
Lease liabilities	-	-35.7
Borrowings	-14.9	-10.1
Accounts payable and other liabilities	-10.8	-63.6
Total identified net assets	**34.0**	**85.5**
Goodwill	-	41.1
Total net assets transferred	**34.0**	**126.6**
Cash flow effect from acquisitions	**-11.5**	**-60.7**

HANZA's business model aims to coordinate factories with various manufacturing technologies into what is referred to as Manufacturing Clusters within certain geographical areas. Following an acquisition, production is reallocated in order to optimise the manufacturing process, material logistics and cost-efficiency from the Manufacturing Cluster's perspective. In addition, administration, IT, marketing, sales etc. are also coordinated within the respective Manufacturing Cluster in order to make a positive impact on the acquired company's profitability. This integration, which commences immediately after the acquisition, impacts individual factories' financial reports, for which reason an acquired company's reports following an acquisition are no longer comparable to the situation that would have prevailed if the company had remained independent.

Hence the acquired companies' net sales during 2019 is expected to be positively affected by the fact that they are a part of HANZA Group, see also "Market Performance" above. The table below shows reported net sales and EBIT from the acquired units.

Net sales and EBIT in the acquired companies, SEK million	July – September 2019 Toolfac	RITTER	January – September 2019 Toolfac	RITTER
Date of acquisition		*2019-07-25*	*2019-01-31*	*2019-07-25*
Net sales before acquisition	-	30.7	6.7	284,5
Net sales after acquisition	17.8	87.8	51.9	87.8
Total net sales if the company had been held for the full period	**17.8**	**118.5**	**58.6**	**372,3**
EBIT before acquisition	-	4.1	0.3	29.9
EBIT after acquisition	3.7	9.9	7.5	9.9
Total EBIT if the company had been held for the full period	**3.7**	**14.0**	**7.8**	**39.8**

EBIT above shows the results reported by the companies but does not include from the acquisitions added amortisation of identified surplus values integration costs or transaction costs. For the RITTER acquisition this means that the net contribution from the acquisition to the Groups operating profit (EBIT) was slightly positive in Q3 2019.

KEY RATIOS

	Jul - Sep 2019	Jul - Sep 2018	Jan - Sep 2019	Jan - Sep 2018	Jan - Dec 2018
Key ratios according to IFRS					
Net sales, SEK millions	515.5	431.2	1,519.8	1,377.8	1,810.6
Earnings per share before dilution, SEK	0.03	0.37	0.58	1.11	0.74
Earnings per share after dilution, SEK	0.03	0.36	0.58	1.10	0.74
Average number of employees	1,701	1,318	1,573.0	1,406.0	1,407
Alternative performance measurements					
EBITDA margin, %*)	7.0%	7.5%	7.4%	7.4%	6.3%
Operating margin, %	2.8%	4.0%	3.2%	4.2%	3.0%
Operational segments EBITA, SEK millions	24.7	21.9	70.6	70.0	71.3
Operational EBITA margin, %	4.8%	5.1%	4.6%	5.1%	3.9%
Operating capital, SEK millions*)	1,055.9	699.1	1,055.9	699.1	670.7
Return on operating capital, %*)	1.9%	2.7%	6.5%	10.8%	10.9%
Capital turnover on operating capital, times*)	0.6	0.6	2.3	3.2	3.2
Net interest-bearing debt, SEK millions*)	557.6	288.9	557.6	288.9	260.2
Net debt/equity ratio, times*)	1.1	0.7	1.1	0.7	0.6
Operational net debt, SEK millions	345.4	284.5	345.4	284.5	255,7
Equity ratio, %*)	30.9%	36.3%	30.9%	36.3%	37.5%
Equity per share at end of period, SEK	14.66	14.14	14.66	14.14	13.70

*) The key ratio has been affected by the transition to IFRS 16. Corresponding figures for 2018 have not been recalculated.

The alternative performance measurements above are considered relevant to give a picture of HANZA's operational profitability, the distribution of financing between equity and external financing, return on contributed capital and the company's financial risk. Reconciliation tables for alternative performance measurements and motives for using each measurement are published on the company's web page.

FORTHCOMING DISCLOSURES

Year-end report for the period January-December 2019 will be presented on 18 February 2020
Annual report for 2019 will be published during week 14, 2020
The interim report for the period January-March 2020 will be presented on 27 April 2020
Annual General Meeting will be held on 27 April 2020
The interim report for the period January-June 2020 will be presented on 28 July 2020
The interim report for the period January-September 2020 will be presented on 3 November 2020

For further information please contact:

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

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

DEFINITIONS, ALTERNATIVE PERFORMANCE MEASUREMENTS AND TERMS

- **KEY RATIOS ACCORDING TO IFRS - Definitions**

EBIT refers to earnings before interest and taxes and is the same as operating profit

- **ALTERNATIVE PERFORMANCE MEASUREMENTS – Definitions, reconciliation and motives**

The alternative performance measurements below are used in this report. Reconciliation tables for alternative performance measurements and motives for using each measurement are published on the company's web page.

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

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

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

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

EBITDA margin is EBITDA divided by net sales

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

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

Non-recurring items are revenue and expense items in the operating profit which only by way of exception occurs in the operations. To non-recurring items are referred revenues and expenses such as acquisition costs, revaluation of additional purchase prices, profit or loss on disposal of buildings and land, debt concession, costs of larger restructurings such as moving of whole factories and larger write-downs.

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

Operational segments EBITA (operational EBITA) is EBITA before business development costs

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

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

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

Operational net debt is interest-bearing liabilities, excluding provisions for post-employment benefits and lease liabilities related to buildings and premises, less cash in hand and similar assets and short-term investments

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

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

Net interest-bearing debt is interest-bearing liabilities, including provisions for post-employment benefits, less cash in hand and similar assets and short-term investments

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

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

When earning measures are presented on a **rolling 12-months basis** they refer to the total for the last 12 months up to the presented period

- **TERMS – Definitions established by HANZA**

CORE (Cluster Operational Excellence) is a method used by HANZA to develop the factories operationally, which are carried out in shape of projects.

MIG (Manufacturing Solutions for Increased Growth & Earnings) is an advisory service developed by HANZA which analyses and gives advices on improvements in the customers complete manufacturing and logistic chain.

MCS (Material Compliance Services) is a service developed by HANZA which helps the customer to secure that a product fulfils regulations regarding included components.

HANZA ALL YOU NEED IS ONE™

ABOUT HANZA

HANZA modernises and streamlines the manufacturing industry. By gathering different manufacturing technologies locally, we create shorter lead times, more environmentally friendly processes and increased profitability for our customers.

HANZA was founded in 2008 and today has an annual revenue of SEK 2.3 billion with operations in Sweden, Finland, Germany, Estonia, Poland, Czech Republic and China.

Among HANZA's customers are leading companies such as ABB, Epiroc, GE, Getinge, Oerlikon, Saab Defence and Siemens.

Read more on www.hanza.com

HANZA Holding AB (publ)
Brovägen 5, SE-182 76 Stocksund

Telephone: +46 (0)8-624 62 00
Company Reg. No: 556748-8399
www.hanza.com
The shares in HANZA are listed on Nasdaq Stockholm