We modernize and streamline
the manufacturing industry

INTERIM REPORT
First quarter 2018

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

INTERIM REPORT 1 January – 31 March 2018

Expansion phase with significant boost in profitability

On 1 February 2018, HANZA completed the acquisition of Wermland Mechanics AB ("Wermech").
For 1Q 2018, Wermech is included in the HANZA Group's financial statements for the months of February and March.
The effects of the acquisition are described in the section entitled "Turnover and financial result".

FIRST QUARTER (1 January – 31 March 2018)

- Net turnover amounted to SEK 438.6 million (350.0).
- Operating profit from the operational business areas amounted to SEK 21.2 million (9.2).
  The Group's operating profit amounted to SEK 18.4 million (8.4).
- Profit after tax amounted to SEK 8.8 million (3.3), which corresponds to SEK 0.36 SEK per share (0.14)
- Cash flow from operating activities amounted to SEK 9.1 million (33.1)

CEO Erik Stenfors' commentary on the report:

"We have left the Development phase and entered our next phase, the Expansion phase. This initiates a significant improvement in profitability. For the first quarter of 2018, we present an operating profit of SEK 18.4 million, an increase of SEK 10.0 million compared to the same period last year. Earnings per share shows an even greater profitability increase. Our EPS amounted to SEK 0.36 (0.14) for the quarter. "

"HANZA focus on customer value. A profitable growth, which is the basis for long-term shareholder value, can only be maintained through a high customer value. Traditional *parameters, such as quality, price and delivery precision, are today comparable between different contract manufacturers, and the customer value is limited. HANZA offers higher customer value through new manufacturing solutions, including Advisory services and Manufacturing Clusters."*

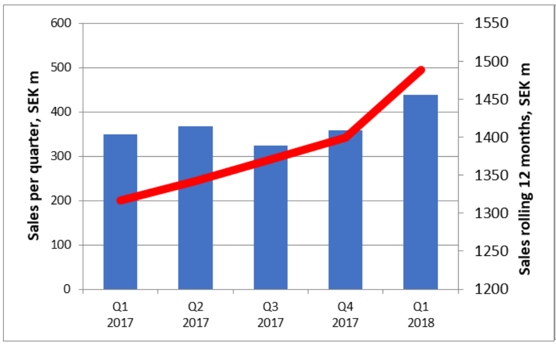
"During the first quarter, we continued to receive significant new customer contracts, a clear confirmation of HANZA's importance to product companies. The aim of the new Expansion phase is to widen HANZA's successful concept to new geographical markets. We have a very exciting time ahead of us."

MATERIAL EVENTS DURING THE FIRST QUARTER OF 2018

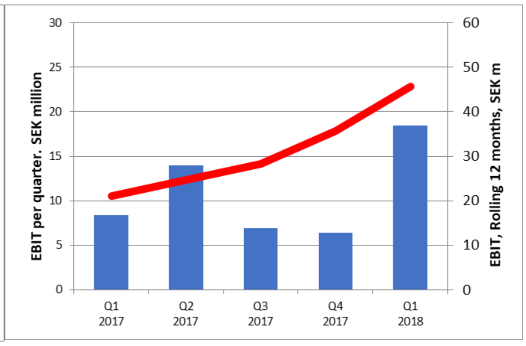
- New customer contracts
    - In February, HANZA received an order from Harju Elekter with an annual value in excess of SEK 30 million for the manufacture of mechanical cabinets and sheet metal constructions. Manufacturing will begin in the near term and will reach full capacity in Q2 2018 at the latest.
    - On behalf of Apstec Systems®, HANZA took charge of the industrialisation of a security system enabling the detection of explosives in order to protect selected areas from terrorist attacks. In February, HANZA signed a manufacturing agreement with Apstec Systems®, receiving an initial order for the manufacture of the security system in the amount of approximately SEK 12 million, which is scheduled for delivery in Q2 and Q3 2018.
    - HANZA has carried out what is referred to as a MIG analysis for Silva, a market leader in outdoor sports equipment, which led to an agreement in Q1 under which HANZA was commissioned to restructure Silva's manufacturing chain in China. The deal is estimated to exceed SEK 100 million over a five-year period.

- Acquisition and financing of Wermland Mechanics AB
    - On 1 February 2018, HANZA acquired one of the Nordic region's leading manufacturers of sheet metal parts, Wermland Mechanics Group AB (“Wermech”). Wermech has nearly 200 employees, including contract staff, and in 2017 reported sales of approximately SEK 366 million, with an operating profit of approximately SEK 27 million. Wermech will form part of HANZA's Manufacturing Cluster in Sweden, which already includes plants for electronics manufacturing, machining, assembly, etc. The purchase price amounts to SEK 145 million, with a supplementary purchase price of no more than SEK 22.5 million, based on Wermech's performance in 2018.
    - In order to finance part of the acquisition of Wermech and to strengthen HANZA's overall financial position, HANZA carried out a fully underwritten preferential rights issue in the amount of approximately SEK 60 million in Q1 2018. The issue was heavily oversubscribed.

Sales



EBIT



The graphs illustrate turnover and operating profit per quarter (bars), and on a rolling 12-month basis (lines) up to and including the quarter reported.

SEK million	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Net turnover	438.6	350.0	1,399.7
Operating profit from operational business areas	21.2	9.2	39.8
Business development	-2.8	-0.8	-4.1
Operating profit	18.4	8.4	35.7
Cash flow from operating activities	9.1	33.1	72.0
Net interest-bearing debt	329.1	175.2	142.0
Equity ratio	33.9%	37.3%	40.2%

ACQUISITION OF WERMLAND MECHANICS

On 1 February 2018, 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. On a combined basis, Wermech Group has nearly 200 employees. In 2017 it reported preliminary sales of approximately SEK 366 million, with an estimated operating profit of approximately SEK 27 million. HANZA's Manufacturing Cluster in Sweden, which until now has consisted of one plant in Åtvidaberg and two in Årjäng, is now being expanded to include Wermech's plants in Töcksfors and Svanskog.

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 was 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 an issue of preferential rights in HANZA carried out in the first quarter in the amount of SEK 60.3 million.

See Note 7 for further information about the acquisition.

CEO'S COMMENTS

Our Expansion phase initiated with a significant boost in profitability
The year's first quarter shows that HANZA has emerged from the Development phase with a stable foundation for the Group's next challenge, the Expansion phase. For the first quarter of 2018, we present an operating profit of SEK 18.4 million, an increase of SEK 10.0 million compared to the same period last year. Earnings per share shows an even greater profitability increase. Our EPS amounted to SEK 0.36 (0.14) for the quarter.

Wermech's operations, which were acquired at the beginning of the year, are reflected in consolidated profit as of February, but it is worth noting that the increase in profitability was centred primarily in HANZA's existing operations. Thus, we are able to affirm that the first quarter was in line with the strategy we presented prior to the Expansion phase: Increase the profitability of our existing Clusters in parallel with the acquisition of profitable companies. The purpose of the acquisitions is to establish HANZA in new geographical markets and to add manufacturing technologies to our Clusters. Wermech complements our Swedish Cluster with sheet metal processing, and provides a good entry point to the Norwegian market.

New segments
Since HANZA commenced operations in 2008, we have placed great emphasis on describing the Group's development in a clear, straightforward manner. Initially, we built the Group by opening and acquiring factories with different manufacturing technologies. At that time it was important to report factory performance broken down into a mechanics segment and an electronics segment. After that, we grouped the factories into Manufacturing Clusters, and customers were given a unique new offer – the entire product from a single Cluster. This development means that it is time to update our reporting. Henceforth, we will divide HANZA into geographical segments according to our Clusters. (Read more about this below.)

HANZA in the future
The profitability of traditional contract manufacturers typically fluctuates with the business cycle. For this reason, one of our important guiding principles has been to create a manufacturing group able to operate profitably during both business expansions and recessions. By allocating resources to our Manufacturing Clusters, we are able to ensure that costs are adjusted more rapidly to varying volumes, thus allowing us to cope more easily with business cycle fluctuations.

This model also yields benefits in terms of managing working capital, and helps us generate positive cash flows. As a result, we were able to reduce net debt significantly in 2017, which in turn made credit financing a viable option during the acquisition of Wermech. Our reported equity ratio after completion of the acquisition is 34%, which is above our financial target (30%). At the same time, new borrowings mean that our net debt needs to be paid down, which will be a focus area going forward.

HANZA's recently published annual accounts include our first sustainability report. We are working on multiple levels to create a sustainable business. One focus is to economise on raw materials and energy in our Clusters, an effort that goes hand-in-hand with increased profitability. We also help our customers hit their sustainability targets by offering new manufacturing solutions that minimise transport and other adverse environmental impacts, resulting in increased competitiveness. This means that our advisory component will be just as important as our Manufacturing Clusters during the Expansion phase.

We landed several new customer contracts during the first quarter (see above). This provides clear confirmation of HANZA's importance to the product companies, and the objective of the Expansion phase we have initiated, is to widen our successful concept to new geographical markets. We have a very exciting time ahead of us. You are welcome to join us on our continued journey!

MARKET PERFORMANCE

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. Because HANZA's customers are spread over a number of industries, HANZA's sales volumes generally reflect the business cycle.

Generally speaking, HANZA continues to see strong demand. Sweden's economy has been booming since 2016, and in the assessment of the National Institute of Economic Research (April 2018), the economic expansion will continue to strengthen in 2018 and 2019. Exports are increasing in Finland, which drives demand. In Norway, GDP is growing rapidly on the strength of renewed oil investment, among other things. Demand remains robust in the rest of the world as well, including the Eurozone, the US and China.

HANZA does not provide sales forecasts, but can confirm that the company is well positioned for continued organic growth. The recent consolidation of factories into Clusters has provided a significant tailwind to Group profitability.

TURNOVER AND FINANCIAL RESULT

First quarter

Net turnover increased by 25.3 % to SEK 438.6 million (350.0). Adjusted for Wermech's 2017 turnover, the HANZA Group grew by 7%. A strengthening of foreign currencies, primarily the Euro, has a positive effect on turnover in the amount of approximately SEK 10 million. Comparable figures for previous years include volumes that have been discontinued, primarily attributable to the now relocated factory in Vaasa, Finland, meaning that underlying organic growth is somewhat higher.

HANZA's customer portfolio continues to evolve. The aim is to expand the company's partnership with strategic customers, where greater value can be created for both HANZA and the customer through the cluster model offered by HANZA. This strategy led HANZA to shed a non-strategic telecom customer whose 2014 turnover was significantly in excess of SEK 100 million. For the same reason, in 1Q 2018 HANZA decided to terminate a manufacturing contract with an annual volume of approximately SEK 80 million. The winding-up will proceed over an agreed period of time. HANZA estimates that this volume will be replaced by new volumes and that the transition will have a positive impact on consolidated earnings.

EBITDA for the quarter amounted to SEK 32.0 million (20.0), which corresponds to an EBITDA margin of 7.3% (5.7). Depreciation during the period amounted to SEK 13.6 million (11.6). The Group's operating profit amounted to SEK 18.4 million (8.4), which corresponds to an operating margin of 4.2% (2.4). The operating margin is not affected by exchange rate effects.

In 2017, HANZA completed the transition of its operations into a cluster structure, as called for by the company's business model. The organisation has also been adapted to the new structure during the early part of 2018. In order to track these developments, HANZA has defined new operating segments for performance reporting purposes that adhere to the Group's business model, the varying character of production services, how the processes (primarily automation) vary, and how they are distributed:

- Nordic – Manufacturing clusters located in or near HANZA's primary geographical customer markets, which currently consist of Sweden, Finland and Norway. These clusters are currently found in Sweden and Finland. The operations 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 (near the Nordic countries), Central Europe (near Germany and others) and China (in China). The operations in these areas are characterised by heavy labour input, complex, extensive monitoring, and a focus on efficient logistics.

- 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

For 1Q 2018, the Nordics segment is reporting an operating profit of SEK 13.0 million (5.5), which corresponds to an operating margin of 6.0% (3.8). The improved financial performance is due to a combination of increased profitability in HANZA's Nordic operations and profit contributions from the acquisition of Wermech. Turnover increased by SEK 72.8 million to SEK 217.2 million (144.4), which is primarily attributable to the acquiree, Wermech.

The Rest of World segment is reporting an operating profit of SEK 8.2 million (3.7) for the quarter, which corresponds to an operating margin of 3.7% (1.8). The improved financial performance is due to the completion of the company's transition to a Cluster structure (referred to as the CORE project).

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. During the first quarter, operating profit for the Business Development segment amounted to SEK -2.8 million (-0.8), mainly comprising costs associated with the acquisition of Wermech.

The gross margin amounted to 45.8% (42.7). Other external charges amounted to SEK -57.3 million (-46.5), while costs of personnel amounted to SEK -111.9 million (-85.4). The generally increased cost structure is due to the acquisition of Wermech.

Net financial items during the quarter amounted to SEK -7.7 million (-3.7). Of this amount, net interest income/expenses amount to SEK -3.1 million (-3.1). Thanks to renegotiated interest on debt, net interest income/expenses remain unchanged in spite of increased net debt. Other increases in net financial items are largely attributable to translation differences upon translation of intra-group balances.

During the quarter, costs associated with bridge financing were also charged to net financial items in the amount of SEK 1.0 million. This financing was repaid in April with the proceeds from the preferential rights issue.

Profit before tax amounted to SEK 10.7 million (4.7). Profit after tax amounted to SEK 8.8 million (3.3).

CASH FLOW AND INVESTMENTS

Cash flows from operating activities remain positive, amounting to SEK 9.1 million (33.1) during the first quarter. During the quarter, cash flows were adversely affected by increases in tied-up working capital in the amount of SEK -17.7 million (20.0), due to longer lead times on electronic components, as well as capital tied up in the new projects awarded HANZA. Cash flow during the quarter was also adversely affected by a one-off effect due to the termination of a project in which the customer paid an advance.

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 amounted to SEK -156.7 million (3.3) during the first quarter, of which SEK 144.4 million is attributable to investments in the subsidiary Wermech. Otherwise, cash flows from investing activities comprised investments in machinery and equipment in the amount of SEK 12.4 million (3.1), and disposals of fixed assets in the amount of SEK 0.1 million (6.4).

Cash flows from financing activities amounted to SEK 129.4 million (-18.5), of which SEK 56.1 million was raised through a new share issue for financing part of the acquisition of Wermech. During the quarter, outstanding loans increased by SEK 73.3 million (-18.5). This increase is also mainly due to borrowings for financing the acquisition.

FINANCIAL POSITION

Shareholders' equity at the end of the period amounted to SEK 388.9 million (286.0), whereas the equity ratio was 33.9 % (37.3). The balance sheet total amounted to SEK 1,147.9 million (766.3). Cash and cash equivalents amounted to SEK 39.8 million (42.2) at the end of the period. Net interest-bearing debt amounted to SEK 329.1 million (175.2) at the end of the period. The increase is attributable to the acquisition of Wermland Mechanics AB, partly owing to the acquired debt and partly due to loan financing.

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,409 (1,329). The number of employees at the end of the period is 1,574. At the start of the year the number was 1,373. Of the employees at the end of the period, 173 came with the acquisition of Wermech.

THE PARENT COMPANY

The parent company's net turnover, which consists exclusively of income from Group companies, amounted to SEK 3.6 million (1.8) during the quarter. Profit before tax for the quarter amounted to SEK -0.2 million (-1.5). No investments have been effected in the parent company.

SHARES

At the beginning of the year, the number of shares outstanding was 22,324,008. As part of the financing of the acquisition of Wermech, during Q1 HANZA completed a new share issue, which resulted in the addition of 6,697,200 new shares and an increase in share capital by SEK 669,720. Following the new share issue, the number of shares in the Company amounts to 29,021,208. 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 12.85 (9.61).

Since 2016, there has been a warrants programme in place for a maximum of 1,001,000 warrants, under which warrant holders, after restatement for the preferential rights issue, are entitled to subscribe for 1.07 shares at SEK 11.14 from 1 November 2018 until 31 December 2018. Of these warrants, 896,000 have been offered and subscribed for.

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 2017 annual report. There have been no material changes in the risks since the preparation of the 2017 annual report.

RELATED PARTY TRANSACTIONS

Board members Gerald Engström, Francesco Franzé and Håkan Halén guaranteed the preferential rights issue. The terms of this guarantee are described in the prospectus published in connection with the preferential rights issue. In addition to the foregoing, 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.

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, 3 May 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	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Net turnover	**2, 4**	**438.6**	**350.0**	**1,399.7**
Change of inventories in production, finished goods and work in progress on behalf of others		21.5	4.8	18.0
Raw materials and consumables		-259.3	-205.4	-825.0
Other external charges		-57.3	-46.5	-191.1
Costs of personnel		-111.9	-85.4	-339.2
Depreciation		-13.6	-11.6	-43.4
Other operating income	5	2.6	3.9	21.4
Other operating expenses	5	-2.2	-1.4	-4.7
Operating profit	**4**	**18.4**	**8.4**	**35.7**
Profit/loss from financial items				
Financial income		0.1	0.3	-
Financial expenses		-7.8	-4.0	-16.3
Financial items – net	**6**	**-7.7**	**-3.7**	**-16.3**
Profit/loss before tax		**10.7**	**4.7**	**19.4**
Income tax		-1.9	-1.4	-3.0
Profit/loss for the period		**8.8**	**3.3**	**16.4**
Other comprehensive income				
Items that can subsequently be reversed in profit or loss				
Exchange rate differences		13.9	-0.1	10.0
Other comprehensive income for the period		**13.9**	**-0.1**	**10.0**
Total comprehensive income for the period		**22.7**	**3.2**	**26.4**
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		0.36	0.14	0.69
Earnings per share after dilution, SEK		0.36	0.14	0.69
Weighted average number of shares before dilution		24,336,220	23,028,434	23,892,035
Adjustment upon calculation of earnings per share after dilution:				
Convertibles		-	1,058,486	260,996
Optioner		105,821	-	-
Weighted average number of shares after dilution		24,442,041	24,086,920	24,153,031

Based on the number of shares restated on the basis of the bonus issue element of the preferential rights issue during the quarter.

CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	Note	2018-03-31	2017-03-31	2017-12-31
ASSETS				
Fixed assets				
Intangible assets				
Goodwill		264.7	145.0	147.6
Other intangible assets		70.1	0.5	3.8
Intangible assets		**334.8**	**145.5**	**151.4**
Tangible fixed assets		**265.2**	**229.5**	**205.8**
Financial fixed assets				
Other long-term securities holdings		0.4	0.3	0.3
Deferred tax assets		14.9	16.1	16.7
Financial fixed assets		**15.3**	**16.4**	**17.0**
Total fixed assets		**615.3**	**391.4**	**374.2**
Current assets				
Inventories		322.7	256.3	270.2
Accounts receivable		137.3	52.6	49.4
Other receivables		21.5	14.1	13.5
Prepayments and accrued income		11.3	9.7	6.4
Cash and cash equivalents		39.8	42.2	56.1
Total current assets		**532.6**	**374.9**	**395.6**
TOTAL ASSETS		**1,147.9**	**766.3**	**769.8**

CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	Note	2018-03-31	2017-03-31	2017-12-31
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		**388.9**	**286.0**	**309.3**
LIABILITIES				
Long-term liabilities				
Liabilities to credit institutions	3	231.0	88.5	87.3
Non-interest bearing long-term liabilities		32.7	7.6	7.4
Total long-term liabilities		**263.7**	**96.1**	**94.7**
Current liabilities				
Overdraft facility	3	67.3	61.5	68.8
Liabilities to credit institutions	3	54.8	60.7	39.9
Other interest-bearing liabilities		15.8	6.7	2.1
Accounts payable		226.7	179.1	167.4
Other liabilities		47.1	29.0	44.4
Accrued expenses and deferred income		83.6	47.2	43.2
Total current liabilities		**495.3**	**384.2**	**365.8**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,147.9**	**766.3**	**769.8**
Shareholders' equity per share at the end of the period, SEK		13.40	11.83	12.79
Number of shares at the end of the period		29,021,208	24,174,668	24,174,668

Based on the number of shares restated on the basis of the bonus issue element of the preferential rights issue during the quarter.

CONDENSED CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions	Note	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Opening balance		309.3	268.8	268.8
Profit/loss for the period		8.8	3.3	16.4
Other comprehensive income				
Exchange rate differences		13.9	-0.1	10.0
Total comprehensive income		22.7	3.2	26.4
Effect of implementation of IFRS 15	2	0.8	-	-
Transactions with shareholders				
Warrants issue		-	-	0.1
New share issue		60.3	-	-
Issue costs		-4.2	-0.1	-0.1
Conversion of convertible loan		-	14.1	14.1
Total contributions from and distributions to shareholders, recognized directly in equity		56.1	14.0	14.1
Closing balance		388.9	286.0	309.3

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Note	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Cash flows from operating activities				
Profit/loss after financial items		10.7	4.7	19.4
Depreciation		13.6	11.6	43.4
Other non-cash items		4.1	-1.6	-1.8
Paid income tax		-1.6	-1.6	0.8
Cash flows from operating activities prior to the change in working capital		**26.8**	**13.1**	**61.8**
Total change in working capital		**-17.7**	**20.0**	**10.2**
Cash flows from operating activities		**9.1**	**33.1**	**72.0**
Cash flows from investing activities				
Investments in subsidiaries	7	-144.4	-	-
Investments in fixed assets		-12.4	-3.1	-14.3
Disposals of tangible fixed assets		0.1	6.4	23.0
Cash flows from investing activities		**-156.7**	**3.3**	**8.7**
Cash flows from financing activities				
New share issue		56.1	-	-
Change in loans		73.3	-18.5	-48.1
Cash flows from financing activities		**129.4**	**-18.5**	**-48.1**
Reduction/increase in cash and cash equivalents		**-18.2**	**17.9**	**32.6**
Cash and cash equivalents at the beginning of the period		56.1	24.1	24.1
Exchange differences in cash and cash equivalents		1.9	0.2	-0.6
Cash and cash equivalents at the end of the period		**39.8**	**42.2**	**56.1**

CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Operating income	**3.6**	**1.9**	**8.6**
Operating expenses	**-3.6**	**-3.1**	**-12.7**
Operating profit	**0.0**	**-1.2**	**-4.1**
Profit/loss from financial items			
Other interest income and similar income items	0.4	0.3	0.6
Interest charges and similar income items	-0.6	-0.6	-1.6
Total profit/loss from financial items	**-0.2**	**-0.3**	**-1.0**
Profit/loss after net financial items	**-0.2**	**-1.5**	**-5.1**
Appropriations	-	-	4.5
Profit/loss before tax	**-0.2**	**-1.5**	**-0.6**
Tax on profit for the period	-	-	0.2
Profit/loss for the period	**-0.2**	**-1.5**	**-0.4**

Other interest income and similar income items include interest income from Group companies in the amount of SEK 0.4 million (0.3).

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

Amount in SEK millions	Note	2018-03-31	2017-03-31	2017-12-31
ASSETS				
Fixed assets				
Financial fixed assets		**289.3**	**253.9**	**238.2**
Total fixed assets		**289.3**	**253.9**	**238.2**
Current assets				
Current receivables		6.6	0.4	5.6
Cash and cash equivalents		2.2	0.0	7.1
Total current assets		**8.8**	**0.4**	**12.7**
TOTAL ASSETS		**298.1**	**254.3**	**250.9**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		**283.3**	**224.7**	**225.8**
Long-term liabilities		**9.0**	**13.4**	**8.6**
Current liabilities		**5.8**	**16.2**	**16.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**298.1**	**254.3**	**250.9**

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 9 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.

Aside from the changes described farther 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 2017 annual report. This interim report should be read in conjunction with this annual report.

The introduction of IFRS 9 "Financial Instruments" has not affected the Group's accounting policies.

IFRS 15 "Revenue from Contracts with Customers" is being applied by the Group for the first time in 2018. 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 recognised earlier. Hanza has chosen prospective application, which means that the 2017 comparison year has not been recalculated. At the beginning of the year, there was buffer stock in the amount of SEK 9.4 million, with a realisable value of SEK 10.2 million. The difference, SEK 0.8 million, is reflected directly in the consolidated report of changes in shareholders' equity, as an "Effect of the implementation of IFRS 15". If the quarterly earnings were to be reported in accordance with previous accounting principles, consolidated net turnover would have been SEK 0.6 million higher, while the effect on operating profit would have been marginal. See Note 4 for a description of consolidated revenue.

In 2018, HANZA transits to cluster-based segment classification, which is described in Note 4.

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 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 made in 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
As of 2018, HANZA applies cluster-based segment classification to replace the segment classification used through 2017, which was based on manufacturing technology. The new segment classification is thought to more faithfully reflect the business model, organisation and manner in which the Board and management currently monitor and evaluate the business. 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 (near the Nordic countries), Central Europe (near Germany and others) and China (in China). The operations are characterised by heavy labour input, complex, extensive monitoring, and a focus on efficient logistics.

- **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

Revenues by segment
Sales between segments are made on market terms.

	Jan - Mar 2018			Jan - Mar 2017		
	Segment revenues	**Less sales between segments**	**Income from external customers**	**Segment revenues**	**Less sales between segments**	**Income from external customers**
Nordic	219.5	-2.3	217.2	151.6	-7.2	144.4
Rest of the world	238.3	-17.0	221.3	224.6	-19.4	205.2
Business development	0.1	-	0.1	0.4	-	0.4
Total	**457.9**	**-19.3**	**438.6**	**376.6**	**-26.6**	**350.0**

Operating profit by segment

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

	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Operating profit			
Nordic	13.0	5.5	16.0
Rest of the world	8.2	3.7	23.8
Business development	-2.8	-0.8	-4.1
Total	**18.4**	**8.4**	**35.7**
Financial items – net	-7.7	-3.7	-16.3
Profit/loss before tax	**10.7**	**4.7**	**19.4**
Non-recurring items			
Transaction costs	-0.3	-	-1.4
Restructuring	-	-4.2	-5.2
Real estate capital gains	-	-	2.4
Total	**-0.3**	**-4.2**	**-4.2**
Operating profit per segment excluding non-recurring items			
Nordic	13.0	7.7	17.5
Rest of the world	8.2	5.4	23.9
Total	**21.2**	**13.1**	**41.4**
Business development	-2.5	-0.5	-1.5
Total	**18.7**	**12.6**	**39.9**
Non-recurring items	-0.3	-4.2	-4.2
Operating profit	**18.4**	**8.4**	**35.7**

Revenue from external customers by manufacturing technology

	Jan - Mar 2018	Jan - Mar 2017
Mechanics	304.1	222.8
Electronics	134.4	126.8
Business development	0.1	0.4
Total	**438.6**	**350.0**

Note 5 Other operating income and operating expenses

Other operating income	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Profit on disposal of fixed assets	-	2.6	8.1
Exchange gains	2.3	1.0	4.5
Debt write-down	-	-	7.3
Other items	0.3	0.3	1.5
Total	**2.6**	**3.9**	**21.4**
Other operating expenses			
Loss on disposal of fixed assets	-	-0.4	-1.1
Exchange losses	-2.2	-0.9	-3.3
Other items	-	-0.1	-0.3
Total other operating income	**-2.2**	**-1.4**	**-4.7**

The debt write-down in 2017 related to HANZA Finland, Vaasa Oy.

Note 6 Financial income and expenses – Net financial items

Financial income	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Interest income	0.1	-	-
Net exchange gains and losses	-	0.3	-
Total financial income	**0.1**	**0.3**	**-**
Financial expenses			
Interest expenses	-3.2	-3.1	-11.2
Net exchange gains and losses	-3.5	-	-1.6
Other financial expenses	-1.1	-0.9	-3.5
Total financial expenses	**-7.8**	**-4.0**	**-16.3**
Total financial items - net	**-7.7**	**-3.7**	**-16.3**

Note 7 Acquisitions of subsidiaries

On 1 February 2018, Hanza Holding acquired all shares in Wermland Mechanics Group AB (Wermech). The company owns the subsidiary Wermland Mechanics Töcksfors AB, which manufactures custom-made sheet-metal components at plants in Töcksfors and Svanskog in Värmland. In 2017, Wermech posted preliminary sales of approximately SEK 366 million, with an operating profit of SEK 27 million.

The total purchase price is capped at SEK 167.5 million, consisting of a fixed component in the amount of SEK 145.0 million that was paid upon entry into possession, and a variable supplementary purchase price of no more than SEK 22.5 million, payable during the first quarter of 2019. The expected supplementary purchase price has been estimated at SEK 16.5 million in the acquisition analysis, which was discounted to SEK 15.8 million. During the acquisition, an intangible asset in the form of customer relations was identified in the amount of SEK 66.0 million. In addition, goodwill in the amount of SEK 113.3 million is reported in the acquisition. The acquisition analysis is still preliminary.

Purchase price, SEK million	
Cash and cash equivalents paid upon entry into possession	145.0
Conditional supplementary purchase price due during Q1 2019	15.8
Total estimated purchase price	**160.8**

Reported amounts of identifiable acquired assets and assumed liabilities

Cash and cash equivalents	0.6
Intangible fixed assets	66.0
Tangible fixed assets	54.3
Inventories	29.1
Accounts receivable and other receivables	62.8
Deferred tax liability	-25.2
Borrowings	-76.3
Accounts payable and other liabilities	-63.8
Total identified net assets	**47.5**
Goodwill	113.3
Total net assets transferred	**160.8**

KEY RATIOS

	Jan - Mar 2018	Jan - Mar 2017	Jan - Dec 2017
Net turnover, SEK millions	438.6	350.0	1399.7
EBITDA margin, %	7.3%	5.7%	5.7%
Operating margin, %	4.2%	2.4%	2.6%
Operating profit from operational business areas, SEK millions	21.2	9.2	39.8
Operational operating margin, %	4.8%	2.6%	2.8%
Operating capital, SEK millions	718.0	461.2	451.3
Return on operating capital, %	3.6%	1.9%	8.4%
Capital turnover on operating capital, times	0.8	0.7	3.0
Net interest-bearing debt, SEK millions	329.1	175.2	142.0
Net debt/equity ratio, times	0.8	0.6	0.5
Equity ratio, %	33.9%	37.3%	40.2%
Average number of employees	1 409	1 329	1 305

FORTHCOMING DISCLOSURES

- 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

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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 2017.

Business development costs include costs incurred to develop the Group which are not related to the operating activities, such as acquisitions, disposals, listing costs, cost of developing service offers etc.

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, times, 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 modernises and streamlines the manufacturing industry. By bringing together various manufacturing technologies at the local level, the company creates shorter lead times, more environmentally-friendly processes and increased profitability on behalf of its customers. HANZA was founded in 2008 and has rapidly grown into a company with a market capitalisation running into the billions of SEK with operations in Sweden, Finland, Estonia, Poland, Czech Republic and China. HANZA's customers include leading companies such as ABB, Atlas Copco, Getinge, Saab Defence and Siemens.
Read more on www.hanza.com

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