

HANZA



**EMPOWERING
INNOVATION**

INTERIM REPORT
THIRD QUARTER 2017

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

INTERIM REPORT 1 January - 30 September 2017

High organic growth, profitability improvement and debt reduction

THIRD QUARTER (1 July - 30 September 2017)

- Net turnover increased by 9.6% to SEK 324.3 million (295.8).
- Operating profit from the operational business areas amounted to SEK 7.0 million (4.1).
The Group's operating profit amounted to SEK 6.9 million (3.2).
- Profit after tax amounted to SEK 3.8 million (-2.2), which corresponds to SEK 0.17 per share (-0.11).
- Cash flow from operating activities amounted to SEK 17.9 million (-9.6).

FIRST NINE MONTHS (1 January - 30 September 2017)

- Net turnover increased by 6.7% to SEK 1,041.9 million (976.9).
- Operating profit from the operational business areas amounted to SEK 30.6 million (30.0).
The Group's operating profit amounted to SEK 29.3 million (26.2).
- Profit after tax amounted to SEK 15.1 million (6.5), which corresponds to SEK 0.69 per share (0.32).
- Cash flow from operating activities amounted to SEK 53.0 million (22.4).

CEO Erik Stenfors' commentary on the report:

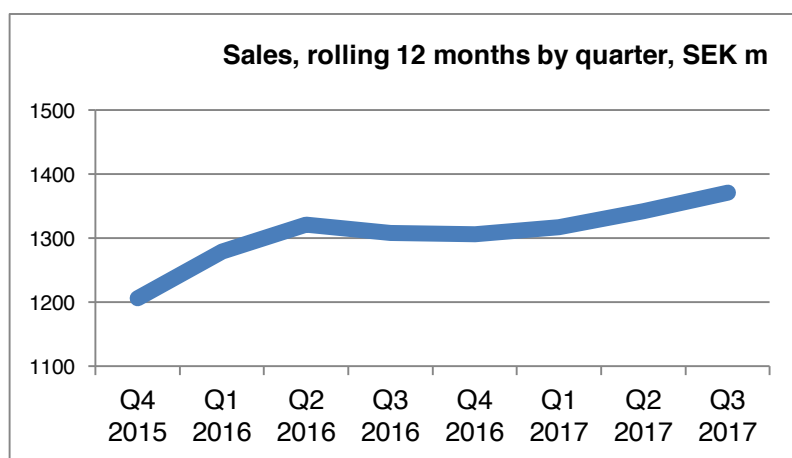
"HANZA continues to grow, reaching the highest sales, so far, for a third quarter. Our operating profit is seasonally lower in Q3, due to the summer period, but year-on-year profitability continues to improve. The second half of year 2017 is impacted by charges for lease costs and closing costs of approximately SEK 1.5 million per quarter. These costs are attributable to the unit in Vaasa, Finland, following the earlier relocation of the manufacturing to our clusters."

"In 2017 we completed the extensive work of creating a unique manufacturing environment – our five Manufacturing Clusters. We now continue to further develop our organisation, among other things by adding two new positions in Group Management – a Chief Operating Officer and a Head of Strategic HR."

"We have created HANZA, methodically and purposefully, over the period of eight years and two phases. Today we are the Nordic region's third-largest manufacturing company. The development phases affected our debt position, making it important to focus on the balance sheet. In 2017, we have reduced our net debt by SEK 78 million, and HANZA's equity ratio is now close to 40%. This means that we are ready for our most exciting time yet: The future."

MATERIAL EVENTS DURING THE THIRD QUARTER OF 2017

- In July, HANZA signed a manufacturing agreement with the international medical technology company Getinge with an initial order value exceeding EUR 1 million. Production will take place in HANZA's manufacturing cluster in Estonia.
- HANZA has expanded the Group management for the coming expansion by recruiting a Chief Operating Officer (COO) and a Head of Strategic HR (SHR), both of whom joined the Group on 1 September 2017. At the same time, HANZA announced that the company's CFO intends to leave the company by no later than the start of 2018.
- In September, HANZA received an order on a so called MIGTM project; to shape the future manufacturing strategy of the First North-listed company Mantex AB, which develops and markets X-ray scanners for quality measurement of biofuels and pulp.



The HANZA Group's sales development. The graph shows how sales increased through the acquisition of Metalliset in 2015 and how the divested factories as well as customers who were phased out during the Frontrunner program in 2016 have successfully been replaced with new volumes

SEK millions	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Net turnover	324.3	295.8	1041.9	976.9	1,305.8
Operating profit from operational business areas	7.0	4.1	30.6	30.0	30.0
Business development	-0.1	-0.9	-1.3	-3.8	-4.8
Operating profit	6.9	3.2	29.3	26.2	25.2
Cash flow from operating activities	17.9	-9.6	53.0	22.4	41.6
Net interest-bearing debt	149.0	230.0	149.0	230.0	226.7
Equity ratio	39.6%	36.4%	39.6%	36.4%	35.6%

CEO'S COMMENTS

HANZA continues to grow

We have, as has been stated earlier, been working to develop our collaboration with strategic customers where HANZA add high customer value. This also means that we have discontinued some manufacturing volumes as part of the program to relocate smaller plants to our Manufacturing Clusters.

In light of this, it is particularly gratifying to be able to announce that HANZA continues to grow. We reached the highest sales, so far, for a third quarter. Our operating profit is normally lower during Q3 due to the summer period, but year-on-year profitability continues to improve. This quarter we also carry some remaining costs, approximately SEK 1.5 million, primarily related to the lease agreement of the unit in Vaasa, Finland, from which we relocated production to our clusters. These remaining costs will end by December 2017.

Working with the organisation

In 2017, we completed the extensive project to create a cost-effective, flexible structure for manufacturing – our five unique Manufacturing Clusters. In order to be able to cope with the high order intake, we are now fine-tuning these clusters through a number of activities we refer to as CORE (Cluster Operational Excellence) projects. One such project was recently completed in Tartu, Estonia, with excellent results in terms of both capacity and enhanced profitability. We started a new CORE project in June in Narva, Estonia. As part of that project, the management in Narva has been strengthened through central resources, new machinery investments are being made, and the implementation of the Group ERP system has been accelerated. We expanded capacity by approximately 10% during the quarter, and further work will be completed in the autumn.

We are also focused on continuing to develop the organisation. During the spring, we completed an extensive project to strengthen our company culture. The result was that we recently launched five core values: Focus, Simplicity, Ownership, Communication and Team Spirit. Furthermore, at the beginning of the autumn, we presented a development of the group management with a Chief Operating Officer (COO) and a Head of Strategic HR (SHR).



Further development of HANZA's organization, which spans six countries, is partly done by the Group's core values: Focus, Simplicity, Ownership, Communication and Team spirit.



Ready for the future

We have created HANZA methodically and purposefully over the period of eight years and two phases. Now we are the Nordic region's third largest EMS company. The development phases affected our debt position, making it important to focus on the balance sheet. In 2017, we have reduced our net debt by SEK 78 million, and HANZA's equity ratio is now close to 40%. This means that we are ready for the most exciting time yet: The future.

MARKET TRENDS

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

Generally speaking, we continue to see strong global growth. In Germany, uncertainty with regard to the future was lowered after the German elections the business climate remains optimistic and demand is high. We continue to see growth in the United States, although the political climate remains turbulent. Growth in China has been stronger than expected, but is expected to slow somewhat by the remainder of 2017.

Sweden continues to experience a strong economy in several different subsectors, and demand is expected to remain strong throughout the year. Finland also continues to recover after the long slump that followed the financial crisis. Demand is expected to increase somewhat in Norway.

HANZA does not provide sales forecasts, but concludes that the prospects for continued organic growth are very good.

TURNOVER AND FINANCIAL RESULT

Third quarter

Net turnover increased by 9.6%, to SEK 324.3 million (295.8). However, comparative figures from previous years include volumes that were discontinued as part of the Frontrunner program, meaning that underlying organic growth is higher.

EBITDA for the quarter amounted to SEK 17.5 million (14.5), which corresponds to an EBITDA margin of 5.4% (4.9). Depreciation during the period amounted to SEK 10.6 million (11.3). The Group's operating profit amounted to SEK 6.9 million (3.2), which corresponds to an operating margin of 2.1% (1.1).

HANZA recognises non-recurring items in notes, such as severance packages, rental costs set aside for the liquidation of premises, stock scrapping and impairment of assets that will not be utilised in the future, etc. HANZA's strategy is to free up and sell off excess assets during factory consolidation in order to offset the additional costs incurred by the establishment of the Cluster Structure. For Q3, the net of these items was negative in the amount of SEK -1.2 million, mainly due to lease costs in Vaasa, which will end in December 2017; see Note 4. This amount only includes items directly attributable to the programme. In addition to this, there are indirect costs such as quality assurance work, changeover of material structures, internal training of new staff, etc.

In 3Q 2017, turnover in the Electronics segment increased by 7.6%, to SEK 108.6 million (100.9). The segment's operating profit for the period amounted to SEK 6.9 million (4.2), which corresponds to an operating margin of 6.4% (4.2).

In 3Q 2017, turnover in the Mechanics segment increased by 10.6%, to SEK 215.5 million (194.9). The segment's operating profit for the period amounted to SEK 0.1 million (-0.1), which corresponds to an operating margin of 0.0% (-0.1). During the period, the results in the Mechanics segment were impacted by the withdrawal from the manufacturing facility in Vaasa (approximately SEK 1.5 million) and by a major CORE project (see description above) at the mechanics factory in Narva (approx. SEK 2.5 million), under the auspices of which the business is undergoing a reconfiguration in order to meet higher order volume, including by reinforcing management and working to implement HANZA's Group business system Monitor.

We recognize costs associated with special projects to develop the Group and which are not linked to HANZA's operational activities under the Business development segment; such special projects include acquisitions, disposals, listing costs, the development of service products, etc. During the third quarter, operating profit for the Business development segment amounted to SEK -0.1 million (-0.9).

Gross margin amounts to 42.2% (44.4). The reduced margin is due to the above mentioned CORE project in Narva and changes in the customer mix as the number of customers who provide their own materials has diminished. Other external charges amounted to SEK -45.2 million (-42.2), while costs of personnel amounted to SEK -75.4 million (-76.4).

Net financial items during the quarter amounted to SEK -2.1 million (-4.8). Of this amount, net interest income/expenses amounts to SEK -2.7 million (-2.5). Previous year the net interest income/expenses were positively affected by a release of an interest reservation related to a rental dispute. Excluding this release the net interest income/expense is about SEK 0.5 million lower this year due to lower net debt and lower interest rates.

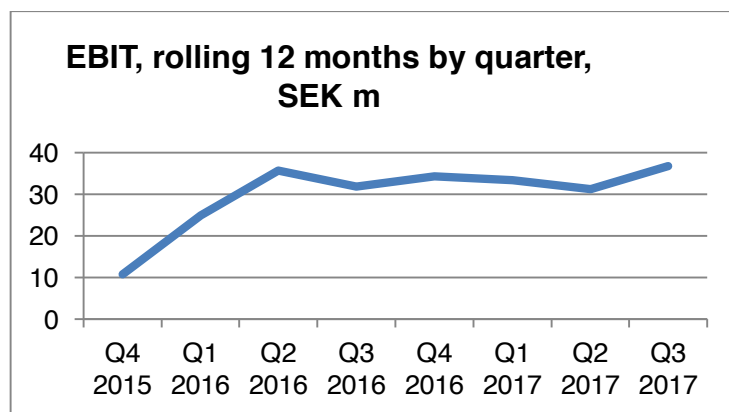
Profit before tax amounted to SEK 4.8 million (-1.6). Profit after tax amounted to SEK 3.8 million (-2.2).

First nine months

HANZA's net turnover increased by 6.7% to SEK 1,041.9 million (976.9) during the first nine months of the year.

EBITDA for the first nine months amounted to SEK 62.3 million (61.1), which corresponds to an EBITDA margin of 6.0% (6.3). Depreciation during the period amounted to SEK 33.0 million (34.9). The gross margin amounted to 41.8% (44.5). The Group's operating profit (EBIT) amounted to SEK 29.3 million (26.2), which corresponds to an operating margin of 2.8% (2.7).

Net financial items amounted to SEK -10.7 million (-17.3), of which net interest income/expenses amounted to SEK -8.8 million (-11.1). The improvement is primarily attributable to lower net debt and lowered interest rates; see Note 6. Profit before tax amounted to SEK 18.6 million (8.9). Profit after tax amounted to SEK 15.1 million (6.5).



The HANZA Group's EBIT performance, excluding direct non-recurring items. The graph shows operating profit, excluding direct non-recurring items, which are recognized separately.

CASH FLOW AND INVESTMENTS

Cash flows from operating activities during the third quarter amounted to SEK 17.9 million (-9.6). During the quarter, cash flow was positively affected by decreased working capital in the amount of SEK 3.9 million (-15.4).

Cash flows from investing activities during the third quarter amounted to SEK -0.7 million (-6.3), comprising investments in machinery and equipment in the amount of SEK -1.3 million (-7.5), and disposals of fixed assets in the amount of SEK 0.6 million (1.2). During the quarter, outstanding loans decreased in the amount of SEK 10.1 million (increase in the amount of 5.6).

FINANCIAL POSITION

Shareholders' equity at the end of the period amounted to SEK 298.2 million (274.9), whereas the equity ratio was 39.6% (36.4).

The balance sheet total amounted to SEK 752.9 million (755.1). Cash and cash equivalents amounted to SEK 49.3 million (20.5) at the end of the period. Net interest-bearing debt amounted to SEK 149.0 million (230.0) at the end of the period.

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,125 (1,231). The number of employees at the end of the period is 1,345, whereas the number at the start of the year was 1,399.

THE PARENT COMPANY

The parent company's net turnover, which consists exclusively of income from Group companies, amounted to SEK 2.4 million (3.9) during the third quarter. Profit before tax for the quarter amounted to SEK -1.1 million (1.5). No investments have been effected in the parent company.

SHARES

At the beginning of the year, Hanza had an outstanding convertible loan from Färna Invest AB in a nominal amount of SEK 15.0 million. This loan was converted at the beginning of March at a strike price of 9.29, causing the number of shares to increase by 1,614,639 units, for a total of 22,324,008 units at the end of the period. There were no changes in the number of shares outstanding during the second quarter. There is only one share class. Erik Penser Bank AB is the company's Certified Adviser, and also acts as the market maker.

The shares trade on the Nasdaq First North Premier Stockholm. The Premier segment places more stringent demands on the company in terms of disclosure and reporting than do the ordinary First North rules. The Premier segment also holds the company to a higher level of transparency, which serves to prepare the company for a possible transfer over to Nasdaq's main lists. The share price at the end of the period was SEK 11.10 (12.40).

Since 2016, there has also been a warrants programme in place for 1,001,000 warrants, under which warrant holders are entitled to subscribe for 1 share at SEK 12 from 1 November 2018 until 31 December 2018. Of these warrants, 721,000 were offered and subscribed for at the start of the period. During the third quarter, an additional 175,000 warrants were offered and subscribed for. Thus, the total number of subscribed warrants is 896,000 at the end of the period.

MATERIAL RISKS AND UNCERTAINTIES

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

RELATED PARTY TRANSACTIONS

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

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

Stocksund, 23 October 2017

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	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Net turnover	4	324.3	295.8	1,041.9	976.9	1,305.8
Change of inventories in production, finished goods and work in progress on behalf of others		1.8	1.9	15.2	-2.5	4.3
Raw materials and consumables		-189.1	-166.5	-621.8	-539.2	-722.6
Other external charges		-45.2	-42.2	-140.7	-140.2	-196.2
Costs of personnel		-75.4	-76.4	-247.0	-246.9	-332.8
Depreciation		-10.6	-11.3	-33.0	-34.9	-47.5
Other operating income	5	2.4	3.2	18.2	17.6	20.7
Other operating expenses	5	-1.3	-1.3	-3.5	-4.6	-6.5
Operating profit	4	6.9	3.2	29.3	26.2	25.2
Profit/loss from financial items						
Financial income		1.4	-	0.8	0.3	0.3
Financial expenses		-3.5	-4.8	-11.5	-17.6	-22.0
Financial items – net	6	-2.1	-4.8	-10.7	-17.3	-21.7
Profit/loss before tax		4.8	-1.6	18.6	8.9	3.5
Income tax		-1.0	-0.6	-3.5	-2.4	-1.6
Profit/loss for the period		3.8	-2.2	15.1	6.5	1.9
Other comprehensive income						
Items that can subsequently be reversed in profit or loss						
Exchange rate differences		-3.7	6.7	0.2	13.9	11.4
Other comprehensive income for the period		-3.7	6.7	0.2	13.9	11.4
Total comprehensive income for the period		0.1	4.5	15.3	20.4	13.3
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		0.17	-0.11	0.69	0.32	0.09
Earnings per share after dilution, SEK		0.17	-0.09	0.69	0.32	0.09
Weighted average number of shares before dilution		22,324,008	20,642,179	21,975,057	20,642,179	20,651,884
Adjustment upon calculation of earnings per share after dilution:						
Convertibles		-	1,486,637	348,951	1,486,637	1,538,917
Weighted average number of shares after dilution		22,324,008	22,128,816	22,324,008	22,128,816	22,190,801

CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	Note	2017-09-30	2016-09-30	2016-12-31
ASSETS				
Fixed assets				
Intangible assets				
Goodwill		145.1	145.9	145.1
Other intangible assets		0.6	0.3	0.5
Intangible assets		145.7	146.2	145.6
Tangible fixed assets		205.3	240.7	243.5
Financial fixed assets				
Other long-term securities holdings		0.3	0.3	0.3
Deferred tax assets		16.0	15.7	17.2
Financial fixed assets		16.3	16.0	17.5
Total fixed assets		367.3	402.9	406.6
Current assets				
Inventories		266.1	236.4	243.5
Accounts receivable		51.7	66.2	57.2
Other receivables		11.0	18.8	14.6
Prepayments and accrued income		7.5	10.3	9.6
Cash and cash equivalents		49.3	20.5	24.1
Total current assets		385.6	352.2	349.0
TOTAL ASSETS		752.9	755.1	755.6

CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	Note	2017-09-30	2016-09-30	2016-12-31
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		298.2	274.9	268.8
LIABILITIES				
Long-term liabilities				
Liabilities to credit institutions	3	86.3	92.7	69.1
Convertible loan		-	13.6	-
Non-interest bearing long-term liabilities		7.5	6.9	7.1
Total long-term liabilities		93.8	113.2	76.2
Current liabilities				
Overdraft facility	3	67.0	79.9	74.5
Liabilities to credit institutions	3	38.2	55.6	86.4
Convertible loan		-	4.5	13.9
Other interest-bearing liabilities		6.8	4.2	6.9
Accounts payable		164.0	155.4	155.2
Other liabilities		42.6	21.9	25.1
Accrued expenses and deferred income		42.3	45.5	48.6
Total current liabilities		360.9	367.0	410.6
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		752.9	755.1	755.6
Shareholders' equity per share at the end of the period, SEK		13.36	13.32	12.98
Number of shares at the end of the period		22,324,008	20,642,179	20,709,369

CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions

	Share capital	Other contributed capital	Reserves	Profit/loss carried forward including comprehensive income for the period	Total shareholders' equity
Opening balance as at 1 January 2016	2.0	294.8	-3.3	-39.4	254.1
Profit/loss for the period	-	-	-	1.9	1.9
Other comprehensive income					
Exchange rate differences	-	-	11.4	-	11.4
Total comprehensive income			11.4	1.9	13.3
Employee stock options	-	0.9	-	-	0.9
New share issue	0.1	0.6	-	-	0.7
Issue costs	-	-0.2	-	-	-0.2
Total contributions from and distributions to shareholders, recognized directly in equity	0.1	1.3	-	-	1.4
Closing balance as at 31 December 2016	2.1	296.1	8.1	-37.5	268.8
 Opening balance as at 1 January 2017	 2.1	 296.1	 8.1	 -37.5	 268.8
Profit/loss for the period	-	-	-	15.1	15.1
Other comprehensive income					
Exchange rate differences	-	-	0.2	-	0.2
Total comprehensive income	-	-	0.2	15.1	15.3
Employee stock options	-	0.1	-	-	0.1
Issue costs	-	-0.1	-	-	-0.1
Conversion of convertible loan	0.1	14.0	-	-	14.1
Total contributions from and distributions to shareholders, recognized directly in equity	0.1	14.0	-	-	14.1
Closing balance as at 30 September 2017	2.2	310.1	8.3	-22.4	298.2

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Cash flows from operating activities					
Profit/loss after financial items	4.8	-1.6	18.6	8.9	3.5
Depreciation	10.6	11.6	33.0	34.9	47.5
Other non-cash items	-1.4	-2.2	-4.5	-7.5	-7.4
Paid income tax	-	-2.0	0.8	-6.2	-4.6
Cash flows from operating activities prior to the change in working capital	14.0	5.8	47.9	30.1	39.0
Total change in working capital	3.9	-15.4	5.1	-7.7	2.6
Cash flows from operating activities	17.9	-9.6	53.0	22.4	41.6
Cash flows from investing activities					
Investments in fixed assets	-1.3	-7.5	-9.3	-15.2	-28.2
Disposals of tangible fixed assets	0.6	1.2	20.5	21.4	28.5
Cash flows from investing activities	-0.7	-6.3	11.2	6.2	0.3
Cash flows from financing activities					
New share issue	-	-	-	-	-0.2
Change in loans	-10.1	5.6	-38.8	-59.1	-67.8
Cash flows from financing activities	-10.1	5.6	-38.8	-59.1	-68.0
Reduction/increase in cash and cash equivalents	7.1	-10.3	25.4	-30.5	-26.1
Cash and cash equivalents at the beginning of the period	42.2	29.0	24.1	48.8	48.8
Exchange differences in cash and cash equivalents	-	1.8	-0.2	2.2	1.4
Cash and cash equivalents at the end of the period	49.3	20.5	49.3	20.5	24.1

CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Operating income	2.4	3.9	6.8	5.3	9.2
Operating expenses	-3.4	-1.7	-9.5	-7.2	-12.1
Operating profit	-1.0	2.2	-2.7	-1.9	-2.9
Profit/loss from financial items					
Profit/loss from shares in group companies	-	-	-	2.1	2.1
Other interest income and similar income items	0.2	0.2	0.6	0.9	1.2
Interest charges and similar income items	-0.3	-0.9	-1.2	-3.1	-4.2
Total profit/loss from financial items	-0.1	-0.7	-0.6	-0.1	-0.9
Profit/loss before tax	-1.1	1.5	-3.3	-2.0	-3.8
Tax on profit for the period	-	-	-	-	1.3
Profit/loss for the period	-1.1	1.5	-3.3	-2.0	-2.5

Other interest income and similar income items include interest income from Group companies in the amount of SEK 0.5 million (0.9).

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	2017-09-30	2016-09-30	2016-12-31
ASSETS				
Fixed assets				
Financial fixed assets		239.5	254.2	257.2
Total fixed assets		239.5	254.2	257.2
Current assets				
Current receivables		0.5	0.3	0.4
Cash and cash equivalents		0.0	0.1	0.0
Total current assets		0.5	0.4	0.4
TOTAL ASSETS		240.0	254.6	257.6
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		222.8	212.0	212.1
Provisions		-	0.9	0.1
Long-term liabilities		1.2	15.5	15.0
Current liabilities		16.0	26.2	30.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		240.0	254.6	257.6

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 4 to 7 forms an integral part of this financial report.

Note 2 Basis for the preparation of reports and accounting principles

HANZA Holding AB (publ) applies IFRS (International Reporting Standards), as adopted by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The interim report for the parent company has been prepared in accordance with chapter 9 of the Swedish Annual Reports Act, and with RFR 2, Accounting for legal entities.

The accounting principles are in accordance with the principles that were applied in the previous financial year. For more information on these, please refer to Note 2 of the company's 2016 annual report. This announcement should be read in conjunction with this annual report.

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

The Group's borrowing consists of a large number of notes taken out at different times and with different maturities. Most of the loans carry a floating rate of interest. Against the background of the foregoing, the reported values may be deemed to provide a good approximation of fair values.

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

Note 4 Segment information

Revenues

Sales between segments are made on market terms.

	Jul - Sep 2017			Jul - Sep 2016		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Mechanics	218.2	-2.7	215.5	196.4	-1.5	194.9
Electronics	114.8	-6.2	108.6	107.7	-6.8	100.9
Business development	0.2	-	0.2	-	-	-
Total	333.2	-8.9	324.3	304.1	-8.3	295.8

Note 4 Segment information, continued

	Jan - Sep 2017			Jan - Sep 2016		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Mechanics	683.4	-6.9	676.5	645.4	-8.4	637.0
Electronics	390.3	-25.6	364.7	365.0	-25.7	339.3
Business development	0.7	-	0.7	0.6	-	0.6
Total	1,074.4	-32.5	1,041.9	1,011.0	-34.1	976.9

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

	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Operating profit					
Mechanics	0.1	-0.1	4.3	12.0	6.0
Electronics	6.9	4.2	26.3	18.0	24.0
Business development	-0.1	-0.9	-1.3	-3.8	-4.8
Total	6.9	3.2	29.3	26.2	25.2
Financial items – net	-2.1	-4.8	-10.7	-17.3	-21.7
Profit/loss before tax	4.8	-1.6	18.6	8.9	3.5
Non-recurring items					
Revaluation of additional purchase price considerations	-	1.6	-	1.6	1.7
Transaction costs Metalliset	-	-	-	0.4	0.4
Restructuring	-1.2	-4.6	-4.1	-10.9	-17.7
Reservation rental costs Estonia	-	3.7	-	-	-
Real estate capital gains	-	-	2.4	6.6	6.6
Total	-1.2	0.7	-1.7	-2.3	-9.0
Operating profit per segment excluding non-recurring items					
Mechanics	1.3	-0.2	4.8	15.3	15.7
Electronics	6.9	4.2	26.3	18.0	24.0
Total	8.2	4.0	31.1	33.3	39.7
Business development	-0.1	-1.5	-0.1	-4.8	-5.5
Total	8.1	2.5	31.0	28.5	34.2
Non-recurring items	-1.2	0.7	-1.7	-2.3	-9.0
Operating profit	6.9	3.2	29.3	26.2	25.2

The non-recurring item for restructuring was impacted positively in previous quarter by a debt write-down in Hanza Finland Vaasa Oy. See also Note 5.

Note 5 Other operating income and operating expenses

	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Other operating income					
Profit on disposal of fixed assets	-	0.8	6.5	10.4	11.3
Revaluation of additional purchase price considerations	-	1.6	-	1.6	1.7
Insurance payments	-	-	-	0.7	0.7
Exchange gains	2.2	0.5	3.6	2.4	3.2
Debt write-down	-	-	7.3	-	-
Other items	0.2	0.3	0.8	2.5	3.8
Total	2.4	3.2	18.2	17.6	20.7
Other operating expenses					
Loss on disposal of fixed assets	-	-0.5	-1.0	-0.5	-0.5
Exchange losses	-1.3	-0.8	-2.3	-3.2	-4.9
Other items	-	-	-0.2	-0.9	-1.1
Total other operating income	-1.3	-1.3	-3.5	-4.6	-6.5

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

Note 6 Financial income and expenses – Net financial items

	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Financial income					
Interest income	0.0	0.0	0.0	0.0	0.0
Net exchange gains and losses	1.4	-	0.8	-	-
Other financial income	-	-	-	0.3	0.3
Total financial income	1.4	0.0	0.8	0.3	0.3
Financial expenses					
Interest expenses	-2.7	-2.5	-8.8	-11.1	-15.0
Net exchange gains and losses	-	-1.7	-	-3.9	-3.4
Other financial expenses	-0.8	-0.6	-2.7	-2.6	-3.6
Total financial expenses	-3.5	-4.8	-11.5	-17.6	-22.0
Total financial items - net	-2.1	-4.8	-10.7	-17.3	-21.7

KEY RATIOS

	Jul - Sep 2017	Jul - Sep 2016	Jan - Sep 2017	Jan - Sep 2016	Jan - Dec 2016
Net turnover, SEK millions	324.3	295.8	1041.9	976.9	1305.8
EBITDA margin,%	5.4%	4.9%	6.0%	6.3%	5.6%
Operating margin, 5.6%	2.1%	1.1%	2.8%	2.7%	1.9%
Operating profit from operational business areas, SEK millions	7.0	4.1	30.6	30.0	30.0
Operational operating margin,%	2.2%	1.4%	2.9%	3.1%	2.3%
Operating capital, SEK millions	447.2	504.9	447.2	504.9	495.5
Return on operating capital,%	1.5%	0.8%	6.5%	6.0%	6.0%
Capital turnover on operating capital, times	0.7	0.6	2.9	2.6	2.6
Net interest-bearing debt, SEK millions	149.0	230.0	149.0	230.0	226.7
Net debt/equity ratio, times	0.5	0.8	0.5	0.8	0.8
Equity ratio,%	39.6%	36.4%	39.6%	36.4%	35.6%
Average number of employees	1,125	1,231	1,282	1,311	1,346

FORTHCOMING DISCLOSURES

- Year-end report for the period January-December 2017 will be presented on 19 February 2018
- The interim report for the period January-March 2018 will be presented on 21 May 2018
- The interim report for the period January-June 2018 will be presented on 20 August 2018
- The interim report for the period January-September 2018 will be presented on 12 November 2018
- Annual general meeting will be held on 21 May 2018

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DEFINITIONS

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

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

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

EBITDA margin is EBITDA divided by net turnover

EBIT refers to earnings before interest and taxes

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

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

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

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

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

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

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

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

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

ABOUT HANZA

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

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