We modernize and streamline
the manufacturing industry

INTERIM REPORT
Third 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 – 30 September 2018

Doubled earnings per share. Preparations for change of listing

HANZA has commenced the process of changing its listing to the stock exchange's main market, the Nasdaq Stockholm Small Cap. The company estimates that the list change will be completed in 1H 2019. Direct expenses for the list change will be reported as they occur, and are estimated to be less than SEK 8 million in total. Accumulated direct expenses until 30 September 2018 amounted to SEK 3.0 million.

SECOND QUARTER (1 July – 30 September 2018)

- Net sales amounted to SEK 431.2 million (324.3).
- Operating profit amounted to SEK 17.1 million (6.9).
  Excluding direct costs for list change the operating profit amounted to SEK 19.6 million (6.9).
  Operating profit from the operational segments amounted to SEK 19.9 million (7.0).
- Profit after tax amounted to SEK 10.7 million (3.8), which corresponds to SEK 0.37 per share before dilution (0.16) and SEK 0.36 per share after dilution (0.16).
- Cash flow from operating activities amounted to SEK 14.1 million (17.9)

FIRST NINE MONTHS (1 January – 30 September 2018)

- Net sales amounted to SEK 1,377.8 million (1,041.9).
- Operating profit amounted to SEK 57.2 million (29.3).
  Excluding direct costs for list change the operating profit amounted to SEK 60.2 million (29.3).
  Operating profit from the operational segments amounted to SEK 64.8 million (30.6).
- Profit after tax amounted to SEK 30.5 million (15.1), which corresponds to SEK 1.11 per share before dilution (0.64) and SEK 1.10 per share after dilution (0.63).
- Cash flow from operating activities amounted to SEK 73.7 million (53.0)

CEO Erik Stenfors comments on the report:

"In Q3, we saw continued year-on-year improvement in our earnings, and our earning per share more than doubled. Our cash flow also remained positive and the net debt continued to decrease in the quarter. Following the successful integration of our latest acquisition, Wermech, at the beginning of the year, our Manufacturing Cluster in Sweden is well prepared for the future. Segment Nordics reported an operating margin of 7.8% for Q3. We are now actively moving forward with the development of our Manufacturing Clusters outside of the Nordic region."

"HANZA has commenced a process to change the marketplaces to NASDAQ's main market. One of the reasons is to obtain the quality mark that comes with meeting the significantly higher demands of the main market. Changing lists also allows new institutional investors to invest in HANZA."

"HANZA does not see a slowdown of the economy in the forecasts for 2019 presented by our customers. The end of 2018 could result in volumes slowing down because of how Christmas falls on the calendar and concern about economic conditions prompting our customers to decrease their inventories. Generally, we see great growth potential for HANZA in 2019 and beyond through our systematic work to broaden the company's customer market outside of the Nordic region."

MATERIAL EVENTS DURING THE THIRD QUARTER OF 2018

- When the interim report for January-June was published the board established a strategy for the forthcoming expansion phase, according to which the HANZA Group's financial targets and dividend policy were adjusted as follows:

    - **Average net sales growth of at least 10% per annum over a business cycle**
      Target unchanged

    - **Average operating margin (EBIT) of at least 6% over a business cycle**
      Previously: Average EBIT in excess of 5% over a business cycle.

    - **The equity ratio shall amount to at least 30%**
      Target unchanged

    - **Dividend of approximately 30% of profit after tax**
      Previous policy: 25% of profit after tax

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

- HANZA was awarded Årjäng Municipality's Näringslivspris (a local business community award) for 2018 on the following basis:
    - "The company doubled its sales over a couple of years and is a leading high-tech producer, making the company a strong competitor in the global market."

- In October, HANZA signed a strategic agreement with Finnish materials handling company Rocla to supply parts for its new generation of electronic forklifts. The parts will be produced in HANZA's Baltics Cluster and this will include the manufacture of electrical panels, contactor assemblies and cable harnesses. Production will begin immediately in HANZA's Baltics Cluster and it will be fully operational in the fourth quarter of 2018.

- HANZA's nominating committee to the annual general meeting 2019 was appointed in October to consist of the following members:
    - Per Holmberg, chairman of the nominating committee, appointed by Francesco Franzé
    - Gerald Engström, own holding
    - Massimo Franzé, own holding
    - Mikael Smedeby, chairman of the board

SEK million	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Net sales	431.2	324.3	1,377.8	1,041.9	1,399.7
Operational segments EBITA	21.9	7.1	70.0	30.8	40.1
Business development segment EBITA	-2.8	-0.1	-7.6	-1.3	-4.1
EBITA	19.1	7.0	62.4	29.5	36.0
Amortisation of intangible assets	-2.0	-0.1	-5.2	-0.2	-0.3
Operating profit (EBIT)	17.1	6.9	57.2	29.3	35.7
Operating margin	4.0%	2.1%	4.2%	2.8%	2.6%
Cash flow from operating activities	14.1	17.9	73.7	53.0	72.0
Net interest-bearing debt	288.9	149.0	288.9	149.0	142.0
Equity ratio	36.3%	39.6%	36.3%	39.6%	40.2%

CEO'S COMMENTS

HANZA and the economic climate

"The economy remains strong, and we do not see any signs of a slowdown in 2019." This is our answer to one of the most frequently asked questions right now. Then again, HANZA is one of the few companies that sees business advantages in both economic upturns and downturns:

When the economy is strong, it is crucial for product companies to manage upturns in demand, which can often be difficult to forecast. This results in high demand for the flexible manufacturing chain HANZA provides. In other words, manufacturing solutions that meet changes in demand faster than traditional contract manufacturers can, which is what we offer in our Manufacturing Clusters.

On the other hand, when the economy is weak, it is crucial to reduce the amount of capital tied up and cut manufacturing expenses. In this case as well, HANZA offers manufacturing solutions that shorten the production cycle and cut the number of suppliers. As a result, we were able to continue HANZA's growth during the two rough economic downturns that took place after HANZA was founded in 2008. Thus, the future holds great opportunities for HANZA, even during economic declines.

Q3 – hard work and successful

In the third quarter, we improved our operating margin year-on-year for the third year in a row. Our earnings per share more than doubled compared with the same period the previous year. Our cash flow also remained positive and the net debt continued to decrease in the quarter. Additionally, we see our Manufacturing Cluster in Sweden well equipped for the future after our effective and successful integration of our acquisition Wermech at the beginning of the year. Our business model creates an excellent operating margin for our Nordics segment, which totalled 7.8% for Q3.

Meanwhile, HANZA is in the midst of what we have named the company’s third phase, an expansion phase, when we carry costs of developing and adapting our Manufacturing Clusters outside of the Nordic region. A focus area is our unit in Narva, Estonia, which is strategically important for HANZA, with particular expertise in heavy mechanics. At this location, as previously reported, we implemented HANZA´s ERP system, added additional resources to meet customer demand and reviewed the customer base we have obtained through the acquisition. We estimate that we are now in the final stage of sizing the factory with a profitable capacity from which we can grow in 2019. Moreover, projects are ongoing in China and Central Europe to further adapt operations to our new customer markets. In summary, we estimate that the additional costs we carry to streamline our clusters outside of the Nordic will continue until 1Q 2019.

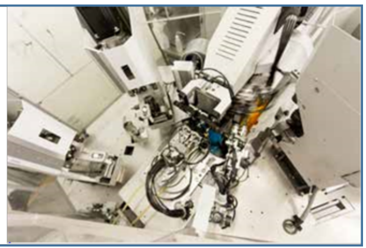
Listing process commenced

HANZA has commenced the process of changing marketplaces to the stock exchange’s main market. One of the reasons is to obtain the quality mark that comes from meeting the significantly higher demands of companies in the main market. Being listed in the main market also opens the door for new institutional investors to invest in HANZA. We will publish our direct expenses for the list change as they occur and, in total, they are expected to be less than SEK 8 million. Accumulated direct expenses until the end of September amounted to SEK 3.0 million. We forecast that we will complete the list change in 1H 2019.

A future with a continuing focus on customer value

Our consistent growth over HANZA’s first ten years is a result of our focus to create higher customer value than traditional contract manufacturing. This in turn creates profitable growth, which creates value for HANZA’s shareholders. However, the customer value is our focus, what guides us, and the foundation of our success.

Our second guiding star is to have a long-term perspective. Methodically building up HANZA step by step takes time – and must be allowed to take time. In the part of the world where HANZA started, the Nordic region, we are already reporting excellent profitability, with an operating margin of 7.8% for the third quarter. As stated, now we are working on developing our Manufacturing Clusters outside of the Nordic region, in parallel with adding new customer markets. Thus, we see great opportunities for profitable growth in the coming years.

MARKET PERFORMANCE

HANZA's market is currently mainly concentrated in the Nordic region, but it also includes customers in the rest of Europe, Asia and the United States. Because HANZA's customers are spread over a number of industries, HANZA's sales volumes generally reflect the business cycle. However, HANZA has historically won new market shares in recessions because of the rising need for product owners to find new manufacturing solutions, which is HANZA's core business. The acquisition of Wermlands Mechanics increased the seasonal variation over the calendar year in the Nordics segment, with July and December as weaker sales months due to employee leave.

The National Institute of Economic Research wrote in its latest forecast (October 2018) that the economic expansion will slow down slightly in 2019 as investment growth in both the industrial and housing sectors decreases. However, international demand will help limit the drop in growth. Although HANZA has not seen any signs of a slowdown in the forecasts for 2019 presented by the company's customers. Nevertheless, the end of 2018 could result in volumes slowing down because of how Christmas falls on the calendar and concern about economic conditions prompting customers to decrease their inventories for the end of the year.

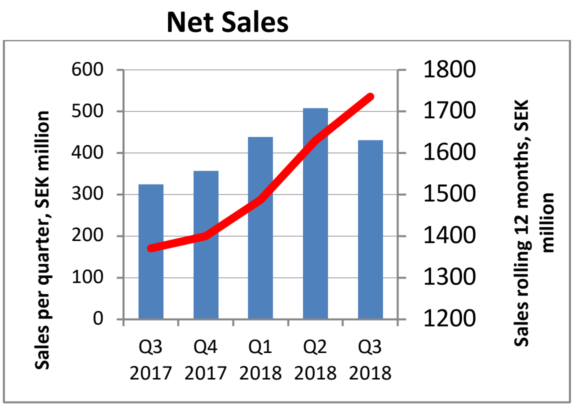
HANZA continues to refine its customer portfolio in order to expand the company's partnership with strategic customers, where greater value can be created for both HANZA and the customer through the cluster model that HANZA offers. This also means that HANZA continuously review the existing customer base, and non-strategic customers have been/may be phased out. Select volumes were also phased out when factories were merged. Growth of new customers has been and will continue to be important for growth in profitability.

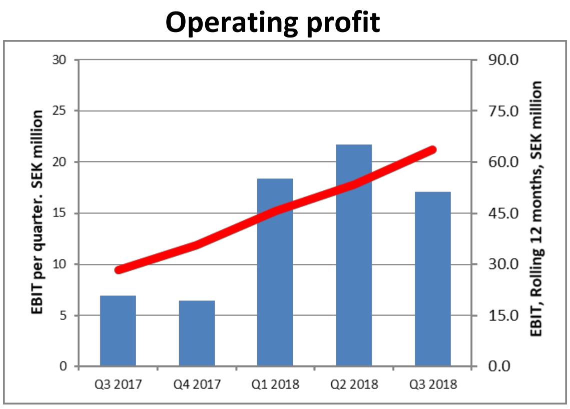
HANZA does not provide sales forecasts, but concludes that the company is well situated to continue to gain new customers and volumes with the help of HANZA's unique manufacturing concepts. Additionally, the systematic efforts to broaden the company's customer market outside of the Nordic region constitutes a base for a major growth for the coming years.

REVISED FINANCIAL TARGETS AND DIVIDEND POLICY

In August the Board adopted a strategy for the expansion phase, the aim of which is to ensure profitable growth by gaining additional market share and further developing the Group's Manufacturing Clusters. The objective is to be a major strategic manufacturer in Europe by 2022. In view of this objective, the Board also decided in August to adjust the HANZA Group's financial targets as follows:

- **Growth target: Average net sales growth of at least 10% per annum over a business cycle**
  Comments: Historically, the Group has grown both organically and through acquisitions, a model that is expected to hold into the expansion phase. Target unchanged
- **Profitability target: Average operating margin (EBIT) of at least 6% over a business cycle**
  Comments: The Nordic segment of the HANZA Group reports an operating margin of more than 6%. Other areas are expected to increase their operating margin with the European expansion. The previous target was 5% EBIT over a business cycle.
- **Capital structure target: The equity ratio shall amount to at least 30%**
  Comments: Target unchanged, the aim of which is to maintain a strong capital structure.
- **Dividend policy: Dividend of approximately 30% of profit after tax**
  Comments: The completion of the ramping-up phase provides greater scope for dividend distributions. The previous policy was 25%. When assessing the size of the dividend, care must still be taken to ensure that the Group's development is able to continue while preserving financial strength and freedom of action.





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

NET SALES AND FINANCIAL RESULT

Third quarter

Net sales increased by 33.0% to SEK 431.2 million (324.3). Adjusted for the acquired company Wermland Mechanics ("Wermech") 2017 net sales, the HANZA Group grew by 7.4%. A strengthening of foreign currencies, primarily the Euro, has a positive effect on net sales in the amount of approximately SEK 22 million. HANZA is actively engaged in developing its customer portfolio in order to increase its customer value, and thus profitability, with the phasing out of certain non-strategic volumes. Therefore, a change in sales does not provide a complete view of new sales.

EBITDA for the quarter amounted to SEK 32.4 million (17.5), which corresponds to an EBITDA margin of 7.5% (5.4). Depreciation during the period amounted to SEK 15.3 million (10.6), of which depreciation of intangible assets amounted to SEK 2.0 million (0.1). The Group's operating profit (EBIT) amounted to SEK 17.1 million (6.9) which corresponds to an operating margin of 4.0% (2.1). The operating margin is only marginally affected by the exchange rate effects described above. Excluding direct costs for change of listing at SEK 2.5 million the Group's operating margin is 4.5%. EBITA amounted to SEK 19.1 million (7.0).

For 3Q 2018, the Nordics segment is reporting EBITA of SEK 16.0 million (-0.2), which corresponds to an EBITA margin of 7.9% (-0.2). The improved financial performance is due to a combination of continued increased profitability in HANZA's Nordic operations, which in turn is due to streamlining projects and coordination effects, as well as profit contributions from the acquisition of Wermech and cost savings through cluster formation. Net sales increased by SEK 82.5 million to SEK 203.8 million (121.3), which is primarily attributable to the acquired company Wermech.

The Rest of World segment is reporting EBITA of SEK 5.9 million (7.3) for the quarter, which corresponds to an EBITA margin of 2.6% (3.6). Profit was impacted by various streamlining projects during the quarter, mainly at the Narva factory where HANZA has implemented the ERP system used in the other parts of the Manufacturing Cluster, brought in additional staff to meet demand and conducted a review of its customer portfolio. The goal is to achieve profitable core operations in 1H 2019 whereby we win new customers and they grow. In addition, the China Cluster has incurred costs for the planning and coordination of new customer projects; also, streamlining efforts are underway in Central Europe in order to meet new volumes. All actions taken within the segment are expected to lead to increased profitability in 2019.

We recognize costs associated with special projects to develop the Group and that 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 Q3, EBITA for the Business Development segment amounted to SEK -2.8 million (-0.1), primarily comprising of costs for development of internal control and corporate governance processes as the Group adapts to the requirements of the Nasdaq OMX Stockholm, Small Cap, prior to a forthcoming change of listing.

The gross margin amounted to 44.8% (42.2). Other external charges amounted to SEK -55.9 million (-45.2), while costs of personnel amounted to SEK -106.5 million (-75.4). The increased cost structure is due to the acquisition of Wermech.

Net financial items during the quarter amounted to SEK -4.8 million (-2.1). Of this amount, net interest income/expenses amount to SEK -3.6 million (-2.7). Due to renegotiated interest on debt, net interest income/expenses only increased by SEK 0.9 million in spite of increased net debt due to the acquisition of Wermech. Other increases in net financial items are mainly attributable to that the Group previous year had a positive effect of SEK 1.4 million in unrealized exchange differences upon translation of intra-group balances.

Profit before tax amounted to SEK 12.3 million (4.8). Profit after tax amounted to SEK 10.7 million (3.8). Earnings per share after dilution amounted to SEK 0.36 (0.16).

First nine months

HANZA's net sales increased by 32.2% to SEK 1,377.8 million (1,041.9). Adjusted to account for HANZA Wermech and a strengthening of foreign currencies, mainly the Euro, sales growth amounts to approximately 5%. However, last year's comparison figures include sales volumes that have been phased out, primarily attributable to the liquidated factory in Vaasa, Finland, meaning that underlying organic growth is higher.

EBITDA for the first nine months amounted to SEK 101.5 million (62.3), which corresponds to an EBITDA margin of 7.4% (6.0). Depreciation during the period amounted to SEK 44.3 million (33.0), of which depreciation of intangible assets amounted to SEK 5.2 million (0.2). The gross margin amounted to 44.9 % (41.8). The Group's operating profit (EBIT) amounted to SEK 57.2 million (29.3), which corresponds to an operating margin of 4.2% (2.8). EBITA amounted to SEK 62.4 million (29.5).

The Nordics segment reports EBITA of SEK 51.3 million (10.7), which corresponds to an EBITA margin of 7.5% (2.6). Net sales increased by SEK 271.0 million to SEK 683.1 million (412.1).

The Rest of World segment is reporting EBITA of SEK 18.7 million (20.1) for the period, which corresponds to an EBITA margin of 2.7% (3.2). The result is weighed on by the above-mentioned activities geared at streamlining operations ahead of continued volume increases.

Business development EBITA amounted to SEK -7.6 million (-1.3), primarily comprising costs for the acquisition and integration of the acquired company Wermech, and for the development of internal control and corporate governance processes as the Group adapts to the requirements of the Nasdaq OMX Stockholm, Small Cap.

Net financial items during the quarter amounted to SEK -20.1 million (-10.7). Of this amount, net interest income/expenses amount to SEK -10.9 million (-8.8). A strengthened Euro has led to unrealised exchange rate differences upon translation of intra-group balances, which negatively affects net financial items. During the year, costs associated with bridge financing were also charged to net financial items in the amount of SEK 1.0 million (0.0).

Profit before tax amounted to SEK 37.1 million (18.6). Profit after tax amounted to SEK 30.5 million (15.1). Earnings per share after dilution amounted to SEK 1.10 (0.63) for the nine-month period.

CASH FLOW AND INVESTMENTS

Cash flows from operating activities have trended amounted to SEK 14.1 million (17.9). For the first nine months it amounted to SEK 73.7 million (53.0) Change in working capital amounts to SEK -11.0 million (3.9) in Q3 and to SEK -5.7 million (5.1) in the first nine months. Working capital is adversely affected by longer lead times on electronic components, as well as capital tied up in the new projects awarded to HANZA.

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 -2.8 million (-0.7), comprising investments in machinery and equipment in the amount of SEK 4.3 million (1.3), and disposals of fixed assets in the amount of SEK 1.5 million (0.6). In the nine-months period, net cash flow from investments in machinery amounts to SEK 24.7 million (previous year net disposals of 11.2) and investments in subsidiaries amount to SEK -144.4 million (-).

Cash flow from loans amounted to SEK 2.8 million (-10.1) in Q2. For the first nine months of the year, cash flow amounted to SEK 53.5 million (-38.8). In the period January to September, acquisition loans in the amount of SEK 88 million in connection with HANZA's acquisition of Wermech, are included. The acquisition was also financed by a new share issue during the first quarter in the amount of SEK 56.0 million (-) after transaction costs.

FINANCIAL POSITION

Shareholders' equity at the end of the period amounted to SEK 410.2 million (298.0), whereas the equity ratio was 36.3% (39.6). The balance sheet total amounted to SEK 1,131.2 million (752.9). Cash and cash equivalents amounted to SEK 72.1 million (49.3) at the end of the period. Net interest-bearing debt amounted to SEK 288.9 million (149.0) at the end of the period. The debt increase compared to 30 September 2017 is attributable to the acquisition of Wermland Mechanics AB during first quarter 2018. During third quarter 2018 the net debt decreased with the amount of SEK 4.4 million.

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,318 (1,125). The number of employees at the end of the period is 1,538. 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 sales, which consists exclusively of income from Group companies, amounted to SEK 3.9 million (2.4) during the quarter. Profit before tax for the quarter amounted to SEK -2.1 million (-1.1). No investments have been affected 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. The Premier Segment places higher demands on listed entities regarding information and accounting than the standard First North rules do. Trading on the Premier Segment also means that the company operates according to a higher standard of transparency, in preparation for a possible move to the Nasdaq OMX Stockholm, Small Cap. The share price at the end of the period was SEK 17.90 (10.30). Since 2016, there has also been a warrants programme in place, 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. The number of warrants subscribed in the program amounts to 896,000.

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

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, 12 November 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	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Net sales	**2, 4**	**431.2**	**324.3**	**1,377.8**	**1,041.9**	**1,399.7**
Change of inventories in production, finished goods and work in progress on behalf of others		-8.5	1.8	-1.5	15.2	18.0
Raw materials and consumables		-229.5	-189.1	-758.2	-621.8	-825.0
Other external charges		-55.9	-45.2	-173.3	-140.7	-191.1
Costs of personnel		-106.5	-75.4	-345.8	-247.0	-339.2
Depreciation		-15.3	-10.6	-44.3	-33.0	-43.4
Other operating income	5	1.8	2.4	7.0	18.2	21.4
Other operating expenses	5	-0.2	-1.3	-4.5	-3.5	-4.7
Operating profit	**4**	**17.1**	**6.9**	**57.2**	**29.3**	**35.7**
Profit/loss from financial items						
Financial income		-	1.4	-	0.8	-
Financial expenses		-4.8	-3.5	-20.1	-11.5	-16.3
Financial items – net	**6**	**-4.8**	**-2.1**	**-20.1**	**-10.7**	**-16.3**
Profit/loss before tax		**12.3**	**4.8**	**37.1**	**18.6**	**19.4**
Income tax	7	-1.6	-1.0	-6.6	-3.5	-3.0
Profit/loss for the period		**10.7**	**3.8**	**30.5**	**15.1**	**16.4**
Other comprehensive income						
Items that can subsequently be reversed in profit or loss						
Exchange rate differences		-3.1	-3.7	13.6	0.2	10.0
Other comprehensive income for the period		**-3.1**	**-3.7**	**13.6**	**0.2**	**10.0**
Total comprehensive income for the period		**7.6**	**0.1**	**44.1**	**15.3**	**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		0.37	0.16	1.11	0.64	0.69
Earnings per share after dilution, SEK		0.36	0.16	1.10	0.63	0.69

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

CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	**Note**	**2018-09-30**	**2017-09-30**	**2017-12-31**
ASSETS				
Fixed assets				
Intangible assets				
Goodwill		264.7	145.1	147.6
Other intangible assets		67.3	0.6	3.8
Intangible assets		**332.0**	**145.7**	**151.4**
Tangible fixed assets		**262.5**	**205.3**	**205.8**
Financial fixed assets				
Other long-term securities holdings		0.3	0.3	0.3
Deferred tax assets		9.4	16.0	16.7
Financial fixed assets		**9.7**	**16.3**	**17.0**
Total fixed assets		**604.2**	**367.3**	**374.2**
Current assets				
Inventories		299.0	266.1	270.2
Accounts receivable		124.2	51.7	49.4
Other receivables		21.1	11.0	13.5
Prepayments and accrued income		10.6	7.5	6.4
Cash and cash equivalents		72.1	49.3	56.1
Total current assets		**527.0**	**385.6**	**395.6**
TOTAL ASSETS		**1,131.2**	**752.9**	**769.8**

CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	**Note**	**2018-09-30**	**2017-09-30**	**2017-12-31**
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		**410.2**	**298.2**	**309.3**
LIABILITIES				
Long-term liabilities				
Liabilities to credit institutions	3	216.7	86.3	87.3
Non-interest-bearing long-term liabilities		31.2	7.5	7.4
Total long-term liabilities		**247.9**	**93.8**	**94.7**
Current liabilities				
Overdraft facility	3	65.9	67.0	68.8
Liabilities to credit institutions	3	62.2	38.2	39.9
Other interest-bearing liabilities		16.2	6.8	2.1
Accounts payable		230.8	164.0	167.4
Other liabilities		26.0	42.6	44.4
Accrued expenses and deferred income		72.0	42.3	43.2
Total current liabilities		**473.1**	**360.9**	**365.8**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,131.2**	**752.9**	**769.8**

CONDENSED CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions	Note	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Opening balance		402.6	298.0	309.3	268.8	268.8
Profit/loss for the period		10.7	3.8	30.5	15.1	16.4
Other comprehensive income						
Exchange rate differences		-3.1	-3.7	13.6	0.2	10.0
Total comprehensive income		7.6	0.1	44.1	15.3	26.4
Effect of implementation of IFRS 15	2	-	-	0.8	-	-
Transactions with shareholders						
Warrants issue		-	0.1	-	0.1	0.1
New share issue		-	-	60.3	-	-
Issue costs		-	-	-4.3	-0.1	-0.1
Conversion of convertible loan		-	-	-	14.1	14.1
Total contributions from and distributions to shareholders, recognized directly in equity		-	0.1	56.0	14.1	14.1
Closing balance		410.2	298.2	410.2	298.2	309.3

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Note	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Cash flows from operating activities						
Profit/loss after financial items		12.3	4.8	37.1	18.6	19.4
Depreciation		15.3	10.6	44.3	33.0	43.4
Other non-cash items		-1.7	-1.4	3.6	-4.5	-1.8
Paid income tax		-0.8	-	-5.6	0.8	0.8
Cash flows from operating activities prior to the change in working capital		**25.1**	**14.0**	**79.4**	**47.9**	**61.8**
Total change in working capital		**-11.0**	**3.9**	**-5.7**	**5.1**	**10.2**
Cash flows from operating activities		**14.1**	**17.9**	**73.7**	**53.0**	**72.0**
Cash flows from investing activities						
Investments in subsidiaries	9	-	-	-144.4	-	-
Investments in fixed assets		-4.3	-1.3	-26.6	-9.3	-14.3
Disposals of tangible fixed assets		1.5	0.6	1.9	20.5	23.0
Cash flows from investing activities		**-2.8**	**-0.7**	**-169.1**	**11.2**	**8.7**
Cash flows from financing activities						
New share issue		-	-	56.0	-	-
Change in loans		2.8	-10.1	53.5	-38.8	-48.1
Cash flows from financing activities		**2.8**	**-10.1**	**109.5**	**-38.8**	**-48.1**
Increase/reduction in cash and cash equivalents		**14.1**	**7.1**	**14.1**	**25.4**	**32.6**
Cash and cash equivalents at the beginning of the period		58.0	42.2	56.1	24.1	24.1
Exchange differences in cash and cash equivalents		0.0	0.0	1.9	-0.2	-0.6
Cash and cash equivalents at the end of the period		**72.1**	**49.3**	**72.1**	**49.3**	**56.1**

CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Operating income	**3.9**	**2.4**	**11.2**	**6.7**	**8.5**
Operating expenses	**-6.6**	**-3.4**	**-14.4**	**-9.5**	**-12.7**
Other operating income	-	-	-	0.1	0.1
Operating profit	**-2.7**	**-1.0**	**-3.2**	**-2.7**	**-4.1**
Profit/loss from financial items					
Other interest income and similar income items	0.6	0.2	1.6	0.6	0.6
Interest charges and similar income items	0.0	-0.3	-0.8	-1.2	-1.6
Total profit/loss from financial items	**0.6**	**-0.1**	**0.8**	**-0.6**	**-1.0**
Profit/loss after net financial items	**-2.1**	**-1.1**	**-2.4**	**-3.3**	**-5.1**
Appropriations	-	-	-	-	4.5
Profit/loss before tax	**-2.1**	**-1.1**	**-2.4**	**-3.3**	**-0.6**
Tax on profit for the period	-	-	-	-	0.2
Profit/loss for the period	**-2.1**	**-1.1**	**-2.4**	**-3.3**	**-0.4**

Other interest income and similar income items for the nine-month period include interest income from Group companies in the amount of SEK 1.6 million (0.5).

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	2018-09-30	2017-09-30	2017-12-31
ASSETS				
Fixed assets				
Financial fixed assets		**292.5**	**239.5**	**238.2**
Total fixed assets		**292.5**	**239.5**	**238.2**
Current assets				
Current receivables		0.8	0.5	5.6
Cash and cash equivalents		0.1	0.0	7.1
Total current assets		**0.9**	**0.5**	**12.7**
TOTAL ASSETS		**293.4**	**240.0**	**250.9**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		**279.3**	**222.8**	**225.8**
Long-term liabilities		**7.8**	**1.2**	**8.6**
Current liabilities		**6.3**	**16.0**	**16.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**293.4**	**240.0**	**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 7 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 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 incomes statement or balance sheet.

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 remains unchanged, but in some cases where delivery is made to what is referred to as buffer stock, the revenues are now recognized 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 realizable 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 implementation of IFRS 15". If the quarterly earnings were to be reported in accordance with previous accounting principles, consolidated net sales would have been SEK 1.6 million lower and the operating profit would have been SEK 0.1 million lower. See Note 4 for a description of consolidated revenue.

IFRS 16 "Leasing" will be applied by the Group for the first time in 2019. The standard requires that assets and liabilities attributable to all leases, with some exceptions, are reported in the balance sheet. The process to adapt the Groups reporting is ongoing and is expected to be finalized by the end of the year. The essential difference will be that a number of rental contracts for factories and other premises, which previously have been treated as operational leases, will be reported as fixed assets and financial liabilities in the balance sheet, which will increase the balance sheet total. The Group had as of 31 December 2017 non-cancellable lease commitments of SEK 50 million.

In 2018, HANZA has transited 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. 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 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

Sales between segments are made on market terms.

Revenues by segment

SEK millions	**Jul - Sep 2018**			**Jul - Sep 2017**		
	Segment revenues	**Less sales between segments**	**Income from external customers**	**Segment revenues**	**Less sales between segments**	**Income from external customers**
Nordic	208.5	-4.7	203.8	123.3	-2.0	121.3
Rest of the world	239.2	-11.4	227.8	225.2	-22.4	202.8
Business development	-0.4	-	-0.4	0.2	-	0.2
Total	**447.3**	**-16.1**	**431.2**	**348.7**	**-24.4**	**324.3**

SEK millions	Jan - Sep 2018			Jan - Sep 2017		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Nordic	693.0	-9.9	683.1	423.9	-11.8	412.1
Rest of the world	735.0	-40.0	695.0	693.2	-64.1	629.1
Business development	-0.3	-	-0.3	0.7	-	0.7
Total	**1,427.7**	**-49.9**	**1,377.8**	**1,117.8**	**-75.9**	**1,041.9**

Profit by segment

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

SEK millions	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
EBITA					
Nordic	16.0	-0.2	51.3	10.7	16.2
Rest of the world	5.9	7.3	18.7	20.1	23.9
Business development	-2.8	-0.1	-7.6	-1.3	-4.1
Total EBITA	**19.1**	**7.0**	**62.4**	**29.5**	**36.0**
Amortisation of intangible assets	-2.0	-0.1	-5.2	-0.2	-0.3
Operating profit	**17.1**	**6.9**	**57.2**	**29.3**	**35.7**
Financial items – net	-4.8	-2.1	-20.1	-10.7	-16.3
Profit/loss before tax	**12.3**	**4.8**	**37.1**	**18.6**	**19.4**
Non-recurring items					
Transaction costs	-	-	-0.3	-	-1.4
Costs for change of listing	-2.5	-	-3.0	-	-
Restructuring	-	-1.2	-	-4.1	-5.2
Real estate capital gains	-	-	-	2.4	2.4
Total	**-2.5**	**-1.2**	**-3.3**	**-1.7**	**-4.2**
EBITA per segment excluding non-recurring items					
Nordic	16.0	1.0	51.3	11.1	17.7
Rest of the world	5.9	7.3	18.7	20.2	24.0
Total	**21.9**	**8.3**	**70.0**	**31.3**	**41.7**
Business development	-0.3	-0.1	-4.3	-0.1	-1.5
Total	**21.6**	**8.2**	**65.7**	**31.2**	**40.2**
Non-recurring items	-2.5	-1.2	-3.3	-1.7	-4.2
EBITA	**19.1**	**7.0**	**62.4**	**29.5**	**36.0**

Revenue from external customers by manufacturing technology

SEK millions	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Mechanics	304.5	215.5	969.8	676.5	900.7
Electronics	127.1	108.6	408.3	364.7	498.0
Business development	-0.4	0.2	-0.3	0.7	1.0
Total	**431.2**	**324.3**	**1,377.8**	**1,041.9**	**1,399.7**

Note 5 Other operating income and operating expenses

SEK millions Other operating income	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Profit on disposal of fixed assets	1.1	-	1.4	6.5	8.1
Exchange gains	0.5	2.2	4.2	3.6	4.5
Debt write-down	-	-	-	7.3	7.3
Other items	0.2	0.2	1.4	0.8	1.5
Total other operating income	**1.8**	**2.4**	**7.0**	**18.2**	**21.4**
Other operating expenses					
Loss on disposal of fixed assets	-0.2	-	-0.2	-1.0	-1.1
Exchange losses	-	-1.3	-4.1	-2.3	-3.3
Other items	-	-	-0.2	-0.2	-0.3
Total other operating expenses	**-0.2**	**-1.3**	**-4.5**	**-3.5**	**-4.7**

Note 6 Financial income and expenses – Net financial items

SEK millions Financial income	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Interest income	-	-	-	-	-
Net exchange gains and losses	-	1.4	-	0.8	-
Total financial income	**-**	**1.4**	**-**	**0.8**	**-**
Financial expenses					
Interest expenses	-3.6	-2.7	-10.9	-8.8	-11.2
Net exchange gains and losses	-0.2	-	-6.0	-	-1.6
Other financial expenses	-1.0	-0.8	-3.2	-2.7	-3.5
Total financial expenses	**-4.8**	**-3.5**	**-20.1**	**-11.5**	**-16.3**
Total financial items - net	**-4.8**	**-2.1**	**-20.1**	**-10.7**	**-16.3**

Note 7 Income tax

The effective tax rate for the quarter is 13 percent (21) and for the nine-month period 18 percent (19). An important part of the Group's operations derives from Estonia, where profits are only taxed upon distribution of dividends. 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.

The tax expense during the second quarter was reduced by SEK 0.3 million due to the restatement of deferred tax assets and liabilities in Sweden. Receivables and liabilities that are expected to be utilised and paid, respectively, starting in 2019 have been restated due to a decision to gradually reduce corporate income taxes as from that time.

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.

Weighted average number of shares before dilution	29,021,208	24,174,668	27,476,706	23,796,789	23,892,035
Adjustment upon calculation of earnings per share after dilution:					
Convertibles	-	-	-	348,951	260 996
Warrants	295,769	-	209,666		-
Weighted average number of shares after dilution	29,316,977	24,174,668	27,686,372	24,145,740	24 153 031
Number of shares at the end of the period	29,021,208	24,174,668	29,021,208	24,174,668	24,174,668

Previous year's numbers have been restated based on the bonus issue element of the preferential rights issue during Q1 2018.

Note 9 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. In the acquisition, an intangible asset in the form of customer relations was identified in the amount of SEK 66.0 million. The Customer relations will be amortized on a straight-line basis over 10 years. In addition, goodwill in the amount of SEK 113.3 million is reported in the acquisition.

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**

HANZA's business model aims to coordinate factories with various manufacturing technologies into what are 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-effectiveness 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. Wermech forms part of the HANZA Group as from 1 February 2018. In January 2018, the company posted sales of SEK 33.4 million and an operating profit of SEK 2.4 million. Reported external sales to HANZA's customers from the acquired company Wermech in Q3 amount to SEK 85.6 million, with a reported operating profit of SEK 6.9 million. As of the acquisition date, Wermech is reporting external sales of SEK 265.9 million, with a reported operating profit of SEK 23.0 million.

KEY RATIOS

	Jul - Sep 2018	Jul - Sep 2017	Jan - Sep 2018	Jan - Sep 2017	Jan - Dec 2017
Net sales, SEK millions	431.2	324.3	1,377.8	1,041.9	1,399.7
EBITDA margin, %	7.5%	5.4%	7.4%	6.0%	5.7%
Operating margin, %	4.0%	2.1%	4.2%	2.8%	2.6%
Operational segments EBITA, SEK millions	21.9	7.1	70.0	30.8	40.1
Operational EBITA margin, %	5.1%	2.2%	5.1%	3.0%	2.9%
Operating capital, SEK millions	699.1	447.2	699.1	447.2	451.3
Return on operating capital, %	3.1%	1.6%	12.2%	6.5%	8.4%
Capital turnover on operating capital, times	0.6	0.7	3.2	2.9	3.0
Net interest-bearing debt, SEK millions	288.9	149.0	288.9	149.0	142.0
Net debt/equity ratio, times	0.7	0.5	0.7	0.5	0.5
Equity ratio, %	36.3%	39.6%	36.3%	39.6%	40.2%
Earnings per share before dilution, SEK[*)]	0.37	0.16	1.11	0.64	0.69
Earnings per share after dilution, SEK[*)]	0.36	0.16	1.10	0.63	0.69
Equity per share at end of period, SEK[*)]	14.14	12.33	14.14	12.33	12.79
Average number of employees	1,318	1,125	1,406	1,282	1,305

[*)] Values for previous year have been restated based on the bonus issue element of the preferential rights issue during Q1 2018.

FORTHCOMING DISCLOSURES

- Year-end report for the period January-December 2018 will be presented on 14 February 2019
- The interim report for the period January-March 2019 will be presented on 7 May 2019
- Annual general meeting will be held on 7 May 2019
- The interim report for the period January-June 2019 will be presented on 30 July 2019
- The interim report for the period January-September 2019 will be presented on 29 October 2019

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DEFINITIONS AND ALTERNATIVE PERFORMANCE MEASUREMENTS

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.

DEFINITIONS

Business development costs include costs incurred 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.

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

EBITDA margin*) is EBITDA divided by net sales

EBITA*) refers to earnings before interest, taxes and amortization of intangible items

EBIT refers to earnings before interest and taxes

Capital turnover on average operating capital, times*), 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

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 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

ALTERNATIVE PERFORMANCE MEASUREMENTS

Concepts above marked with *) are alternative performance measurements for which reconciliation tables are published on the Groups website. The alternative performance measurements are judged to be relevant to give a picture of HANZA's operational profitability, the distribution between equity and external financing, return on contributed capital and the Groups financial risk.

ABOUT HANZA

HANZA modernizes 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 had, in 2017, a turnover of SEK 1.4 billion 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.
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