HANZA

A Strategic Manufacturing Partner





YEAR-END REPORT

JANUARY - DECEMBER 2016

HANZA ALL YOU NEED IS ONE™

YEAR-END REPORT 1 January - 31 December 2016

Sales and earnings were affected by the Frontrunner acceleration programme, within which HANZA has brought together production facilities and manufacturing resources to certain geographic locations, known as manufacturing Clusters:

Net sales for the comparative periods (within parentheses) entail considerable volumes that have been phased out during the programme; see more in the section on the Effect of Frontrunner, and in Net Sales and Results.

EBIT for the quarter and for the entire year contain items from the programme, *inter alia* the moving and closing of a factory in Finland, a move and a merger of two factories in Estonia, sales of property and machinery and the expansion of HANZA's Central European Cluster; see more in the section on the Effect of Frontrunner, and in Net Sales and Results.

FOURTH QUARTER (1 October - 31 December 2016)

- Net sales for the year amounted to MSK 328.9 (331.3).
- EBIT from operative business areas amounted to MSEK 0.0 (4). The Group's EBIT amounted to MSEK -1.0 (2.4).
- Net profit after tax amounted to MSEK -4.6 (3.7), equivalent to SEK -0.22 per share (0.18)
- Cash flow from operating activities amounted to MSEK 19.2 (15,6).

FULL-YEAR PERIOD (1 January - 31 December 2016)

- Net sales for the year amounted to MSK 1,305.8 (1,206.4)
- EBIT from operative business areas amounted to MSEK 30.0 (12.5). The Group's EBIT amounted to MSEK 25.2 (51.1)
- Net profit after tax amounted to MSEK 1.9 (37.5), equivalent to SEK 0.09 per share (3.18)
- Cash flow from operating activities amounted to MSEK 41.6 (5.0)

Erik Stenfors, HANZA'S CEO, comments:

"During the fourth quarter, we entered into the final stage of our successful Frontrunner programme, in which over the course of 18 months we dismantled and moved six standalone plants to our manufacturing Clusters. While limited during the transition, our capacity is now increasing as planned, which is reflected in our sales figures. The Group's cash flow was strong during the period, while earnings were hampered by the costs of the final part of the acceleration programme."

"As a final step in Frontrunner, we are transferring the sheet metal processing operation in Vaasa, Finland, to our Cluster, and we are converting the department into a local logistics and service centre. Unfortunately, we could not sign the planned rental contract adapted for a scaled-down operation in Vaasa. In order to arrive at an economically feasible solution, we have therefore applied for a company reorganisation of the subsidiary in Vaasa, and we estimate that this process will be completed during the first quarter of 2017."

"We are approaching an important milestone, and we are proud of how HANZA is leading the development of the manufacturing industry. With our skilled employees, fine customer portfolio and owners who are in it for the long-term, we look forward to beginning the next phase of HANZA's development in 2017."

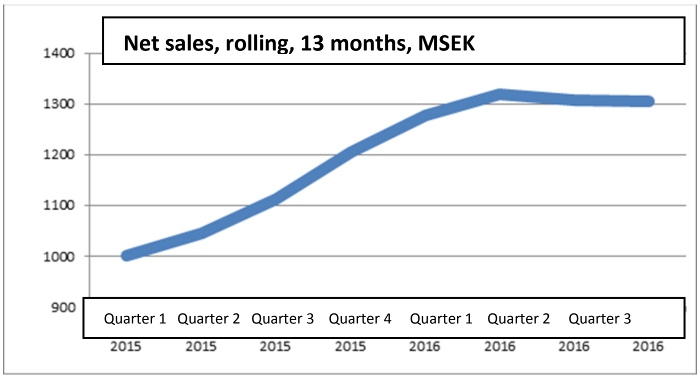
FOURTH QUARTER 2016 HIGHLIGHTS

- In October, HANZA decided to move and to dismantle the sheet metal processing plant in Vaasa, Finland. The department was transformed into a logistics and service centre for local customers. The change affects approx. 50 people and it constitutes the final stage in the Frontrunner programme. In summary, this means that within a period of 18 months, HANZA has:
    - Divested, moved and coordinated six standalone plants to HANZA's Cluster
    - Phased out a considerable amount of non-strategic manufacturing
    - Undertaken a strategic acquisition, namely of Metalliset, which has strengthened the Cluster structure and extended the manufacturing expertise for heavy mechanical components
    - Expanded the ownership to a group of industrially experienced investors

- In October, HANZA launched a new consultancy service, the Material Compliance Solution (MCS™), which makes it possible for customers to fulfil new and more stringent environmental directives from the EU and USA. MCS ™issues reports on compliance and component data are tracked against material lists, product documentation and technical modifications. The service develops HANZA's consultancy division, which is an important part of the company's strategy.
- In November, HANZA settled an additional purchase sum for a previous acquisition through a smaller private placement of 67,190 shares at a rate of SEK 10.80 per share. The new share issue meant that the number of shares increased from 20,642,179 to 20,709,369.

SIGNIFICANT EVENTS AFTER THE PERIOD

- In order to complete the transition of the group's subsidiary, HANZA Vasa Oy, Finland, into a logistics and service centre, HANZA negotiated a preliminary arrangement with the property owner with regard to a new, adapted rental arrangement. As this arrangement could not be fulfilled, HANZA has applied for a company reorganisation of the subsidiary, a process that is expected to be completed during the first quarter of 2017.
- HANZA's board has reached an agreement with Färna Invest AB, which is owned by Gerald Engström, about converting Färna's loans into shares. Gerald Engström will thus become one of the largest owners of HANZA. The exact number of shares and their market value will be established in connection with registration with the Swedish Companies Registration Office, which is expected to be done soon. Estimated as of the date of this report, the conversion will yield 1,572,000 shares with an average share price of SEK 9.54. The conversion increases HANZA's equity by MSEK 14, and it reduces the company's net liability by the same amount.
- HANZA's nomination committee recommends that Mikael Smedeby, Francesco Franzé and Håkan Halén be re-elected, and that Gerald Engström and Helene Richmond be newly elected for HANZA's Annual General Meeting of 10 May 2017. *Gerald Engström* is the founder of Systemair AB and has developed it into the world's foremost ventilation company with operations in some fifty countries. *Helene Richmond* is a civil engineer with thorough industrial experience. She currently works as the Sales & Marketing Director at Cooper Roller Bearings, a company within the SKF group.



The HANZA Group's sales trends. The graph shows both how sales have increased with the acquisition of Metalliset, and how customers and plants that have been phased out during the course of the Frontrunner programme have rapidly been replaced with new volumes.

CEO COMMENTS

Industry-leading business model

Traditionally, contract manufacturers are sorted (and grow) per production technology, e.g., companies within lathing, sheet metal processing, circuit board manufacture, heavy mechanical components and qualified welding. At the same time, the economies of scale are small, and there is even a *negative* profitability trend upon growth and increased volumes. The reason is that customer value does not increase with large series; rather, the focus is then on unit price given increased trading volume.

HANZA's business model differs in that it offers customer value through qualified consultancy and complete, rational manufacturing in plant Clusters, where not only do we offer manufacturing technology, but rather a comprehensive solution. This way, HANZA can obtain larger business volumes with good profitability - both for customers and HANZA - without having to focus on high series volumes per particular technology.

It is a pleasure to see how our business model continues to attract investors with a deep knowledge of both the manufacturing industry and the development of international operations. The skills profile of the owner and of the board of directors offers a good level of support going into the future.

Deposit-return machines are the complex products behind the hopper.
Major benefits in cost and flexibility are realised by HANZA both manufacturing the constituent parts (circuit boards, cables, turned axles, sheet metal mechanisms, etc.) and in carrying out the final installation.

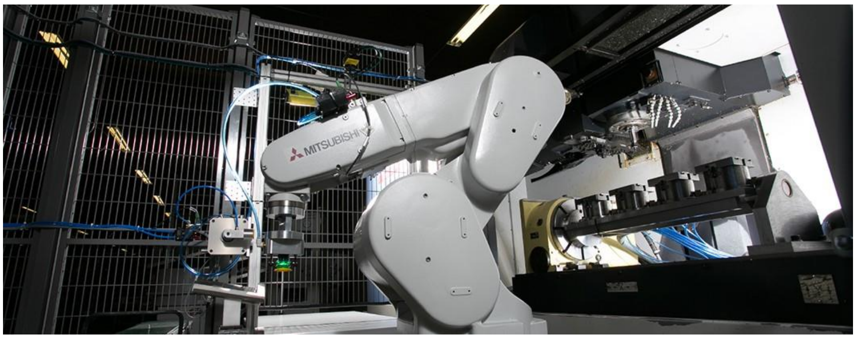
Long-term perspective and methodical structure of HANZA

HANZA is a relatively young company with a long-term strategy. Since it began nearly 8 years ago, HANZA has methodically developed the operation into the billion-crown business that it is today.

During the initial phase (2009-2012), a market-leading level of skill was developed within various manufacturing technologies, through acquisitions and our plant improvements and skills development. At the same time, the customer portfolio began to fill.

During the second phase (2013-2016), so-called Clusters were formed by grouping the manufacturing technologies together within five selected geographical areas. In order to increase customer value, consultancy services, such as MIG™and MCS™, were introduced, based on the broad skill set that has now been gathered within HANZA. The customer portfolio was trimmed in order to focus on HANZA's range, which is why new customer projects were added and non-strategic production was phased out in consultation with customers.

During the third phase, which begins in 2017, the currently established Clusters will be rendered more efficient and will be supplemented. New customer markets can then be approached, possibly through acquisition. Some further supplementary technology can also be added. With our stable foundation, no major factory relocations or further major adjustments to the customer portfolio are necessary; thus, the development costs that HANZA initially incurred will be considerably reduced.



Transition to Industry 4.0.
A new robot cell in one of HANZA's production facilities in Årjäng is part of HANZA's automation process toward creating "smart factories".

We are proud that HANZA is leading the transformation of the manufacturing industry, as there is a great need for new solutions. With our skilled employees, fine customer portfolio and owners who are in it for the long-term, we look forward to beginning the next phase of HANZA's development!

MARKET DEVELOPMENT

At present, HANZA's primary market is the Nordic region, but it also has customers in the rest of Europe, in Asia and in the US. Its exposure to a broad range of industries means that economic conditions are normally reflected in HANZA's sales volumes. The Swedish economy remains strong and the industry's order inflow is good, even if differences can be seen between various industries. Norway continues to show signs of an improving economy. The statistics also show that the Finnish economy is improving and the industry is expanding. All in all, this is the first time since the Global Financial Crisis that the entire Nordic region has experienced an upward trend.

When HANZA was founded just over eight years ago, China was considered to be the optimum manufacturing region and many companies moved their production there. HANZA's business model, however, is based on an analysis indicating that future manufacturing will be broken up into more local manufacturing ("Backsourcing"). The cause was rational: evening out of payroll costs, increased focus on total costs, environmental concerns, the need for R&D and manufacturing to be close to each other, etc. This analysis has proven to be correct; at the same time, unexpected political developments (Brexit, the US Presidential election) have increased the pace of the adjustment.

HANZA does not issue financial forecasts, but as the company's strategy with Clusters and consultancy services with the supply chain are developed for the very re-localisation of the manufacturing that is now taking place, the opportunities for profitable growth are considered good.

THE IMPACT OF FRONTRUNNER

The Frontrunner acceleration programme is intended to set up a unique plant structure in a short amount of time. During the process, selected portions of the production and standalone factories have been moved to so-called Clusters.

In terms of volume, manufacturing corresponding to an annual net turnover of approximately MSEK 150 has been phased out during the process. Furthermore, in close cooperation with the customer, the bulk of the technology production within the telecommunications industry has been phased out during the programme. In 2014, this manufacturing constituted one of the Group's greatest volumes, with annual turnover considerably higher than MSEK 100. Today, production represents annual turnover of less than MSEK 10. The purpose behind this transition is the group's focus on complete manufacturing and the MIG™project, which generate greater value for both HANZA and its customers.

Experience shows us that a reduction in staff in connection with the dismantling of a plant leads to a divestment cost in the order of approximately KSEK 100 per person. In 2016, such a reduction in staff amounted to some 130 people. Expenses for premises upon discontinuation depend on whether the property is owned or rented. The expenses for the programme have been posted on a running basis quarterly in the company's interim reports under Note 4.

HANZA has not made any allocation to a restructuring reserve for Frontrunner, but posts the expenses to the income statement (see more in the section on Net Sales and Results below). One of Frontrunner's goals has been to compensate for the negative on lump-sum items that occur *inter alia* with severance pay and the costs of premises through a structured divestment of the assets that can be freed up when the operation is concentrated into a Cluster. This has not been totally successful, and the fourth quarter of 2016 has not entailed any positive lump-sum items.

In terms of cash flow, the amalgamation of the production departments ("Cluster formation") offers a reduced level of capital tie-up and thus over time yields a positive effect on cash flow.

MSEK	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Net sales	328.9	331.3	1,305.8	1,206,4
Operating business area EBIT	0.0	4.3	30.0	12.5
Business development	-1.0	-1.9	-4.8	38.6%
EBIT	-1.0	2.4	25.2	51.1
Cash flow from operating activities	19.2	15.6	41.6	5.0
Interest-bearing net debt	226.7	244.2	226.7	244.2
Equity/assets ratio	35.6%	32.7%	35.6%	32.7%

NET SALES AND RESULTS

Fourth quarter

Net sales were largely unchanged in comparison with the previous year and amounted to MSEK 328.9 (331.3). Due to the broad range of operations, net sales are generally not dependent on the seasons, except for in the third quarter, which are lower as a result of the summer period. Net sales in the fourth quarter of 2016, however, are 11% higher than they were in the third quarter, which is above and beyond the normal seasonal variation. The reason is that the capacity limitations that occurred with the plant transitioning during the third quarter have decreased during the fourth quarter.

EBITDA for the quarter amounted to MSEK 11.6 (16.6), which corresponds to an EBITDA margin of 3.5% (5.0). Depreciation during the period amounted to MSEK 12.6 (14.2). The Group's operating profit (EBIT) amounted to MSEK -1.0 (2.4), which corresponds to an operating margin of -0.3% (0.7).

HANZA's policy is to post operating profits, including all costs, even under special programmes like Frontrunner. Thus, no separate restructuring reserve or equivalent has been prepared. However, HANZA states in the notes the costs that are of a lump-sum character, such as termination, payroll, reserved rental cost upon the discontinuation of premises, impairment of assets that will not be used in the future, etc. For the fourth quarter, these amounted to approximately MSEK -6.7, see Note 4

The amount only includes costs that are directly attributable to the programme. Additionally, there are indirect expenses, such as quality assurance work, realignment of material structures, internal training of new staff, etc.

HANZA's strategy during an amalgamation of plants is to free-up and sell surplus assets with the purpose of covering the extra costs that the set-up of the Cluster structure entails. However, no lump-sum revenues were realised in the fourth quarter.

During the fourth quarter of 2016, the Electronics segment showed an EBIT of MSEK 6.0 (9.4), which corresponds to an operating margin of 5.4% (7.6). The external net sales fell to MSEK 110.3 (124.2), which is explained by the discontinued departments.

The Mechanics segment's operating profit (EBIT) amounts to MSEK -6.0 (-5.1), which corresponds to an operating margin of -2.8% (-2.5). Within the Frontrunner program, Electronics plants were relocated in 2015 and Mechanics plants in 2016. As opposed to the Electronics department, the Mechanical department is still hampered by lump-sum items, which explains the difference in the profitability between the segments. Among other things, two Mechanics plants in Estonia were merged during the second and third quarters of 2016, an expansion of the Mechanics department in the Czech Republic was undertaken during the third and fourth quarter of 2016, and a move of Mechanics manufacturing from Vaasa, Finland, to other HANZA departments was undertaken during the third and fourth quarters of 2016. Direct lump-sum expenses for these activities during the fourth quarter are MSEK -6.8 (-0.9), see more in Note 4. Additionally, there are indirect costs that have not been explicitly posted, see above.

Under the Business Development segment, the costs for special projects to develop the group that are not connected with HANZA's operating system, such as acquisition, disposals, listing costs, development of service products, etc. are posted. During the fourth quarter, EBIT for the Business Development segment amounted to MSEK -1.0 (-1.9).

The other operating revenues and costs items amount to MSEK 1.2 (4.5) for the quarter.

Gross margins improve continually as new assignments are obtained and older production is discontinued, and amount to 46.3% (43.9) for the quarter. External costs amounted to MSEK -56.0 (-46.1) and staff expenses amounted to MSEK -85.9 (-87.3). The increase in external costs is due to the lump-sum expenses described above.

Net financial items amounted to MSEK -4.4 (-2.6) for the quarter. Of this, net interest amounts to MSEK -3.9 (-4.5). The reduction of the net interest is a result of lower interest rates and continually reduced net liabilities during the year.

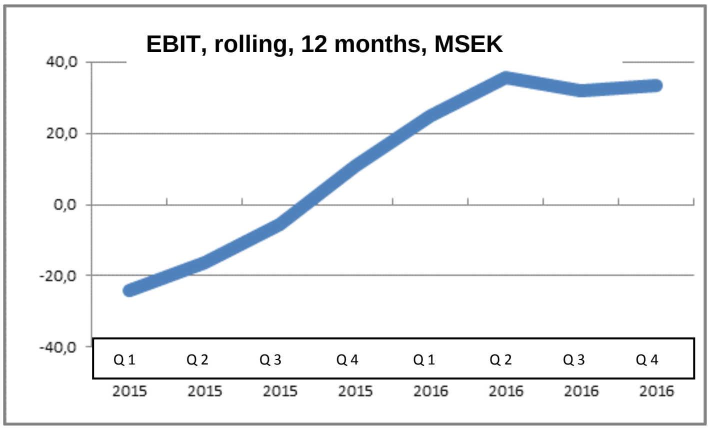
Pre-tax profits amounted to MSEK -5.4 (-0.2). After-tax profits amounted to MSEK -4.6 (-3.7).

Full-year Period

HANZA's net sales increased during the year by 8% to MSEK 1,305.8 (1,206.4). In September 2015, HANZA acquired the Metalliset mechanical group. In 2015, four manufacturing departments were also discontinued.

EBITDA for the year amounted to MSEK 72.7 (90.6), which corresponds to an EBITDA margin of 5.6% (7.5). The result contains lump-sum items in the amount of MSEK -9.0 (40.4). Depreciation amounted to MSEK 47.5 (39.5); the change can be explained by the PPE that was obtained upon the acquisition of Metalliset. The gross margin amounted to 45.0% (41.0). The Group's operating profit (EBIT) amounted to MSEK 25.2 (51.1), which corresponds to an operating margin of 1.9% (4.2).

Net financial items amounted to MSEK -21.7 (-17.1). Net interest items are MSEK -15.0 (-16.8). The reduction is due to reduced interest rates and lower net liability. Pre-tax profits amounted to MSEK 3.5 (34.0). After-tax profits amounted to MSEK 1.9 (37.5).



CASH FLOW AND INVESTMENTS

Cash flow from the operating activities amounted to MSEK 19.2 (15,6) in the fourth quarter. During the fourth quarter, the cash flow was affected positively through the normalisation of operating capital during the Frontrunner programme that temporarily increased during the third quarter, due to the production transfer and interruption in manufacturing.

The consolidation of production units ("Cluster formation") reduces capital tied up and thereby over time entails a positive effect on the cash flow. In recent years, HANZA has made extensive investments in developing the group's production facilities, as well as automating the processes with new machinery and is currently fully invested. This means that investments from now on are expected to be lower than depreciation. The merger of production units also results in lower investment needs.

Cash flow from the investment activities amounted to MSEK -5.9 (-4.8) in the fourth quarter and consisted of investment in equipment, stock and fittings for MSEK 13.0 and a divestment of PPE for MSEK 7.1. Loans decreased by MSEK 8.7 (increased by 5.0) during the quarter.

Cash flow from operating activities amounted to MSEK 41.6 (5.0) during all of 2016. Cash flow from investment activities amounted to MSEK 0.3 (-46.1) and consisted of investment in equipment, stock and fittings for MSEK 28.2 and a divestment of PPE for MSEK 28.5. During the year, loans decreased by MSEK 67.8 (8.0).

FINANCIAL POSITION

At the end of the year, equity amounted to MSEK 268.8 (254.1) and the equity/assets ratio was 35.6% (32.7).

Total assets amounted to MSK 755.6 (776.3). Cash and cash equivalents amounted to MSEK 24.1 (48.8) at the end of the period. Interest-bearing net debt at the end of the year amounted to MSEK 226.7 (244.2) and at the beginning of the quarter it was MSEK 230.0.

EMPLOYEES

During the year, the average number of employees in the Group was 1,346 (1,169). The increase is explained by the acquisition of Metalliset in September 2015, which had 502 employees on the takeover date. At the end of the period, the number of employees amounts to 1,399, and at the beginning of the year the number was 1,532. A major skills shift took place during the year. Lay-offs have taken place in those departments that are discontinued, while new hiring took place at the Cluster.

PARENT COMPANY

The parent company's net sales, which consist solely of revenues from group companies, amounted to MSEK 3.9 (-4.3) in the fourth quarter. Pre-tax profits amounted to MSEK -1.8 (-68.4). No investments have been made in the parent company.

SHARES

The number of shares increased during the fourth quarter by 67,190 shares, via a minor new share issue, to 20,709,369 at the end of the quarter. There is only one class of shares. Erik Penser Bank AB is the company's Certified Adviser and also serves as liquidity provider.

The shares are traded on Nasdaq First North Premier. The Premier segment is subject to more stringent disclosure and report requirements than shares on the First North regular network. The Premier segment also requires the company to work according to a higher degree of transparency, which prepares the company for a possible transfer to the main Nasdaq lists. The share price at the end of the period was SEK 11.10.

The Annual General Meeting in May 2016 resolved to establish a warrant programme comprising 1,001,000 warrants with the right to subscribe to 1 share for SEK 12 during the period between 1 November 2018 and 31 December 2018. Of these, 721,000 were subscribed at the end of the period. In connection with the signing of the share warrants, the 260,000 warrants from the previous employee option programme were returned.

In December 2015, a convertible loan was issued in the nominal amount of MSEK 15. The conversion rate is 85% of the average market share price for the company's share during the three-month period that most closely precedes the claim for conversion, however, no less than SEK 5.80. The loan is intended to be converted in the near future, see more above.

At the beginning of the fourth quarter of 2016, HANZA had a further convertible loan of MSEK 4.5 that matured on 31 December 2016. This loan was repaid during the quarter.

SIGNIFICANT RISKS AND UNCERTAINTIES

The risk factors of greatest significance to HANZA are financial risks and changes in the market. For more information on risks and uncertainties, refer to Note 3 in the company's annual report for 2015. No significant changes in the risks have arisen since the annual report for 2015 was published.

RELATED-PARTY TRANSACTIONS

In December, the company assumed loans of MSEK 2.1 each from board members Håkan Halén and Francesco Franzé. These loans were taken to settle loans that matured at the end of 2016. Otherwise, there have been no transactions between the HANZA group and related parties that substantially effected the group's financial position and earnings to take place during the year.

The interim report provides a true and fair overview of the operations, financial position and results of the parent company and the group, and describes the material risks and uncertainties faced by the Parent Company and the companies in the group.

Stocksund, 16 February 2017

On behalf of the board of directors,

Erik Stenfors, CEO

This interim report has not been subject to examination by the company's auditors.

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME – THE GROUP

Amounts in thousands of SEK (MSEK)	Note	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Net sales	**4**	**328.9**	**331.3**	**1,305.8**	**1,206,4**
Change in goods in progress, finished goods and work in progress on behalf of other parties		6.8	4.3	4.3	2.5
Raw materials and supplies		-183.4	-190.1	-722.6	-713.9
Other external costs		-56.0	-46.1	-196.2	-163.6
Personnel costs		-85.9	-87.3	-332.8	-296.8
Depreciation		-12.6	-14.2	-47.5	-39.5
Other operating income	5	3.1	7.0	20.7	62.8
Other operating costs	5	-1.9	-2.5	-6.5	6.8
EBIT	**4**	**-1.0**	**2.4**	**25.2**	**51.1**
Profits from financial items					
Financial income		0.5	2.6	0.3	3.2
Financial costs		-4.9	-5.2	-22.0	-20.3
Net financial items	**6**	**-4.4**	**-2.6**	**-21.7**	**-17.1**
Result before taxes		**-5.4**	**-0.2**	**3.5**	**34.0**
Income tax		0.8	3.9	-1.6	3.5
Net profit/loss		**-4.6**	**3.7**	**1.9**	**37.5**
Other comprehensive income					
Items that can later be reversed to profit of loss					
Currency differences		-2.5	-10.1	11.4	-11.2
Other comprehensive income for the period		**-2.5**	**-10.1**	**11.4**	**-11.2**
Total comprehensive income for the period		**-7.1**	**-6.4**	**13.3**	**26.3**
Result per share before dilution		-0.22	0.18	0.09	3.18
Result per share after dilution		-0.16	0.18	0.16	3.17
Weighted average number of shares before dilution		20,681,000	20,369,876	20,651,884	11,810,193
Adjustment for calculation of result per share after dilution:					
Convertibles		1,538,917	119,237	1,538,917	29,809
Weighted average number of shares after dilution		22,219,917	20,489,113	22,190,801	11,840,002

CONSOLIDATED BALANCE SHEET IN SUMMARY

Amounts in thousands of SEK (MSEK)	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets			
Goodwill		145.1	141.4
Other intangible assets		0.5	0.3
Intangible assets		**145.6**	**141.7**
Tangible non-current assets		**243.5**	**253.0**
Financial non-current assets			
Other long-term securities holdings		0.3	0.4
Deferred tax assets		17.2	17.0
Financial non-current assets		**17.5**	**17.4**
Total non-current assets		**406.6**	**412.1**
Current assets			
Inventory		243.5	239.3
Accounts receivable		57.2	51.7
Other receivables		14.6	15.0
Prepaid costs and accrued income		9.6	9.4
Cash and cash equivalents		24.1	48.8
Total current assets		**349.0**	**364.2**
TOTAL ASSETS		**755.6**	**776.3**

CONSOLIDATED BALANCE SHEET IN SUMMARY cont'd

Amounts in thousands of SEK (MSEK)	Note	31 Dec 2016	31 Dec 2015
EQUITY			
Equity attributable to the parent company's shareholders		**268.8**	**254.1**
LIABILITIES			
Long-term liabilities			
Liabilities to credit institutions	3	69.1	98.0
Other long-term interest-bearing liabilities		-	21.8
Convertible loans		-	12.8
Long-term non-interest-bearing liabilities		7.1	6.9
Total long-term liabilities		**76.2**	**139.5**
Current liabilities			
Bank overdraft	3	74.5	66.3
Liabilities to credit institutions	3	86.4	54.8
Convertible loans		13.9	4.5
Other interest-bearing liabilities		6.9	34.8
Accounts payable		155.2	147.4
Other liabilities		25.1	22.5
Accrued costs and deferred income		48.6	52.4
Total current liabilities		**410.6**	**382.7**
TOTAL EQUITY AND LIABILITIES		**755.6**	**776.3**
Equity per share at the end of the period, SEK		12.98	12.31
Number of shares at the end of the period		20,709,369	20,642,179

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in thousands of SEK (MSEK)	Share capital	Other contrib-utions received	Reserves	Profit brought forward including profit for the period	Total equity
Opening balance as of 1 January 2016	**2.0**	**294.8**	**-3.3**	**-39.4**	**254.1**
Net profit/loss	-	-	-	1.9	1.9
Other comprehensive income					
Currency differences	-	-	11.4	-	11.4
Total comprehensive income			**11.4**	**1.9**	**13.3**
Employee options	-	0.9	-	-	0.9
New issue of shares	0.1	0.6	-	-	0.7
Issue expenses	-	-0.2	-	-	-0.2
Total contribution from and value transfers to shareholders recognised directly in equity	**0.1**	**1.3**	**-**	**-**	**1.4**
Closing balance as of 31 December 2016	**2.1**	**296.1**	**8.1**	**-37.5**	**268.8**
Opening balance as of 1 January 2015	**0.7**	**218.1**	**7.9**	**-80.4**	**146.3**
Net profit/loss	-	-	-	37.5	37.5
Other comprehensive income					
Currency differences	-	-	-11.2	-	-11.2
Total comprehensive income	**-**	**-**	**-11.2**	**37.5**	**26.3**
Employee options	-	0.6	-	-	0.6
New share issue	1.3	80.5	-	-	81.8
Issue costs	-	-6.7	-	-	-6.7
Holding of own shares, clearing	-	-	-	3.5	3.5
Convertible bond	-	2.3	-	-	2.3
Total contribution from and value transfers to shareholders recognised directly in equity	**1.3**	**76.7**	**-**	**3.5**	**81.5**
Closing balance as of 31 December 2015	**2.0**	**294.8**	**-3.3**	**-39.4**	**254.1**

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

Amounts in thousands of SEK (MSEK)	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Cash flow from operating activities				
Profit/loss after financial items	-5.4	-0.2	3.5	34.0
Depreciation	-12.6	-14.2	-47.5	-39.5
Other non-cash items	0.1	-1.6	-7.4	-55.2
Income taxes paid	-1.6	-1.5	-4.6	-3.5
Cash flow from operating activities before changes in working capital	**8.9**	**10.9**	**39.0**	**14.8**
Total change in working capital	**10.3**	**4.7**	**2.6**	**-9.8**
Cash flow from operating activities	**19.2**	**15.6**	**41.6**	**5.0**
Cash flow from investing activities				
Company acquisitions	-	-	-	-36.8
Investments non-current assets	-13.0	-4.8	-28.2	-17.0
Sale of tangible non-current assets	7.1	-	28.5	7.7
Cash flow from investing activities	**-5.9**	**-4.8**	**0.3**	**-46.1**
Cash flow from financial activities				
New share issue	-0.2	-	-0.2	66.2
Change in loans	-8.7	5.0	-67.8	-8.0
Cash flow from financial activities	**-8.9**	**5.0**	**-68.0**	**58.2**
Decrease/increase in cash and cash equivalents	**-4.4**	**15.8**	**-26.1**	**17.1**
Cash and cash equivalents on the opening date	20.5	32.7	48.8	31.8
Exchange rate differences in cash and cash	-0.8	0.3	1.4	-0.1
Cash and cash equivalents at the end of the period	**24.1**	**48.8**	**24.1**	**48.8**

CONDENSED INCOME STATEMENT, PARENT COMPANY

Amounts in thousands of SEK (MSEK)	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Operating revenue	**3.9**	**-4.3**	**9.2**	**3.0**
Operating costs	**-4.9**	**-2.9**	**-12.1**	**-10.6**
EBIT	**-1.0**	**-7.2**	**-2.9**	**-7.6**
Profit/loss from financial items				
Profit/loss from participations in the Group	-	-60,6	2.1	-63.5
Other interest income and similar profit/loss items	0.3	-	1.2	3.7
Interest cost and similar profit/loss items	-1.1	-0.6	-4.2	-2.9
Total profit/loss from financial items	**-0.8**	**-61.2**	**-0.9**	**-62.7**
Profit/loss before tax	**-1.8**	**-68.4**	**-3.8**	**-70.3**
Tax on net profit/loss for the period	1.3	3.5	1.3	3.5
Net profit/loss	**0.5**	**-64.9**	**-2.5**	**-66.8**

Profit/loss from participation in group companies in the previous year refers to impairment of shareholder contributions paid. Other interest income and similar profit/loss items include interest income from group companies of MSEK 1.2 (3.7). In the parent company, there are no items posted in other total earnings, which is why the total earnings for the group correspond to the earning for the period.

CONDENSED BALANCE SHEET, PARENT COMPANY

Amounts in thousands of SEK (MSEK)	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Financial non-current assets		**257.2**	**258.2**
Total non-current assets		**257.2**	**258.2**
Current assets			
Current receivables		0.4	1.5
Cash and cash equivalents		0.0	1.0
Total current assets		**0.4**	**2.5**
TOTAL ASSETS		**257.6**	**260.7**
EQUITY AND LIABILITIES			
Equity		**212.1**	**213.7**
Provisions		**0.1**	**2.6**
Long-term liabilities		**15.0**	**16.0**
Current liabilities		**30.4**	**28.4**
TOTAL EQUITY AND LIABILITIES		**257.6**	**260.7**

NOTES

Note 1 General Information

All amounts are stated in millions of Swedish crowns (MSEK) unless otherwise indicated. Figures in parentheses pertain to the corresponding period in the previous year. The interim information on pages 5 to 9 forms an integral part of this financial statement.

Note 2 Basis for preparation of the report and accounting principles

HANZA Holding AB (public JSC) applies International Reporting Standards (IFRS) as adopted by the EU. The interim report is 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 Accounts Act and RFR 2 Accounting for Legal Entities.

The accounting policies comply with the principles applied in the previous financial year. For more information, see Note 2 in the company's annual report for 2015. The interim report should be read together with this annual report.

Note 3 Financial instruments - Fair value of financial liabilities valued at accrued acquisition values

The Group's borrowing comprises a larger number of contracted loans entered into at various times and subject to various terms. Most of the loans carry floating interest rates. On this basis, the posted values are considered to be fair approximations of the actual amounts.

Since discounting effects are not substantial, the fair value of the short-term loans corresponds to the posted value.

Note 4 Segment Information

Revenues

Inter-segment sales are made on commercial terms.

	Oct - Dec 2016			Oct - Dec 2015		
	Segment revenue	**Less sales between segments**	Revenues from **external customers**	**Segment** revenue	**Less sales between segments**	**Revenues from external customers**
Mechanics	221.8	-3.7	218.1	211.2	-4.8	206.4
Electronics	115.8	-5.5	110.3	129.6	-5.4	124.2
Business	0.5	-	0.5	0.8	-	0.8
Total	**338.1**	**-9.2**	**328.9**	**341.6**	**-10.2**	**331.3**

Note 4 **Segment Information, continued**

	Jan - Dec 2016			Jan - Dec 2015		
	Segment revenue	Less sales between segments	Revenues from external customers	Segment revenue	Less sales between segments	Revenues from external customers
Mechanics	867.2	-12.1	855.1	721.8	-14.2	707.6
Electronics	480.8	-31.2	449.6	530.8	-32.7	498.1
Business	-1.1	-	-1.1	0.8	-	0.8
Total	1,349.1	**-43.3**	**1,305.8**	**1,253.4**	**-46.9**	**1,206,4**

EBIT is reconciled as income before as follows:

	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
EBIT				
Mechanics	-6.0	-5.1	6.0	-10.3
Electronics	6.0	9.4	24.0	22.8
Business development	-1.0	-1.9	-4.8	38.6%
Total	**-1.0**	**2.4**	**25.2**	**51.1**
Net financial items	-4.4	-2.6	-21.7	-17.1
Profit/loss before tax	**-5.4**	**-0.2**	**3.5**	**34.0**

Lump-sum items	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Revenue recognition negative goodwill	-	-	-	47.3
Revaluation of supplemental purchase	0.1	0.7	1.7	5.5
Transaction costs Metalliset	-	-	0.4	-2.4
Restructuring	6.8	-1.6	-17.7	-10.0
Capital gains on property	-	-	6.6	-
Total	**-6.7**	**-0.9**	**-9.0**	**40.4**
EBIT per segment excluding lump-sum items				
Mechanics	0.4	-4.0	15.7	-5.8
Electronics	6.0	10.5	24.0	25.6
Total	**6.4**	**6.5**	**39.7**	**19.8**
Business development	-0.7	-3.1	-5.5	-9.1
Total	**5.7**	**3.4**	**34.2**	**10.7**
Lump-sum items	-6.7	-0.9	-9.0	40.4
EBIT	**-1.0**	**2.4**	**25.2**	**51.1**

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

	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Result from sale of non-current assets	0.9	3.0	11.3	4.1
Revenue negative goodwill	-	-	-	47.3
Revaluation of supplemental proceeds	0.1	0.7	1.7	5.5
Insurance compensations	-	-	0.7	-
Exchange rate gains	0.8	0.4	3.2	-
Other items	1.3	-2.9	3.8	5.9
Total	**3.1**	**7.0**	**20.7**	**62.8**
Other operating costs				
Result from sale of non-current assets	-	-0.7	0.5	-1.0
Exchange rate losses	-1.7	-0.8	-4.9	-3.5
Other items	-0.2	-1.0	-1.1	2.3
Total other operating income	**-1.9**	**-2.5**	**-6.5**	**6.8**

Results from the sale of non-current assets in 2016 refers to gains on the sale of properties in Töreboda and Rihimäki, Finland, as well as equipment in Sweden.

Note 6 **Financial income and costs - Net financial items**

Financial income	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Interest income	0.0	0.0	0.0	0.1
Capital gain sale of subsidiary	-	-	0.3	-
Net exchange rate gains and losses	0.5	2.6	-	3.1
Total financial revenues	**0.5**	2.6	**0.3**	**3.2**
Financial costs				
Interest costs	-3.9	-4.5	-15.0	-16.9
Net exchange rate gains and losses	-	-	-3.4	-
Other financial costs	-1.0	-0.7	-3.6	-3.4
Total financial costs	-4.9	-5.2	**-22.0**	**-20.3**
Total net financial items	**-4.4**	**-2.6**	**-21.7**	**-17.1**

KEY FINANCIAL RATIOS

	Oct - Dec 2016	Oct - Dec 2015	Jan - Dec 2016	Jan - Dec 2015
Net sales, MSEK	328.9	331.3	1,305.8	1,206.4
EBITDA margin %	3.5%	5.0%	5.6%	7.5%
Operating margin, %	-0.3%	0.7%	1.9%	4.2%
Operational business areas' EBIT, MSEK	0.0	4.3	30.0	12.5
Operating margin, %	0.0	1.3%	2.3%	1.0%
Operating capital, MSEK	495.5	498.3	495.5	498.3
Return on operating capital, %	0.0%	0.9%	6.0%	3.0%
Capital turnover rate on operating capital, times	0.7	0.7	2.6	-2.9
Interest-bearing net debt, MSEK	226.7	244.2	226.7	244.2
Net debt/equity ratio, times	0.8	1.0	0.8	1.0
Equity/assets ratio, %	35.6%	32.7%	35.6%	32.7%
Average no. of employees	1,337	1,592	1,346	1,169

DATES FOR FORTHCOMING FINANCIAL INFORMATION

- Interim report for the period of January-March 2017, submitted on 10 May 2017
- Interim report for the period of January-June 2017, submitted on 28 August 2017
- Interim report for the period of January-September 2017, submitted on 23 October 2017
- The Annual report for 2015 will be available on the company's home page on 19 April 2017.
- The Annual General Meeting will be held on 10 May 2017

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DEFINITIONS

Unless otherwise stated in this interim report, the definitions refer to the Group. Figures within parentheses pertain to the outcome of the corresponding period in 2015.

Business development costs include non-recurring costs for developing the business model and the organisation, such as listing costs, costs to transition to IFRS, the elimination of unprofitable factories upon acquisition, and acquisition costs in the form of due diligence.

EBITDA Earnings before interest, taxes, depreciation and amortisation on tangible and intangible items.

EBITDA margin is EBITDA divided by net sales

EBIT stands for earnings before interest and taxes

Capital turnover on average operating capital is net sales divided by average operating capital

Operational business area's EBIT (operating EBIT) is operating profit/loss before business development costs.

Operating margin is the operative business area's EBIT divided by net sales

Operating capital is total assets less cash, financial assets and non-interesting-bearing liabilities

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

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

Interest-bearing net debt is interest-bearing liabilities less cash and similar assets, as well as short-term investments.

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

Equity/assets ratio is equity divided by the balance sheet total or total capital employed.

ABOUT HANZA

HANZA is a fast-growing industrial business partner in manufacturing. The company creates increased growth and profitability for customers by providing complete manufacturing solutions involving mechanics, electronics, cabling and final assembly.

HANZA was founded in 2008 and has rapidly grown into a billion-crown company.

The company has operations in Sweden, Finland, Estonia, Poland, Czech Republic and China. HANZA's customers include leading companies such as ABB, Atlas Copco, Ericsson, Saab Defence and Siemens.

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