We modernize and streamline
the manufacturing industry

YEAR-END REPORT
2018

2018 year-end report

2018 – Continued positive development. 2019 – Initiated with a key acquisition

FOURTH QUARTER (1 October–31 December 2018)

- Net sales amounted to SEK 432.8 million (357.8).
- Operating profit was SEK -3.1 million (6.4).
  A CORE*) project in the Group's Narva production plant was completed during the quarter resulting in an SEK -10.9 million write-down on assets. Excluding this item and direct expenses for list change (see below), the operating profit amounted to SEK 10.1 million.
- Profit after tax amounted to SEK -9.7 million (1.3), which corresponds to SEK -0.33 per share, both before and after dilution (0.05).
- Cash flow from operating activities amounted to SEK 39.8 million (19.0).
- HANZA is preparing to change 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 H1 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 31 December 2018 amounted to SEK 5.3 million, of which SEK 2.3 million is attributable to Q4.

FULL YEAR (1 January–31 December 2018)

- Net sales amounted to SEK 1,810.6 million (1,399.7).
- Operating profit was SEK 54.1 million (35.7).
  Excluding direct expenses for list change and the write-down on assets in Narva in Q4, the operating profit totalled SEK 70.3 million (35.7).
- Profit after tax amounted to SEK 20.8 million (16.4), which corresponds to SEK 0.74 both before and after dilution (0.69).
- Cash flows from operating activities amounted to SEK 113.5 million (72.0).
- The board proposes a dividend of SEK 0.25 (0.00) per share.

Summary of comments by CEO Erik Stenfors on the report:

"2018 was a successful year. One of our areas of focus has been further developing the Group's operations in Sweden. The operating margin increased to 7.4% for the Segment Nordics in 2018, which represents healthy profitability in the manufacturing industry. Furthermore, the important work with the working capital continued to generate a strong cash flow. Since the end of Q1 2018, we've reduced our interest-bearing debt by 20%, or SEK 69 million, whereof SEK 29 million in Q4 2018."

"As stated in the previous report, we feared a slowdown at the end of 2018 because how Christmas falls in the calendar and customer concern about the outlook of the economy in general. Hence, we responded by temporarily suspending production at several factories. Our operating profit was satisfactory considering that the fourth quarter was made shorter. However, our extensive CORE project in Narva ended with a write-down on inventory in Q4. These efforts are expected to improve profitability in 2019."

"This year, 2019, has started with a solid demand from our customers, and we have already taken an important step with the acquisition of Toolfac Oy. The company will be integrated into our Finnish cluster during the year. HANZA has a clear, innovative and value-adding strategy for the manufacturing industry and we see a very bright future."

MATERIAL EVENTS DURING 2018

- **Acquisitions**
  In February, HANZA acquired Wermland Mechanics Group AB, a leading Swedish manufacturer of sheet metal mechanics with around 200 employees and approximately SEK 360 million in annual sales. The purchase price consisted of a fixed component in the amount of SEK 145 million and a variable component of up to SEK 22.5 million. To finance part of the acquisition and strengthen the Group's overall financial position, HANZA carried out an underwritten preferential rights issue in the amount of approximately SEK 60 million in February. The acquisition was integrated into HANZA's Swedish manufacturing cluster in 2018.

- **New customer contracts**
  - In February, Harju Elekter Elektrotehnika AS, which develops power distribution equipment, signed a production order with an annual value in excess of EUR 3 million for the manufacture of mechanical cabinets and sheet metal constructions.
  - In March, Apstec Systems signed a multi-year manufacturing agreement with HANZA, starting with an initial order of approximately SEK 12 million for the delivery of complete security systems enabling the detection of weapons and explosive devices to protect areas form terrorist attacks. HANZA has managed the industrialization phase.
  - In March, Silva, the market leader in outdoor sports equipment, signed an agreement for HANZA to take over Silva's production in Shenzhen, China. The deal is estimated to exceed SEK 100 million over a five-year period and is the result of a MIG analysis HANZA conducted to evaluate Silva's manufacturing strategy.
  - In October, the materials management company Rocla signed an agreement for the manufacture of electrical panels, contactor assemblies and cable harnesses for its new generation of fork lifts.
  - In December, the food company Picadeli signed an agreement on the manufacture of electronics for the company's salad counters, which serves as a supplement to existing business under which HANZA delivers from the company's factories and takes responsibility for complete manufacturing of the products.

- **New financial targets (presented in January-June 2018 Interim Report)**
  In August, the Board established a strategy for the forthcoming expansion phase, according to which the HANZA Group's financial targets and dividend policy were revised as follows:
  - Average revenue growth of at least 10% per annum over a business cycle (unchanged)
  - Average operating margin of at least 6% over a business cycle (previously: 5%)
  - The equity ratio shall amount to at least 30% (unchanged)
  - Dividend of approximately 30% of profit after tax (previously: 25%)

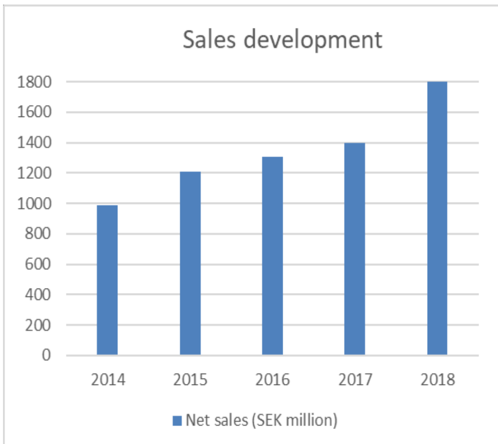
MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

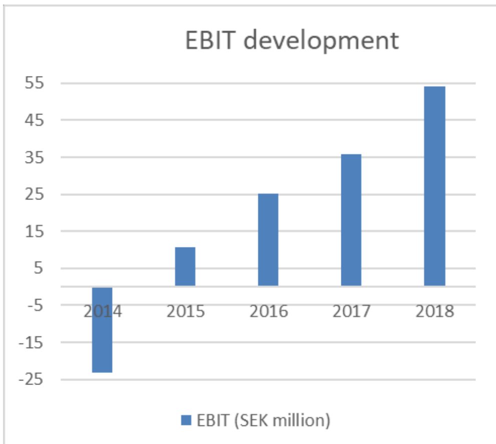
- In January 2019, HANZA acquired Toolfac Oy, A Finnish high-tech machining supplier. The company has around 60 employees and annual sales of approximately SEK 80 million. The purchase price consists of a cash component, an equity component and a supplementary purchase price, altogether estimated at approximately SEK 34 million. The acquisition will be integrated into HANZA's Finnish manufacturing cluster.

- In February 2019, HANZA signed a multi-year, global manufacturing agreement with Epiroc for deliveries of assembled mechanics and subsystems to supply the company's mining equipment.

SEK million	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Key ratios according to IFRS				
Net sales	432.8	357.8	1,810.6	1,399.7
Operating profit (EBIT)	-3.1	6.4	54.1	35.7
Amortisation of intangible assets	-2.0	-0.1	-7.2	-0.3
Cash flow from operating activities	39.8	19.0	113.5	72.0
Alternative performance measurements				
Operational segments EBITA	1.3	9.3	71.3	40.1
Business development segment EBITA	-2.4	-2.8	-10.0	-4.1
EBITA	-1.1	6.5	61.3	36.0
Operating margin	-0.7%	1.8%	3.0%	2.6%
Net interest-bearing debt	260.2	142.0	260.2	142.0
Equity ratio	37.5%	40.2%	37.5%	40.2%

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





Year 2015 excluding non-recurring item regarding negative goodwill which arose in the acquisition of the company Metalliset. Including that non-recurring item EBIT is SEK 51.1 in 2015.

CEO'S COMMENTS

HANZA modernize and streamline the manufacturing industry

Traditionally, a product is manufactured in parts – at different factories spread out across the world. This is why we are devising a new strategy for the manufacturing industry. Bringing together factories with separate technologies in specific geographic areas, clusters, unlocks new and efficient ways of manufacturing products. By also strategically placing these manufacturing clusters in the same part of the world as the end client, we can conserve both costs and the environment.

This business model has borne fruit. Since the start of HANZA in 2008, we have grown into a corporate group with close to SEK two billion in sales. Keeping the initial course has been decisive as we've built HANZA with a long-term and methodical approach. In the first phase, we brought together manufacturing technologies, and in the second phase, we regrouped them into five manufacturing clusters in: Sweden, Finland, the Baltics, Central Europe and China. In parallel, we developed unique advisory services in the manufacturing industry, such as MIG[*)] and MCS[*)]. In our current phase, the third phase, the objective is to add new geographic customer areas to our clusters and continue to streamline our five established clusters. Our clear business model and methodical approach to building HANZA is beginning to be well known, but it is still worth repeating as it explains HANZA's activities – both historic and future activities.

HANZA 2018 – a successful year

HANZA is an industrial company that is still being built and 2018 was a successful year. One of our areas of focus during the year was further developing the Group's operations in Sweden – HANZA's first manufacturing cluster. We added sheet metal mechanics to our Swedish operations by acquiring and then integrating the company Wermech. We also completed a key CORE[*)] project in Sweden, which added two manufacturing technologies, heat treatment and non-destructive testing.

Another area of focus was the continuing development of the Group's organisation. At the start of 2018, the Group conducted a major organisational change to adapt to the cluster structure and we defined new operating segments for performance reporting purposes that are more in line with the Group's business model. The new segment classification enables us to track our performance in Sweden under the Nordics segment. The operating margin for this segment increased to 7.4% for 2018, which represents a healthy level of profitability in the manufacturing industry.

The year was also a success in the context of new key customer contracts (see above), which were once again a testament to the strength of our business model. Furthermore, the important work with the working capital continued to generate a strong cash flow.. This enables us to make repayments on loans, and since Q1 2018,
that is, after the Wermech acquisition, we've reduced our interest-bearing debt by 20%, or SEK 69 million, whereof SEK 29 million in Q4 2018. Our net debt at year-end was SEK 260 million.

As described in the previous report, we feared a slowdown in the end of 2018 because of the placement of Christmas on the calendar and customer concern about economic conditions, which we responded to by temporarily suspending production at several factories. Our operating profit was satisfactory considering that this resulted in the fourth quarter being shorter. However, our extensive CORE project in Narva was wrapped up with an impairment loss on assets in Q4. These efforts are expected to improve profitability in 2019.

HANZA 2019 – a good start to the year

The year 2019 started off with strong demand and we're working to realize our roadmap for HANZA's third development phase, which is estimated to last until 2022.

The Sweden Cluster was our focus in 2018, but we also made great strides in developing the rest of our business, mainly with the CORE project in Narva, which replaced the factory's previous ERP system with HANZA Group-wide ERP system. We also conducted a complete process review in relation to inventories, the basis for valuation and procedures. In 2019, we will prioritise continuing to develop the clusters outside of Sweden and adding new customer markets.

Already in January we took another key step in the Group's development by acquiring Toolfac, which has cutting-edge expertise in the manufacture of hydraulic and pneumatic components. Suring2019, the company will be integrated into our Finnish cluster, which is a part of the Nordics segment. Toolfac represents another qualified addition to the extensive toolbox we provide our customers.

We are also preparing to change marketplaces from First North to the Nasdaq Stockholm's main market in the first half of 2019. One of the reasons is to obtain the quality seal that goes hand in hand with meeting the significantly higher demands of the main market. Changing lists also opens the door for new institutional investors to invest in HANZA.

HANZA has a clear, innovative and value-adding strategy for the manufacturing industry and we see a very bright future.

*) See definitions on page 28

Epiroc, a new HANZA customer, develops innovative products for the mining, infrastructure and natural resources industries. HANZA has signed a multi-year, global manufacturing agreement with Epiroc for deliveries of assembled mechanics and subsystems to supply the company's mining equipment.

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.

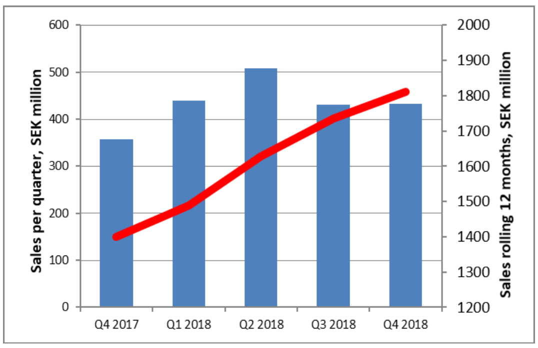
The National Institute of Economic Research wrote in its latest forecast (January 2019) that demand has continued to decline slightly on an overall scale but is still stronger than normal. HANZA sees solid demand in early 2019, following a decrease in late 2018.

HANZA does not provide sales, 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 now in progress to broaden the company's customer market outside of the Nordic region constitutes a base for a potential major growth in the coming years.

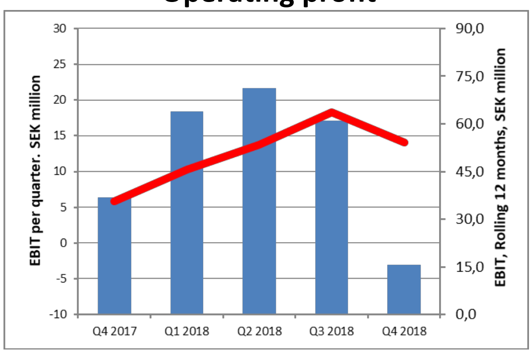
It should be noted that HANZA is actively pursuing strategic acquisitions and the development of its customer portfolio in order to increase its customer value, and thus profitability. This will enable the phasing out of certain non-strategic volumes, especially following acquisitions. In addition, selected volumes have been, and can be, phased out when factories are merged. Furthermore, volumes were moved between factories to optimize profitability. As a result, the sales of the acquired factory could be impacted. Therefore, a change in the Group's sales, or a comparison of a factory's sales before and after acquisition, does not provide a complete view of the new sales.

The Group's target is average revenue growth of at least 10% per annum over a business cycle, which is measured as the change in sales, which is the net of volumes from new customers, phased out volumes, acquired volumes and exchange rate fluctuations.

Net Sales



Operating profit



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

Fourth quarter

Net sales increased by 21.0% to SEK 432.8 million (357.8). A strengthening of foreign currencies, primarily the Euro, has a positive effect on net sales in the amount of approximately SEK 15 million. Excluding currency effect, the increase in net sales is approximately 17%. The increase is mainly attributable to the acquisition of Wermland Mechanics AB in February 2018. However, a net sales change does not provide a complete view of the Group's new sales, se Market Performance above.

EBITDA for the quarter amounted to SEK 11,7 million (16,8), which corresponds to an EBITDA margin of 2.7% (4.7). Depreciation during the period amounted to SEK 14.8 million (10.4), of which depreciation of intangible assets amounted to SEK 2.0 million (0.1). The Group's operating profit (EBIT) amounted to SEK -3.1 million (6.4) which corresponds to an operating margin of -0.7% (1.8). The operating margin is only marginally affected by the exchange rate effects described above. Excluding direct costs for change of listing at SEK 2.3 million the Group's operating margin is -0.2%. EBITA amounted to SEK -1.1 million (6.5).

For 4Q 2018, the Nordics segment is reporting net sales to external customers of SEK 227.3 million (141.0), an increase of 61%. The increase is mainly attributable to the acquisition of Wermech. EBITA amounted to SEK 16.1 million (5.5), which corresponds to an EBITA margin of 7.1% (3.9). 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 86.3 million to SEK 227.3 million (141.0), which is primarily attributable to the acquired company Wermech.

The Rest of World segment's net sales to external customers amounted to SEK 205.5 million (216.5). Currency affects net sales marginally. The decrease is mainly attributable to lower volumes in Cluster Estonia and the CORE project described below. EBITA amounts to SEK -14.8 million (3.8) for the quarter, which corresponds to an EBITA margin of -7.2% (1.8). Adjusted for the write-down of assets which is described below EBITA amounts to SEK -3.9 million, which corresponds to -1.9%.

As previously described, HANZA completed a CORE project at the Group's heavy mechanics unit in Narva, Estonia. The project included adapting the organization to the Group's strategy of gathering factories in manufacturing clusters. In addition, the Narva factory's previous ERP system was replaced with HANZA's Group-wide ERP system. The system change was accompanied by a complete process review in relation to inventories, the basis for valuation and procedures. The CORE project has now been completed and resulted in the Company deciding to recognize an impairment loss on the Narva factory's inventories in the amount of SEK 10.9 million, which was charged to the segment's profit in Q4 2018. In addition, production was temporarily suspended at several of the segment's factories at the end of the year in order to cope with a decrease in volume related to the placement of Christmas on the calendar. Expenses for streamlining projects completed in Q4 2018 were also charged to profit. All actions taken within the segment are expected to improve profit 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 Q4, EBITA for the Business Development segment amounted to SEK -2.4 million (-2.8), 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, main list prior to a forthcoming change of listing. In 2017 the fourth quarter was charged with costs for the acquisition of Wermland Mechanics at SEK 1.4 million.

The gross margin decreased to 43.2% (44.0) due to the write-down of assets in the Narva unit. Other external costs amounted to SEK -65.0 million (-50.4), while costs of personnel amounted to SEK -110.0 million (-92.2). The increased cost structure is due to the acquisition of Wermech.

Net financial items amounted to SEK -4.8 million (-5.6) in the quarter. Of this amount, net interest income/expenses amount to SEK -3.2 million (-2.4). Due to renegotiated interest on debt, net interest income/expenses only increased by SEK 0.8 million in spite of increased net debt due to the acquisition of Wermech. Net exchange gains and losses amounted to SEK -0.4 million (-2.4). Other financial expenses amounted to SEK -1.2 million (-0.8).

Profit before tax amounted to SEK -7.9 million (0.8). Profit after tax amounted to SEK -9.7 million (1.3). Earnings per share before and after dilution amounted to SEK -0.33 (0.05).

Full year
HANZA's net sales increased by 29.0% to SEK 1,810.6 million (1,399.7). Adjusted to account for a strengthening of foreign currencies, mainly the Euro, sales growth amounts to approximately 25%. The increase is mainly attributable to the acquisition of Wermland Mechanics AB in February 2018. 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 year amounted to SEK 113.2 million (79.1), which corresponds to an EBITDA margin of 6.3% (5.7). Depreciation during the period amounted to SEK 59.1 million (43.4), of which depreciation of intangible assets amounted to SEK 7.2 million (0.3). The gross margin amounted to 44.5 % (42.3). The Group's operating profit (EBIT) amounted to SEK 54.1 million (35.7), which corresponds to an operating margin of 3.0% (2.6). EBITA amounted to SEK 61.3 million (36.0).

The Nordics segment reports EBITA of SEK 67.4 million (16.2), which corresponds to an EBITA margin of 7.4% (2.9). Net sales increased by SEK 357.3 million to SEK 910.4 million (553.1).

The Rest of World segment is reporting EBITA of SEK 3.9 million (23.9) for the period, which corresponds to an EBITA margin of 0.4% (2.8). 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 -10.0 million (-4.1), 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 -24.9 million (-16.3). Of this amount, net interest income/expenses amount to SEK -14.1 million (-11.2). 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 29.2 million (19.4). Profit after tax amounted to SEK 20.8 million (16.4). Earnings per share before and after dilution amounted to SEK 0.74 (0.69).

CASH FLOW AND INVESTMENTS

Cash flows from operating activities amounted to SEK 39.8 million (19.0) in the fourth quarter. For the full year it amounted to SEK 113.5 million (72.0) Change in working capital gave a positive cash flow of SEK 33.5 million (5.1) in Q4 and SEK 27.8 million (10.2) for the full year.

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 Q4 amounted to SEK -20.0 million (-2.5), comprising mainly of investments in machinery and equipment in the amount of SEK 19.2 million (5.0). For the full year net cash flow from investments in fixed assets, excluding acquisition of subsidiaries to SEK 44.7 million (previous year net disposals of 8.7) and investments in subsidiaries amount to SEK -144.4 million (-).

Total investments in tangible fixed assets amounted in the quarter to SEK 20.4 million (6.7) and for the full year to SEK 56.5 million (18.1). The difference compared to cash flows are due to investments in machinery and equipment through leasing.

Cash flow from loans amounted to SEK -25.1 million (-9.3) in Q4 an for the full year to SEK 28.4 million (-48.1). In the full year period 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. During Q4 another share issue was done in connection with redemption of warrants. This had a cash flow effect of +10.7 (-).

FINANCIAL POSITION

Shareholders' equity at the end of the period amounted to SEK 410.5 million (309.3), whereas the equity ratio was 37.5% (40.2). The balance sheet total amounted to SEK 1,096.1 million (769.8). Cash and cash equivalents amounted to SEK 77.5 million (56.1) at the end of the period. Net interest-bearing debt amounted to SEK 260.2 million (142.0) at the end of the period. The debt increase during the year is attributable to the acquisition of Wermland Mechanics AB during first quarter 2018. During fourth quarter 2018 the net debt decreased with the amount of SEK 28.7 million.

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,412 (1,374). The number of employees at the end of the period is 1,514. 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 8.6 million (1.8) during the quarter and to SEK 19.8 million (8.5) for the full year. Profit before tax for the quarter amounted to SEK 7.3 million (2.7) and to SEK 4.9 million (-0.6) for the full year. 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. In November and December, 848,510 shares were issued upon the redemption of warrants, which increased the share capital by SEK 84,851. At the end of 2018, the number of shares in the Company outstanding was thus 29,869,718. The remainder of the warrants programme was redeemed in early January 2019, which increased the number of shares by 110,210 and the share capital by SEK 11,021. Toolfac was acquired on 31 January 2019, and part of the purchase price comprised shares, which increased the number of shares by 1,000,000 and the share capital by SEK 100,000. After this, the total number of shares outstanding was 30,979,928.

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 13.85 (10.71). 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. Redemption was called upon for all warrants, in which 848,510 shares were issued in December and another 110,210 shares were issued in the beginning of January 2019.

DIVIDEND
The board proposes a dividend of SEK 0.25 (0.00) per share for the 2018 financial year, which is equivalent to approximately SEK 7.5 million.

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 Company's CEO and CFO exercised their warrants under the programme in November in accordance with the terms set out above, which increased their total shareholdings to 391,156 and 110,210, respectively.

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, 14 February 2019

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	Oct - Dec 2018		Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Net sales	**2, 4**	**432.8**		**357.8**	**1,810.6**	**1,399.7**
Change of inventories in production, finished goods and work in progress on behalf of others		-8.1		2.8	-9.6	18.0
Raw materials and consumables		-237.9		-203.2	-996.1	-825.0
Other external costs		-65.0	*)	-50.4	-248.4	-191.1
Costs of personnel		-110.0	*)	-92.2	-445.7	-339.2
Depreciation		-14.8		-10.4	-59.1	-43.4
Other operating income	5	2.4		3.2	9.4	21.4
Other operating expenses	5	-2.5		-1.2	-7.0	-4.7
Operating profit	**4**	**-3.1**		**6.4**	**54.1**	**35.7**
Profit/loss from financial items						
Financial income		-		-	-	-
Financial expenses		-4.8		-5.6	-24.9	-16.3
Financial items – net	**6**	**-4.8**		**-5.6**	**-24.9**	**-16.3**
Profit/loss before tax		**-7.9**		**0.8**	**29.2**	**19.4**
Income tax	7	-1.8		0.5	-8.4	-3.0
Profit/loss for the period		**-9.7**		**1.3**	**20.8**	**16.4**
Other comprehensive income						
Items that can subsequently be reversed in profit or loss						
Exchange rate differences		-0.7		9.8	12.9	10.0
Other comprehensive income for the period		**-0.7**		**9.8**	**12.9**	**10.0**
Total comprehensive income for the period		**-10.4**		**11.1**	**33.7**	**26.4**

Profit/loss for the period and total comprehensive income are in their entirety attributable to the parent company's shareholders

	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Earnings per share before dilution, SEK	-0.33	0.05	0.74	0.69
Earnings per share after dilution, SEK	-0.33	0.05	0.74	0.69

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

*) During Q1 to Q3 costs for rented employees in the, during the year aquired company Wermech, have been reported as cost of personnel. In the interim report for January - September these costs amounted to SEK 10.1 million. This has been adjusted in this report so that all costs for rented employees now are included in other external costs above for both the fourth quarter and for the full year.

CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	Note	2018-12-31	2017-12-31
ASSETS			
Fixed assets			
Intangible assets			
Goodwill		264.5	147.6
Other intangible assets		65.9	3.8
Intangible assets		**330.4**	**151.4**
Tangible fixed assets		**269.6**	**205.8**
Financial fixed assets			
Other long-term securities holdings		0.3	0.3
Deferred tax assets		16.4	16.7
Financial fixed assets		**16.7**	**17.0**
Total fixed assets		**616.7**	**374.2**
Current assets			
Inventories		290.1	270.2
Accounts receivable		83.8	49.4
Other receivables		18.1	13.5
Prepayments and accrued income		9.9	6.4
Cash and cash equivalents		77.5	56.1
Total current assets		**479.4**	**395.6**
TOTAL ASSETS		**1,096.1**	**769.8**

CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	Note	2018-12-31	2017-12-31
SHAREHOLDERS' EQUITY			
Shareholders' equity attributable to the parent company's shareholders		**410.5**	**309.3**
LIABILITIES			
Long-term liabilities			
Liabilities to credit institutions	3	207.2	87.3
Non-interest-bearing long-term liabilities		33.4	7.4
Total long-term liabilities		**240.6**	**94.7**
Current liabilities			
Overdraft facility	3	45.3	68.8
Liabilities to credit institutions	3	68.1	39.9
Other interest-bearing liabilities		17.1	2.1
Accounts payable		219.4	167.4
Other liabilities		29.1	44.4
Accrued expenses and deferred income		66.0	43.2
Total current liabilities		**445.0**	**365.8**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,096.1**	**769.8**

CONDENSED CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions	Note	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Opening balance		410.2	**298.2**	**309.3**	**268.8**
Profit/loss for the period		-9.7	1.3	20.8	16.4
Other comprehensive income					
Exchange rate differences		-0.7	9.8	12.9	10.0
Total comprehensive income		**-10.4**	**11.1**	**33.7**	**26.4**
Effect of implementation of IFRS 15	2	-	-	0.8	-
Transactions with shareholders					
Warrants issue		-	-	-	0.1
Redemption of warrants		10.7	-	10.7	-
New share issue		-	-	60.3	-
Issue costs		-	-	-4.3	-0.1
Conversion of convertible loan		-	-	-	14.1
Total contributions from and distributions to shareholders, recognized directly in equity		10.7	**-**	66.7	**14.1**
Closing balance		**410.5**	**309.3**	**410.5**	**309.3**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Note	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Cash flows from operating activities					
Profit/loss after financial items		-7.9	0.8	29.2	19.4
Depreciation		14.8	10.4	59.1	43.4
Other non-cash items		1.1	2.7	4.7	-1.8
Paid income tax		-1.7	0.0	-7.3	0.8
Cash flows from operating activities prior to the change in working capital		**6.3**	**13.9**	**85.7**	**61.8**
Total change in working capital		**33.5**	**5.1**	**27.8**	**10.2**
Cash flows from operating activities		**39.8**	**19.0**	**113.5**	**72.0**
Cash flows from investing activities					
Investments in subsidiaries	9	-	-	-144.4	-
Investments in fixed assets		-20.0	-5.0	-46.5	-14.3
Disposals of tangible fixed assets		-	2.5	1.8	23.0
Cash flows from investing activities		**-20.0**	**-2.5**	**-189.1**	**8.7**
Cash flows from financing activities					
New share issue		10.7	-	66.7	-
New loans		10.4	34.0	232.8	54.1
Repayment of borrowings		-35.5	-43.3	-204.4	-102.2
Cash flows from financing activities		**-14.4**	**-9.3**	**95.1**	**-48.1**
Increase/reduction in cash and cash equivalents		**5.4**	**7.2**	**19.5**	**32.6**
Cash and cash equivalents at the beginning of the period		72.1	49.3	56.1	24.1
Exchange differences in cash and cash equivalents		-	-0.4	1.9	-0.6
Cash and cash equivalents at the end of the period		**77.5**	**56.1**	**77.5**	**56.1**

CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Okt - dec 2018	Okt - dec 2017	Jan - dec 2018	Jan - dec 2017
Operating income	**8.6**	**1.8**	**19.8**	**8.5**
Operating expenses	**-4.1**	**-3.2**	**-18.5**	**-12.7**
Other operating income	-	-	-	0.1
Operating profit	**4.5**	**-1.4**	**1.3**	**-4.1**
Profit/loss from financial items				
Other interest income and similar income items	0.6	0.0	2.2	0.6
Interest charges and similar income items	-0.1	-0.4	-0.9	-1.6
Total profit/loss from financial items	**0.5**	**-0.4**	**1.3**	**-1.0**
Profit/loss after net financial items	**5.0**	**-1.8**	**2.6**	**-5.1**
Appropriations	2.3	4.5	2.3	4.5
Profit/loss before tax	**7.3**	**2.7**	**4.9**	**-0.6**
Tax on profit for the period	-0.4	0.2	-0.4	0.2
Profit/loss for the period	**6.9**	**2.9**	**4.5**	**-0.4**

Other interest income and similar income items for the full year include interest income from Group companies in the amount of SEK 2.2 million (0.6).

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	2018-12-31	2017-12-31
ASSETS			
Fixed assets			
Financial fixed assets		**297.3**	**238.2**
Total fixed assets		**297.3**	**238.2**
Current assets			
Current receivables		2.9	5.6
Cash and cash equivalents		11.5	7.1
Total current assets		**14.4**	**12.7**
TOTAL ASSETS		**311.7**	**250.9**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity		**297.0**	**225.8**
Long-term liabilities		**7.2**	**8.6**
Current liabilities		**7.5**	**16.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**311.7**	**250.9**

NOTES

Note 1 General information

All amounts are reported in millions of SEK (SEK millions) and refers to The Group unless otherwise stated. Information in brackets refers to the corresponding period of the preceding year. The interim information on pages 7 to 11 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, there had been no effect on net sales or operating profit. 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 finished. Reconciliation of the effects on the Groups income statement and balance sheet is ongoing. 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 with approximately SEK 78 million. In the income statement the main effect will be a shift of costs from other external costs to depreciations and partly to interest cost, where the latter will effect EBIT with about SEK 2 million during 2019. The transition will be done according to the modified retrospective approach where lease liability and the right of use asset values are set to the present value of remaining lease payments at the transition date 1 January 2019. Contracts which at the transition date have a shorter remaining contract period than one year will, according to a practical expedient, not be included in the liability and right of use asset.

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. Fair value on short-term borrowing equals fair value as the discount effect is not material.

Note 4 **Revenue and segment information**

Description of revenue from contracts with customers

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

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

Description of segment reporting

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, 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	Oct - Dec 2018			Oct - Dec 2017		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Nordic	228.6	-1.3	227.3	144.0	-3.0	141.0
Rest of the world	218.0	-12.5	205.5	234.5	-18.0	216.5
Business development	-	-	-	0.3	-	0.3
Total	**446.6**	**-13.8**	**432.8**	**378.8**	**-21.0**	**357.8**

SEK millions	Jan - Dec 2018			Jan - Dec 2017		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Nordic	921.6	-11.2	910.4	567.9	-14.8	553.1
Rest of the world	953.0	-52.5	900.5	927.7	-82.1	845.6
Business development	-0.3	-	-0.3	1.0	-	1.0
Total	**1,874.3**	**-63.7**	**1,810.6**	**1,496.6**	**-96.9**	**1,399.7**

Profit by segment

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

SEK millions	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
EBITA				
Nordic	16.1	5.5	67.4	16.2
Rest of the world	-14.8	3.8	3.9	23.9
Business development	-2.4	-2.8	-10.0	-4.1
Total EBITA	**-1.1**	**6.5**	**61.3**	**36.0**
Amortisation of intangible assets	-2.0	-0.1	-7.2	-0.3
Operating profit	**-3.1**	**6.4**	**54.1**	**35.7**
Financial items – net	-4.8	-5.6	-24.9	-16.3
Profit/loss before tax	**-7.9**	**0.8**	**29.2**	**19.4**
Non-recurring items				
Revaluation of additional purchase price	-0.8	-	-0.8	-
Transaction costs	-	-1.4	-0.3	-1.4
Costs for change of listing	-2.3	-	-5.3	-
Restructuring Vaasa, net including debt consession (see note 5)	-	-1.1	-	-5.2
Write-down of inventory	-10.9	-	-10.9	-
Real estate capital gains	-	-	-	2.4
Total	**-14.0**	**-2.5**	**-17.3**	**-4.2**
EBITA per segment excluding non-recurring items				
Nordic	16.1	6.6	67.4	17.7
Rest of the world	-3.9	3.8	14.8	24.0
Total	**12.2**	**10.4**	**82.2**	**41.7**
Business development	0.7	-1.4	-3.6	-1.5
Total	**12.9**	**9.0**	**78.6**	**40.2**
Non-recurring items	-14.0	-2.5	-17.3	-4.2
EBITA	**-1.1**	**6.5**	**61.3**	**36.0**

Revenue from external customers by manufacturing technology

SEK millions	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Mechanics	304.8	224.2	1,274.6	900.7
Electronics	128.0	133.3	536.3	498.0
Business development	-	0.3	-0.3	1.0
Total	**432.8**	**357.8**	**1,810.6**	**1,399.7**

Note 5 Other operating income and operating expenses

SEK millions Other operating income	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Profit on disposal of fixed assets	0.2	1.6	1.6	8.1
Exchange gains	1.3	0.9	5.5	4.5
Debt consession	-	-	-	7.3
Other items	0.9	0.7	2.3	1.5
Total other operating income	**2.4**	**3.2**	**9.4**	**21.4**
Other operating expenses				
Loss on disposal of fixed assets	-	-0.1	-0.2	-1.1
Revaluation of additional purchase price	-0.8	-	-0.8	-
Exchange losses	-1.3	-1.0	-5.4	-3.3
Other items	-0.4	-0.1	-0.6	-0.3
Total other operating expenses	**-2.5**	**-1.2**	**-7.0**	**-4.7**

Note 6 Financial income and expenses – Net financial items

SEK millions Financial income	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Interest income	-	-	-	-
Net exchange gains and losses	-	-	-	-
Total financial income	**-**	**-**	**-**	**-**
Financial expenses				
Interest expenses	-3.2	-2.4	-14.1	-11.2
Net exchange gains and losses	-0.4	-2.4	-6.4	-1.6
Other financial expenses	-1.2	-0.8	-4.4	-3.5
Total financial expenses	**-4.8**	**-5.6**	**-24.9**	**-16.3**
Total financial items - net	**-4.8**	**-5.6**	**-24.9**	**-16.3**

Note 7 Income tax

The effective tax rate for the full year is 29 percent (15). An important part of the Group's operations derives from Estonia, where profits are only taxed upon distribution of dividends. The parent company rules over the dividends and there are currently no plans or needs to take dividends, which would result in taxes, from the Estonian companies. The Estonian tax rate has therefore been set at 0 percent for purposes of the calculation. The effective tax rate therefore varies according to the proportion of pre-tax profits stemming from Estonia. During 2018 a substantial part of the result is taxed in Nordic.

The tax expense decreased during the year by SEK 0.6 million due to the recalculation of deferred tax assets and liabilities in Sweden. This recalculation was due to a decision to gradually reduce corporate income taxes as of 2019. As a result, 21.4% was used as the tax rate for deferred tax assets and liabilities expected to be utilised or reversed in 2019 and 2020, while 20.6% was used as the tax rate for assets and liabilities expected to be utilised or reversed in 2021 or later.

Note 8 Number of shares

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

Number of shares	**Okt - Dec 2018**	**Okt - Dec 2017**	**Jan - Dec 2018**	**Jan - Dec 2017**
Weighted average number of shares before dilution	29,187,221	24,174,668	27,907,850	23,892,035
Adjustment upon calculation of earnings per share after dilution:				
Convertibles	-	-	-	260,996
Warrants	253,291	-	225,907	-
Weighted average number of shares after dilution	29,440,512	24,174,668	28,133,757	24,153,031
Number of shares at the end of the period	29,869,718	24,174,668	29,869,718	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 sales of 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 additional purchase price of no more than SEK 22.5 million, payable during the first quarter of 2019. The expected additional purchase price has been estimated at SEK 16.5 million in the acquisition analysis, which was discounted to SEK 15.8 million. The additional purchase price is based on net sales in the acquired company during 2018 and has in the Q4 closing been calculated to SEK 17.3 million which is SEK 0.8 million higher than the estimate at the acquisition. The change is reported as other operating expenses in Q4. 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. This goodwill is not tax deductible.

Purchase price, SEK million	
Cash and cash equivalents paid upon entry into possession	145.0
Conditional additional purchase price due in 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.

Hence Wermech's net sales during 2018 is positively affected by the fact that the company is a part of HANZA Group, see also "Market Performance" above. 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 Q4 amount to SEK 102.8 million, with a reported operating profit of SEK 7.3 million. As of the acquisition date, Wermech is reporting external sales of SEK 368.6 million, with a reported operating profit of SEK 30.3 million.

Acquisitions after the balance sheet date

On 31 January 2019, HANZA acquired Toolfac Oy, A Finnish high-tech machining supplier. The company has around 60 employees and annual sales of approximately SEK 80 million. The purchase price consists of a cash component, an equity component and a supplementary purchase price, altogether estimated at approximately SEK 34 million. The acquisition analysis has not been prepared yet.

KEY RATIOS

	Oct - Dec 2018	Oct - Dec 2017	Jan - Dec 2018	Jan - Dec 2017
Key ratios according to IFRS				
Net sales, SEK millions	432.8	357.8	1,810.6	1,399.7
Earnings per share before dilution, SEK*)	-0.33	0.05	0.74	0.69
Earnings per share after dilution, SEK*)	-0.33	0.05	0.74	0.69
Average number of employees	1,412	1,374	1,407	1,305
Alternative performance measurements				
EBITDA margin, %	2.7%	4.7%	6.3%	5.7%
Operating margin, %	-0.7%	1.8%	3.0%	2.6%
Operational segments EBITA, SEK millions	1.3	9.3	71.3	40.1
Operational EBITA margin, %	0.3%	2.6%	3.9%	2.9%
Operating capital, SEK millions	670.7	451.3	670.7	451.3
Return on operating capital, %	-0.2%	1.4%	10.9%	7.6%
Capital turnover on operating capital, times	0.6	0.8	3.2	3.0
Net interest-bearing debt, SEK millions	260.2	142.0	260.2	142.0
Net debt/equity ratio, times	0.6	0.5	0.6	0.5
Equity ratio, %	37.5%	40.2%	37.5%	40.2%
Equity per share at end of period, SEK*)	13.70	12.79	13.70	12.79
Medelantal anställda	1,412	1,374	1,407	1,305

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

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

FORTHCOMING DISCLOSURES

- Publishing of the annual report in week 15, 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

For further information please contact:
Erik Stenfors, CEO
Tel: +46 709 50 80 70, mail: erik.stenfors@hanza.com

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

DEFINITIONS, ALTERNATIVE PERFORMANCE MEASUREMENTS AND TERMS

KEY RATIOS ACCORDING TO IFRS - Definitions

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

ALTERNATIVE PERFORMANCE MEASUREMENTS – Definitions, reconciliation and motives

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

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

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

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

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

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

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

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

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

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

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

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

TERMS

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

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

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

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 2018, a turnover just over SEK 1.8 billion with operations in Sweden, Finland, Estonia, Poland, Czech Republic and China. HANZA's customers include leading companies such as ABB, Epiroc, Getinge, Saab Defence and Siemens.
Read more on www.hanza.com

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

Telephone: +46 (0)8-624 62 00
Corporate ID number: 556748-8399
www.hanza.com

Erik Penser Bank AB is HANZA's Certified Advisor on the Nasdaq First North Stockholm.