INTERIM REPORT 2019 Q1

Please note that this English translation is for information purposes only. In case of any discrepancies between this version and the Swedish version of the interim report, the Swedish version shall prevail.

INTERIM REPORT 1 January – 31 March 2019

Listing on the Nasdaq's main market and acquisition of Toolfac

FIRST QUARTER (1 January–31 March 2019)

- Net sales increased by 13% to SEK 497.7 million (438.6).
- Operating profit amounted to SEK 17.3 million (18.4). In March, HANZA was listed on the Nasdaq Stockholm's main market, incurring listing expenses totaling SEK 3.5 million in the quarter. Toolfac Oy in Finland was acquired during the quarter, which resulted in acquisition expenses of SEK 2.0 million. Operating profit excluding these two items amounted to SEK 22.8 million (18.7).
- Profit after tax amounted to SEK 9.1 million (8.8), which corresponds to SEK 0.30 per share (0.36).
- Cash flow from operating activities amounted to SEK 36.6 million (9.1).

MATERIAL EVENTS DURING THE FIRST QUARTER OF 2019

- 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 the company Epiroc for deliveries of assembled mechanics and subsystems for mining equipment.
- The Nasdaq Stockholm Listing Committee announced in March that HANZA meets the requirements for listing on the Nasdaq Stockholm's main market. Trading in HANZA's shares on main market began on 25 March 2019.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

- In April, HANZA increased its cooperation with the med-tech company Getinge, by manufacturing of assembled mechanical components for the company's ventilators and anaesthesia machines. This new business is estimated to have an annual value of approximately SEK 20 million and reach full operation by late 2019.

CEO'S COMMENTS

HANZA modernizes and streamlines the manufacturing industry
Facing an increased global competition, as well as an urgent need to reduce the environmental impact, product companies are in need of new manufacturing solutions. HANZA has developed a new manufacturing model with industrial parks – which we call manufacturing clusters – and we are pleased to see that so many successful companies are choosing HANZA, for example, ABB, Getinge, GE, Siemens, Sandvik and SAAB Defence.

Furthermore, HANZA is a company in continuous development, and during the first quarter, a number of important activities were executed:

Toolfac – a strategic acquisition
In January, we acquired Toolfac, a Finnish company offering machining with a high degree of automation, specialized in hydraulic and pneumatic components, as well as valve systems. A well-managed, profitable company that meets all of our acquisition criteria in terms of geographical location, technology, customers and management. Toolfac is thus a key addition to both our Finnish cluster and the rest of the HANZA Group. In financial terms, the acquisition is expected to contribute more than SEK 70 million in annual sales for 2019 and retained earnings that will add slightly to the Group's equity in the first year, after integration expenses.

On 31 January the acquisition of Toolfac was finalized. The picture shows
Toolfac's owners and management, together with HANZA's CEO Erik Stenfors

New contracts with Epiroc and Getinge
In February, we signed a multi-year global manufacturing agreement with the company Epiroc (previously a part of Atlas Copco) for deliveries of assembled mechanics and subsystems to the mining industry machinery. HANZA's manufacturing solutions also aids Epiroc is its global sustainability efforts. Our business model of manufacturing clusters close to our customers reduces costs, decreases number of transport required and improves flexibility. In addition, we increased our cooperation with the med-tech company Getinge by manufacturing assembled mechanical components for the company's ventilators and anaesthesia machines. Both these contracts are acknowledgements of the strength of HANZA's business model.

Transfer to Nasdaq main list

HANZA was founded in 2008 and has been listed on First North (a marketplace for small companies in early development stages) since spring 2014. In 2014, we were still working on establishing our manufacturing clusters, even though our annual sales had already reached SEK 985 million. Now we are in an expansion phase since a couple of years, and our sales amounted to SEK 1,811 million in year 2018. Given this growth, it was natural for us to try to be approved for the Nasdaq main market, which is suited for larger companies in a more mature phase.

Last autumn we thus announced that we had commenced a process to change our listing to the Nasdaq's main market, and we estimated that the process to be completed by summer 2019. However, we could proudly announce that we were approved for Nasdaq Stockholm main market already in March this year. During the list change process, a full review of our entire business has been conducted, which reduces the risk of unexpected events and creates a safer investment for our owners. The list change also enables new institutional investors who only invest in the main market.

On 25 March 2019, HANZA's management team rang the opening bell
for Nasdaq Stockholm's main market

We generated a strong cash flow, above SEK 36 million from operating activities, also in this quarter. The cash flow is important, as it enables repayment of loans, investments, acquisitions and dividends. In this context, it may be worth noticing the transition to IFRS 16, where also operational lease contracts are reported as interest-bearing liabilities. The consequence is that an additional interest-bearing net debt of SEK 75 million were reported at the end of the quarter. Adjusted for this, our net debt is SEK 275 million at the end of Q1 2019, which may then be compared to SEK 329 million at the end of Q1 2018. Hence, our net debt has decreased over the last 12 months, despite a rapid development of HANZA.

Customer value and Long-term perspective for Growth and Profitability

We follow our guiding star to create high customer value and we are delighted to note that new customers chose HANZA – to produce in a smarter and more cost-efficient way, and at the same time reduce their environmental impact.

With a long-term perspective as our other guiding star, we continue our work step-by-step to achieve sales and profit growth, with a continuing focus on cash flow and limited risk-taking. Every year, HANZA should be a bit better than before. Welcome to join HANZA on its onward journey!

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 also in recessions because of the rising need for product owners to find new manufacturing solutions, which is HANZA's core business. HANZA has a seasonal variation over the calendar year, mainly in the Nordics segment, with July and December as weaker sales months due to holiday leave.

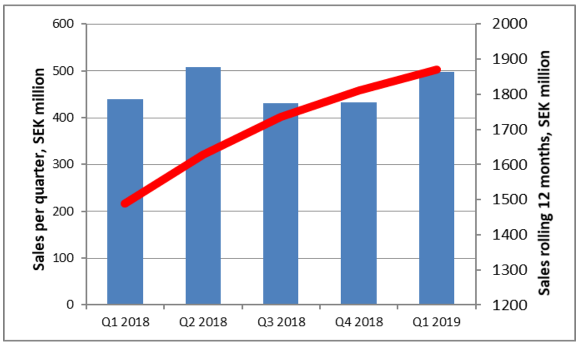
The "Barometer Indicator" published by the National Institute of Economic Research (April 2019) signals the continuation of a slightly stronger temperature than normal in the manufacturing industry. When it comes to expectations on the development for the next three months, industrial companies predict increased inflow of orders both on domestic and export markets.

HANZA has seen solid demand in the beginning of 2019, following a decline in late 2018. HANZA does not provide sales forecasts, but can confirm in summary that the company is well situated to continue to gain new customers and volumes with the help of HANZA's unique manufacturing concepts. Additionally, the systematic efforts to broaden the company's customer market outside of the Nordic region constitutes a base for a potential major growth in the coming years.

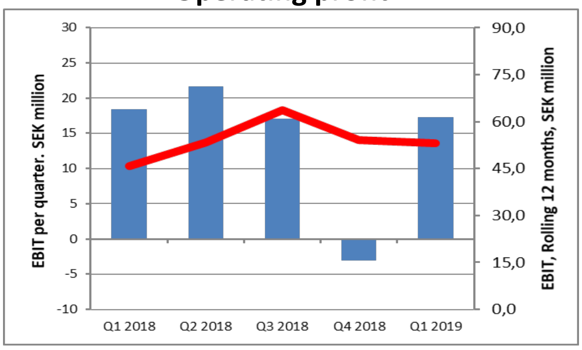
HANZA is actively pursuing strategic acquisitions and the development of its customer portfolio in order to increase its customer value, and thus profitability. As a result, non-strategic volumes can be phased out following acquisitions. In addition, selected volumes can be phased out after factories mergers. As announced in previous interim reports, HANZA decided to terminate a manufacturing agreement with an annual volume of approximately SEK 80 million in the beginning of 2018, with a phase-out period of about a year, in accordance with the customer portfolio strategy. Past factory relocations also resulted in a similar phase-out programme, which is still ongoing. 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 new sales.

The Group's target is average revenue growth of at least 10% per annum over a business cycle, measured as the net change 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.

SEK million	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Key ratios according to IFRS			
Net sales	497.7	438.6	1,810.6
Operating profit (EBIT)	17.3	18.4	54.1
Amortisation of intangible assets	-2.2	-1.3	-7.2
Cash flow from operating activities	36.6	9.1	113.5
Alternative performance measurements			
Operational segments EBITA	25.0	22.5	71.3
Business development segment EBITA	-5.5	-2.8	-10.0
EBITA	19.5	19.7	61.3
Operating margin	3.5%	4.2%	3.0%
Net interest-bearing debt	354.8	329.1	260.2
Equity ratio	34.2%	33.9%	37.5%

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.

*) The net interest-bearing debt has been increased with SEK 77.5 million as of 1 January 2019 due to the implementation of IFRS 16, since operational lease liabilities has been included in the balance sheet. This also caused the equity ratio to decrease with 2.5 percentage units, see note 2.

NET SALES AND FINANCIAL RESULT

First quarter

Net sales increased by 13,5% to SEK 497,7 million (438,6). A strengthening of foreign currencies, primarily the Euro, has a positive effect on net sales in the amount of approximately SEK 18 million. Excluding currency effect, the increase in net sales is approximately 9.5%. The increase is mainly attributable to the acquisition of Wermland Mechanics AB in February 2018 and the acquisition of Toolfac on 1 February 2019. Further net sales increased through new customers and contracts and decreased through phase-out of customers and decreased volumes especially after the CORE project in Narva, see also "Market Performance" above

EBITDA for the quarter amounted to SEK 38.9 million (32.0), which corresponds to an EBITDA margin of 7.8% (7.3). Depreciation during the period amounted to SEK 21.6 million (13.6), of which depreciation of intangible assets amounted to SEK 2.2 million (1.3) and right of use assets which have been recorded at the transition to IFRS 16 (see note 2) of SEK 6.0 million (-). IFRS 16 application had a marginal effect on operating profit of SEK 0.4 million. However, IFRS 16 decreased other external expenses by SEK 6.4 million and increased depreciation and amortization by SEK 6.0 million, which had a positive impact of SEK 6.4 million on EBITDA and improved the EBITDA margin by 1.3 percentage points (see Note 2 for more information). EBITA amounted to SEK 19.5 million (19.7).

The Group's operating profit (EBIT) amounted to SEK 17.3 million (18.4) which corresponds to an operating margin of 3.5% (4.2). The operating margin is only marginally affected by exchange rate effects. The result in the quarter was charged by non-recurring costs of SEK 5.5 million (0.3) including listing expenses of SEK 3.5 million and Toolfac acquisition costs of SEK 2.0 million. Excluding these non-recurring items, the Group's operating profit amounts to SEK 22.8 million (18.7) which corresponds to an operating margin of 4.6% (4.3).

For 1Q 2019, the Nordics segment is reporting net sales to external customers of SEK 249.2 million (217.2), an increase of 15%. The increase is mainly attributable to the acquisition of Wermech on 1 February 2018 and the acquisition of Toolfac on 31 January 2019. EBITA amounted to SEK 16.7 million (14.1), which corresponds to an EBITA margin of 6.7% (6.5). 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.

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 CORE project which was charged to the result of the Rest of World segment in the second half of 2018 has now been completed, which also is reflected in the fact that the result is back at the same level as in the beginning of 2018.

The Rest of World segment's net sales to external customers amounted to SEK 248.4 million (221.3), an increase of 12%. Currency affects net sales with SEK 12 million. EBITA amounts to SEK 8.3 million (8.4) which corresponds to a margin of 3.3% (3.8).

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 Q1, EBITA for the Business Development segment amounted to SEK -5.5 million (-2.8), primarily comprising of listing expenses of SEK 3.5 million and Toolfac acquisition costs of SEK 2.0 million.

The gross margin was 45.3% (45.8). Other external costs amounted to SEK -62.9 million (-59.7), while costs of personnel amounted to SEK -123.5 million (-109.5). The increased cost structure is due to the acquisitions of Wermech and Toolfac.

Net financial items amounted to SEK -5.9 million (-7.7). Of this amount, net interest income/expenses amount to SEK -4.3 million (-3.1). The increased interest costs are mainly attributable to the increased net debt due to the transition to IFRS 16 (see note 2). Net exchange gains and losses amounted to SEK -0.3 million (-3.5). Other financial expenses amounted to SEK -1.3 million (-1.1).

Profit before tax amounted to SEK 11.4 million (10.7). Profit after tax amounted to SEK 9.1 million (8.8). Earnings per share before and after dilution amounted to SEK 0.30 (0.36).

CASH FLOW AND INVESTMENTS

Cash flows from operating activities amounted to SEK 36.6 million (9.1) in the first quarter. Change in working capital gave a positive cash flow of SEK 3.3 million (-17.7) in the first quarter.

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 Q1 amounted to SEK -49.4 million (-156.7), comprising of investments in subsidiaries of SEK -28.7 million (-144.4) and net investments in other fixed assets of SEK -20.7 million (-12.3). During the quarter an additional purchase price in the acquisition of Wermech of SEK 17.2 million was settled.

Total investments in tangible fixed assets amounted in the quarter to SEK 21.1 million (11.6). The difference compared to cash flows are due to investments in machinery and equipment through leasing.

Cash flow from loans amounted in the first quarter to SEK 26.4 million (73.3). In new loans an acquisition loans in the amount of SEK 15.6 million in connection with HANZA's acquisition of Toolfac, is included. The acquisition was also financed by a directed new share issue in the amount of SEK 14.4 million after transaction costs.

FINANCIAL POSITION

Shareholders' equity at the end of the period amounted to SEK 438.0 million (388.9), whereas the equity ratio was 34.2% (33.9). The balance sheet total amounted to SEK 1,280.9 million (1,147.9). Cash and cash equivalents amounted at the end of the period to SEK 91.6 million (39.8). Net interest-bearing debt amounted to SEK 354.8 million (329.1) at the end of the period. The application of IFRS 16 at 1 January 2019 caused the equity ratio to weaken by 2.5 percentage points and increased the interest-bearing net debt by SEK 77.5 million (see Note 2).

EMPLOYEES

During the quarter, the average number of employees in the Group was 1,447 (1,409). The number of employees at the end of the period is 1,566. At the start of the year the number was 1,514. Of the employees at the end of the period, 50 came with the acquisition of Toolfac.

THE PARENT COMPANY

The parent company's net sales, which consists exclusively of income from Group companies, amounted to SEK 4.3 million (3.6) during the quarter. Profit before tax for the quarter amounted to SEK -2.7 million (-0.2). No investments have been affected in the parent company.

SHARES

At the beginning of the year, the number of shares outstanding was 29,869,718 and the share capital was SEK 2,986,972. A small remaining part of the warrants program was registered 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 and the share capital was SEK 3,097,993.

Erik Penser Bank AB was the company's Certified Adviser until the change to Nasdaq Stockholm's main market, and will also continue to act as the market maker.

DIVIDEND

The board has proposed the annual general meeting a dividend of SEK 0.25 (0.00) per share for the 2018 financial year, which is equivalent to approximately SEK 7.7 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 2018 annual report. There have been no material changes in the risks since the preparation of the 2018 annual report.

RELATED PARTY TRANSACTIONS

There have been no transactions between the HANZA Group and related parties during the quarter with a material effect on the Group's position or earnings, in excess of usual payments of remunerations and wages to Board of directors and Group management.

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

Stocksund, 29 April 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	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Net sales	**4**	**497.7**	**438.6**	**1,810.6**
Change of inventories in production, finished goods and work in progress on behalf of others		16.4	21.5	-9.6
Raw materials and consumables		-288.8	-259.3	-996.1
Other external costs		-62.9	-59.7	-248.4
Costs of personnel		-123.5	-109.5	-445.7
Depreciation		-21.6	-13.6	-59.1
Other operating income	5	0.9	2.6	9.4
Other operating expenses	5	-0.9	-2.2	-7.0
Operating profit	**4**	**17.3**	**18.4**	**54.1**
Profit/loss from financial items				
Financial income		-	0.1	-
Financial expenses		-5.9	-7.8	-24.9
Financial items – net	**6**	**-5.9**	**-7.7**	**-24.9**
Profit/loss before tax		**11.4**	**10.7**	**29.2**
Income tax	7	-2.3	-1.9	-8.4
Profit/loss for the period		**9.1**	**8.8**	**20.8**
Other comprehensive income				
Items that can subsequently be reversed in profit or loss				
Exchange rate differences		4.0	13.9	12.9
Other comprehensive income for the period		**4.0**	**13.9**	**12.9**
Total comprehensive income for the period		**13.1**	**22.7**	**33.7**

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

Earnings per share before dilution, SEK	0.30	0.36	0.74
Earnings per share after dilution, SEK	0.30	0.36	0.74

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

CONDENSED CONSOLIDATED BALANCE SHEET

Amount in SEK millions	Note	2019-03-31	2018-03-31	2018-12-31
ASSETS				
Fixed assets				
Intangible assets				
Goodwill		265.8	264.7	264.5
Other intangible assets		72.3	70.1	65.9
Intangible assets		**338.1**	**334.8**	**330.4**
Right-of-use assets	**2**	**109.4**	**-**	**-**
Tangible fixed assets		**271.5**	**265.2**	**269.6**
Financial fixed assets				
Other long-term securities holdings		0.3	0.4	0.3
Deferred tax assets		14.2	14.9	16.4
Financial fixed assets		**14.5**	**15.3**	**16.7**
Total fixed assets		**733.5**	**615.3**	**616.7**
Current assets				
Inventories		322.6	322.7	290.1
Accounts receivable		102.6	137.3	83.8
Other receivables		20.1	21.5	18.1
Prepayments and accrued income		10.5	11.3	9.9
Cash and cash equivalents		91.6	39.8	77.5
Total current assets		**547.4**	**532.6**	**479.4**
TOTAL ASSETS		**1,280.9**	**1,147.9**	**1,096.1**

CONDENSED CONSOLIDATED BALANCE SHEET, cont'd

Amount in SEK millions	Note	2019-03-31	2018-03-31	2018-12-31
SHAREHOLDERS' EQUITY				
Shareholders' equity attributable to the parent company's shareholders		**438.0**	**388.9**	**410.5**
LIABILITIES				
Long-term liabilities				
Liabilities to credit institutions	3	211.9	231.0	207.2
Lease liabilities	2	74.9	-	-
Non-interest-bearing long-term liabilities		36.4	32.7	33.4
Total long-term liabilities		**323.2**	**263.7**	**240.6**
Current liabilities				
Overdraft facility	3	62.6	67.3	45.3
Liabilities to credit institutions	3	59.4	54.8	68.1
Lease liabilities	2	33.6	-	-
Other interest-bearing liabilities		4.0	15.8	17.1
Accounts payable		250.7	226.7	219.4
Other liabilities		28.0	47.1	29.1
Accrued expenses and deferred income		81.4	83.6	66.0
Total current liabilities		**519.7**	**495.3**	**445.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,280.9**	**1,147.9**	**1,096.1**

CONDENSED CONSOLIDATED REPORT OF CHANGES IN SHAREHOLDERS' EQUITY

Amount in SEK millions	Note	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Opening balance		**410.5**	**309.3**	**309.3**
Profit/loss for the period		9.1	8.8	20.8
Other comprehensive income				
Exchange rate differences		4.0	13.9	12.9
Total comprehensive income		**13.1**	**22.7**	**33.7**
Effect of implementation of IFRS 15		-	0.8	0.8
Transactions with shareholders				
Redemption of warrants		-	-	10.7
New share issue		-	60.3	60.3
Non-cash issue		14.5	-	-
Issue costs		-0.1	-4.2	-4.3
Total contributions from and distributions to shareholders, recognized directly in equity		**14.4**	**56.1**	**66.7**
Closing balance		**438.0**	**388.9**	**410.5**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in SEK millions	Note	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Cash flows from operating activities				
Profit/loss after financial items		11.4	10.7	29.2
Depreciation		21.6	13.6	59.1
Other non-cash items		-0.1	4.1	4.7
Paid income tax		0.4	-1.6	-7.3
Cash flows from operating activities prior to the change in working capital		**33.3**	**26.8**	**85.7**
Total change in working capital		**3.3**	**-17.7**	**27.8**
Cash flows from operating activities		**36.6**	**9.1**	**113.5**
Cash flows from investing activities				
Investments in subsidiaries	9	-28.7	-144.4	-144.4
Investments in fixed assets		-20.8	-12.4	-46.5
Disposals of tangible fixed assets		0.1	0.1	1.8
Cash flows from investing activities		**-49.4**	**-156.7**	**-189.1**
Cash flows from financing activities				
New share issue		-	56.1	66.7
New loans		45.9	88.0	232.8
Repayment of borrowings		-19.5	-14.7	-204.4
Cash flows from financing activities		**26.4**	**129.4**	**95.1**
Increase/reduction in cash and cash equivalents		**13.6**	**-18.2**	**19.5**
Cash and cash equivalents at the beginning of the period		77.5	56.1	56.1
Exchange differences in cash and cash equivalents		0.5	1.9	1.9
Cash and cash equivalents at the end of the period		**91.6**	**39.8**	**77.5**

CONDENSED PARENT COMPANY INCOME STATEMENT

Amount in SEK millions	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Operating income	**4.3**	**3.6**	**19.8**
Operating expenses	**-7.6**	**-3.6**	**-18.5**
Operating profit	**-3.3**	**0.0**	**1.3**
Profit/loss from financial items			
Other interest income and similar income items	0.7	0.4	2.2
Interest charges and similar income items	-0.1	-0.6	-0.9
Total profit/loss from financial items	**0.6**	**-0.2**	**1.3**
Profit/loss after net financial items	**-2.7**	**-0.2**	**2.6**
Appropriations	-	-	2.3
Profit/loss before tax	**-2.7**	**-0.2**	**4.9**
Tax on profit for the period	-	-	-0.4
Profit/loss for the period	**-2.7**	**-0.2**	**4.5**

There are no parent company items that are recognized in comprehensive income, for which reason total comprehensive income is consistent with the profit/loss for the period.

CONDENSED PARENT COMPANY BALANCE SHEET

Amount in SEK millions	Note	2019-03-31	2018-03-31	2018-12-31
ASSETS				
Fixed assets				
Financial fixed assets		**336.2**	**289.3**	**297.3**
Total fixed assets		**336.2**	**289.3**	**297.3**
Current assets				
Current receivables		2.9	6.6	2.9
Cash and cash equivalents		1.1	2.2	11.5
Total current assets		**4.0**	**8.8**	**14.4**
TOTAL ASSETS		**340.2**	**298.1**	**311.7**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity		**308.6**	**283.3**	**297.0**
Long-term liabilities		**22.3**	**9.0**	**7.2**
Current liabilities		**9.3**	**5.8**	**7.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**340.2**	**298.1**	**311.7**

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 5 to 8 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 Financial 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 2018 annual report.

IFRS 16 "Leasing" has been applied by the Group from 2019. The standard requires that assets and liabilities attributable to all leases, with some exceptions, are reported in the balance sheet. The transition has been 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 had a shorter remaining contract period than one year were, according to a practical expedient, not included in the liability and right-of-use asset.

The essential difference for HANZA is that a number of rental contracts for factories and other premises, which previously have been treated as operational leases, now are reported as right-of-use assets and lease liabilities in the balance sheet, which has increased the balance sheet total with SEK 77.5 million. In addition, financial leases of SEK 35.9 million that were previously included in tangible fixed assets have now been reclassified to right-of-use assets. The effect on the balance sheet and the most essential related key ratios are presented in the following table:

Effects of the implementation of IFRS 16

Amount in SEK millions	Closing balance 2018-12-31	Reclassification of financial contracts	Recording of *) operational contracts	Opening balance 2019-01-01
Tangible fixed assets	269.6	-35.9		233.7
Right-of-use assets		35.9	77.5	113.4
Long-term liabilities to credit institutions	207.2	-22.9		184.3
Long-term lease liabilities		22.9	53.1	76.0
Short-term liabilities to credit institutions	68.1	-13.0		55.1
Short-term lease liabilities		13.0	24.4	37.4
Net interest-bearing debt	260.2		77.5	337.7
Equity ratio	37.5%			35.0%

*) A reconciliation between recorded liability and reported future operational leasing fees according to IAS 17 is available in note 30 in the annual report 2018.

During the period right-of-use assets and lease liabilities have changed through depreciations, repayments, capitalization of interest and adding of new contracts after which right-of-use assets amounted to SEK 109,4 million, long-term lease liabilities to SEK 74,9 million and short-term lease liabilities to SEK 33,6 million.

In the income statement, the effect on the operating profit in Q1 is marginal. However, other external costs decrease by SEK 6.4 million while depreciations increase by SEK 6.0 million and interest costs by SEK 0.6 million. Hence the effect on EBITDA is SEK 6.4 million, on operating income SEK 0.4 million and SEK -0.2 million on income before tax. The effect on the EBITDA-margin is 1.2 % points while the effect on other income related key rations are marginal. The corresponding figures for 2018 have not been recalculated.

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

The Group's borrowing consists of a large number of notes taken out at different times and with different maturities. Substantially all the loans carry a floating rate of interest. Against the background of the foregoing, the reported values may be deemed to provide a good approximation of fair values as the discount effect is not material.

Note 4 Revenue and segment information

Description of revenue from contracts with customers

HANZA's revenue is attributable primarily to the production of components, subsystems and finished composite products according to the customer specifications, but where HANZA has been involved in customising the manufacturing process. HANZA's performance obligations are deemed to have been met when the component or composite product is delivered to the customer. Exceptions from the foregoing are 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

HANZA applies cluster-based segment classification. 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	Jan – Mar 2019			Jan – Mar 2018		
	Segment revenues	Less sales between segments	Income from external customers	Segment revenues	Less sales between segments	Income from external customers
Nordic	249.9	-0.7	249.2	219.5	-2.3	217.2
Rest of the world	260.3	-11.9	248.4	238.3	-17.0	221.3
Business development	0.1	-	0.1	0.1	-	0.1
Total	**510.3**	**-12.6**	**497.7**	**457.9**	**-19.3**	**438.6**

Profit by segment

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

SEK millions	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
EBITA			
Nordic	16.7	14.1	67.4
Rest of the world	8.3	8.4	3.9
Business development	-5.5	-2.8	-10.0
Total EBITA	**19.5**	**19.7**	**61.3**
Amortisation of intangible assets	-2.2	-1.3	-7.2
Operating profit	**17.3**	**18.4**	**54.1**
Financial items – net	-5.9	-7.7	-24.9
Profit/loss before tax	**11.4**	**10.7**	**29.2**
Non-recurring items			
Revaluation of additional purchase price	-	-	-0.8
Transaction costs	-2.0	-0.3	-0.3
Costs for change of listing	-3.5	-	-5.3
Write-down of inventory	-	-	-10.9
Total	**-5.5**	**-0.3**	**-17.3**
EBITA per segment excluding non-recurring items			
Nordic	16.7	14.1	67.4
Rest of the world	8.3	8.4	14.8
Total	**25.0**	**22.5**	**82.2**
Business development	0.0	-2.5	-3.6
Total	**25.0**	**20.0**	**78.6**
Non-recurring items	-5.5	-0.3	-17.3
EBITA	**19.5**	**19.7**	**61.3**

HANZA ALL YOU NEED IS ONE™

Revenue from external customers by manufacturing technology

SEK millions	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Mechanics	362.2	304.1	1,274.6
Electronics	135.4	134.4	536.3
Business development	0.1	0.1	-0.3
Total	**497.7**	**438.6**	**1,810.6**

Note 5 Other operating income and operating expenses

SEK millions **Other operating income**	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Profit on disposal of fixed assets	0.1	-	1.6
Exchange gains	0.4	2.3	5.5
Other items	0.4	0.3	2.3
Total other operating income	**0.9**	**2.6**	**9.4**
Other operating expenses			
Loss on disposal of fixed assets	-	-	-0.2
Revaluation of additional purchase price	-	-	-0.8
Exchange losses	-0.8	-2.2	-5.4
Other items	-0.1	-	-0.6
Total other operating expenses	**-0.9**	**-2.2**	**-7.0**

Note 6 Financial income and expenses – Net financial items

SEK millions **Financial income**	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Interest income	-	0.1	0.0
Total financial income	**-**	**1.1**	**0.0**
Financial expenses			
Interest expenses	-4.3	-3.2	-14.1
Net exchange gains and losses	-0.3	-3.5	-6.4
Other financial expenses	-1.3	-1.1	-4.4
Total financial expenses	**-5.9**	**-7.8**	**-24.9**
Total financial items - net	**-5.9**	**-7.7**	**-24.9**

Note 7 Income tax

The effective tax rate for the quarter was 20 percent (18). 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.

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	**Jan - Mar 2019**	**Jan - Mar 2018**	**Jan - Dec 2018**
Weighted average number of shares before dilution	30,493,578	24,336,220	27,907,850
Adjustment upon calculation of earnings per share after dilution:			
Warrants	2,502	95,302	225,907
Weighted average number of shares after dilution	30,496,080	24,431,522	28,133,757
Number of shares at the end of the period	30,979,928	29,021,208	29,869,718

Note 9 Acquisitions of subsidiaries

On 31 January 2019, HANZA Holding acquired all shares in Toolfac Oy ("Toolfac"), which is headquartered in Iisalmi, Finland. The company conducts manufacturing with a focus on machining. Toolfac's sales for 2018 were approximately SEK 80 million. The total purchase price is capped at SEK 34.1 million, consisting of a cash component in the amount of SEK 15.6 million that was paid upon entry into possession, 1,000,000 shares in HANZA Holding valued at SEK 14.4 million and a variable supplementary purchase price of no more than SEK 4.1 million, payable during the first quarter of 2020. The expected supplementary purchase price has been estimated at SEK 4.1 million in the acquisition analysis, which was discounted to SEK 4.0 million. An external valuation of Toolfac's property identified a surplus value of SEK 6.5 million. The remaining surplus value of the acquisition, SEK 8.3 million before deferred tax, has been linked to customer relations. The deferred tax liability for these items is SEK 3.0 million. The acquisition analysis is still preliminary. The table below summarises the purchase price for Toolfac and the fair value of the acquired assets and assumed liabilities that were recognised on the acquisition date.

Purchase price, SEK million	
Cash and cash equivalents paid upon entry into possession	15.6
Equity instruments 1,000,000 ordinary shares	14.4
Conditional additional purchase price due in Q1 2020	4.0
Total estimated purchase price	**34.0**

Reported amounts of identifiable acquired assets and assumed liabilities

Cash and cash equivalents	4.1
Intangible fixed assets	8.3
Buildings and land	8.1
Machinery and equipment	20.9
Inventories	15.8
Accounts receivable and other receivables	5.7
Deferred tax liability	-3.2
Borrowings	-14.9
Accounts payable and other liabilities	-10.8
Total identified net assets	**34.0**
Total net assets transferred	**34.0**

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-efficiency 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 Toolfac's net sales during 2019 is expected to be positively affected by the fact that the company is a part of HANZA Group, see also "Market Performance" above. Toolfac forms part of the HANZA Group as from 1 February 2018. In January 2019, the company posted sales of SEK 6.7 million and an operating profit of SEK 0.3 million. Reported external sales to HANZA's customers from the acquired company Toolfac during February and March amount to SEK 13.3 million, with a reported operating profit of SEK 1.5 million.

KEY RATIOS

	Jan - Mar 2019	Jan - Mar 2018	Jan - Dec 2018
Key ratios according to IFRS			
Net sales, SEK millions	497.7	438.6	1,810.6
Earnings per share before dilution, SEK	0.30	0.36	0.74
Earnings per share after dilution, SEK	0.30	0.36	0.74
Average number of employees	1,447	1,409	1,407
Alternative performance measurements			
EBITDA margin, %*)	7.8%	7.3%	6.3%
Operating margin, %	3.5%	4.2%	3.0%
Operational segments EBITA, SEK millions	25.0	22.5	71.3
Operational EBITA margin, %	5.0%	5.1%	3.9%
Operating capital, SEK millions*)	792.8	718.0	670.7
Return on operating capital, %*)	2.7%	3.4%	10.9%
Capital turnover on operating capital, times*)	0.7	0.8	3.2
Net interest-bearing debt, SEK millions*)	354.8	329.1	260.2
Net debt/equity ratio, times*)	0.8	0.8	0.6
Equity ratio, %*)	34.2%	33.9%	37.5%
Equity per share at end of period, SEK	14.14	13.40	13.70

*) The key ratio has been affected by the transition to IFRS 16. Corresponding figures for 2018 have not been recalculated.

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

- 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.

Gross margin refers to net sales less cost of raw materials and consumables and change in inventories in production, finished goods and work in progress on behalf of others, divided by net sales

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 referred revenues and expenses such as acquisition costs, revaluation of additional purchase prices, profit or loss on disposal of buildings and land, debt concession, 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 of 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

HANZA is listed on Nasdaq Stockholm.