



HANZA summarizes and supplements operational and financial information

In 2019, HANZA Holding AB (publ) has completed two acquisitions with factories in Finland, Germany and the Czech Republic, as well as listed the company on NASDAQ's main list. Furthermore, extensive efficiency projects are underway in the Group's manufacturing clusters. The acquisitions, projects and financial impact have previously been described in press releases and interim reports. In order to give an updated view of the Group's development, HANZA now summarizes and supplements the operational and financial information. Furthermore, HANZA develops its presentation of the financial key figures, in order to more clearly describe the company's net debt- and profitability development.

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Strategy 2022

In 2018, HANZA initiated a new phase- the third since HANZA was founded in 2008. Plans and ambitions for this phase- named Strategy 2022- were presented in the interim report for the second quarter of 2018, alongside new financial targets. The aim of Strategy 2022 is for HANZA to grow from its current position- a leading manufacturing strategist in the Nordic region- into a major manufacturing strategist in Europe by 2022.

The major activities completed so far this year, the acquisition of Toolfac in Finland, the listing on NASDAQ's main list and the acquisition of the German RITTER Group, are part of this strategy. Strategy 2022 also includes a review of the Group's five production clusters to meet new sales volumes from existing and new customers. Partly through an efficiency program, and partly through so-called customer exchanges, where non-strategic production volumes obtained from acquisitions are phased out and replaced with new contracts.

Financial impact

- **Net turnover.** Excluding new sales, the Group is affected as follows: Net sales increase through the acquisitions of Toolfac and the Ritter Group, and decrease by HANZA choosing in 2018 to terminate an agreement with a larger, non-strategic customer, and the ongoing customer exchange in the Cluster Baltics.

Overall, based on the turnover outcome of the previous year, this has a positive impact on the Group's annual net sales by approx. SEK 430 million, with full effect as of the fourth quarter of 2019.

- **The Nordic segment** comprises HANZA's manufacturing clusters in Sweden and Finland. Profitability is positively affected by the acquisition of Toolfac and negatively by initial acquisition and integration costs, including coordination of IT systems. Furthermore, an efficiency improvement project has been initiated after the acquisition, whereby HANZA's unit in Tampere, Finland, has been relocated and integrated with the Group's other operations during the summer of 2019.

All in all, during the second half of 2019, including the aforementioned impact, segment Nordic is expected to continue to maintain an EBIT margin exceeding 6%.

- **The Rest of the World segment** includes HANZA's manufacturing clusters in the Baltic, Central Europe and China. Profitability is positively affected by the acquisition of RITTER and negatively by initial acquisition and integration costs, including coordination of IT systems. A coordination project has been initiated in the Czech Republic following the acquisition, whereby HANZA's Kunovice unit is organisationally coordinated with the acquired unit in Zabreh. In China operations will be adapted as HANZA sees a broader customer need as a result of the expansion into the German market. In the Baltics, a larger efficiency and customer exchange program is in progress, which is reported in the company's interim reports.

All in all, during the second half of 2019, including the aforementioned impact, the Rest of the World segment is expected to continue to maintain a minor positive margin.

- **The Group.** The profitability of the HANZA Group is expected to increase significantly during the beginning of 2020 as the costs and projects mentioned above are completed. Opportunities for additional market shares are expected to increase significantly as the German market is established.
- **Balance.** RITTER was acquired on July 25th, 2019. If HANZA's balance sheet is adjusted as of June 30th, 2019, with the acquired company's balance sheet, according to the preliminary acquisition analysis, as well as the new share issue made at the acquisition and raised acquisition loans, the equity/assets ratio amounts to 31% and the Group's interest-bearing net debt amounts to approx. SEK 550 million. The acquisition loan was EUR 7.2 million. Excluding the new accounting method introduced as of January 1st, 2019 (IFRS 16), the Group's net debt together with the effects of the acquisition amounts to approx. SEK 443 million. HANZA has had, and will continue to have, a clear focus on positive cash flow and debt reduction, among other things in order to reduce the debts that arise in connection with acquisitions.

Key figures

- **Operating profit:** The acquisitions result in a significant amount of the assets in the acquisition analysis being allocated to intangible assets that are depreciated according to plan. To clarify the company's underlying profitability development, HANZA will mainly report earnings before amortization of intangible assets (EBITA). The Group's profitability target of achieving an operating margin of 6% after amortization of intangible assets (EBIT) during a business cycle remains fixed, however, and this profit measure will continue to be reported in the company's interim reports.

- **Net debt:** As of January 1st, 2019, new accounting rules apply (IFRS16) where, among other things, future rental payments should be reported as a liability in the balance sheet. In order to enable a comparison of the Group's debt development, HANZA will, in addition to the net debt that includes the effect of IFRS 16, report the Group's operating interest-bearing net debt, based on previous accounting rules.

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About HANZA:

HANZA modernizes and streamlines the manufacturing industry. We create shorter lead time with more environmentally friendly processes and increase profitability for clients by bringing together different manufacturing technologies locally. Founded in 2008, HANZA today has an annual revenue of SEK 2.3 billion and operates in Sweden, Finland, Germany, Estonia, Poland, Czech Republic and China. Among HANZA's clients are leading companies like ABB, Epiroc, Getinge, Saab Defense och Siemens. For more information visit www.hanza.com

The shares in HANZA are listed on Nasdaq Stockholm.