

Group development in the quarter

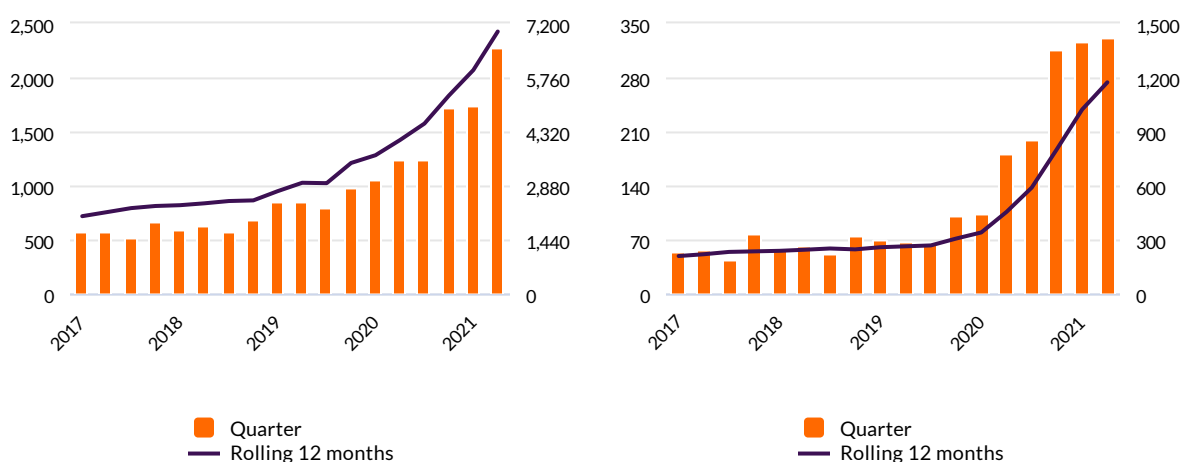
Net sales in the quarter increased by 82 percent to SEK 2,276m (1,248). Organic growth was 22 percent and acquired growth totalled 63 percent. Exchange rate changes had a negative impact on net sales of 3 percent, corresponding to SEK 37m. Net sales related to COVID-19 accounted for SEK 710m (355) and organic growth, excluding COVID-19 amounted to 7 percent. EBITA increased by 83 percent to SEK 332m (181) and EBITA-margin amounted to 14.6 percent (14.5). Transaction costs amounting to SEK 29m and stamp duty of SEK 24m related to acquired shares is included in the result. EBITA excluding acquisition-related costs amounted to SEK 385m with an EBITA margin of 16.9 percent. The higher margin is due increased volumes and continued restrained costs. Exchange rate changes had a negative effect on EBITA, corresponding to SEK 5m.

Net financial items amounted to SEK -16m (-2) and profit after financial items amounted to SEK 237m (149). The increased negative net financial items is due to interest costs related to the acquisitions in the quarter. Profit after tax for the quarter increased with 49 percent amounting to SEK 178m (120) and the effective tax rate was 25 percent (21). The tax increase is due to non-deductible transaction related costs.

Group development in the interim period

Net sales in the interim period increased by 74 percent to SEK 4,012m (2,301). Organic growth was 37 percent and acquired growth totalled 42 percent. Exchange rate changes had a negative impact on net sales of 5 percent, corresponding to SEK 109m. Net sales related to COVID-19 accounted for SEK 1,330m (385) and organic growth, excluding COVID-19 amounted to 6 percent. EBITA increased by 129 percent to SEK 658m (287) and EBITA-margin amounted to 16.4 percent (12.5). The higher margin is due increased volumes and continued restrained costs. Exchange rate changes had a negative effect on EBITA, corresponding to SEK 20m.

Net financial items amounted to SEK -20m (-7) and profit after financial items amounted to SEK 524m (218). The increased negative net financial items is due to interest costs related to the acquisitions in the quarter. Profit after tax increased with 133 percent amounting to SEK 404m (174) and the effective tax rate was 23 percent (20). The tax increase is due to non-deductible transaction related costs.



Financial position and cash flow

At the end of the interim period, the equity ratio stood at 38 percent (46). Equity per share totalled SEK 32.10 (16.73) and the return on equity at the end of the interim period was 33 percent (31). Return on working capital, P/WC (EBITA in

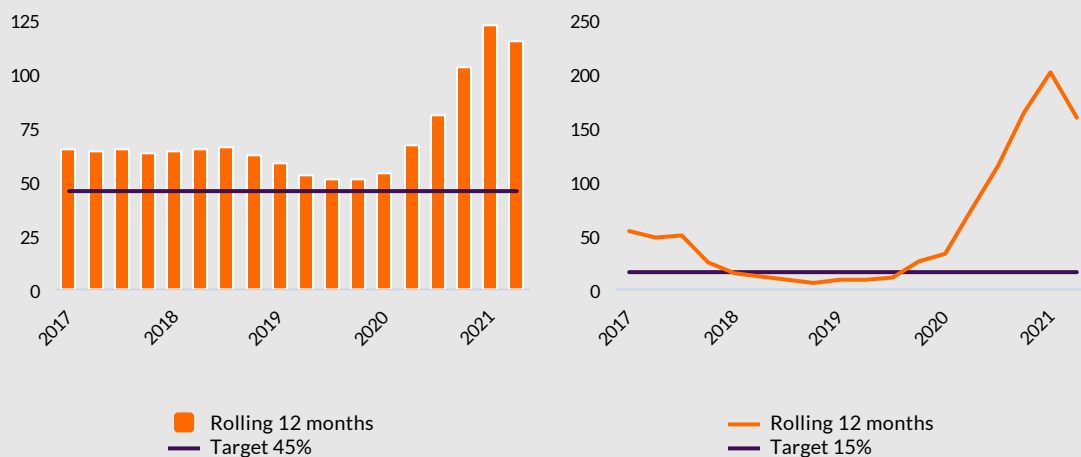
relation to working capital) amounted to 115 percent (103). The increase is mainly due to the increased EBITA result but is but counteracted by the increased working capital, mainly trade receivables.

The Group's interest-bearing net debt at the end of the interim period totalled SEK 4,012m (700), including pension liabilities of SEK 77m (80) and leasing liabilities of SEK 350m (215). The net debt/equity ratio, calculated on the basis of net debt including provisions for pensions and leasing liability, totalled 1.0 compared to 0.4 at the beginning of the financial period.

Cash and cash equivalents, consisting of cash and bank balances, together with approved but non-utilised credit facilities, totalled SEK 534m (1,006) on 30 June 2021. The decrease is due to the financing of the acquisitions in the quarter.

Cash flow from operating activities reached SEK 384m (208) during the interim period. The increase is due to the strong result but is counteracted by increased tied-up working capital, especially trade receivables. Acquisitions of companies amounted to SEK 2,514m (66). Investments in non-current assets during the interim period amounted to SEK 64m (39). Disposals of non-current assets amounted to SEK 3m (4). Repurchase of treasury shares amounted to SEK 0m (31). Exercised, issued and repurchased call options amounted to SEK -5m (32). Dividend paid amounted to SEK 183m (0).

Long term financial goals



Acquisitions

Acquisitions completed from the 2020 financial year are distributed among the Group's business areas as follows:

Acquisitions	Time	Net Sales, SEKm*	Number of employees*	Business area
EuroClone S.p.A, Italy	January 2020	280	58	Labtech
TechniPro PulvoMed Pty Ltd, Australia	September, 2020	13	5	Medtech
Ropox A/S, Denmark	October, 2020	95	73	Medtech
Dach Medical Group Holding AG, Austria	October, 2020	145	23	Medtech
Zafe Care Systems AB, Sweden	October, 2020	35	21	Medtech
Biomedica Italia s.r.l (SIAD Healthcare), Italy	December, 2020	80	17	Medtech
Vision Ophthalmology Group GmbH, Germany	April, 2021	700	190	Medtech
Healthcare 21 Group, Ireland	April, 2021	1,700	450	Medtech
		3,048	837	

** Refers to conditions at the time of acquisition on a full-year basis.*

Two acquisitions were completed during the interim period:

On April 7, 2021, all shares was acquired in Vision Ophthalmology Group GmbH (VOG), a leading European distributor and manufacturer of ophthalmology and eye surgery products, with operations in Switzerland, Germany, the United Kingdom and Poland. The deal closed on April 8, 2021 and VOG is consolidated into AddLife from this date. The initial purchase price was EUR 165m, 50 percent of which was paid in cash and 50 percent was paid via existing repurchased and newly issued class B shares. The number of shares issued totalled 5,362,216 class B shares, of which 3,862,216 shares were newly issued class B shares and 1,500,000 class B shares were existing shares held in treasury. An additional cash purchase price of a maximum of EUR 18m may become payable by 2024 at the latest, based on financial results achieved by the business through 2023.

On April 12, 2021, another acquisition, Healthcare 21 Group, a leading independent life science distributor with operations in Ireland and the UK, was completed. Access to the shares took place on the same day as the acquisition date and HC21 is consolidated from this date. The initial purchase price was EUR 240m, 74 percent of which was paid in cash, financed through existing and expanded credit facilities, and approximately 26 percent was paid for using 4,089,742 newly issued class B shares in AddLife. An additional cash consideration of a maximum of EUR 5m may become payable to the management by 2024 at the latest, based on the financial results achieved by the business through 2023.

The effect of the acquisitions on the AddLife Group's net sales was SEK 587m, on EBITA SEK 69m, on operating profit SEK 25m and on profit after tax for the interim period SEK 13m. Had the acquisitions, been completed on January 1, 2021, their impact would have been approximately SEK 1,223m on net sales, on EBITA SEK 166m and on operating profit SEK 80m and SEK 49m on profit after tax.

The fair value of not yet paid contingent consideration for acquisitions made during the interim period is calculated to SEK 213m, which is approximately 98 percent of the maximum outcome. The outcome depends on the results achieved in the companies and has a set maximum level. An additional contingent consideration of SEK 6m has been paid during the interim period regarding the acquisition of Euroclone during year 2020.

According to the preliminary acquisition analyses, the assets and liabilities included in the acquisitions carried out during the interim period 2021 were as follows:

Fair value	Vision Ophthalmology Group	Healthcare 21 Group	Total
Intangible non-current assets	821	890	1,711
Other non-current assets	54	163	217
Inventories	139	405	544
Other current assets	204	266	470
Deferred tax liability/tax asset	-163	-157	-320
Other liabilities	-268	-923	-1,191
Acquired net assets	787	644	1,431
Goodwill	1,232	2,002	3,234
Consideration ¹	2,019	2,646	4,665
Less: cash and cash equivalents in acquired businesses	-67	-47	-114
Less: Consideration paid with shares	-1,004	-802	-1,806
Contingent consideration not yet paid	-187	-46	-233
Effect on the Group's cash and cash equivalents	761	1,751	2,512

¹ The consideration is stated excluding acquisition expenses.

Transaction costs for the acquisitions totalled SEK 53m and are recognised as selling expenses. Revaluation of liabilities for contingent consideration added costs of SEK 2m during the interim period, which is recognised as other operating costs.

Employees

At the end of the interim period, the number of employees was 1,744, compared to 1,112 at the beginning of the financial year. During the interim period, the acquisitions have led to an increase of 640 employees. The average number of employees for the last 12-month period was 1,191 (949).