ADMINISTRATION REPORT

# 1 January 2020 – 31 December 2020

The Board of Directors and Chief Executive Officer for AddLife AB (publ), Company Registration No. 556995-8126, hereby present the annual report and consolidated financial statements for the 2020 financial year. The Corporate Governance report is part of the administration report and is presented on pages 49-65. The Company's sustainability report is incorporated into the annual report and Consolidated Financial Statements on pages 6-10 and 24-34.

## Operations

AddLife is a Swedish-listed medical technology company operating mainly in the European market and consisting of 52 operating subsidiaries in the Labtech and Medtech business areas. The Group has 1,112 employees in 24 countries and offers high-quality, cost-effective solutions and products. The product portfolio consists partly of self-manufactured products and partly of products that are made by other manufacturers. The service portfolio includes advice, service and education.

The customers are primarily active in the healthcare sector – from research to medical care. AddLife currently has a presence in over 25 countries, mainly in the Nordic region, Central and Eastern Europe, as well in China and Australia. AddLife shares have been listed on Nasdaq Stockholm since March 2016.

## Key events during the year

2020 has been an unusual year for everyone and COVID-19 has had a major impact on the Life Science market. For most of our companies, operations changed radically as the COVID-19 outbreak hit Europe. From mid-March, demand increased significantly with orders from health services and diagnostic laboratories in particular. During the spring it was difficult to obtain products from various manufacturers and to get distribution to work in response to the exceptional increase in demand for similar products simultaneously, all over the world. It has been an intense hard work, ensuring that all products meet both regulatory requirements and the quality that customers expect. In the summer the pressure on hospitals eased somewhat as the number of patients in ICU units declined, but in the autumn the second wave hit hard in most of Europe.

The autumn has not been characterised by the same acute shortage of personal protective equipment, since many hospitals were able to build up a certain number of stockpile, but there was still high pressure on the market. In the summer and autumn, testing capacity for COVID-19 was expanded in most European countries and testing is expected to continue for an extended period of time. The trend entailed a surge in sales for our diagnostics companies during the remainder of the year.

The year has also been turbulent for our companies in research, where many academic customers, such as colleges and universities, temporarily shut down in the spring and summer because of the pandemic. Nevertheless, throughout the year and especially in the second half we have seen increased demand from COVID-19 related research projects, which have received increased funding. Demand has been high for both instruments and various research reagents related to virus research. Sales of our own advanced instruments in the US and China, however, were lower than in previous years.

During the year our companies in home care had difficulties delivering and completing projects because of infection control measures in eldercare. At the same time, the demographic trend with a growing aging population, as well as technological developments also continued to drive underlying growth. One effect of the demographic trend is the growing need for elderly care, which is causing the home care area to grow as healthcare providers streamline services. For the patient, home care provides the opportunity to live at home longer, which is expected to provide a higher quality of life for the individual.

The COVID-19 pandemic left its mark on 2020, clarifying the opportunities that AddLife has to make a difference by helping to benefit both patients and society. AddLife's offer to healthcare services is attractive on the market and we will continue to offer new treatment options, proactive diagnostics, technical aids and digital solutions for both institutional care and care at home. There is a huge backlog of patients waiting for health care in all countries in the wake of the pandemic, which will take a long time to manage.

# Acquisitions

AddLife is constantly looking for companies to acquire and is engaged in discussions with several potential companies. Six acquisitions were completed and closed during the financial year. The year's acquisitions were in both the Labtech and Medtech business areas.

## AddLife philosophy for acquisitions:

- The subsidiaries can make smaller add-on acquisitions to strengthen operations within their niche
- The business areas can expand and build market and/or product positions in selected market segments
- The business areas can add new market segments in areas where we see opportunities to gain market leadership

## The following acquisitions were completed during the year:

- Euroclone S.p.A: On 28 November 2019 AddLife signed an agreement for the acquisition of 100 percent of shares in Euroclone S.p.A, with closing on 8 January 2020. The company is expected to contribute about SEK 280 million to annual sales. The Italian Euroclone is a leading supplier of instruments and consumables in the field of cell and molecular biology. The acquisition represents AddLife's entry into the Italian market in a segment in which the AddLife is already an established supplier in the Nordic market through the BioNordika companies.
- TechniPro Pulmomed Pty Ltd: On 31 August 2020 AddLife acquired all shares in the Australian company Technipro-Pulmomed Pty Limited for the Medtech business area. The company has five employees and sales of about SEK 13 million. The company is a distributor for medical device products for care of chronic lung diseases, the same agent as in the Nordic markets. The company was integrated into the existing company in Australia after the takeover.
- Ropox AS: The Danish company Ropox A/S was acquired on 1 October. The company develops, designs and produces customised kitchens, bathroom fittings and assistive technology for the elderly and people with special needs. The company also sells products from other manufacturers in the same segment. The company has 73 employees and sales of about SEK 95 million. The acquisition facilitates entry into the home care segment in Denmark and complements the company's existing Nordic operations relating to home care in the Medtech business area.
- DACH Medical Group: On 1 October all shares in Dach Medical Group were acquired. The group is active in Austria, Switzerland and Germany in advanced surgery. The company has 23 employees and sales of about SEK 145 million. The acquisition is a good complement to existing operations in advanced surgery at AddLife.
- Zafe Care Systems AB: On 1 October all shares in Zafe Care Systems AB were acquired. The company has 21 employees and sales of approximately SEK 34 million. The company is a well-established supplier of welfare technology to more than 200 municipalities in Sweden and the acquisition strengthens and complements AddLife's existing offering in welfare technology in the Nordic region.
- SIAD Healthcare s.p.a.: On 18 September 2020 AddLife signed an agreement for the acquisition of SIAD Healthcare s.p.a.'s operations in the advanced surgery product area, with sales of about EUR 8 million. The acquisition was approved by the Italian authorities on 1 December 2020. The operation has 17 employees and sales of about SEK 80 million in the Italian market. In conjunction with the acquisition, the business was transferred to a newly formed company called Biomedica Italia s.r.l.

The total purchase price for this year's six acquisitions is SEK 479 million. Had the acquisitions been completed on 1 January 2020, their impact would have been approximately SEK 783 million on consolidated net sales, SEK 94 million on EBITA, about SEK 65 million on operating profit and about SEK 46 million on profit after tax for the year. During the year a total of 197 (43) employees joined AddLife through acquisitions.

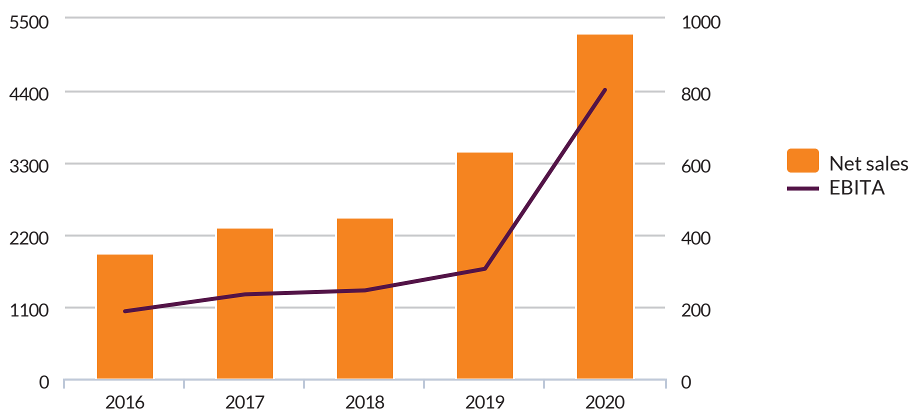
# Financial development during the year

## Net sales and profit

The AddLife Group's net sales increased by 52 percent (40) and totalled SEK 5,273 million (3,479). Organic growth was 38 percent (5), acquired growth was 17 percent (34) and exchange rate fluctuations had a negative impact of 3 percent (1), corresponding to SEK 121 million (36). During the financial year, EBITA increased by 163 percent (25) to SEK 802 million (305) and the EBITA margin reached 15.2 percent (8.8). The EBITA margin is generally lower in the markets in Central and Eastern Europe. EBITA includes acquisitions costs of a total of SEK 12 million (4) and currency fluctuations had a negative impact on EBITA of 6 percent (1), corresponding to SEK 17 million (3).

Net financial expenses was SEK -13 million (-14) and profit after financial items increased by 261 percent to SEK 659 million (182). Profit after tax rose by 265 percent (10) for the financial year to SEK 520 million (142) and the effective tax rate was 21 percent (22). Earnings per share before dilution for the financial year amounted to SEK 4.63 (1.28).

NET SALES AND EBITA

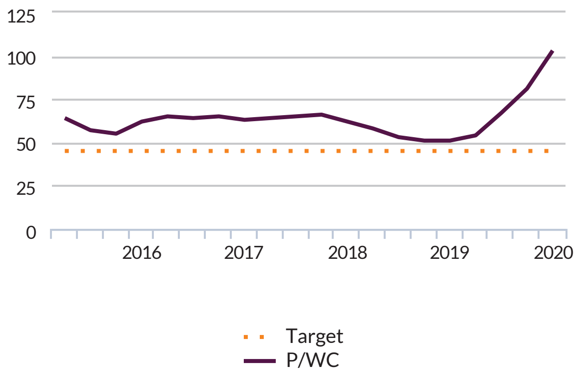



## Profitability, financial position and cash flow

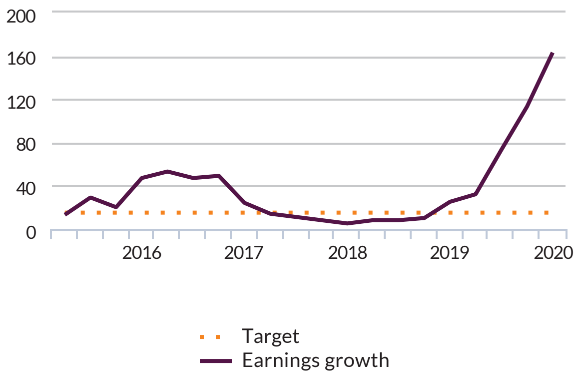
Return on equity at the end of the financial year was 31 percent (10). Return on capital employed totalled 25 percent (8). The equity ratio at the close of the financial year was 46 percent (45). Equity per share, excluding non-controlling interests, totalled SEK 16.73 (13.07).

Return on working capital (P/WC) totalled 103 percent (51). The long-term P/WC target for the Group and all of its companies is 45 percent. The profitability benchmark P/WC ratio encourages high operating profit and low levels of tied-up capital. When combined with the growth target of 15 percent, this creates conditions that promote long-term profitable growth for the companies and the Group. Average working capital, which when calculating P/WC includes inventories with the addition of the net of accounts receivable and accounts payable, amounted to SEK 781 million (598) at the end of the financial year.

## P/WC




## EARNINGS GROWTH




Cash and cash equivalents, consisting of cash and bank balances together with approved but non-utilised credit facilities, totalled SEK 1,006 million (439) on 31 December 2020. The Group's available credit facilities amounted to SEK 1,492 million (1,102) as of 31 December 2020.The Group's interest-bearing net debt at the close of the financial year stood at SEK 700 million (902), including pension liabilities of SEK 81 million (80), as well as lease liabilities of SEK 233 million (216). The net debt/equity ratio, calculated on the basis of financial net liabilities including provisions for pensions and lease liabilities, totalled 0.4 (0.6).

Cash flow from operating activities reached SEK 950 million (400) during the financial year. The improved cash flow relates to the improved financial performance as well as more efficient management of working capital. Acquisitions of companies amounted to SEK 345 million (325). Investments in non-current assets reached SEK 91 million (85) during the financial year. Disposals of non-current assets totalled SEK 7 million (3). Repurchase of treasury shares amounted to SEK 19 million (43). Issued and exercised call options totalled SEK 58 million (12). A dividend of SEK 59 million (64) was paid.

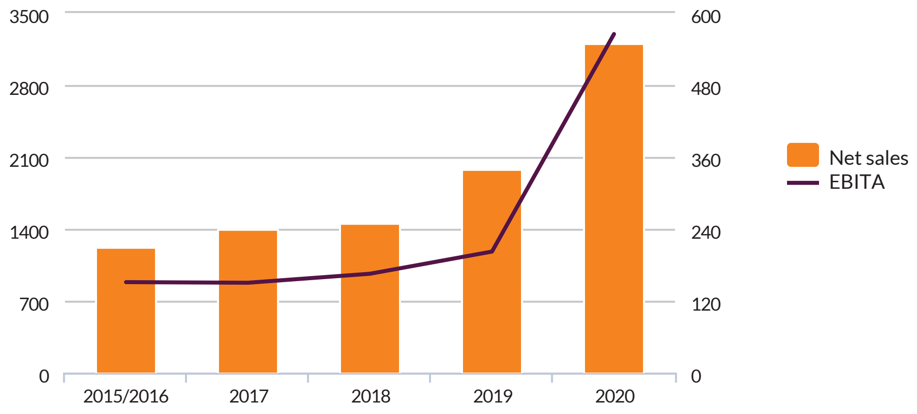
# Business areas

AddLife's operations during the financial year were organised in two business areas: Labtech and Medtech.

# Labtech

Net sales rose by 62 (37) percent during the financial year to SEK 3,212 million (1,981). Organic growth was 42 percent (4), acquired growth was 23 percent (33) and exchange rate fluctuations had a negative impact of 3 percent (1). EBITA rose by 180 percent (22) to SEK 565 million (202) and EBITA margin amounted to 17.6 percent (10.2).

LABTECH - NET SALES AND EBITA



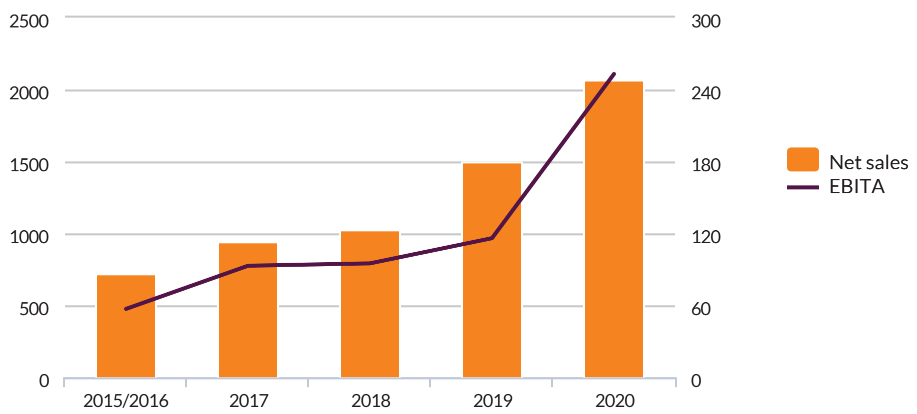

The Labtech business area has undergone strong growth in all geographic markets during the year. The increase for the diagnostics companies is mainly related to sales of certified COVID-19 tests and other tests such as blood gas analysis, used in the hospital ICU units. For other products, which are mainly used in non-emergent medical care, demand has declined since patients have chosen not to seek care during the pandemic.

Research companies have had strong demand for COVID-19 related products, but they were also hit by lower demand when academic institutions were closed.

# Medtech

During the financial year net sales totalled SEK 2,061 million (1,498), an increase of 38 percent (45). Organic growth was 31 percent (7), acquired growth was 10 percent (37) and exchange rate fluctuations had a negative impact of 3 percent (1). EBITA rose by 119 percent to SEK 253 million (116), corresponding to an EBITA margin of 12.3 percent (7.7).

MEDTECH - NET SALES AND EBITA

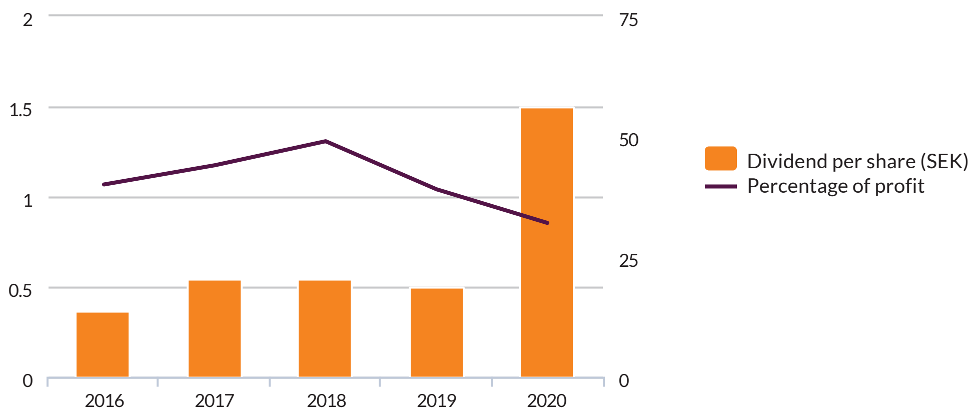



The Medtech business has had extremely strong growth during the year with large deliveries of medical device products and personal protective equipment. The number of elective procedures has been consistently lower than normal, which has resulted in lower demand for non-COVID-19 related products.

# Dividend

AddLife's dividend policy is to pay a dividend equivalent to 30-50 percent of average consolidated profit after tax over a business cycle. The Board has resolved to propose that the AGM in May 2021 pay a dividend of SEK 1.50 for the 2020 financial year. Please refer to note 37 for proposal for profit distribution. The Board proposed that no dividend be paid for 2019 at the general meeting. However, a dividend of SEK 0.50 per share was proposed to and approved at the Extraordinary General Meeting in November 2020.

DIVIDEND




Historical data for dividend per share have been restated based on a new issue and share split. The conversion factor is 4.041.

# Risks and uncertainties

AddLife works with risk management on both a strategic and operational level. Risk management involves identifying and measuring risks and preventing them from occurring, as well as continually making improvements to reduce future risks. Our risk management focuses on business risks, financial risks and other potentially significant risks such as legal risks. The AddLife Group has policies and guidelines that provide responsible managers with tools to identify deviations that could develop into risks. The level of risk in the operations is systematically followed up in monthly reports, in which negative deviations or risks are identified and remedied.

AddLife's earnings and financial position, as well as its strategic position, are affected by various internal factors within AddLife's control and various external factors over which AddLife has limited influence. The external factors that are most important for AddLife are the economic situation, combined with the market, competition and public procurement and political decisions.

In addition AddLife is affected by financial risks such as transaction exposure, translation exposure, financing and interest rate risk, as well as credit and counterparty risk. See Note 4 for a more detailed description of how AddLife manages financial risks.

| Risk/description | Management |
|---|---|
| **Economic cycle and market trends** | |
| Demand for AddLife's services is greatly influenced by macroeconomic factors beyond the control of the Company, such as conditions in the global capital market, the state of the economy in general, public finances and events such as the ongoing pandemic. Factors such as business investments, public sector investment, the volatility and strength of the capital market and inflation affect the business and economic climate. A weakening of these conditions on some or all of the markets in which AddLife operates could have material adverse effects on the Company's business, financial condition and results of operations.<br><br>A significant share of the Company's sales are made to publicly funded activities in medical care, research and health services.<br><br>Weakened public finances could have a negative impact on AddLife's business and results of operations. | AddLife's subsidiaries are active on a large, or to some extent non-cyclical market, which generally makes the Group less sensitive to economic fluctuations. The strength in AddLife's business model can also be found in the ability of the subsidiaries to retain their flexibility, but with stable funding from the parent company, which makes it simpler to adjust and respond to changes in the market. |
| **Public procurement and political decisions** | |
| Political decisions in the Nordic countries have resulted in a decline in the number of contract customers because of the consolidation of regions into larger entities. As a result public tenders are now larger and contract periods have often been extended. This change has resulted in an increase in both pressure on prices and competition, while making it difficult for smaller operators in the market to participate in public procurement processes. Furthermore, because the industry is consolidating on the supply side and larger merged suppliers have a broader offering, at the same time that purchase contracts are becoming broader in scope, there is a risk that niche operators like the Company may be unable to participate in the procurement process. | Since agreements covered by public procurement constitute a significant part of AddLife's net sales, there is a strong focus on these in the organization and at the subsidiaries. Great effort is put into preparing and ensuring that the procurement requirements are met, as well as training. |

| Risk/description | Management |
|---|---|
| **Technological development** | |
| AddLife is exposed to the risk that the various subsidiaries in the AddLife Group may not be able to implement new technology or adapt the product range and business model in time to be able to take advantage of the benefits of new or existing technology. The costs associated with keeping up with product and technological advances may be high and influenced by factors that are fully or partially outside of AddLife's control. Moreover, the level and timing of future operating expenses and capital requirements could significantly differ from current estimates. | There is a strong focus on proactive business development within the subsidiaries, as well as a focus on future technological adaptation with new acquisitions. In several of the subsidiaries major initiatives in research and development are underway, and collaborations with business partners are initiated as needed to ensure technological developments. Regarding distribution of third-party products, there is a strong ongoing collaboration with suppliers with respect to technological developments. |
| **Customers** | |
| AddLife has a large number of customers of varying sizes, some of whom are public and some private operators. Because of the number of customers and the Group structure, agreements with customers vary in character with regard to factors such as contract length, warranties, liability limitations and scope, which may cause difficulties in centrally forecasting the operations and development of the different subsidiaries. In some customer relationships there are no written customer agreements, which could result in legal uncertainty regarding the content of the agreement. Moreover, there is a risk that such variation could result in unforeseen liability exposure for AddLife, especially in cases where no standard terms and conditions are applicable for the agreements, or in cases where no specific limitations of liability have been incorporated into the agreements. | Although there are contractual risks associated with the scattered customer base that AddLife subsidiaries have, there are also advantages. An individual subsidiary may be dependent in the short term on a single customer, but AddLife as a Group is not dependent on any single customer and no customer accounts for more than about xx percent of sales. This is a strength in the AddLife business model. |
| **Suppliers** | |
| Over the past few years, the industry has undergone consolidation, where the number of suppliers is decreasing. Thus there is a risk that AddLife will lose suppliers that are important for the Company. In order to deliver products, AddLife depends on external suppliers who must meet the terms of the agreements regarding matters such as volume, quality and delivery date. Incorrect, delayed or missing deliveries could in turn cause AddLife's deliveries to be delayed or incorrect. AddLife has agreements with a large number of suppliers over which the Company cannot exercise control nor can it have full insight into their operations. Consequently, AddLife is exposed to the risk that suppliers could act in a way that could harm AddLife. The majority of the Group's supplier agreements have been entered into in accordance with the supplier's terms of agreement and are thus often supplier-friendly. | In a longer perspective, AddLife is not dependent on any single supplier for the survival of the business. The Company's largest supplier amounts to approximately 7 (7) percent of net sales for 2020. AddLife works strategically with the larger suppliers and conducts regular supplier evaluations, with the aim that all suppliers will live up to the AddLife Code of Conduct. |

| Risk/description | Management |
|---|---|
| **Acquisitions** | |
| AddLife has historically completed several acquisitions. Strategic acquisitions will continue to be an important component of AddLife's growth strategy. However, there is a risk that AddLife will not be able to identify acquisition targets or to carry out strategic acquisitions because of, for example, competition with other acquirers or lack of financing.<br><br>Acquisitions generally entail integration risks. In addition to company-specific risks, the acquired company's relationships with important customers, key personnel and suppliers could be adversely affected. Integration involves risks relating to the ability to retain skills and to the possibility of creating a common culture. There is also a risk that the integration process may take longer than expected and that unforeseen costs associated with the consolidation of operations may arise. Moreover, expected synergies may totally or partially fail to arise.<br><br>Moreover, acquisitions could expose AddLife to unknown obligations. Acquisitions usually involve not only the assumption of all of the assets of the acquired company, but also its obligations. There is a risk that not all potential obligations or commitments have been identified prior to the acquisition, or that the seller lacks the financial ability to compensate AddLife in the event of a breach of warranty. | AddLife constantly pursues acquisitions to ensure that there is an inflow of interesting objects for the Group. AddLife has many years of experience of acquisitions and has a structured process for both acquisition work and integration of completed acquisitions. Guarantees to limit the risk of unknown obligations are one of the tools used in contract negotiation. |
| **Organisational risk** | |
| AddLife applies a decentralised organisational model, which means that subsidiaries in the Group are largely responsible for and conduct business independently.<br><br>Corporate governance in a decentralised organisation places high demands on financial reporting and monitoring and deficiencies in reporting and monitoring entail a risk of inadequate operational control. The decentralised organisational model has historically been an advantage for the Group. However, there is a risk that the organisational model will prove to be less suitable for meeting any future market challenges that should arise. Moreover, the lack of specialist expertise in the various subsidiaries, such as regarding financial knowledge, could result in incorrect business decisions and slow decision making. | Group Management controls, checks and monitors the business in the subsidiaries, primarily by serving as Chairman of the Board of the companies and by continually monitoring developments. In addition, AddLife works with weekly follow-up of orders received, monthly reporting and follow-up of financial developments in all subsidiaries, which means that the parent company has good insight into and understanding for current and future challenges and opportunities. |
| **Ability to recruit and retain staff** | |
| AddLife's continued success depends on experienced employees with specific skills. There are key personnel both among senior executives and among the Group's employees in general. There is a risk that one or several senior executives or other key personnel could leave the AddLife Group on short notice. | AddLife invests time and energy into in-house skills development through AddLife Academy. The aim for each acquisition is for key personnel to remain in the acquired companies and continue to pursue both personal growth and growth of the company within the framework of the Group. AddLife conducts an annual employee survey and follows up the results to ensure that employees are provided with the conditions necessary for personal growth and job satisfaction. AddLife also has an incentive programme for senior management. |

| Risk/description | Management |
| --- | --- |
| **Product liability** | |
| AddLife's business entails risk associated with product liability. AddLife could be subject to product liability claims if the products that are produced or purchased cause personal injury or property damage. There is a risk that such product liability claims are not fully covered by AddLife's insurance policy. If a product is defective, AddLife may be forced to recall it. In such a situation there is a risk that AddLife cannot make corresponding claims against its own suppliers to receive compensation for the costs incurred by AddLife due to the defective product. | AddLife works continually with suppliers to increase product safety and ensure that products meet the quality requirements that are in place. AddLife regularly reviews its insurance coverage to reduce the risk of unforeseen expenses. AddLife's own products are subjected to ongoing quality assessment and follow-up. |
| **Environmental risk** | |
| New environmental legislation linked to transports and product materials could have an impact on sales for AddLife's subsidiaries. AddLife owns a few properties and according to the Swedish Environmental Code, a property owner is responsible for any pollution or other environmental damage, with responsibility for remediation, which may also include damage caused by previous operations. | AddLife's subsidiaries are primarily engaged in commerce and businesses that have a limited direct environmental impact. At the time of each acquisition, earlier environmental impact are noted and reviewed, and contractual protection is negotiated. |

# Remuneration

## Principles for remuneration to senior executives

The Board of Directors intends to propose to the Annual General Meeting in May 2021 that the guidelines for remuneration to senior executives remain unchanged compared with what was decided at the AGM in May 2020:

The guidelines apply to remuneration agreed after the Annual General Meeting 2020 and amendments to agreed remuneration made thereafter. The guidelines do not apply to remuneration resolved by the general meeting. For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines. The provisions regarding the Company also apply to the Group where appropriate.

## The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that AddLife offers competitive remuneration, which these guidelines make possible. Total remuneration should be on market terms and competitive and relate to responsibility and authority.

## Types of remuneration, etc.

Remuneration shall be on market terms and may consist of the following components: fixed salary, any variable salary according to separate agreements, pension and other benefits. The general meeting can also, irrespective of these guidelines, resolve on, among other things, share and share price-related remuneration.

## Fixed salary

The fixed salary shall consist of fixed cash salary and be reviewed annually. The fixed salary shall be competitive and reflect the position requirements with respect to qualifications, responsibilities, complexity and the manner in which it serves to reach the business objectives. The fixed salary shall also reflect the performance of the senior executive and thus be individual and differentiated.

## Variable salary

In addition to fixed salary, the CEO and other senior executives may, according to separate agreements, receive variable salary when fulfilling agreed performance criteria. Any variable salary shall consist of an annual variable cash salary and may amount to a maximum of 40 percent of the fixed annual salary. The variable salary shall be linked to one or several predetermined and measurable criteria, which can be financial, such as consolidated earnings growth, profitability and cash flow, or non-financial, such as individual goals designed to promote the Company's business strategy and long-term interests. Because the goals link the senior executives' remuneration to the Company's earnings, they promote implementation of the Company's business strategy, long-term interests and competitiveness. The terms and bases of calculation for variable remuneration shall be determined annually. The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The extent to which the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The Board is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other senior executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the Company. The terms for variable remuneration shall be designed so that the Board of Directors, under exceptional financial conditions, may limit or refuse to pay variable remuneration if such a measure is deemed reasonable.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 percent of the fixed annual salary and may not be paid more than once per year and individual. Resolution on such remuneration shall be made by the Board based on a proposal from the Remuneration Committee.

## Pension

For the CEO, pension benefits, including health insurance, shall be defined contribution with premiums not exceeding 30 percent of the fixed annual salary. For other senior executives, pension benefits, including health insurance, shall be defined contribution unless the senior executive is subject to defined benefit pension under mandatory collective agreement provisions. Premiums for defined contribution pensions are to be in the form of the Swedish alternative ITP plan, according to a "premium ladder" as stated in AddLife's pension policy, or premiums are not to exceed 30 percent of the fixed annual salary. Variable remuneration shall qualify for pension benefits to the extent required by mandatory collective agreement provisions applicable to the senior executive (applies to Sweden and defined contribution pension).

## Other benefits

Other benefits, which may include, for example, company car, travel benefits, cleaning benefits and health insurance, shall be on market terms and only constitute a limited part of the total remuneration. Premiums and other costs associated with such benefits may amount to a maximum of 10 percent of the fixed annual salary.

## Termination of employment

For the CEO and other members of Group Management, the notice period shall be six months in case of termination by the senior executive. In case of termination by the Company the maximum notice period shall be 12 months. In case of termination by the Company, severance pay may be payable in an amount corresponding to a maximum of twelve months' fixed salary less any remuneration received from new employments or assignments. Employees who give notice to terminate employment are not entitled to severance pay. Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall be based on the fixed salary at the time of termination of employment and amount to not more than 60 percent of the fixed salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and be paid during the time the non-compete undertaking applies, however not for more than 24 months following termination of employment.

## Fees to Board members

AddLife's Board members elected by the general meeting may, in specific cases and for limited time, be remunerated for services beyond Board work within their respective areas of expertise. A fee on market terms for these services (including services rendered by a Company wholly owned by a Board member) shall be paid, provided that such services contribute to the implementation of AddLife's business strategy and long-term interests, including its sustainability. Such consultant's fee may, for each Board member, in no case exceed twice the annual Directors' fee.

## Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

## Preparation and decision-making process

The Board of Directors has established a Remuneration Committee. The Committee's duties include preparing principles for remuneration to Group Management and the Board of Directors' decision to propose guidelines for remuneration to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting for resolution. The guidelines shall be in force until new guidelines have been adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to Group Management, the application of the guidelines to senior executives as well as the current remuneration structures and compensation levels in the Company. Remuneration to the CEO shall be decided by the Board of Directors in line with approved policies following preparation and recommendation by the Remuneration Committee. Remuneration to other senior executives shall be decided by the CEO in line with approved policies and after consultation with the Remuneration Committee. The CEO and other members of Group Management do not participate in the Board of Directors' discussions and decisions on remuneration-related matters that pertain to them.

## Derogation from these guidelines

The Board of Directors may decide to derogate from these guidelines, in whole or in part, if in a specific case there is special cause and such a derogation is necessary to safeguard the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As stated above, the Remuneration Committee's duties include preparing the Board of Directors' decisions on remuneration matters, including decisions to derogate from these guidelines.

# Employees, research and development and environment

# Employees

At the end of the financial year AddLife had 1,112 employees, compared with 932 at the beginning of the financial year. Completed acquisitions increased the number of employees by 197 (43). The average number of employees in 2020 was 1,004 (903).

| | 2020 | 2019 |
|---|---|---|
| Average number of employees | 1,004 | 903 |
| of which are men | 53% | 50% |
| of which are women | 47% | 50% |
| | | |
| Age distribution | | |
| up to 29 years | 9% | 10% |
| 30-49 years | 54% | 56% |
| 50 years and older | 37% | 34% |
| Average age | 45 | 45 |

AddLife's own business school – AddLife Academy – provides a growth opportunity for our employees, builds a shared value system and ensures the supply of leaders in the Group. In 2020, AddLife had to find digital solutions for its in-person courses. We held courses in entrepreneurial skills, which is an important platform from which to raise the level of professionalism among our employees, as well as courses adapted to the new conditions, such as "Virtual customer meetings". AddLife Academy also arranged courses in public procurement procedures and leadership, as well as customised courses in marketing and finance.

## Research and development

The Group conducts its own research and development to a limited extent, mainly within Biolin in the Labtech business area.

## Environment

None of the Group's Swedish subsidiaries engage in activities that require a permit or notification under the Swedish Environmental Code. None of the foreign subsidiaries engage in activities subject to equivalent requirements for notification or permits. None of the Group's companies are engaged in any environment-related disputes.

# Parent company

The operations of the Parent Company AddLife AB comprise Group Management, business area management, consolidated reporting and financial management.

The Parent Company's net sales amounted to SEK 41 million (41) and the loss after financial items was SEK 11 million (-6). Balance sheet appropriations include Group contributions received of SEK 181 million (78) and Group contributions paid of SEK -5 million (-21). Cash flow from investment activities totalled SEK 70 million (-218). The Parent Company's financial net debt at the close of the financial year stood at SEK 407 million (660).

## Share capital, share repurchases, incentive programmes and dividends

On 31 December 2020, the Parent Company's share capital amounted to SEK 58,309,340 divided into the number of shares shown below with a nominal value of SEK 0.51 per share.

The AGM on 7 May 2020 resolved to conduct a 4:1 share split. As a result of the split, the number of shares increased to 114,498,292, including 4,625,216 class A shares and 109,873,076 class B shares. The new shares were registered in the shareholders' accounts on 29 May 2020. During the year 10,080 class A shares were converted into 10,080 class B shares. After the conversion the total number of shares and votes in AddLife as of 31 December 2020 was 114,498,292 shares and 156,034,516 votes. Of these shares, 4,615,136 are class A shares, representing 46,151,360 votes, and 109,883,156 are class B shares, representing 109,883,156 votes.

On 31 December 2020 the number of stockholders was 7,501 (4,431).

The Company's class B shares are listed on Nasdaq Stockholm. Two owners each control 10 percent or more of the voting rights. They are RoosGruppen AB (Håkan Roos through companies) with an ownership stake corresponding to 18.37 percent of votes, and Tom Hedelius, who owns shares corresponding to 13.26 percent of votes.

According to Chapter 6, Section 2a of the Swedish Annual Accounts Act, listed companies are required to disclose specific circumstances that may affect the possibility of a take-over of the Company through a public offer for shares in the Company. In the event that the Company is delisted from Nasdaq Stockholm, or that shareholders other than the current principal shareholders may acquire more than 50 percent of the capital or voting rights, the granted credit framework for an overdraft facility at Handelsbanken of SEK 700 million may be terminated.

## Repurchase of treasury shares and incentive programs

In May 2020 the AGM authorised the Board of Directors during the period up until the 2021 AGM to buy back a maximum of ten percent of all shares in the Company.

The repurchased shares are intended to cover the Company's commitment to outstanding call options programs. During the financial year, 500,000 (640,000) class B treasury shares were repurchased. The average number of class B treasury shares held during the financial year was 2,370,836 (1,913,620). At year-end the number of class B treasury shares was 2,010,845 (565,250) with an average purchase price of SEK 52.12 (49.94). The shares account for 1.8 percent (2.0) of shares issued and 1.3 percent (1.4) of votes.

At year-end AddLife had four outstanding call option programs. Outstanding call options during the financial year resulted in an estimated dilutive effect based on the period's average share price of approximately 0.1 percent (0.2).

The Board intends to propose to the Annual General Meeting in May 2021 an incentive program based on the same, or substantially similar, model as was approved at the AGM in 2020.