

Comments by the CEO

Long-term positive trend in demand

The effects of COVID-19 in Europe have been declining during the quarter and the healthcare systems are adapting to start reducing the lists of patients waiting for postponed elective surgeries that has accumulated during the pandemic. However, the transition takes time and the increase in the number of procedures performed has been slow due to shortage of doctors, nurses and other healthcare professionals. The reduction of this backlog is expected to take place gradually over a longer period of time with an increased number of operations performed.

Demand for AddLife's products and services, which are mainly provided to tax- and insurance-funded healthcare systems, as well as to research and pharmaceutical development, have not been significantly affected by the uncertainty in the market. Health services remain a priority also in times of economic uncertainty and activity in research and pharmaceutical development continues in a positive trend. The majority of AddLife's revenues are related to long-term customer contracts or to ongoing sales of disposables and services linked to an installed base of instruments. This provides good stability and predictability in the business, but also requires active efforts to negotiate prices, since we are seeing price increases from suppliers.

The dialogue with customers on this topic is productive, and proactive work to improve margins through efficiency, pricing, product mix and service offering is a strength of AddLife's companies.



Acquisition-driven and organic growth

AddLife's sales in the third quarter increased by 14 percent year-on-year. Organic growth excluding COVID-19 was 2 percent. As expected, COVID-related sales in the Labtech business area continued to decline, but organic growth, excluding COVID-19, was 5 percent. The decrease in COVID-related sales has been fully offset by revenue from acquired businesses in the Medtech business area. During the summer months of July and August, demand in Medtech was slow, but in September we saw a clear improvement and order intake also developed in a positive way.

The operating margin, which excluding the reversed contingent consideration was 9.7 percent, was negatively impacted mainly by lower COVID-19 sales in the Labtech business area and by both unusually low volume of elective surgical procedures during the summer months as well as supply disruptions with certain suppliers within Medtech.

After a long period of supply chain disruptions, delayed deliveries reached our warehouses to an increased extent at the end of the quarter. This is a positive development that will enable increased deliveries to waiting customers, but in the short term it means increased inventory levels and thus an increase in working capital that will be addressed.

In summary, the underlying business developed well in Labtech but weaker in Medtech, including both organic growth and profitability. Improvement efforts with high priority are ongoing in these areas.

Strengthened position creates new opportunities

In recent years, AddLife has completed a number of acquisitions in line with the strategy to establish a strong position in selected product segments in the European market outside the Nordic region. Key objectives have included strengthening the Medtech business area in preparation for an expected recovery in elective surgery and to offset the expected sales decline in Labtech as the effects of the pandemic subside. We can now see the effects of this strategy and AddLife is now a leading European player with over 60 percent of sales outside the Nordics and revenues continue to grow despite the downturn in COVID-related demand. Today, AddLife is a significantly larger group with a good balance between the Medtech and Labtech business areas.

A strategic planning process is ongoing within the group to define how AddLife can best take advantage of this new and strengthened position. The group now has more opportunities to grow in current and adjacent geographic regions and segments and with a strong position in most European markets, AddLife will be an even more attractive partner for

customers and suppliers. The strengthened position also provides greater opportunities to market AddLife's own products, with potential for higher margins. AddLife will also continue to have a clear focus on niches where the companies have leading positions based on a strong product offering combined with value-adding services and, increasingly, digital solutions. Current prioritised areas include leveraging all the organic growth opportunities created by recent acquisitions as well as activities within the companies to increase profitability and cash flow. The profit growth target (EBITA) remains 15 percent per year over the long term and will be achieved through a combination of organic and acquired growth.

The short-term ambition is to reduce debt while working proactively to develop our pipeline of acquisition candidates within strategically selected segments. The focus is mainly on small or medium-sized acquisitions, which can often be added to existing businesses and newly acquired platforms. We see significant opportunities for continued value-creating acquisitions in the future, in particular as valuations are generally expected to come down due to the current market situation.

During the quarter, the acquisition of JK Lab was completed, strengthening the research products portfolio and adding value to the Labtech business. During the interim period, five acquisitions have been completed, which are expected to add annual net sales of approximately SEK 850 million.

Progress in Homecare

In the Homecare area, AddLife is building a unique portfolio of products and services to enable the growing proportion of elderly people to remain at home, with reduced dependence on hospital care and home care services, while maintaining a good quality of life and safety. The offering includes home adaptation products, as well as mobility aids, sensors and a digital platform for connecting sensors and home safety alarms, all under the umbrella of Camanio Care. Also included are solutions for remote patient monitoring related to specific health conditions within Camanio Health.

The Camanio Care digital platform entered a commercial phase during the quarter. The launch of the service is underway and contracts have already been signed with six municipalities in Sweden. Camanio Health is also increasing its commercial activity and entered into an expanded collaboration with a leading region in Sweden during the quarter. Further development of the digital solutions continue and these future-focused investments had a SEK 12 million negative impact on profits in the quarter.

Tangible steps in sustainability efforts

During the quarter, AddLife adopted a new sustainability strategy that will be introduced in the fourth quarter. The strategy focuses on sustainable solutions, sustainable culture and sustainable growth. We have also continued to strengthen areas of governance and compliance and implemented a new sustainability management system.

A concrete example of the shift to more sustainable products is the launch of an innovative new type of bandage by subsidiary Medioplast, which replaces cotton with bamboo fibre. The new material is not only environmentally friendly, but also have patient benefits such as antibacterial properties and increased comfort. Interest from customers is strong and in October a significant multi-year procurement contract was secured with a leading region in Sweden.

Summary

It is with great enthusiasm that I am taking over the position of CEO at AddLife as of September 1st. AddLife has developed in a very strong way under Kristina Willgård's leadership and I would like to thank Kristina for her support during the transition. During my first weeks at AddLife, I have made it a priority to visit our companies and have had very positive meetings with employees and customers. I have been impressed with the high level of commitment and competence of the team members. I see a strong corporate culture characterized by entrepreneurship and business acumen, with a clear link to our vision of improving people's lives. In a business environment with many uncertainties, the demand for AddLife's products is steadily growing. With our strengthened market position, deep understanding of products and customers and our decentralised business model, we will be able to benefit from the many opportunities that the market situation offers. Now we start the work to take the business to the next level!



Fredrik Dalborg

President and CEO