

Q2 2020

INTERIM REPORT

SEK 118.3 million
Consolidated net sales decreased to SEK 118.3 (184.1) million in the second quarter of 2020

SEK 14.9 million
The Group's operating profit amounted to SEK 14.9 million (15.6) in the second quarter of 2020



Q2 2020 INTERIM REPORT

A RAPID CONVERSION AND EFFICIENCY MEASURES DELIVER RESULTS

April - June 2020

- Net sales for the second quarter amounted to SEK 118.3 million (184.1), a decrease of 35.7 percent compared to the same period last year. After currency translation, the decrease was 36.2 percent.
- Operating profit was SEK 14.9 (15.6) million, which represents an operating margin of 12.6 (8.5) percent.
- Operating profit has been positively affected by SEK 37 million with respect to government support received owing to Covid-19.
- The profit after financial items amounted to SEK 9.1 (8.6) million. Net financial items were negatively affected by exchange rate differences of SEK -2.6 (-3.9) million and totaled SEK -5.8 (-7.0) million.
- The profit after tax was SEK 6.9 million (6.6).
- The cash flow from operating activities was SEK 50.2 (47.7) million, amounting to SEK 34.2 (-11.7) million after investments.
- Earnings per share were SEK 0.87 (0.82) per share.

January - June 2020

- Net sales for the first six months amounted to SEK 277.2 million (374.0), a decrease of 25.9 percent compared to the same period last year. After currency translation, the decrease was 27.0 percent.
- Operating profit for the first six months was SEK 26.8 (37.0) million, which represents an operating margin of 9.7 (9.9) percent.
- Operating profit has been positively affected by SEK 38 million with respect to government support received owing to Covid-19.
- The profit after financial items amounted to SEK 15.7 (29.2) million. Net financial items were negatively affected by exchange rate differences of SEK -0.4 (1.5) million and totaled SEK -11.1 (7.8) million.
- The profit after tax was SEK 12.3 million (21.9).
- The cash flow from operating activities was SEK 59.2 (57.1) million, amounting to SEK 37.0 (-1.8) million after investments.
- Earnings per share were SEK 1.53 (2.71) per share.

Key performance indicators

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 2019/20	Jan-Dec 2019
Net sales, SEK million	118.3	184.1	277.2	374.0	592.6	689.4
Growth,%	-35.7	10.9	-25.9	16.3	-15.0	6.9
Profit before depreciation and amortization (EBITDA), SEK million	30.4	31.4	58.3	66.7	117.2	125.6
Profit before depreciation and amortization (EBITDA), %	25.7	17.1	21.0	17.8	19.8	18.2
Operating profit (EBIT), SEK million	14.9	15.6	26.8	37.0	55.1	65.3
Operating profit (EBIT), %	12.6	8.5	9.7	9.9	9.3	9.5
Profit after financial items, SEK million	9.1	8.6	15.7	29.2	37.1	50.6
Profit after tax, SEK million	6.9	6.6	12.3	21.9	28.9	38.5
Earnings per share before and after dilution, SEK	0.87	0.82	1.53	2.71	3.59	4.77

Quarterly growth
-35.7%
After currency translation,
growth was -36.2 percent.

CEO JAN WAHLSTRÖM COMMENTS ON Q2

Our long-term strategy and work with cost-efficiency measures in combination with our vigorous action to seek and receive government support means that we overall stand strong and report a good result even during a time of upheaval, to say the least. We have during the last 12 months reduced our costs among other things by reducing the workforce by 10% and by working with improvements in production. As predicted earlier, Covid-19 has had a negative impact on the quarter in terms of sales. We see the biggest market downturn in the Dental business area followed by Orthopedics and Life Science. Being able to quickly switch some of our production in Life Science to injection molding and the assembly of parts for ventilators is our way of contributing to the global crisis. However, in the long run we see no change in our business areas but anticipate a continued long-term, steadily growing market.

The market in Orthopedics looks as if it will recover faster than previously predicted. Orthopedic departments, mainly in the United States, which have been converted to Covid departments in hospitals, are now beginning to return to normal operations. Emergency surgeries have priority before elective surgeries and since our operations are primarily within trauma, we see not only less impact but also a faster rate of recovery.

Polymer operations in Life Science is continuing to do well and to meet this demand, the expansion of our site in Skara is in full swing. Everything is going according to plan and stage one is expected to be ready for occupancy at the beginning of the fourth quarter. The biggest decline in Life Science is related to hearing implants, i.e. operations that have not been prioritized during the pandemic.

We are seeing a recovery in the Dental business area, even though the level of activity in dental clinics is still very low. Recession, unemployment and increased safety practices are likely to have a negative impact on the implant market even in the longer term. Even now, however, we are seeing positive signals. From an almost total stop (20% of the previous volume), we are now up to 55%. It is gratifying that Elos Accurate's entire digital portfolio is now available in the US. After having been on the European market for many years, we have now gone through the rigorous process of 510(k) and have now received clearance by FDA to market Elos Accurate® on the American market. We have observed a lot of interest in the launch and will focus on this during the fall.

I don't want to conceal the fact that times are tough – and want to take this opportunity to pay tribute to the loyal organization I have the privilege of working together with. A rapid conversion and ongoing efficiency measures deliver results but it requires both the understanding and commitment of our employees, something we at Elos Medtech have really displayed during the past months.

The recovery will take time but with a solid foundation from 2019, the measures we have implemented and no current underlying long term changes in the markets in which we are active, we are equipped to build an even stronger company. We have positive signals from most of our key customers and will gradually return to full workforce employment. Our order of priority will also continue to focus on our employees and minimized financial risk for the company. Teamwork and efficiency are especially important in crisis situations and through an agile approach and the redistribution of human resources, we stand ready to quickly meet customer needs as demand increases.



EVENTS RELATED TO COVID-19

Assessment of the impact

Covid-19 has now fully developed into a global concern. Our current assessment is that the Covid-19 outbreak will have a negative financial impact on the company throughout 2020. The latest market information indicates sign of recovery during the second half of the year.

Healthcare has been affected as the virus has spread from Asia to other continents. Many treatments that are not essential for life have been limited or postponed and dental clinics have been temporarily shut down. However, market signals suggest that several countries are resuming planned visits, operations and other interventions, which consequently leads to a cautious return to more normal healthcare services.

Future demand will be affected by how quickly and efficiently normal healthcare operations can be resumed. The main factors are:

- Vaccines and other effective treatment for Covid-19
- Public health care priorities and the ability of private health care to meet demands
- Availability and capacity in operating theaters
- The influx of patients, affected not only by the fear of becoming infected but also by insurance and private economy factors
- Economic activity and development of unemployment

Nevertheless, the progress of the virus remains unpredictable and it is not possible to foresee for how long the pandemic may have impact on the company.

Measures taken within the Group

To meet the prevailing uncertainty, a number of measures were quickly adopted and implemented already in February to protect cash flows and to ensure profitability. Elos Medtech has actively been working to transform the organization and has taken measures which have led to a reduced workforce by about 10 percent in the last 12 months.

Elos Medtech has benefited from various support packages offered by local governments and authorities. Since April about 200 people are on short-term furloughs from the sites in Timmersdala and Görölse. The short-term furloughs will continue in part during Q3, and this will primarily affect the Dental business area.

Assessment of the impact by business area

Customers are being affected by the pandemic in different ways depending on their geographic market and the market segment in which they operate. Based on today's information production and delivery are expected to be performed in line with customers' expectations.

Dental

The Dental business area have seen the biggest impact with a low level of activity up to mid-June. The quarter ended with a slight increase in demand. On the other hand, in the last two months, several of the international companies have published information about lower growth and are generally cautious in their forecasts.

The reason why there is greater uncertainty about the outlook in Dental compared to the other business areas, is because patients themselves mostly pay for the cost of implant treatment and the willingness to pay can be adversely affected by a higher level of unemployment and poorer personal finances. With this in mind, it is very difficult to assess when the market for dental implants will have recovered.

Orthopedics

The impact on the business area is mainly due to changing customer needs as a result of changes in healthcare priorities and decisions by our customers to postpone product launches. Compared to April and May the demand increased in June, indicating that the market in the United States in particular is recovering faster than estimated in the previous interim report.

Life Science

Life Science is the business area which were first affected but so far has been the least impacted by the pandemic. Going forward the impact for the business area will mainly be depended on changing needs of the customers as a result of changes in healthcare reprioritization with regard to operations for bone-anchored hearing implants and the use of different analysis instruments.

Other markets within this business area, envisage continued stable future development.

Financial position

At the end of the first quarter of 2020, the Group had bank deposits of SEK 67 million and an unutilized overdraft facility of SEK 68 million, which equates to 23 per cent of net sales on a rolling 12-month basis. This is a strengthening of liquidity compared to the end of the previous quarter. The strong liquidity means that Elos Medtech is well equipped for the expected recovery at the end of the year.

Employees

The employees' safety and health have more importance during current circumstances. The local management teams have taken a wide range of measures to ensure that the employees feel safe and to minimize the risk of infection. Elos Medtech has strengthened the already strict hygiene and safety procedures with further recommendations and restrictions and communicates on a regular basis the health and safety status to the employees within the Group.

THIS IS ELOS MEDTECH

General information about the business

Elos Medtech is specialised in medical technology and has considerable expertise in development and design as well as contract manufacturing of medical devices. The company's customers are mainly medical technology companies with international operations. The company operates from sites in Sweden, Denmark, China and the United States and has strategic marketing and IT, production and quality management, risk management, financing and financial control functions at Group level in Gothenburg, Sweden. The Group operates in three business areas: Dental, Orthopedics and Life Science.

Vision

To transform medical technology and improve quality of life worldwide.

Mission

In partnership with our customers, we provide sustainable and innovative products and supply solutions for the global medical device market. Building profitable, long-term partnerships and striving for excellence in everything we do, our goal is to help people to live rich, active and fulfilling lives.

Targets

Elos Medtech's long-term financial goals are: an average annual growth rate in excess of 10 percent, an average operating margin (EBIT) of over 13 percent and a share of own products of at least 13 percent.

Value-creating business model

Elos Medtech's business model is based on long experience and acquired expertise in development and contract manufacturing of medical devices and components. The customers are offered quality, expertise and innovation in a partner-based integral solution – Complete Performance™. The cornerstones of Elos Medtech's value creation are increased efficiency, improved profitability and high-quality products in partnership with its customers.

Strategy

Elos Medtech's strategy is based on an increased focus on selected market segments and in metals and polymers. Another element of the strategy is to increase the degree of specialization and the company's expertise in its core areas of expertise in respect of design, development, manufacturing and logistics, while optimizing quality assurance. Through a stronger offering, we will reach our strategic goals of clearer positioning and continued growth.

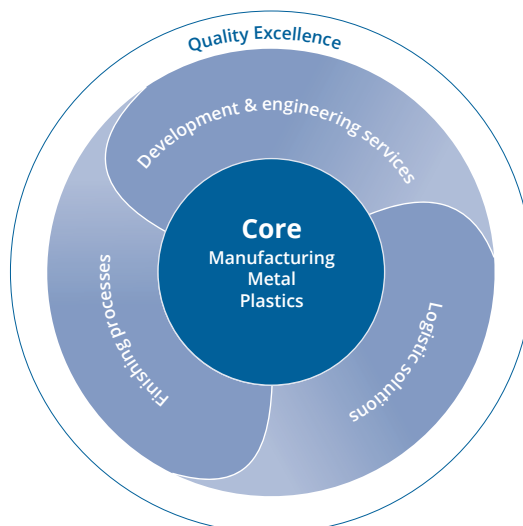
Sustainable focus

Elos Medtech has a sustainability focus and a responsibility that goes beyond simply delivering high-quality products. The company has a long-term economic, social and environmental responsibility for how its activities affect its stakeholders and defines strategic goals to ensure that continuous improvements are made in these areas. For more information, please see: elosmedtech.com/whoweare/sustainability.

VISION • MISSION • VALUE-BASED CULTURE • SUSTAINABLE FOCUS

Business areas:

Dental
Orthopedics
Life Science



Life Science comprises:

Diagnostics
Hearing Device & Vibration
Other Medical Areas

VALUE CREATION FOR THE COMPANY AND OUR STAKEHOLDERS

THE GROUP'S PERFORMANCE

Quarterly performance

Total sales for the second quarter amounted to SEK 118.3 million (35.7), a decrease of 35.7 percent compared to the same period last year. Covid-19 has had a negative impact on all of the Group's business areas. The greatest impact has been in Dental with a decline of -52 percent. Life Science has also been negatively affected by the pandemic, with a negative growth of -24 percent and Orthopedics of -34 percent. For Orthopedics, the decline is also due to a change in product mix compared to the previous year. Elos Medtech has been noticeably affected by Covid-19 during the quarter, but currently sees no underlying change long-term in the markets in which it operates.

The Group reports a decrease in the cost of goods sold by 39 percent. Elos Medtech has implemented measures to reduce costs including employees on short-term furloughs primarily in the Dental business and through Payroll Protection Program within Orthopedics. But also through employee reductions due to efficiency measures, which led to workforce reduction of 50 employees compared to the same quarter last year.

SG&A expenses decreased by 40 percent in the second quarter of 2020 compared to the same period last year, partly due to government support and partly to fewer travel and marketing activities.

Despite a significantly lower volume, operating profit for the quarter only decreased by SEK -0.7 million to SEK 14.9 (15.6) million. In order to counteract the negative impact of the pandemic on the Group, the Board has frozen its fees, management has waived bonuses and the entire Group has frozen its salaries. Several of the Group's subsidiaries have applied for and received government support. The subsidies are designed differently but are primarily aimed at supporting the Group's liquidity for managing fixed costs and mainly the Group's personnel costs.

Elos Medtech has also received smaller amounts of relief with respect to social security contributions in Sweden and China. The total amount of reported government support for the quarter included in operating profit amounts to SEK 37 million.

The Group's operating cash flow development remains positive, SEK 34.2 million (11.7) in the quarter. A strong contributory factor is the grants and support received during the quarter, but also reduced working capital, continued high cost awareness and investment moderation have contributed to the positive development. In Denmark, we have received a deferral of payment of personnel taxes until the beginning of 2021 of the equivalent of SEK 10 million. Furthermore, on April 21, the Annual General Meeting resolved that no dividend will be paid for 2019. The strong cash flow creates a solid foundation for a higher level of activity during the fall.

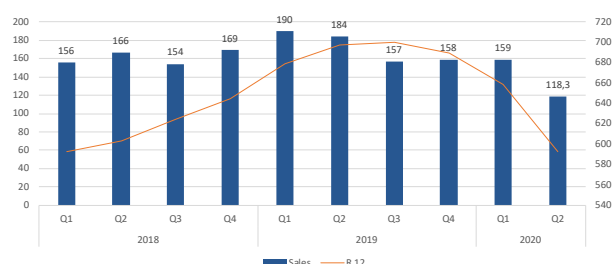
Net sales April-June 2020

Consolidated net sales during the quarter decreased to SEK 118.3 (184.1) million. The decrease of 35.7 percent compared with the second quarter of the previous year is attributable to all of the business areas: Dental (-52%), Orthopedics (-34%) and Life Science (-24%). Proprietary products in the Dental business area show a negative growth of 35 percent during the quarter and account for 10.1 percent (10.0) of the Group's total net sales. After currency translation, growth in consolidated net sales declined by 36.2 percent.

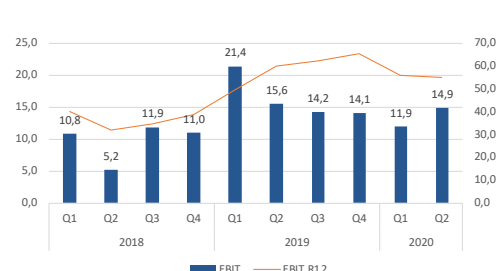
Net sales January-June 2020

Consolidated net sales for the first six months decreased to SEK 277.2 (374.0) million. The decrease of 25.9 percent compared with the first six months previous year is attributable to all of the business areas: Dental (-20%), Orthopedics (-26%) and Life Science (-31%). The development of proprietary products shows a negative growth of 13.6 percent and accounts for 12.3 percent

Sales, SEK million



Operating profit, SEK million



(10.6) of the Group's total net sales. After currency translation, growth in consolidated net sales declined by 27.0 percent.

Earnings April-June 2020

Operating profit for the second quarter amounted to SEK 14.9 (15.6) million, corresponding to an operating margin of 12.6 (8.5) percent. The result has been positively affected by SEK 37.3 million with respect to received government support. At Group level, net financial items were negatively affected in the quarter by exchange rate differences of SEK -2.6 (-3.9) million and a revaluation of interest rate swap of SEK -0.1 million. Net financial items were SEK -5.8 million (-7.0). The profit after financial items was SEK 9.1 million (8.6) and earnings after tax were SEK 6.9 million (6.6).

Earnings January-June 2020

Operating profit for the first six months amounted to SEK 26.8 (37.0) million, corresponding to an operating margin of 9.7 (9.9) percent. The result has been positively affected by SEK 38.5 million with respect to received government support. The Group's net financial items were negatively affected by exchange rate differences of SEK 0.4 (-1.5) million and a revaluation of interest rate swaps of SEK -4.4 million. Net financial items were SEK -11.1 million (-7.8). Profit after financial items amounted to SEK 15.7 million (29.2) and earnings after tax were SEK 12.3 million (21.9).

Earnings per share

Second-quarter earnings per share both before and after dilution were SEK 0.87 (0.82). Earnings per share for the period January-June were SEK 1.53 (2.71).

Investments

The Group's investments during the second quarter amounted to SEK 16.0 million (36.0) and refer mainly to the expansion of the Skara property and development project costs within our dental operations. For the first six months, the Group's investments were SEK 22.3 million (58.9).

Financial position and liquidity

During the quarter, consolidated total asset increased to SEK 1 046.6 (1 036.8) million. Equity decreased by SEK -23.6 million in the quarter of which translation of foreign subsidiaries accounted for SEK -32.7 million. In total, equity was SEK 553.3 million (534.6). Equity per share, calculated on 8,068,000 shares, amounted to SEK 68.58 (66.27). At the end of the quarter, risk-bearing capital amounted to SEK 575.4 (567.6) million, which corresponds to 55.0 (54.8) percent of total capital. The Group's equity ratio was 52.9 (51.6) percent.

The Group's cash flow from operating activities during the quarter amounted to SEK 50.2 (47.7) million. Cash flow after investments totalled to SEK 34.2 million (11.7). Total cash flow from

operating activities for the first six months amounted to SEK 59.2 million (57.1) and cash flow after investments amounted to SEK 37.0 million (-1.8).

The Group's net debt decreased during the period and amounted to SEK 298.5 million (321.6). The Group's cash and cash equivalents including unutilized bank overdraft facility amounted to SEK 135.1 (120.1) million.

Personnel

The Group's average number of employees during the second quarter was 517 compared to 579 for the previous year, which is a decrease of 10.5 percent.

Events during the quarter

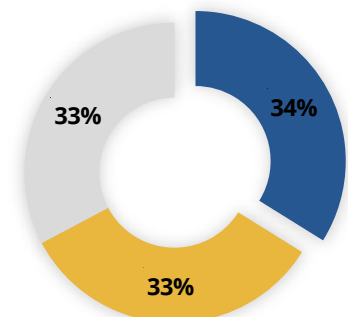
No events after the balance sheet date have occurred that materially affect the assessment of the financial information contained in this report.

OUR THREE BUSINESS AREAS



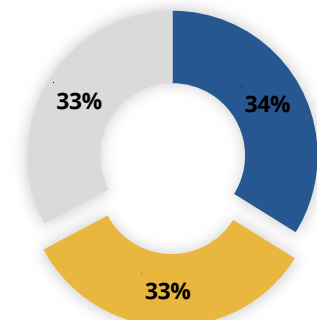
DENTAL

Elos Medtech is a qualified partner to globally leading dental companies. Our offer covers design, development, serial production and global distribution. We are specialized in dental implants. The offer also includes proprietary products in digital dental care and instruments, either on an OEM basis or under our own brand, Elos Accurate®.



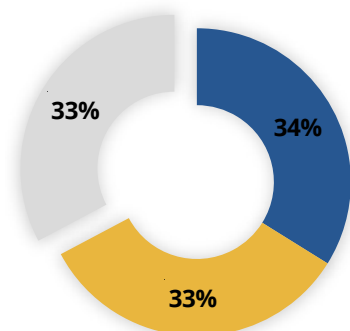
ORTHOPEDICS

Elos Medtech is a focused partner for everything from design and prototypes to serial production and global distribution. We have opted to specialize in the following markets: spine, trauma and reconstruction. We collaborate with the world's leading orthopedic companies.



LIFE SCIENCE

Elos Medtech is a specialized global partner for injection molding of high-tech polymer and cutting techniques for primarily steel and brass. We also offer tool design and combination products made from polymer and aluminum, for example. The markets we focus on our diagnostics, hearing aids, diabetes, cardiovascular and neurosurgery.



KEY PERFORMANCE INDICATORS BY BUSINESS AREA

SEK million			Growth			Growth		
Net sales per business area	Apr-Jun 2020	Apr-Jun 2019	Apr-Jun 2020	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jul-Jun 2019/20	Jan-Dec 2019
Dental	26.1	54.7	-52.2%	92.1	115.9	-20.5%	200.1	223.9
Orthopedics	42.6	64.5	-34.0%	89.4	120.3	-25.7%	198.7	229.6
Life Science	49.5	64.9	-23.7%	95.7	137.8	-30.5%	193.8	235.9
Total net sales	118.3	184.1	-35.7%	277.2	374.0	-25.9%	592.6	689.4

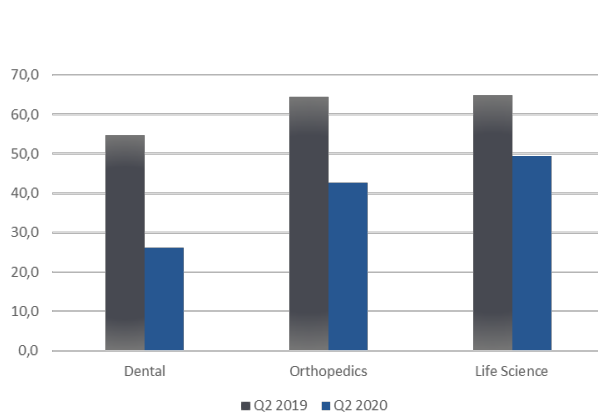
There are no sales between the business areas.

SEK million			Operating profit %				Operating profit %			
Operating profit by business area	Apr-Jun 2020	Apr-Jun 2020	Apr-Jun 2019	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2019	Jul-Jun 2019/20	Jan-Dec 2019
Dental	-1.7	-6.7%	3.0	5.4%	2.6	2.8%	11.7	10.1%	13.1	22.2
Orthopedics	10.5	24.6%	4.2	6.4%	10.7	11.9%	10.6	8.8%	17.4	17.4
Life Science	7.3	14.7%	10.0	15.4%	15.5	16.2%	17.9	13.0%	29.1	31.6
Unallocated Group expenses	-1.1		-1.6		-1.9		-3.3		-4.4	-5.9
Total operating profit	14.9	12.6%	15.6	8.5%	26.8	9.7%	37.0	9.9%	55.2	65.3

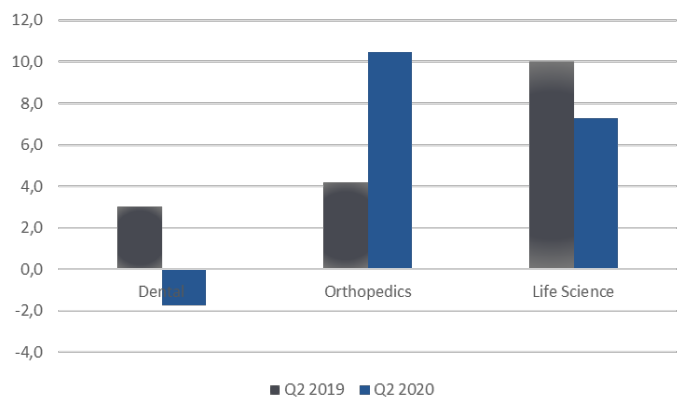
There are no sales between the business areas.

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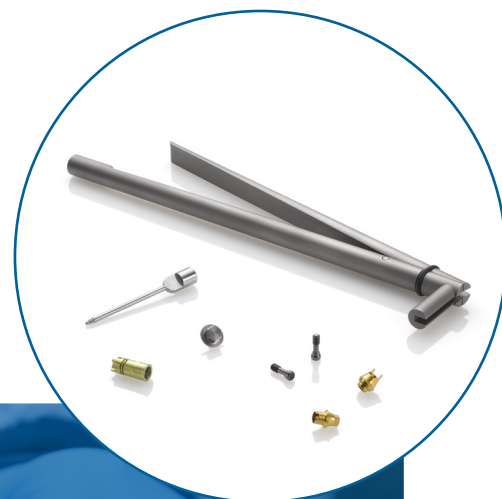
Net sales per business area (SEK million)



Operating profit by segment (SEK million)



BUSINESS AREA DENTAL



NET SALES SEK 26.1 million

EBITDA SEK 3.2 million (12.3%)

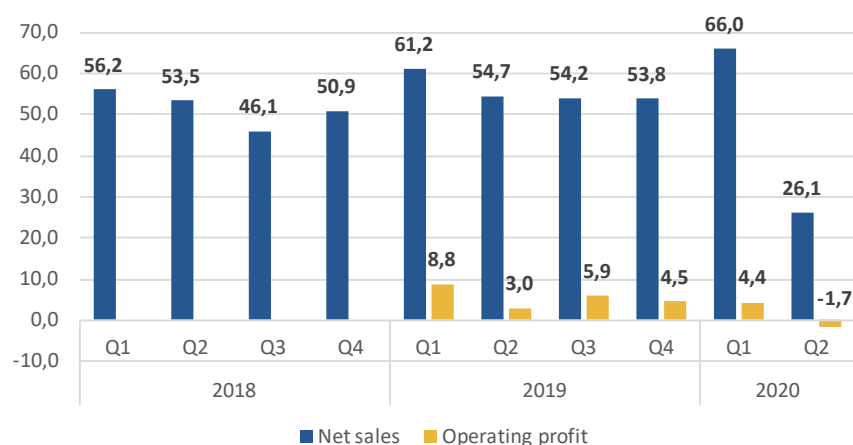
EBIT SEK -1.7 million (-6.7%)

Growth
-52%

Key events in the business area during the quarter

- Net sales for the quarter were heavily impacted by Covid-19 and amounted to SEK 26 million (55), with a total halt in demand in April and a slow increase in activity and volumes to cautious optimism in June.
- Net sales of own products amounted to SEK 11.8 million (18.4) and represent 10.1 percent of the Group's total net sales. The decrease is lower compared to the total development of the business area during the quarter.
- The activity level has been low both for contract manufacturing and for our own products. However, all ongoing customer and product projects have continued according to plan and deliveries have been maintained.
- A new digital web concept regarding information, training and sales has been developed for our partners and end customers and will be launched in its entirety in August.
- The launch of the Elos Accurate® product range in the United States has been affected and partially delayed until Q3. Despite the current market situation, the US market has reacted positively to our digital product offering.
- Operating profit has been positively affected by SEK 19.9 million with respect to government support received owing to Covid-19.

Net sales and operating profit (SEK million)



BUSINESS AREA ORTHOPEDICS



NET SALES **SEK 42.6 million**

EBITDA **SEK 17.1 million (40.2%)**

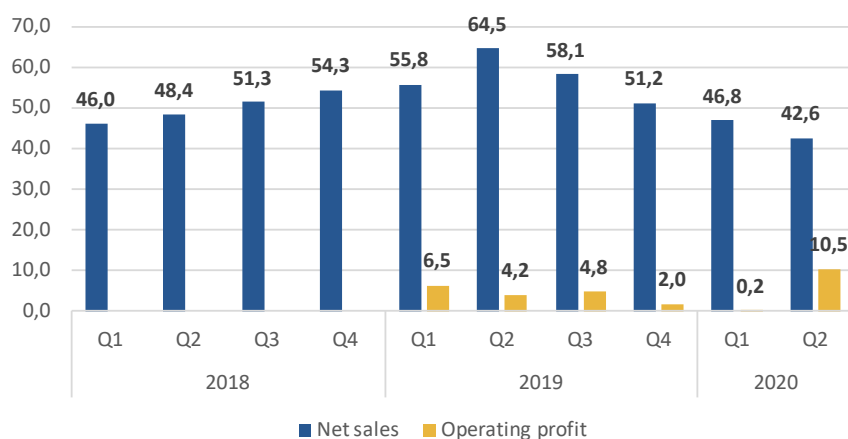
EBIT **SEK 10.5 million (24.6%)**

Growth
-34%

Key events in the business area during the quarter

- Despite the ongoing pandemic, net sales for the quarter was SEK 42.6 million, which can be compared to net sales for the first quarter of SEK 46.8 million. The corresponding quarter last year was all-time-high in the business area due to a favorable product mix, which negatively affects relative growth.
- The quarter is affected by lower demand due to the current global situation and production delays, which are directly related to the effects of the virus outbreak.
- Continued high activity with new inquiries and relocation of new projects. New order, providing sales opportunities in 2021.
- With the United States representing nearly 2/3 of the total global orthopedic market, the U.S. healthcare system has a major impact on global growth. Doctors and private clinicians are motivated to quickly return to pre-pandemic levels for elective surgeries and several sources are reporting a faster-than-expected recovery in the U.S. market.
- Operating profit has been positively affected by SEK 14.7 million with respect to government support received owing to Covid-19.

Net sales and operating profit (SEK million)



BUSINESS AREA LIFE SCIENCE



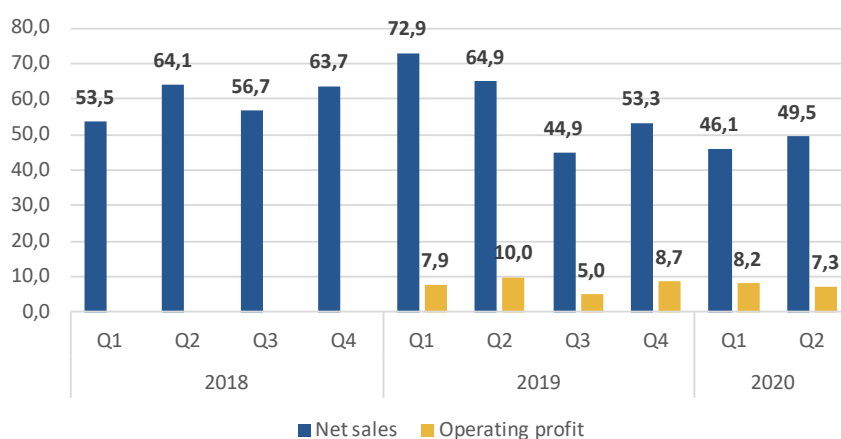
NET SALES	SEK 49.5 million
EBITDA	SEK 11.2 million (22.6%)
EBIT	SEK 7.3 million (14.7%)

Growth
-24%

Key events in the business area during the quarter

- Net sales for the quarter amounted to SEK 49.5 million compared to the first quarter of SEK 46.1 million.
- The business area comprises several different markets where some have been more affected by the pandemic during the quarter, e.g. bone-anchored hearing implants and diagnostics. There is a 50 percent decline in hearing, as these surgeries have not been a priority for healthcare due to Covid-19.
- The polymer business shows continued high activity and has expanded its offer of injection molding to also include installation of parts for ventilators. Staff have been hired for the new production line.
- The extension of Elos Medtech in Skara is proceeding according to plan and stage one will be completed in Q4.
- Stable demand and deliveries at our Chinese site.
- Operating profit has been positively affected by SEK 2.7 million with respect to government support received owing to Covid-19.

Net sales and operating profit (SEK million)



OTHER INFORMATION

Accounting policies

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Reporting and the relevant provisions in the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Annual Accounts Act, Interim Report. For the Group and the Parent Company, the same accounting principles and calculation bases have been applied as in the most recent annual report.

Disclosures in accordance with IAS 34.16A are not only reported in the financial statements but also in parts of the interim report.

New accounting policies 2020

A number of new or amended standards have been adopted for the current reporting period. These changes have not significantly affected the Group's financial statements and no retrospective adjustments have been necessary as a result of the adoption of these standards.

Significant risks and uncertainties

The Group's principal risks and uncertainties include operational and financial risks. Operational risks affecting Elos Medtech are primarily risks associated with customers and markets as well as other global factors such as the price risks for input goods. In addition, the Group manages the financial risks associated with changes in exchange rates and credit risks. A detailed description of the Group's risks, factors of uncertainty and their management can be found in the management report as well as notes 41 and 43 of the annual report for 2019.

Covid-19 has led to a major disruption in economies worldwide, which has affected several of the markets in which Elos Medtech operates.

In the short term, Elos Medtech has been able to fend off the resulting reduction in demand due to the ongoing pandemic with cost savings and state aid, which has provided Elos Medtech with the positive effect that was the intention of the subsidies. In most markets, these aids are paid in advance, and reconciliations for the funds received will be made a posteriori, which may give some uncertainty as to the amount of final aid. The Group's assessment is that Elos Medtech meets all the criteria for applied aid and currently sees no significant risk that material amounts will have to be repaid. In cases where the Group has not used the funds received, provisions have been made in the financial statements.

For more information on the measures the Group is working on to address the effects of Covid-19, see page 4. No further risks have been identified that could affect the Group's financial results and position at June 30, 2020.

Valuation of assets and liabilities

Given the current circumstances, the valuation of existing assets has been reviewed. Impairment testing of subsidiary shares and goodwill has been carried out based on the current impact on the Group's business areas due to Covid-19. The discount rate has been increased by 1 percentage point to 9.3 percent compared to the valuation at the 2019 financial statements. Sensitivity analyses have been made based on the same assumptions as Note 17 in the 2019 Annual Report. None of these valuations, individually, gave rise to impairment requirements attributable to the three business areas.

Based on the Group's financial position and performance as of June 30 and the recovery expected during the fall, there is no change in the valuation of the Group's loan portfolio.

Related party transactions

The company had no transactions with related parties during the reporting period.

Accounting for government grants

Government grants are recognized in the income statement in the same period as for the costs they are intended to offset. Furthermore, there should be reasonable certainty that the contributions will be received and any conditions for the contributions will be met in order for these to be recognized in the profit and loss account. The contributions received are recognized in the profit and loss account as a cost reduction of the items covered by the support.

Types of support received in the Group:

- Support for short-term work (Sweden and Denmark)
- Support for covering fixed costs (Denmark)
- Payroll Protection Program (USA)
- Reduction in social security contributions (Sweden, China)
- Temporary rent reduction (China)

Reported government grants by function	Apr-Jun	Jan-Jun
Cost of goods sold	29.4	30.1
Selling expenses	2.1	2.2
Administrative expenses	3.9	3.9
Development costs	1.9	1.9
Financial expenses	1.6	1.6
Total government grants received	38.9	39.6

The Group will continue to receive government support also in the third quarter, albeit to a lesser extent.

Segment reporting

The internal financial monitoring by business area is adapted to the Group's customer segments and is based on operating profit as a measure for assessing the segments' earnings. The operating profit of each segment includes directly attributable items as well as items that can in a reasonable way be allocated to the segments. Unallocated Group items refer mainly to costs related to listing-activities.

Parent company

In addition to the administration of central management issues, the parent company also provide Group-wide support in IT and marketing, manufacturing, quality management, risk management, financing and financial control.

The parent company's net sales during the second quarter amounted to SEK 2.7 (4.5) million. Profit after financial items was to SEK 1.0 million (-5.9) where SEK -11.7 million (-0.3) represents exchange differences mainly related to the translation of loans to subsidiaries. The parent company's profit after tax amounted to SEK 3.5 million (-4.6). The share of own risk capital was 83.7 (79.6) percent. The equity ratio was 83.4 (79.3) percent.

Future-oriented information

The company does not make forecasts.

Future-oriented information in this report is based on management's expectations at the time of the report. Although the Board of Directors and management feel that these expectations are reasonable, it is no guarantee that the expectations are, or will prove to be, correct. Consequently, future outcomes may vary significantly compared to the future-oriented information due to such things as changes in the market conditions for the Group's services or changes in the overall situation concerning the economy, market and competition, changes in legal requirements and other policy measures as well as fluctuations in exchange rates. The company does not undertake to update or correct any future-oriented information except as stipulated by law.

Auditor's review

This report has not been subject to a review by the company's auditors.

The Board of Directors and CEO certify that this half-yearly report provides a true and fair view of the company's and the Group's operations, financial position and performance and describes the significant risks and uncertainties faced by the company and companies belonging to the Group.

Gothenburg, July 16, 2020
Elos Medtech AB (publ)

Yvonne Mårtensson
Chairman of the Board

Anders Birgersson
Board Member

Claes Hansson
Board Member

Jeppe Magnusson
Board Member

Jon Risfelt
Board Member

Hanna Ernestam Wilkman
Board Member

Jan Wahlström
President and CEO

CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 2019/20	Jan-Dec 2019
Income statement						
Net sales	118.3	184.1	277.2	374.0	592.6	689.4
Cost of goods sold	-78.3	-128.0	-189.1	-257.9	-407.2	-476.0
Gross profit	40.0	56.1	88.1	116.1	185.4	213.4
Selling expenses	-5.1	-10.3	-15.0	-20.9	-34.1	-40.0
Administrative expenses	-16.9	-26.4	-39.0	-50.1	-82.2	-93.3
Development costs	-2.8	-4.4	-8.0	-9.7	-15.5	-17.2
Other operating income/expenses	-0.3	0.6	0.7	1.6	1.5	2.4
Operating profit	14.9	15.6	26.8	37.0	55.1	65.3
Financial income	0.1	-	0.1	-	0.2	0.1
Financial expenses	-3.3	-3.1	-10.8	-6.3	-20.0	-15.5
Exchange rate differences	-2.6	-3.9	-0.4	-1.5	1.8	0.7
Profit after financial items	9.1	8.6	15.7	29.2	37.1	50.6
Taxes	-2.2	-2.0	-3.4	-7.3	-8.2	-12.1
Profit after tax	6.9	6.6	12.3	21.9	28.9	38.5
Profit attributable to:						
Parent company shareholders	6.9	6.6	12.3	21.9	28.9	38.5
Statement of comprehensive income						
Profit after tax	6.9	6.6	12.3	21.9	28.9	38.5
Items that will not be reclassified to profit or loss						
Actuarial gains and losses	-	-	-	-	-11.2	-11.2
Tax	-	-	-	-	2.3	2.3
	-	-	-	-	-8.9	-8.9
Items that may be reclassified to profit or loss						
Translation differences for the period	-32.7	2.1	1.1	13.3	-1.4	10.8
Tax	2.2	-0.2	0.0	-0.8	-0.1	-0.9
	-30.5	1.9	1.1	12.5	-1.5	9.9
Other comprehensive income, net	-30.5	1.9	1.1	12.5	-10.4	1.0
Comprehensive income	-23.6	8.5	13.4	34.4	18.5	39.5
Comprehensive income attributable to:						
Parent company shareholders	-23.6	8.5	13.4	34.4	18.5	39.5
Operating profit before write-offs (EBITDA), %	25.7%	17.1%	21.0%	17.8%	19.8%	18.2%
Operating profit/loss (EBIT), %	12.6%	8.5%	9.7%	9.9%	9.3%	9.5%
Depreciation/amortization charged to earnings	15.5	15.8	31.5	29.7	62.1	60.3
Earnings per share before and after dilution, SEK *	0:87	0:82	1:53	2:71	3:59	4:77
Average number of shares (thousands)	8,068	8,068	8,068	8,068	8,068	8,068
Number of shares (thousands) at the end of the period	8,068	8,068	8,068	8,068	8,068	8,068

* Attributable to parent company shareholders' share of profit after tax.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million

Balance sheet	June 30 2020	June 30 2019	Dec 31 2019
Assets			
Intangible assets	283.0	283.7	283.4
Property, plant and equipment	436.2	429.3	444.1
Financial fixed assets	2.0	8.1	1.9
Other current assets	258.4	263.9	250.2
Cash and bank balances	67.0	51.8	55.2
Total assets	1,046.6	1,036.8	1,034.8
Equity and liabilities			
Equity	553.3	534.6	539.9
Non-current liabilities	323.6	339.8	356.7
Current liabilities	169.7	162.4	138.2
Total equity and liabilities	1,046.6	1,036.8	1,034.8

CONDENSED CONSOLIDATED CASH FLOWS STATEMENT

SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 2019/20	Jan-Dec 2019
Cash flow						
Profit after net financial items	9.1	8.6	15.7	29.2	37.1	50.6
Reversal of depreciation and impairments	15.5	15.8	31.5	29.7	62.1	60.3
Non-cash items	2.5	-2.0	4.5	3.2	5.1	3.8
Tax paid	0.4	-1.7	-2.0	-4.7	-8.3	-11.0
Change in working capital	22.7	27.0	9.5	-0.3	8.7	-1.1
Cash flow from operating activities	50.2	47.7	59.2	57.1	104.7	102.6
Investments in fixed assets	-16.0	-36.0	-22.3	-58.9	-62.2	-98.8
Sale of fixed assets	-	-	0.1	-	1.6	1.5
Cash flow from investing activities	-16.0	-36.0	-22.2	-58.9	-60.6	-97.3
Operating cash flow	34.2	11.7	37.0	-1.8	44.1	5.3
Change in bank overdraft facility	0.0	-1.2	-0.9	-9.6	-0.2	-8.9
Loans raised	11.5	37.3	16.8	47.7	64.4	95.3
Amortization of loans and financial leases	-24.8	-13.5	-40.6	-25.7	-92.2	-77.3
New share issue/redemption of warrants	-	-0.2	-	-0.2	-0.1	-0.3
Dividend	-	-8.1	-	-8.1	-	-8.1
Cash flow from financing activities	-13.3	14.3	-24.7	4.1	-28.1	0.7
Cash flow for the period	20.9	26.0	12.3	2.3	16.0	6.0
Cash and cash equivalents at the beginning of the period	48.4	26.0	55.2	49	51.8	49.0
Exchange difference in cash and cash equivalents	-2.3	-0.2	-0.5	0.5	-0.8	0.2
Cash and cash equivalents at the end of the period	67.0	51.8	67.0	51.8	67.0	55.2

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	June 30 2020	June 30 2019	Dec 31 2019
Opening balance	539.9	508.5	508.5
Redemption of warrants	-	-0.2	-0.2
Effect of changed tax rate	-	-	0.2
Dividend	-	-8.1	-8.1
Total comprehensive income	13.4	34.4	39.5
Closing equity	553.3	534.6	539.9

KEY PERFORMANCE INDICATORS, GROUP

		Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Return on operating capital	%	6.3	9.0	7.8
Return on equity	%	4.5	8.4	7.3
Share of own risk capital	%	55.0	54.8	54.6
Solvency	%	52.9	51.6	52.2
Net debt	SEK million	298.5	270.7	331.5
Investments, not including acquisitions	SEK million	22.3	75.1	98.8
Average number of employees		527	579	566
Equity per share	SEK	68.58	66.27	66.92
Dividend	SEK	0.00	0.00	0.00

SEGMENT INFORMATION

SEK million			Growth			Growth		
Net sales per business area	Apr-Jun 2020	Apr-Jun 2019	Apr-Jun 2020	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jul-Jun 2019/20	Jan-Dec 2019
Dental	26.1	54.7	-52.2%	92.1	115.9	-20.5%	200.1	223.9
Orthopedics	42.6	64.5	-34.0%	89.4	120.3	-25.7%	198.7	229.6
Life Science	49.5	64.9	-23.7%	95.7	137.8	-30.5%	193.8	235.9
Total net sales	118.3	184.1	-35.7%	277.2	374.0	-25.9%	592.6	689.4

There are no sales between the business areas.

SEK million							
Key performance indicators	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 2019/20	Jan-Dec 2019	
EBITDA per business area							
Dental	3.2	8.0	12.1	21.6	32.1	41.6	
Orthopedics	17.1	10.3	23.5	21.1	41.6	39.2	
Life Science	11.2	14.7	24.7	27.3	48.1	50.6	
Unallocated Group expenses	-1.1	-1.6	-1.9	-3.3	-4.4	-5.9	
Total profit before depreciation	30.4	31.4	58.4	66.7	117.4	125.6	
Depreciation by business area							
Dental	-5.0	-5.0	-9.4	-9.8	-19.0	-19.4	
Orthopedics	-6.6	-6.1	-12.9	10.5	-24.1	-21.8	
Life Science	-3.9	-4.7	-9.3	-9.3	-19.0	-19.0	
Total depreciations	-15.5	-15.8	-31.5	-29.7	-62.1	-60.3	
Operating profit by segment							
Dental	-1.7	3.0	2.6	11.7	13.1	22.2	
Orthopedics	10.5	4.2	10.7	10.6	17.4	17.4	
Life Science	7.3	10.0	15.5	17.9	29.1	31.6	
Unallocated Group expenses	-1.1	-1.6	-1.9	-3.3	-4.4	-5.9	
Total operating profit	14.9	15.6	26.8	37.0	55.2	65.3	

QUARTERLY RESULTS FOR THE GROUP

SEK million	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Quarterly results									
Net sales	118.3	158.9	158.3	157.1	184.1	189.9	168.9	154.1	166.0
Cost of goods sold	-78.3	-110.8	-108.8	-109.3	-128.0	-129.9	-120.9	-110.3	-123.3
Gross profit	40.0	48.1	49.5	47.8	56.1	60.0	48.0	43.8	42.7
Sales, admin and development costs	-24.8	-37.2	-35.5	-34.3	-41.1	-39.6	-37.4	-32.7	-36.8
Other operating items	-0.3	1.0	0.1	0.7	0.6	1.0	0.4	0.7	-0.7
Operating profit	14.9	11.9	14.1	14.2	15.6	21.4	11.0	11.8	5.2
Financial income/expense	-3.2	-7.5	-6.3	-2.8	-3.1	-3.2	-3.2	-3.2	-2.4
Exchange rate differences	-2.6	2.2	2.2	-	-3.9	2.4	-1.8	-0.9	2.4
Profit after financial items	9.1	6.6	10.0	11.4	8.6	20.6	6.0	7.7	5.2
Taxes	-2.2	-1.2	-2.4	-2.4	-2.0	-5.3	-2.0	-1.3	-1.8
Profit after tax	6.9	5.4	7.6	9.0	6.6	15.3	4.0	6.4	3.4

PARENT COMPANY INCOME STATEMENT

SEK million Income statement	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 2019/20	Jan-Dec 2019
Net sales	2.7	4.5	9.0	9.1	20.7	20.8
Gross profit	2.7	4.5	9.0	9.1	20.7	20.8
Selling expenses	-1.6	-1.7	-3.5	-3.7	-6.8	-7.0
Administrative expenses	-5.1	-9.1	-10.8	-16.4	-24.1	-29.7
Other operating income/expenses	-	-	0.2	-	0.3	0.1
Operating profit	-4.0	-6.3	-5.1	-11.0	-9.9	-15.8
Profit from participations in Group companies	16.9	-	16.9	-	27.9	11.0
Financial income	2.0	1.7	4.1	4.9	9.1	9.9
Financial expenses	-2.2	-1.0	-2.9	-2.2	-4.5	-3.8
Exchange rate differences	-11.7	-0.3	-0.1	4.2	0.2	4.5
Profit after financial items	1.0	-5.9	12.9	-4.1	22.8	5.8
Appropriations	-	-	-	-	1.4	1.4
Taxes	2.5	1.3	-0.1	0.8	-1.1	-1.8
Profit after tax	3.5	-4.6	12.8	-3.3	23.1	5.4

* Profit after tax is the same as comprehensive income for the year.

CONDENSED PARENT COMPANY BALANCE SHEET

SEK million Balance sheet	June 30 2020	June 30 2019	Dec 31 2019
Assets			
Intangible assets	3.7	2.9	3.7
Property, plant and equipment	0.4	0.6	0.5
Financial fixed assets	399.4	405.4	403.8
Other current assets	35.6	37.6	41.2
Cash and bank balances	27.0	18.2	33.5
Total assets	466.1	464.7	482.7
Equity and liabilities			
Equity	384.2	362.7	371.5
Untaxed reserves	5.8	7.2	5.8
Provisions	7.0	6.0	6.4
Non-current liabilities	35.3	46.5	42.1
Current liabilities	33.8	42.3	56.9
Total equity and liabilities	466.1	464.7	482.7

RECONCILIATION BASIS FOR ALTERNATIVE PERFORMANCE MEASURES

SEK million	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 2019/20	Jan-Dec 2019
Growth						
Reported net sales	118.3	184.1	277.2	374.0	592.6	689.4
Net sales compared to the same period last year	184.1	166.0	374.0	321.7	697.0	644.7
Change in net sales	-65.8	18.1	-96.8	52.3	-104.4	44.7
Growth, %	-35.7	10.9	-25.9	16.3	-15.0	6.9
Net sales adjusted for currency translation						
Exchange rate changes	1.2	5.9	5.9	14.9	16.9	25.9
Net sales adjusted for currency translation	185.3	171.9	379.9	336.6	713.9	670.6
Growths adjusted for currency translation, %	-36.2	7.1	-27.0	11.1	-17.0	2.8

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jul-Jun 2019/20	Jan-Dec 2019
EBITDA						
Reported operating profit	14.9	15.6	26.8	37.0	55.1	65.3
Depreciation, amortization and impairment	15.5	15.8	31.5	29.7	62.1	60.3
EBITDA	30.4	31.4	58.3	66.7	117.2	125.6

	June 30 2020	June 30 2019	Dec 31 2019
Risk-bearing capital			
Equity	553.3	534.6	539.9
Deferred tax liability	22.1	33.0	25.5
Risk-bearing capital	575.4	567.6	565.4

	June 30 2020	June 30 2019	Dec 31 2019
Net debt			
Non-current interest-bearing provisions for pensions	60.6	46.1	59.0
Non-current interest-bearing liabilities	241.0	260.1	272.2
Current interest-bearing liabilities	63.9	67.2	55.5
Total liabilities	365.5	373.4	386.7
Cash and cash equivalents	-67.0	-51.8	-55.2
Net debt	298.5	321.6	331.5

	June 30 2020	June 30 2019	Dec 31 2019
Cash and cash equivalents including unutilized overdraft facility			
Cash and cash equivalents	67.0	51.8	55.2
Utilized bank overdraft facility	-	-	-0.8
Overdraft facilities granted	68.1	68.3	67.9
Cash and cash equivalents including unutilized overdraft facility	135.1	120.1	122.3

Definitions of alternative performance measures

Alternative performance measures are financial measures for assessing the earnings trend, financial position and cash flow which are not defined in the applicable accounting rules, IFRS. These performance measures are considered to be important supplementary performance measures for the Group's financial performance and position, with the aim of creating an enhanced understanding of the operations. Alternative performance measures presented in the interim report should not be considered substitutes for terms and concepts as defined in IFRS, but instead as a supplement. These performance measures do not need to be comparable with similar performance measures used by other companies. The reconciliation basis for calculating some of these performance measures is provided on page 20 of this report.

Net sales adjusted for currency fluctuations

Change in net sales adjusted for exchange rate changes related to the translation of subsidiaries compared with same period in the previous year.

EBITDA

Operating profit before depreciation, amortization and impairment.

EBITDA, %

Operating profit before depreciation, amortization and impairment in relation to operating net sales.

Risk-bearing capital

The total of reported equity, any minority interest and deferred tax liabilities.

Net debt

Interest-bearing financial liabilities and provisions for pensions less cash and cash equivalents.

Cash and cash equivalents including unutilized overdraft facility

Cash and bank balances plus the amount of granted overdraft facility less the amount of utilized overdraft facility.

Financial information

The interim report for January-September 2020 will be published on October 20, 2020.

The year-end report for 2020 will be published on February 24, 2021.

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Publication

The information presented in this report is such information that Elos Medtech AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, on the initiative of the above contact person, on July 16 at 08:00 (CET).

Elos Medtech AB (publ) is a Swedish limited liability company, whose Class B shares are listed on the Small Cap, NASDAQ Stockholm AB. Elos Medtech's corporate governance is based on Swedish legislation and the listing agreement with NASDAQ Stockholm AB.

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