

Quarter 2

INTERIM REPORT
JANUARY – JUNE 2020

QUARTER 2, 2020

- We predict a continued challenging market in the future as a result of Covid-19 and the uncertainty this entails. To adapt to the current market situation, we continuously review the Group's expenses and as previously communicated a cost reduction program was initiated in June with expected non-recurring costs of 50–60 MSEK. In the second quarter, expenses of 58 MSEK are included and the cost reduction program runs according to plan in terms of the timeline, savings and costs communicated. Adjusted figures are presented below
- Net sales amounted to 196.6MSEK (219.6) which is a decrease of -10.5% (30.3)
- Adjusted operating profit before amortization of goodwill (EBITA1) amounted to 16.1 (38.1) with a margin of 8.2 % (17.3). Operating profit before amortization of goodwill (EBITA) reached -41.9 MSEK (38.1) with a margin of -21.3 (17.3)
- Adjusted operating profit after amortization of goodwill (EBIT1) amounted to -4.1 MSEK (30.1) with a margin of -2.1% (13.7). Amortizations of goodwill had an impact on EBIT1 with -20.3 MSEK (-8.0). Operating profit after amortization of goodwill (EBIT) amounted to -62.1MSEK (30.1) with a margin of -31.6% (13.7). Amortizations of goodwill had an impact on EBIT with -20.3 MSEK (-8.0)
- Adjusted earnings per share amounted to -0.9 SEK (2.3). Earnings per share amounted to -6.0 SEK (2.3)
- Cash flow from operating activities after change in working capital amounted 36.3 MSEK (14.7)

FIRST SIX MONTHS, 2020

- Net sales amounted to 475.7 MSEK (428.8) which is an increase of 10.9% (36.3)
- Adjusted operating profit before amortization of goodwill (EBITA1) reached 49.1 MSEK (84.0) with a margin of -10.3% (19.6). Operating profit before amortization of goodwill (EBITA) reached -8.9 MSEK (84.0) with a margin of -1.9% (19.6)
- Adjusted operating profit after amortization of goodwill (EBIT1) reached 8,7 MSEK (70.4) with a margin of 1.8% (16.4). Amortizations of goodwill had an impact on EBIT1 with -40.3 MSEK (-13.6). Operating profit after amortization of goodwill (EBIT) reached -49.3 MSEK (70.4) with a margin of -10.4% (16.4). Amortizations of goodwill had an impact on EBIT with -40.3 MSEK (-13.6)
- Adjusted earnings per share amounted to -0.6 SEK (4.9). Earnings per share amounted to -5.7 SEK (4.9)
- Cash flow from operating activities after change in working capital amounted to 21.4 MSEK (47.6)

ADJUSTED KEY RATIOS¹	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales (TSEK)	196,590	219,633	475,701	428,787	1,038,351
Sales growth (%)	-10.5	30.3	10.9	36.3	61.3
Adjusted EBITDA1 (TSEK)	19,941	40,733	57,041	88,931	174,968
Adjusted EBITA1 (TSEK)	16,134	38,097	49,059	83,979	162,462
Adjusted EBITA1 (%)	8.2	17.3	10.3	19.6	15.6
Amortization of goodwill (TSEK)	-20,259	-8,033	-40,334	-13,568	-51,329
Adjusted operating profit EBIT1 (TSEK)	-4,125	30,064	8,725	70,411	111,148
Adjusted operating margin EBIT1 (%)	-2.1	13.7	1.8	16.4	10.7
Adjusted earnings per share (SEK)	-0.9	2.3	-0.6	4.9	6.54

1)

Adjusted result (EBITDA1) – Result before depreciations and amortization of goodwill excluding one-time revenue and cost

Adjusted result (EBITA1) – Result before amortization of goodwill excluding one-time revenue and cost

Adjusted result (EBIT1) – Result excluding one-time revenue and cost

KEY RATIOS	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales (TSEK)	196,590	219,633	475,701	428,787	1,038,351
Sales growth (%)	-10.5	30.3	10.9	36.3	61.3
EBITDA (TSEK)	-33,658	40,733	3,143	88,931	174,968
EBITA (TSEK)	-41,856	38,097	-8,931	83,979	162,462
EBITA (%)	-21.3	17.3	-1.9	19.6	15.6
Amortization of goodwill (TSEK)	-20,259	-8,033	-40,334	-13,568	-51,329
Operating profit EBIT (TSEK)	-62,115	30,064	-49,265	70,411	111,148
Operating margin EBIT (%)	-31.6	13.7	-10.4	16.4	10.7
Cash flow from operating activities (TSEK)	36,316	14,683	21,435	47,582	126,084
Debt/equity ratio (%)	29.0	61.6	29.0	61.6	41.7
Net debt (TSEK)	-169,035	59,254	-169,035	59,254	-153,167
Earnings per share (SEK)	-6.0	2.3	-5.7	4.9	6.5
Equity per share (SEK)	30.8	36.4	30.8	36.4	37.7
Number of shares, end of period	11,320,968	11,320,968	11,320,968	11,320,968	11,320,968



COMMENTS BY THE CEO AXEL BERTSSON

At the end of the first quarter, we began to feel the impact of customers temporarily shutting down parts of their business as a result of Covid-19. During the second quarter, the shutdowns have expanded to most countries that are of importance to us and our ability to deliver and install solutions and visiting customers has been limited. As a result, our sales in the second quarter have fallen by -11% compared with corresponding quarter last year. Since we acquired four companies during the third quarter last year, a more fair sales comparison is the fourth quarter 2019, including all companies and without Covid-19 impact, and compared with that quarter the sales decreased with -39%.

Such a large and rapid decline in sales has lowered our operating margin, adjusted for one-time expenses, to 8.2% (17.3). We are pleased to be able to deliver a positive adjusted operating profit for the quarter despite the large and rapid decline in sales, which shows the strength of our business model and strategy.

In June, we launched a cost reduction program to ensure proper structure which will enable us to be well positioned to quickly strengthen our margins when the pandemic is over. The cost reduction program runs

according to plan and in the second quarter, one-time expenses amounting to 58 MSEK was accounted for.

The diversification from one to four growth platforms implemented in the start of 2019 has had a clear positive impact on our ability to resist the market decline and several of the acquired companies have both increased volumes and margins despite the pandemic. Furthermore, our business in China, which during the first quarter was weak, has returned to historically high levels of order intake.

We therefore continue to believe that our strategy guides us in the right direction and that the measures we implement make us well positioned to continue to lead the development of our industry.

A handwritten signature in black ink, appearing to be 'Axel Berntsson', written in a cursive style.

Axel Berntsson, VD Absolent Group AB

Lidköping, August 2020

GROUP JANUARY TO JUNE 2020

NET SALES

The net sales for the Group amounted to 475.7 MSEK (428.8), which corresponds to a growth of 10.9% (36.3).

OPERATING PROFIT

Adjusted operating profit (EBIT1) reached 8,7 MSEK (70.4), which corresponds to an adjusted operating margin (EBIT1) of 1.8 % (16.4). Operating profit (EBIT) amounted to -49.3 MSEK (70.4), which corresponds to an operating margin (EBIT) of -10.4% (16.4). The parent company and the Group do not apply IFRS/IAS 36. Thereby, impairment test of the goodwill is not performed. The Group amortize the goodwill linear over the estimated useful life, which is five to ten years. Compared to the same period previous year these amortizations have increased due to the acquisitions made. The amortizations of the goodwill do not affect the taxable profit. The currency rates impacted the operating profit (EBIT) positively for the period. The financial items were negatively impacted by the currency rates. The impact is related to the credit facility in foreign currency. After taxes and financial items of -15.4MSEK (-14.5) the adjusted result for the period was -6.7MSEK (55.9). Result for the period was -64.7 MSEK (55.9). Adjusted earnings per share amounted to -0.6 SEK (4.9). Earnings per share was -5.7 SEK (4.9).

INVESTMENTS

The Group invested 10.1 MSEK (44.3) for the period January to June mainly in machinery and inventories in current operations. A new company was established in Japan to facilitate and pursue the Japanese market. In addition, a branch was started in Switzerland.

CASH FLOW

Cash flow from the operating activities before changes in working capital amounted to 37.7 MSEK (75.2).

Cash flow after changes in working capital amounted to 21.4 MSEK (47.6).

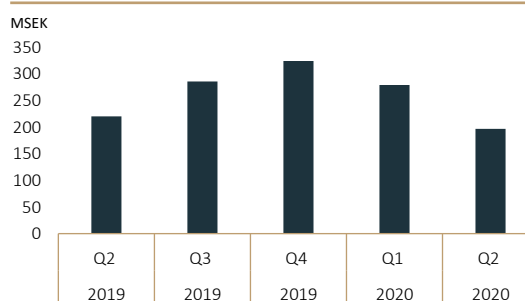
FINANCIAL POSITION

Interest bearing liabilities amounted to 598.8 MSEK at the end of the period. At the beginning of the period the liabilities amounted to 303.5 MSEK. Net debt of the Group was -169.0 MSEK by the end of June compared to -153.2 MSEK in the beginning of the period. The debt/equity ratio was at the end of the period 29.0% compared to 41.7 % by the beginning of the period.

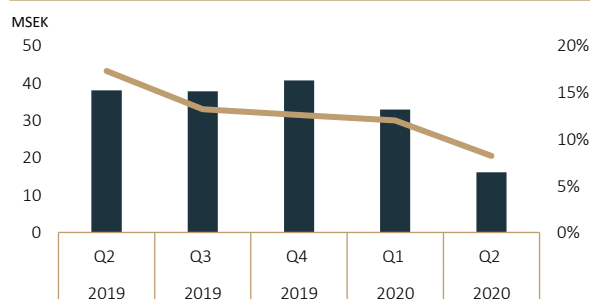
NET SALES PER REGION, FIRST SIX MONTHS



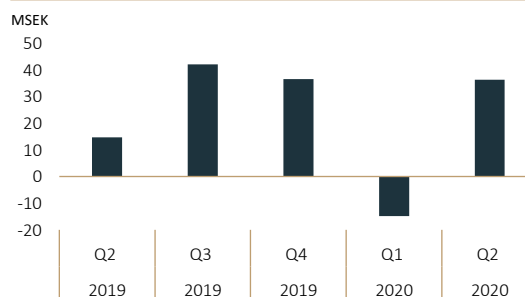
NET SALES



EBITA OCH EBITA MARGIN (EBITA1 Q2 2020)



CASH FLOW FROM OPERATING ACTIVITIES



OTHER INFORMATION

RISKS AND UNCERTAINTIES

The Group and the parent company are exposed to different risks in their daily operations such as business risk, competitor risk, distributor risk, supplier risk and acquisition risk. These risks are described in detail in the Annual Report of Absolent Group for 2019 (available on www.absolentgroup.com). The risk profile has not changed since the Annual Report of 2019 was published, but the uncertainties in the market has increased with the spread of Covid-19.

FINANCIAL IMPACT OF COVID 19

The Group's order intake was impacted negatively by Covid-19 during the second quarter. To meet the decreased sales, a cost reduction program was initiated in June and runs according to plan. One-time expenses of 58 MSEK are included in the second quarter.

As previously communicated furloughs of employees have been made on our markets in Europe and North America. The furloughs are handle locally based on local regulations. The Group has received governmental grants of 12 MSEK.

Due to the great uncertainties in the market, the Board of Directors announced on April 1 to revoke the dividend proposal given to the annual general meeting for 2020. In addition, Absolent Group signed a supplement to existing credit facility of additional 300 MSEK.

The impact of Covid-19 is still uncertain, and the Group management follows the development closely and evaluates both the operational and financial impact and takes proactive measures to limit the effects.

ACCOUNTING PRINCIPLES

The Group and the parent company applies the Swedish Annual Accounts Act (1995:1554) and General recommendation BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3) of the Swedish Accounting Standard Board. The accounting principles applied are the same as those described in the disclosures of the annual report for 2019 (available on www.absolentgroup.com). No new accounting principles for 2020 has been applied by the Group.

CONTACT INFORMATION

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CERTIFIED ADVISER

Erik Penser Bank AB är Bolagets Certified Adviser.

FINANCIAL CALENDER

Interim report, Q3 2020 November 19, 2020

This interim report has not been reviewed by the company auditors.

The interim report is available on the Group website (www.absolentgroup.com).

This document is a translation of the Swedish original. In the event of any discrepancies between this translation and the Swedish original, the latter shall prevail.

Lidköping August 4, 2020
Axel Berntsson
CEO

This information is information Absolent Group AB (publ.) is obligated to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 a.m. CEST August 4, 2020.

GROUP – INCOME STATEMENT

(TSEK)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	196,590	219,633	475,701	428,787	1,038,351
Cost of products and services sold	-149,835	-123,345	-322,742	-237,137	-616,832
Gross profit	46,756	96,288	152,959	191,650	421,519
Sales expenses	-61,407	-36,324	-119,543	-67,142	-172,274
Administrative expenses	-47,147	-26,262	-80,354	-45,401	-121,555
Research and development expenses	-10,790	-3,571	-16,590	-6,842	-13,848
Other operating income and expenses	10,474	-67	14,263	-1,854	-2,694
Operating result (EBIT)	-62,115	30,064	-49,265	70,411	111,148
Financial items	-1,760	-451	-5,547	283	-3,204
Result before tax	-63,875	29,613	-54,812	70,694	107,943
Taxes	-4,034	-4,095	-9,873	-14,746	-33,869
Result for the period	-67,909	25,518	-64,687	55,948	74,074

GROUP – BALANCE SHEET

(TSEK)	30-Jun 2020	30-Jun 2019	31-Dec 2019
Assets			
<i>Fixed assets</i>			
Intangible assets	315,911	136,380	361,648
Tangible assets	122,804	111,787	128,043
Financial assets	91	206	208
Total fixed assets	483,806	248,373	489,899
<i>Current assets</i>			
Inventories	119,459	77,019	112,742
Account receivables	164,110	146,194	238,691
Other current assets	51,928	34,883	33,244
Cash and cash equivalents	429,775	162,981	150,379
Total current assets	765,272	421,077	535,055
Total assets	1,204,078	669,450	1,024,955
Equity and liabilities			
<i>Equity</i>			
Share capital (11,320,968 shares)	3,363	3,363	3,363
Other contributed capital	32,510	32,510	32,510
Other equity including profit for the year	312,796	376,606	391,199
Minority interests	1	-	1
Total equity	348,670	412,479	427,073
<i>Provisions</i>			
Deferred tax liabilities	11,206	10,655	12,277
Other provisions	95,681	867	72,850
Total provisions	106,887	11,522	85,127
<i>Long-term liabilities</i>			
Liabilities to credit institutions	592,304	98,643	296,848
Total long-term liabilities	592,304	98,643	296,848
<i>Short-term liabilities</i>			
Other interest-bearing liabilities	3,872	5,084	5,204
Bank overdraft	2,633	-	1,494
Accounts payables	43,582	75,103	84,916
Other current liabilities	106,130	66,619	124,292
Total short-term liabilities	156,217	146,806	215,908
Total equity and liabilities	1,204,078	669,450	1,024,955

GROUP - STATEMENT OF CHANGES IN EQUITY

(TSEK)	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Opening balance	427,073	358,701	358,701
Translation differences	-13,716	14,811	11,278
Dividends	-	-16,981	-16,981
Result for the year	-64,687	55,948	74,074
Change in minority	-	-	1
Closing balance	348,670	412,479	427,073

GROUP - CASH FLOW STATEMENT

(TSEK)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Operating result (EBIT)	-62,511	30,064	-49,265	70,411	111,148
Adjustment for items not included in the cash flow	76,281	11,023	102,568	19,256	66,186
Financial net, paid	-2,701	-84	-3,434	486	-3,615
Paid tax	4,338	-11,042	-12,196	-14,940	-27,121
Changes in working capital	20,514	-15,278	-16,237	-27,631	-20,514
Cash flow from operating activities	36,316	14,683	21,435	47,582	126,084
Investing activities	-1,588	-21,557	-10,115	-44,279	-68,334
Acquired operations	-	-15,204	-27,000	-98,359	-409,471
Provision for additional purchase price, not included in the cash flow	-	-	-	-	47,000
Cash flow from investing activities	34,728	-22,078	-15,680	-95,056	-304,721
Financing activities	295,711	79,847	294,979	79,642	277,567
Cash flow for the period	336 149	57,769	279 300	-15,414	-27,154
Cash and cash equivalents at the beginning of the period	104,207	105,496	150,379	172,771	172,771
Translation differences	-4,872	-284	97	5,624	4,762
Cash and cash equivalents at the end of the period	429,775	162,981	429,775	162,981	150,379

PARENT COMPANY – INCOME STATEMENT

(TSEK)	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Dec 2019
Net sales	4,187	1,348	5,392	2,542	6,006
Gross profit	4,187	1,348	5,392	2,542	6,006
Sales expenses	-251	-319	-629	-570	-990
Administrative expenses	-5,422	-6,053	-13,443	-10,371	-23,458
Research and development expenses	-495	-638	-1,035	-1,247	-1,927
Other operating income and expenses	372	234	962	-225	-147
Operating result (EBIT)	-1,609	-5 896	-8,753	-9,871	-20,516
Financial items	-766	-390	-1,092	-275	-268
Appropriations	2,484	6,148	9,900	10,021	20,819
Result before tax	109	-138	55	-125	35
Taxes	28	13	-28	-	-49
Result for the period	81	-125	27	-125	-14

PARENT COMPANY - BALANCE SHEET

(TSEK)	30-Jun 2020	30-Jun 2019	31-Dec 2019
Assets			
<i>Fixed assets</i>			
Intangible assets	9,553	415	6,868
Tangible assets	158	144	135
Participations in group companies	362,447	131,757	362,447
Long-term receivables group companies	109,721	10,189	113,809
Total fixed assets	481,879	142,505	483,259
<i>Current assets</i>			
Receivables group companies	59,761	30,730	54,653
Other receivables	1,809	1,233	2,531
Cash and cash equivalents	319,849	107,175	9,920
Total current assets	381,419	139,138	67,103
Total assets	863,298	281,643	550,363
Equity and liabilities			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital (11,320,968 shares)	3,363	3,363	3,363
Reserve fund	918	918	918
<i>Non-restricted equity</i>			
Share premium fund	32,510	32,510	32,510
Retained earnings	101,550	101,565	101,564
Result for the period	27	-125	-14
Total equity	138,298	138,231	138,341
<i>Provisions</i>			
Other provisions	20,000	-	47,000
Total provisions	20,000	-	47,000
<i>Long-term liabilities</i>			
Liabilities to credit institutions	591,583	97,349	295,830
Liabilities group companies	35,105	-	-
Total long-term liabilities	626,688	-	295,830
<i>Short-term liabilities</i>			
Accounts payables	1,473	1,059	2,547
Liabilities group companies	69,661	40,606	59,438
Other liabilities	7,108	4,398	7,207
Total short-term liabilities	78,242	143,412	69,192
Total equity and liabilities	863,298	281,643	550,363