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# Interim report January – June 2019

## *Solid growth in Stairlifts and continued focus on Patient Handling. Positive outlook for second half of 2019*

**Second quarter 2019**

- Revenue decreased to MEUR 69.4 (70.0)
- Organic growth was -1.8% (7.2)
- The gross margin was 42.3% (44.0)
- Adjusted EBITA amounted to MEUR 6.5 (7.2), corresponding to a margin of 9.3% (10.2)
- EBIT increased to MEUR 4.9 (3.8), corresponding to a margin of 7.1% (5.4)
- Net profit (total) increased to MEUR 6.4 (4.8)
- Adjusted operating cash flow amounted to MEUR 0.7 (7.4)
- The Puls business unit was divested. The purchase price amounted to MEUR 10.9
- Pernilla Lindén was appointed as CFO and will take up her position on 14 August 2019
- Erik Østby was appointed as the new Executive Vice President Patient Handling Europe and will take up his position on 12 August 2019

**First six months 2019**

- Revenue increased to MEUR 136.6 (135.3)
- Organic growth was -0.5% (4.0)
- The gross margin was 42.0% (43.3)
- Adjusted EBITA amounted to MEUR 11.5 (11.9), corresponding to a margin of 8.4% (8.8)
- EBIT amounted to MEUR 8.5 (7.3), corresponding to a margin of 6.2% (5.4)
- Net profit (total) increased to MEUR 9.9 (7.0)
- Adjusted operating cash flow amounted to MEUR 0.9 (7.2)

| Group in Summary | April - June | | | January - June | | | LTM | FY |
|---|---|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | ∆% | 2019 | 2018 | ∆% | 2018/2019 | 2018 |
| Revenue | 69.4 | 70.0 | -0.8 % | 136.6 | 135.3 | 0.9 % | 271.0 | 269.8 |
| Gross profit* | 29.3 | 30.8 | -4.8 % | 57.4 | 58.6 | -2.1 % | 112.0 | 113.3 |
| *Gross margin*,%* | *42.3 %* | *44.0 %* | - | *42.0 %* | *43.3 %* | - | *41.3 %* | *42.0 %* |
| Adjusted EBITA* | 6.5 | 7.2 | -9.8 % | 11.5 | 11.9 | -2.9 % | 20.3 | 20.7 |
| *Adjusted EBITA margin*,%* | *9.3 %* | *10.2 %* | - | *8.4 %* | *8.8 %* | - | *7.5 %* | *7.7 %* |
| Operating profit/loss (EBIT) | 4.9 | 3.8 | 30.9 % | 8.5 | 7.3 | 15.8 % | 13.2 | 12.0 |
| *Operating margin, (EBIT margin)*,%* | *7.1 %* | *5.4 %* | - | *6.2 %* | *5.4 %* | - | *4.9 %* | *4.5 %* |
| Adjusted operating profit/loss (adjusted EBIT)* | 4.8 | 5.8 | -16.3 % | 8.3 | 9.3 | -11.3 % | 14.0 | 15.0 |
| *Adjusted operating margin (adjusted EBIT margin)*,%* | *7.0 %* | *8.2 %* | - | *6.1 %* | *6.9 %* | - | *5.2 %* | *5.6 %* |
| Net profit/loss (total) | 6.4 | 4.8 | 35.0 % | 9.9 | 7.0 | 41.4 % | 14.3 | 11.4 |
| Earnings per share before and after dilution, EUR | 0.11 | 0.07 | 50.4 % | 0.17 | 0.12 | 41.4 % | 0.24 | 0.19 |
| Adjusted operating Cash Flow* | 0.7 | 7.4 | -89.9 % | 0.9 | 7.2 | -87.1 % | 10.9 | 17.2 |
| Net debt / Adjusted EBITDA (LTM)*, times | 3.2 | 3.3 | -2.8 % | 3.2 | 3.3 | -2.8 % | 3.2 | 3.3 |

** Alternative performance measures, refer to pages 19–20 for definitions and calculations. From 1 January 2019, the Group applies IFRS 16 Leases. To facilitate comparison between the periods, the alternative performance measures are presented excluding the effects of IFRS 16. The transition effects are set out in Note 7.*

*Puls was divested on 22 May 2019 and is therefore reported as discontinued operations during 2019 and 2018, see Note 4 on Page 14.*

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

# CEO's comments

**This was a quarter with mixed development. We reported continued solid sales growth in Stairlifts, now representing 55% of total sales, organic growth reached 4.6%. The trend in Patient Handling North America slowly began to move in the right direction. In line with expectations, organic growth amounted to 4.8% compared with the first quarter of 2019. In line with our strategy, we focused our operations through the divestment of Puls. The development in Vehicle Accessibility and Patient Handling were challenging and this was a contributing factor in the decrease in total revenue of -0.8% in reported currency compared with last year.**

**Second quarter development**

Revenue decreased organically by -1.8% (7.2) in the second quarter, primarily due to the weak development in Patient Handling. Revenue in Accessibility grew organically by 1.1%. In Accessibility, Stairlifts continued to grow faster than the market, with organic growth of 4.6%. Stairlifts North America reported organic growth of 5.6% compared with the same quarter last year, which was the strongest quarter in 2018. In addition, it was positive to see that our new 1100 stairlift received a warm welcome upon its launch in the strategic UK market. Vehicle Accessibility reported negative organic growth as a result of a softer market in Denmark. Patient Handling reported negative organic growth of -8.6%. Revenue in Patient Handling North America decreased -9.2%, driven primarily by lower sales to institutional customers in the US. The Patient Handling European operations were negatively impacted by stock-up of inventory at certain larger distributors in the first quarter.

Adjusted EBITA totalled MEUR 6.5 (7.2) in the second quarter. The adjusted EBITA margin declined to 9.3% (10.2) as a result of a lower gross margin. The gross margin decreased to 42.3% (44.0), driven by product mix. Operating expenses decreased, both in nominal terms and in relation to revenue, which is driven by lower personnel expenses for administrative staff — an effect of the headcount reduction program implemented in the second quarter of 2018.

**Patient Handling North America**

The new management team, which was appointed in the first quarter, has continued the work on refining our Commercial Excellence strategy and our Go To Market strategy as well as on improving our order-to-cash process. In the second quarter, this meant that:

- We improved efficiency and tracking of the sales process. This resulted in increased sales compared with the first quarter of 2019.
- We evaluated the performance and geographic presence of the sales force in the US. One result was that approximately 30% of the institutional sales team in the US was replaced at the end of the second quarter. Additionally, we began the recruitment process for a new VP of institutional sales in the US, and for a newly established corporate accounts role.
- Two key individuals (a customer service director and a logistics director) were recruited to strengthen our order-to-cash process.

During the quarter, I devoted a great deal of time to the North American business. I see improvements in several areas, but challenges remain. Altogether, this means there is a risk that our previously communicated goal of a return to organic growth during the second half of 2019 will be postponed 1-2 quarters.

**Divestment of Puls**

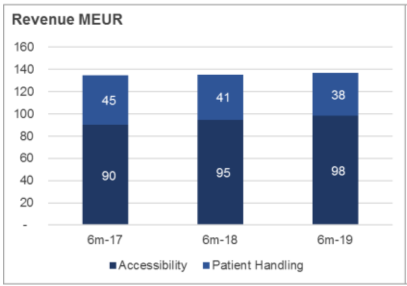
During the quarter, Puls was sold to Mediq International BV. This marked an important step in the strategy of focusing on Handicare's core operations. The sale creates additional space for growth (both organically and through acquisitions) and for the expansion of Handicare's core operations. The purchase price amounted to MNOK 106 (MEUR 10.9).

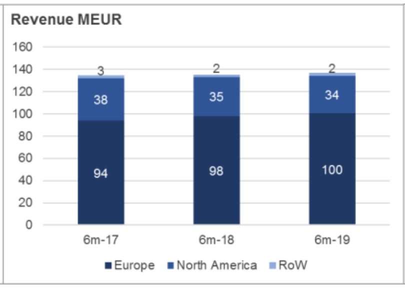
**Positive outlook for second half of 2019**

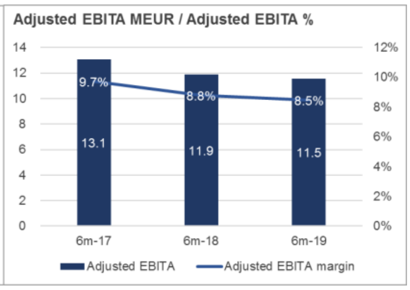
Results during the first half of 2019 were unsatisfactory, with organic growth of -0.5% and an adjusted EBITA margin of 8.4%. The outlook for the second half of 2019 is better for several of our businesses and we will also continue the execution on the turn-around plan in North America. Taking this into account, we expect that organic revenue growth for the second half of 2019 will fall into our growth target, which is 4% to 6% in the medium-term. The adjusted EBITA margin is expected to increase during the second half of 2019 compared with the first half of 2019 (8.4%).

*Staffan Ternström*
*President and CEO*

# Group performance




| Group | April - June | | | January - June | | | LTM | FY |
|---|---|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | Δ% | 2019 | 2018 | Δ% | 2018/2019 | 2018 |
| Revenue | 69.4 | 70.0 | -0.8 % | 136.6 | 135.3 | 0.9 % | 271.0 | 269.8 |
| Acquisitions | - | - | - | - | - | - | - | - |
| Currency effects* | | 0.7 | - | | 1.9 | - | 0.2 | 2.1 |
| **Revenue excl acquisitions and currency** | **69.4** | **70.7** | **-1.8 %** | **136.6** | **137.3** | **-0.5 %** | **271.2** | **271.9** |

*adjusted for translation effects, not transaction effects*

| Group | April - June | | | January - June | | | LTM | FY |
|---|---|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | Δ% | 2019 | 2018 | Δ% | 2018/2019 | 2018 |
| Revenue | 69.4 | 70.0 | -0.8 % | 136.6 | 135.3 | 0.9 % | 271.0 | 269.8 |
| Cost of goods sold | -40.1 | -39.2 | n/a | -79.2 | -76.7 | n/a | -159.0 | -156.5 |
| **Gross profit*** | **29.3** | **30.8** | **-4.8 %** | **57.4** | **58.6** | **-2.1 %** | **112.0** | **113.3** |
| Operating costs | -22.0 | -22.8 | n/a | -44.1 | -44.8 | n/a | -88.2 | -88.9 |
| **Adjusted EBITDA*** | **7.3** | **8.1** | **-9.5 %** | **13.2** | **13.8** | **-4.2 %** | **23.9** | **24.4** |
| Depreciation of tangible fixed assets | -0.8 | -0.9 | n/a | -1.7 | -1.9 | n/a | -3.6 | -3.8 |
| **Adjusted EBITA*** | **6.5** | **7.2** | **-9.8 %** | **11.5** | **11.9** | **-2.9 %** | **20.3** | **20.7** |
| Other specified items | - | -2.0 | n/a | - | -2.0 | n/a | -1.0 | -3.0 |
| IFRS 16 impact* | 0.1 | - | n/a | 0.2 | - | n/a | 0.2 | - |
| **EBITA** | **6.6** | **5.2** | **27.4 %** | **11.8** | **9.9** | **18.9 %** | **19.5** | **17.7** |
| **Key figures, %** | | | | | | | | |
| *Gross margin** | *42.3 %* | *44.0 %* | | *42.0 %* | *43.3 %* | | *41.3 %* | *42.0 %* |
| *Adjusted EBITDA margin** | *10.5 %* | *11.5 %* | | *9.7 %* | *10.2 %* | | *8.8 %* | *9.1 %* |
| *Adjusted EBITA margin** | *9.3 %* | *10.2 %* | | *8.4 %* | *8.8 %* | | *7.5 %* | *7.7 %* |
| *EBITA margin** | *9.5 %* | *7.4 %* | | *8.6 %* | *7.3 %* | | *7.2 %* | *6.5 %* |

** Alternative performance measures, refer to pages 19–20 for definitions and calculations. From 1 January 2019, the Group applies IFRS 16 Leases. To facilitate comparison between the periods, the alternative performance measures are presented excluding the effects of IFRS 16. The transition effects are set out in Note 7.*
*Puls is reported as discontinued operations in this report.*

## April – June 2019
## Revenue and earnings

Revenue for the second quarter declined -0.8% to MEUR 69.4 (70.0). Revenue decreased organically by -1.8%. Accessibility reported organic growth of 1.1%, driven by solid sales of stairlifts. Patient Handling recorded an organic decline of -8.6% as a result of a weaker development in North America and the European operations.

EBITA amounted to MEUR 6.6 (5.2). Adjusted EBITA totalled MEUR 6.5 (7.2), corresponding to an adjusted EBITA margin of 9.3% (10.2). Nothing was reported under Other specified items for the quarter (2018: MEUR 2.0). The transition to IFRS 16 entailed a positive impact on reported EBITA of MEUR 0.1. The gross margin declined to 42.3% (44.0), driven by product mix. Compared with the first quarter of 2019, however, the gross margin increased by 0.6 percentage points. Operating expenses declined, both in nominal terms and in relation to revenue, mainly driven by lower personnel expenses for administrative staff. This was an effect of the headcount reduction program initiated in the second quarter of 2018.

No currency effect (only the translation effect) on adjusted EBITA.

Net financial items declined to MEUR -2.3 (0.8). Interest expenses amounted to MEUR -1.0 (-0.7), of which MEUR -0.2 pertained to lease liabilities and the transition to IFRS 16 (refer to Note 7). Currency effects had a negative impact of MEUR -1.2 (1.5) on net financial items. Profit before tax for continuing operations amounted to MEUR 2.6 (4.5).

The tax expense for the quarter amounted to MEUR -0.4 (-0.3). Profit for the period for continuing operations totalled MEUR 2.3 (4.3), corresponding to earnings per share of EUR 0.04 (0.07) before and after dilution.

Profit for the period amounted to MEUR 6.4 (4.8), corresponding to earnings per share of EUR 0.11 (0.07) before and after dilution. The capital gain from the divestment of Puls amounted to MEUR 4.3.

## January – June 2019
## Revenue and earnings

Revenue for the first six months increased 0.9% to MEUR 136.6 (135.3). Revenue decreased organically by -0.5%. Accessibility reported organic growth of 3.3%, driven by solid sales of stairlifts. Patient Handling recorded an organic decline of -9.1% as a result of a weak development in North America, while revenue in the European operations remained essentially unchanged.

EBITA amounted to MEUR 11.8 (9.9). Adjusted EBITA totalled MEUR 11.5 (11.9), corresponding to an adjusted EBITA margin of 8.4% (8.8). Nothing was reported under Other specified items for the quarter (2018: MEUR -2.0). The transition to IFRS 16 entailed a positive impact on reported EBITA of MEUR 0.2. The gross margin was 42.0% (43.3). Operating expenses declined, both in nominal terms and in relation to revenue, mainly driven by lower personnel expenses for administrative staff.

No currency effect (only the translation effect) on adjusted EBITA.

Net financial items declined to MEUR -2.2 (-1.1). Interest expenses amounted to MEUR -2.1 (-1.3), of which MEUR -0.5 pertained to lease liabilities and the transition to IFRS 16 (refer to Note 7). Currency effects had a positive impact on net financial items of MEUR 0.1 (0.4). Profit before tax for continuing operations amounted to MEUR 6.3 (6.2).

The tax expense amounted to MEUR -0.9 (0.0). Profit for the period for continuing operations totalled MEUR 5.4 (6.2), corresponding to earnings per share of EUR 0.09 (0.10) before and after dilution.

Profit for the period amounted to MEUR 9.9 (7.0), corresponding to earnings per share of EUR 0.17 (0.12) before and after dilution.

## Cash flow and financial position

During the quarter, cash flow from operating activities amounted to MEUR 2.4 (10.0). Excluding the effect from IFRS 16, cash flow from operating activities amounted to MEUR 1.0 and the year-on-year decline is primarily attributable to temporary increased working capital. Disbursements related to Other specified items amounted to MEUR -0.5 (-0.9) and pertained primarily to severance pay for the former management in North America.

Net investments in the period amounted to MEUR 7.2 (-1.4). These were distributed over fixed assets MEUR -0.3, capitalised development costs MEUR -0.5, IT systems MEUR -0.2 and the net purchase price received for Puls MEUR 8.2.

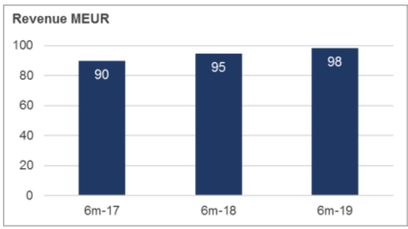
Consolidated cash and cash equivalents at the end of the period amounted to MEUR 29.1 (15.7). Interest-bearing net debt (excluding lease liabilities pursuant to IFRS 16) totalled MEUR 76.6 (90.8) at the end of the period. The year-on-year decrease in net debt is driven by cash flow from operating activities and the sale of Puls. Lease liabilities pursuant to IFRS 16 amounted to MEUR 27.5 at the end of the period and consisted primarily of rental contracts for premises.

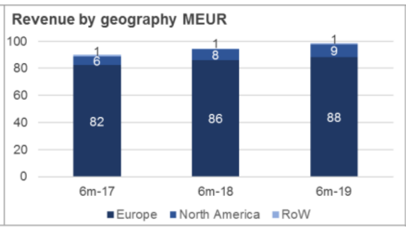
For the six-month period, cash flow from operating activities amounted to MEUR 6.3 (9.8). Excluding the effect from IFRS 16, cash flow from operating activities amounted to MEUR 3.4 (refer to Note 7) and the year-on-year decline is primarily driven by temporary increased working capital. Disbursements related to Other specified items amounted to MEUR -1.3 (-2.4) and pertained primarily to severance pay for the former management in North America.

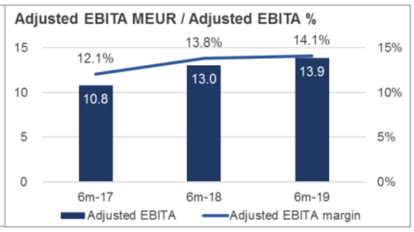
Net investments in the six-month period amounted to MEUR 6.1 (-3.9). These were distributed over fixed assets MEUR -0.7, capitalised development costs MEUR -0.9, IT systems MEUR -0.3 and the net purchase price received for Puls MEUR 8.2.

# Accessibility

*In Accessibility, Handicare offers curved and straight stairlifts primarily for the home setting with a complementary offering of vehicle conversion products.*




| Accessibility | April - June | | | January - June | | | LTM | FY |
|---|---|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | Δ% | 2019 | 2018 | Δ% | 2018/2019 | 2018 |
| Revenue | 50.1 | 49.4 | 1.4 % | 98.3 | 94.6 | 4.0 % | 193.2 | 189.4 |
| Acquisitions | - | - | - | - | - | - | - | - |
| Currency effects* | | 0.2 | - | | 0.6 | - | -0.1 | 0.5 |
| **Revenue excl acquisitions and currency** | **50.1** | **49.6** | **1.1 %** | **98.3** | **95.2** | **3.3 %** | **193.1** | **189.9** |

**adjusted for translation effects, not transaction effects*

| Accessibility | April - June | | | January - June | | | LTM | FY |
|---|---|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | Δ% | 2019 | 2018 | Δ% | 2018/2019 | 2018 |
| Revenue | 50.1 | 49.4 | 1.4 % | 98.3 | 94.6 | 4.0 % | 193.2 | 189.4 |
| Operating costs | -42.6 | -41.5 | n/a | -83.5 | -80.3 | n/a | -164.9 | -161.6 |
| **Adjusted EBITDA*** | **7.6** | **8.0** | **-5.0 %** | **14.8** | **14.3** | **3.6 %** | **28.3** | **27.8** |
| Depreciation of tangible fixed assets | -0.5 | -0.6 | n/a | -1.0 | -1.3 | n/a | -2.0 | -2.3 |
| **Adjusted EBITA*** | **7.1** | **7.4** | **-3.9 %** | **13.9** | **13.0** | **6.3 %** | **26.2** | **25.4** |
| Other specified items | - | -1.1 | n/a | - | -1.1 | n/a | - | -1.1 |
| **EBITA** | **7.1** | **6.3** | **12.8 %** | **13.9** | **11.9** | **16.1 %** | **26.2** | **24.3** |
| **Key figures, %** | | | | | | | | |
| *Adjusted EBITDA margin** | *15.1 %* | *16.1 %* | | *15.1 %* | *15.1 %* | | 14.6 % | 14.7 % |
| *Adjusted EBITA margin** | *14.2 %* | *15.0 %* | | *14.1 %* | *13.8 %* | | 13.6 % | 13.4 % |
| *EBITA margin** | *14.2 %* | *12.7 %* | | *14.1 %* | *12.6 %* | | 13.6 % | 12.8 % |

** Alternative performance measures, refer to pages 19 and 20 for definitions and calculations. The Group's segments are presented excluding the effects from IFRS 16 since the segments report lease agreements according to the former standard IAS 17 Leases in the internal management reporting.*

## April – June 2019

Second-quarter revenue rose 1.4% to MEUR 50.1 (49.4). Organic growth was 1.1%. The business unit reported solid growth for stairlifts in both Europe and North America. Organic growth for stairlifts was 4.6% during the quarter. The growth rate was 5.6% in North America, in comparison to the strong second quarter of 2018. Revenue in Vehicle Accessibility decreased organically by -10.3%. This is attributable to lower sales in the Danish operations, while the Norwegian operations reported growth.

EBITA amounted to MEUR 7.1 (6.3). Adjusted EBITA totalled MEUR 7.1 (7.4). The adjusted EBITA margin declined to 14.2% (15.0) as a result of a weaker gross margin. The lower gross margin is driven by product mix in both stairlifts and Vehicle Accessibility. Operating expenses (excluding the cost of goods sold) remained essentially unchanged in relation to sales.

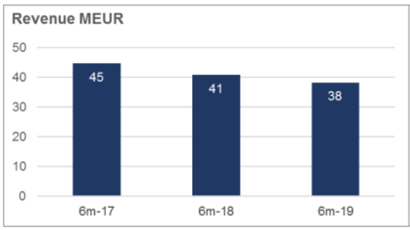
## January – June 2019

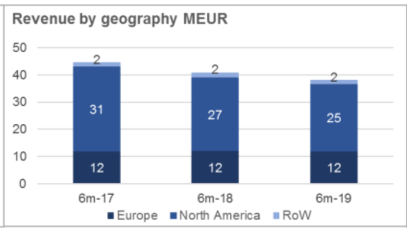
Revenue for the first six months increased 4.0% to MEUR 98.3 (94.6). Organic growth was 3.3%. The business unit reported solid growth for stairlifts in both Europe and North America. Organic growth for stairlifts was 6.0% during the six-month period, and North America reported organic growth of 5.9%. Vehicle Accessibility was negatively impacted by a softer market in Denmark. In total, revenue decreased organically by -6.2%. According to our assessment, we expect that Vehicle Accessibility will return to organic growth during the second half of 2019.

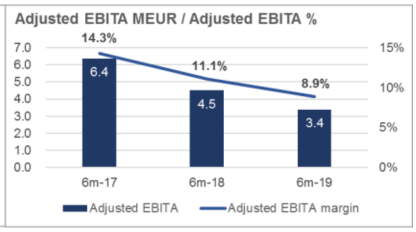
EBITA amounted to MEUR 13.9 (11.9). Adjusted EBITA amounted to MEUR 13.9 (13.0). The adjusted EBITA margin rose to 14.1% (13.8) as a result of decreased operating expenses (excluding the cost of goods sold) relative to revenue. The gross margin declined somewhat, driven by product mix.

# Patient Handling

*In Patient Handling, Handicare offers a broad product offering for patient transfer and lifting products, primarily for the hospital setting.*




| **Patient Handling** | **April - June** | | | **January - June** | | | **LTM** | **FY** |
|---|---|---|---|---|---|---|---|---|
| **MEUR** | **2019** | **2018** | **Δ%** | **2019** | **2018** | **Δ%** | **2018/2019** | **2018** |
| Revenue | 19.3 | 20.5 | -6.2 % | 38.2 | 40.7 | -6.2 % | 77.7 | 80.3 |
| Acquisitions | - | - | - | - | - | - | - | - |
| Currency effects* | | 0.5 | - | | 1.3 | - | 0.3 | 1.6 |
| **Revenue excl acquisitions and currency** | **19.3** | **21.1** | **-8.6 %** | **38.2** | **42.1** | **-9.1 %** | **78.0** | **81.8** |

**adjusted for translation effects, not transaction effects*

| **Patient Handling** | **April - June** | | | **January - June** | | | **LTM** | **FY** |
|---|---|---|---|---|---|---|---|---|
| **MEUR** | **2019** | **2018** | **Δ%** | **2019** | **2018** | **Δ%** | **2018/2019** | **2018** |
| Revenue | 19.3 | 20.5 | -6.2 % | 38.2 | 40.7 | -6.2 % | 77.7 | 80.3 |
| Operating costs | -16.7 | -17.4 | n/a | -34.1 | -35.6 | n/a | -70.3 | -71.8 |
| **Adjusted EBITDA*** | **2.6** | **3.1** | **-16.3 %** | **4.1** | **5.2** | **-20.1 %** | **7.4** | **8.5** |
| Depreciation of tangible fixed assets | -0.4 | -0.3 | n/a | -0.7 | -0.7 | n/a | -1.5 | -1.4 |
| **Adjusted EBITA*** | **2.2** | **2.7** | **-19.7 %** | **3.4** | **4.5** | **-24.8 %** | **6.0** | **7.1** |
| Other specified items | - | -0.7 | n/a | - | -0.7 | n/a | -1.0 | -1.7 |
| **EBITA** | **2.2** | **2.1** | **5.4 %** | **3.4** | **3.9** | **-12.0 %** | **5.0** | **5.4** |
| **Key figures %** | | | | | | | | |
| *Adjusted EBITDA margin** | *13.4 %* | *15.0 %* | | *10.8 %* | *12.7 %* | | *9.6 %* | *10.6 %* |
| *Adjusted EBITA margin** | *11.5 %* | *13.4 %* | | *8.9 %* | *11.1 %* | | *7.7 %* | *8.8 %* |
| *EBITA margin** | *11.5 %* | *10.2 %* | | *8.9 %* | *9.5 %* | | *6.4 %* | *6.8 %* |

** Alternative performance measures, refer to pages 19 and 20 for definitions and calculations. The Group's segments are presented excluding the effects from IFRS 16 since the segments report lease agreements according to the former standard IAS 17 Leases in the internal management reporting.*

## April – June 2019

Revenue for the second quarter declined -6.2% to MEUR 19.3 (20.5). Revenue decreased organically by -8.6% as a result of lower sales in both North America and in the European operations. North America reported negative organic growth of -9.2%, driven primarily by lower sales to institutional customers in the US. In line with expectations, revenue increased compared with the first quarter of 2019. Organic growth in North America amounted to 4.8% compared with the first quarter 2019. The European operations were negatively impacted by stock-up of inventory at certain larger distributors in the first quarter.

EBITA amounted to MEUR 2.2 (2.1). Adjusted EBITA amounted to MEUR 2.2 (2.7). The adjusted EBITA margin declined to 11.5% (13.4), driven by a lower gross margin. The decline in the gross margin was attributable to product mix and reduced cost absorption in North America. Operating expenses (excluding the cost of goods sold) declined both in nominal terms and in relation to revenue. The profitability of the operations in Europe remained good.

## January – June 2019

Revenue for the first six months declined -6.2% to MEUR 38.2 (40.7). Revenue decreased organically by -9.1%. Revenue remained essentially unchanged in the European operations. North America reported negative organic growth of -13.2%. This was primarily a result of lower sales to institutional customers in the US. Despite improvements in several areas, challenges remain, which means there is a risk that our previously communicated goal of a return to organic growth will be postponed 1-2 quarters.

EBITA amounted to MEUR 3.4 (3.9). Adjusted EBITA amounted to MEUR 3.4 (4.5). The adjusted EBITA margin declined to 8.9% (11.1), driven by a lower gross margin. The decline in the gross margin was driven by product mix and reduced cost absorption in North America. Operating expenses (excluding the cost of goods sold) declined in nominal terms but remained essentially unchanged in relation to revenue. The profitability of the operations in Europe remained good.

## Group-wide expenses

Group-wide expenses, excluding Other specified items, amounted to MEUR -2.9 (-3.0) for the second quarter and MEUR -5.7 (-5.7) for the six-month period. No amortization or depreciation was included in Group-wide expenses.

## Employees

At the end of the period, the number of FTEs was 1,108 (1,162). The average number of FTEs was 1,123 (1,163) for the quarter and 1,141 (1,160) for the six-month period. In connection with the sale of Puls, the number of full-time equivalents decreased by 37.

## Parent Company

Six-month revenue amounted to MEUR 5.2 (4.3). Profit before tax was MEUR 1.9 (2.5) and profit for the period was MEUR 1.9 (2.5).

## Seasonal variations

The Group's revenue is subject to limited impact from seasonal variations. Normally, revenue generation is relatively evenly distributed between the first and second half of the year.

## Risks and uncertainties

Handicare is a global Group represented in some 20 countries and, as such, is exposed to a number of business and financial risks. Risk management is therefore an important process for Handicare in order to achieve its set goals. Effective risk management is a natural part of the ongoing monitoring and forward-looking assessment of the Group's operations. Handicare's long-term risk exposure is not expected to deviate from the natural exposure associated with Handicare's ongoing business activities. For a more in-depth risk analysis, refer to Handicare's 2018 Annual Report.

## Disputes

Handicare Stairlifts B.V. is currently involved in a legal process with one of the Group's suppliers, Eriks B.V., with regard to a product recall concerning the accumulator supplied by Eriks B.V. to Handicare. The negotiations with the counterparty could not be concluded in the second quarter and will continue in the third quarter of 2019. Handicare estimates that the remaining costs attributable to the product recall will not exceed the provision as of 30 June 2019.

## Shares

The number of shares at the end of the period amounted to 58 939 000. No change versus last year. In accordance with the decision of the May 2019 Annual General Meeting, an incentive programme was introduced in which a maximum of 1,211,804 warrants can be issued. In the event of maximum utilisation of the programme, the dilution effect will correspond to approximately 2% of the share capital and the number of votes.

## Significant events during the reporting period

*Divestments*

On 22 May 2019, Handicare announced that the company had signed an agreement with Mediq International BV to sell Puls AS, a leading distributor of third-party products in the form of medical equipment and consumables in Norway and Denmark (refer to Note 4 and the separate press release). In 2018, revenue from Puls totalled MEUR 21.1, corresponding to 7% of Handicare's total revenue and EBITA was MEUR 1.2. The purchase price amounted to MEUR 10.9 (MNOK 106). The transaction was closed on 22 May 2019.

*Dividend*

A dividend of EUR 0.05 per share, equivalent to MEUR 2.9, was paid out to the shareholders during the second quarter.

*Changes to the Group Management team*

Pernilla Lindén was appointed as CFO on 16 June and will take up her position on 14 August 2019. She is therefore leaving her role as Executive Vice President Strategy and Business Excellence. Pernilla will replace Stephan Révay, who is leaving Handicare for a role as Partner at PwC.

Erik Østby was appointed as the new Executive Vice President Patient Handling EUROW & Global Commercial Excellence on 28 June and will take up his new position on 12 August 2019. Erik will replace Helena Skarle, who is leaving Handicare.

*Changes in Handicare's Board of Directors*

Christina Lindstedt was elected as a new Board member, replacing Elisabeth Thand Ringqvist, who declined re-election.

*Long-term incentive program*

The annual general meeting resolved to adopt a long-term incentive program through (A) directed issue of warrants and (B) approval of transfer of warrants.

The program entails that not more than 1,211,804 warrants are issued to Handicare's wholly-owned subsidiary Handicare AB to subsequently be transferred to the participants in the program. Transfer of warrants shall occur at market value at the time of the transfer and allotment shall be effected pursuant to the principles stated in the proposal of the board of directors.

Subscription for shares by exercise of the warrants may occur during the period as from 17 May 2022 up to and including 19 June 2022. The subscription price shall as a starting point correspond to 126.0% of the volume-weighted average of Handicare's closing price 10 trading days following the annual general meeting on 8 May 2019, but may not be lower than the quotient value of the share. A participant shall as part of the incentive program be entitled to receive a subsidy from the Group amounting to 50% of the amount that a participant in the incentive program shall pay for the warrants. The maximum dilution effect of the program is approximately 2%.

## Significant events after the reporting period

No significant events have occurred after the reporting period.

# Condensed consolidated income statement

| Group* | April - June | | January - June | | FY |
|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018 |
| Revenue | 69.4 | 70.0 | 136.6 | 135.3 | 269.8 |
| Cost of material | -31.6 | -31.1 | -62.1 | -60.5 | -123.6 |
| Employee benefits expenses | -17.8 | -17.8 | -35.5 | -35.6 | -70.0 |
| Other operating costs | -11.3 | -13.0 | -22.8 | -25.4 | -51.8 |
| Depreciation and amortization | -3.8 | -2.3 | -7.6 | -4.5 | -9.4 |
| Other specified items** | - | -2.0 | - | -2.0 | -3.0 |
| **Operating profit/loss (EBIT)** | **4.9** | **3.8** | **8.5** | **7.3** | **12.0** |
| Financial items, net | -2.3 | 0.8 | -2.2 | -1.1 | -1.2 |
| **Profit/loss before tax** | **2.6** | **4.5** | **6.3** | **6.2** | **10.9** |
| Tax | -0.4 | -0.3 | -0.9 | -0.0 | -0.7 |
| **Profit/loss after tax from continuing operations** | **2.3** | **4.3** | **5.4** | **6.2** | **10.2** |
| Profit from discontinued operations*** | 4.2 | 0.5 | 4.6 | 0.9 | 1.2 |
| **Net profit/loss for the period** | **6.4** | **4.8** | **9.9** | **7.0** | **11.4** |
| Earnings per share (EUR) before and after dilution (continuing operations) | 0.04 | 0.07 | 0.09 | 0.10 | 0.17 |
| Earnings per share (EUR) before and after dilution (total) | 0.11 | 0.07 | 0.17 | 0.12 | 0.19 |
| Average number of shares before and after dilution (000's) | 58 939 | 58 939 | 58 939 | 58 939 | 58 939 |

* From 1 January 2019, the Group applies IFRS 16 Leases. Therefore, the income statement for 2019 is not fully comparable with 2018. Refer to Note 7 for a specification of the impact on the income statement.
** See Note 5
*** Puls is reported as discontinued operations in this report. See Note 4.

# Condensed consolidated statement of comprehensive income

| Group | April - June | | January - June | | FY |
|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018 |
| Net profit/loss | 6.4 | 4.8 | 9.9 | 7.0 | 11.4 |
| Gains/losses pertaining to defined benefit pension plans (can not be reversed) | - | - | - | - | 0.1 |
| Translation differences (can be reversed) | -0.8 | 0.9 | 3.2 | -2.2 | -2.1 |
| Net investment hedges (can be reversed) | 0.4 | 0.1 | -2.3 | 1.8 | 0.1 |
| Income tax attributable to components in other comprehensive income (can be reversed) | -0.1 | -0.0 | 0.6 | -0.5 | -0.0 |
| **Total comprehensive income/loss for the period** | **5.9** | **5.8** | **11.3** | **6.1** | **9.5** |
| Comprehensive income/loss attributable to Parent Company´s shareholders | 5.9 | 5.8 | 11.3 | 6.1 | 9.5 |
| Comprehensive income/loss attributable to non-controlling interests | - | - | - | - | - |

# Condensed consolidated balance sheet

| Group* MEUR | 30 Jun 2019 | 30 Jun 2018 | 31 Dec 2018 |
|---|---|---|---|
| Intangible assets | 47.4 | 51.0 | 49.1 |
| Goodwill | 164.4 | 163.8 | 162.8 |
| Property, plant and equipment | 8.4 | 10.3 | 9.7 |
| Right-of-use assets | 27.6 | - | - |
| Deferred tax assets | 7.3 | 6.5 | 8.0 |
| Other non-current assets | 0.2 | 0.2 | 0.2 |
| **Total non-current assets** | **255.3** | **231.8** | **229.7** |
| Inventory | 32.8 | 37.4 | 35.6 |
| Accounts receivable | 42.1 | 46.0 | 43.7 |
| Tax receivables | 0.2 | 1.6 | 0.1 |
| Other current assets | 3.6 | 3.8 | 3.3 |
| Cash and cash equivalents | 29.1 | 15.7 | 23.6 |
| **Total current assets** | **107.9** | **104.5** | **106.3** |
| **Total assets** | **363.1** | **336.3** | **336.0** |
| **Total equity** | **179.9** | **167.9** | **171.3** |
| Provisions for pensions | 0.2 | 0.4 | 0.2 |
| Deferred tax liabilities | 8.0 | 8.9 | 8.3 |
| Advance payments | 2.4 | 2.1 | 2.4 |
| Other liabilities | 0.4 | 1.0 | 0.4 |
| Lease liabilities | 22.6 | - | - |
| Interest-bearing loans | 104.7 | 105.0 | 103.0 |
| **Total long-term liabilities** | **138.3** | **117.4** | **114.3** |
| Interest-bearing loans | 0.0 | 0.1 | 0.0 |
| Lease liabilities | 4.9 | - | - |
| Accounts payable | 23.5 | 29.2 | 30.5 |
| Other liabilities | 0.7 | 1.8 | 1.1 |
| Accrued expenses and deferred income | 15.8 | 19.9 | 18.7 |
| **Total current liabilities** | **45.0** | **50.9** | **50.4** |
| **Total shareholders' equity and liabilities** | **363.1** | **336.3** | **336.0** |

* From 1 January 2019, the Group applies IFRS 16 Leases. Therefore, the balance sheet for 2019 is not fully comparable with 2018. Refer to Note 7 for a specification of the impact on the balance sheet. Note that the above table is not adjusted for the divestment of Puls.

# Condensed consolidated cash flow statement

| Group* MEUR | April - June 2019 | April - June 2018 | January - June 2019 | January - June 2018 | FY 2018 |
|---|---|---|---|---|---|
| Profit/loss before tax from continuing operations | 2.6 | 4.5 | 6.3 | 6.2 | 10.9 |
| Profit/loss before tax discontinued operations | 4.2 | 0.5 | 4.6 | 0.9 | 1.2 |
| Depreciation, amortization and impairment | 3.8 | 2.3 | 7.7 | 4.5 | 9.5 |
| Capital gain | -4.3 | - | -4.3 | - | - |
| Reversal of interest expense/ income | 1.1 | 0.7 | 2.2 | 1.4 | 3.0 |
| Other non-cash items | 0.7 | 1.5 | 0.5 | 1.6 | 1.0 |
| Taxes paid | -0.2 | -0.4 | -0.3 | -1.1 | -1.6 |
| **Cash flow before changes in working capital** | **8.0** | **9.3** | **16.6** | **13.5** | **23.9** |
| Inventory | 1.7 | -0.6 | -0.4 | -1.1 | 0.5 |
| Accounts receivable | -0.4 | -1.4 | -0.0 | -3.9 | -1.8 |
| Accounts payable | -6.8 | 4.0 | -6.3 | 4.2 | 5.7 |
| Other current receivables/liabilities | -0.0 | -1.2 | -3.6 | -2.9 | -5.7 |
| **Cash flow from operating activities** | **2.4** | **10.0** | **6.3** | **9.8** | **22.6** |
| Acquired / divested operations | 8.2 | - | 8.0 | -1.1 | -1.1 |
| Acquired / divested tangible/intangible assets | -1.0 | -1.4 | -2.0 | -2.8 | -5.9 |
| **Cash flow from investing activities** | **7.2** | **-1.4** | **6.1** | **-3.9** | **-7.0** |
| Changes in interest-bearing loans | - | -0.0 | - | 1.3 | 1.2 |
| Changes in lease liabilites | -1.4 | - | -2.9 | - | - |
| Interest, net | -0.8 | -0.7 | -1.6 | -1.3 | -2.8 |
| Dividend paid/capital contribution | -2.7 | -2.9 | -2.7 | -2.9 | -2.9 |
| **Cash flow from financing activities** | **-4.9** | **-3.6** | **-7.2** | **-2.9** | **-4.4** |
| **Cash flow for the period** | **4.8** | **5.0** | **5.1** | **3.0** | **11.2** |
| Cash and cash equivalents at the beginning of the period | 23.9 | 11.4 | 23.6 | 12.9 | 12.9 |
| Cash flow for the period | 4.8 | 5.0 | 5.1 | 3.0 | 11.2 |
| Translation differences | 0.4 | -0.8 | 0.4 | -0.2 | -0.5 |
| **Cash and cash equivalents at end of the period** | **29.1** | **15.7** | **29.1** | **15.7** | **23.6** |

* From 1 January 2019, the Group applies IFRS 16 Leases. Therefore, the cash flow for 2019 is not fully comparable with 2018. Refer to Note 7 for the impact on cash flow.

# Condensed consolidated statement of changes in shareholders' equity

| Group MEUR | Attributable to equity holders of the Parent | Non-controlling intrerest | Total equity |
|---|---|---|---|
| **Opening balance January 1, 2018** | **164.7** | **-** | **164.7** |
| Dividend | -2.9 | - | -2.9 |
| Profit for the year | 7.0 | - | 7.0 |
| Other comprehensive income | -0.9 | - | -0.9 |
| **Closing balance June 30, 2018** | **167.9** | **-** | **167.9** |
| **Opening balance January 1, 2019** | **171.3** | **-** | **171.3** |
| Capital contribution | 0.2 | - | 0.2 |
| Dividend | -2.9 | - | -2.9 |
| Profit for the year | 9.9 | - | 9.9 |
| Other comprehensive income | 1.4 | - | 1.4 |
| **Closing balance June 30, 2019** | **179.9** | **-** | **179.9** |

# Condensed Parent Company income statement

| Parent Company | April - June | | January - June | | FY |
|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018 |
| Revenue | 2.4 | 2.2 | 5.2 | 4.3 | 11.8 |
| Employee benefits expenses | -1.2 | -1.1 | -2.5 | -2.0 | -4.6 |
| Other operating costs | -0.5 | -0.8 | -0.9 | -1.0 | -8.4 |
| Depreciation and amortization | -0.0 | -0.0 | -0.1 | -0.0 | -0.0 |
| **Operating profit/loss (EBIT)** | **0.7** | **0.3** | **1.7** | **1.2** | **-1.2** |
| Financial items, net | -0.2 | 0.5 | 0.2 | 1.3 | 0.9 |
| **Profit/loss before tax** | **0.6** | **0.8** | **1.9** | **2.5** | **-0.3** |
| Appropriations | - | - | - | - | - |
| Tax | - | - | - | - | - |
| **Net profit/loss for the period** | **0.6** | **0.8** | **1.9** | **2.5** | **-0.3** |

# Condensed Parent Company balance sheet

| Parent Company | 30 Jun | 30 Jun | 31 Dec |
|---|---|---|---|
| MEUR | 2019 | 2018 | 2018 |
| Intangible assets | 0.3 | - | 0.4 |
| Shares in Group companies | 272.1 | 272.1 | 272.1 |
| Tangible fixed assets | 0.1 | 0.1 | 0.1 |
| Long-term receivables | 0.8 | 0.6 | 0.6 |
| **Total non-current assets** | **273.3** | **272.7** | **273.1** |
| Receivables from Group companies | 0.1 | 2.6 | 0.3 |
| Other receivables | 0.7 | 0.6 | 0.3 |
| Cash and cash equivalents | 0.0 | - | - |
| **Total current assets** | **0.8** | **3.2** | **0.5** |
| **Total assets** | **274.1** | **276.0** | **273.7** |
| **Shareholders´ equity** | **249.8** | **253.4** | **250.6** |
| Liabilities from Group companies | 22.6 | 21.6 | 21.6 |
| Accounts payable | 0.2 | 0.3 | 0.5 |
| Other liabilities | 0.3 | 0.0 | 0.1 |
| Accrued expenses and deferred income | 1.2 | 0.7 | 0.9 |
| **Total current liabilities** | **24.3** | **22.5** | **23.0** |
| **Total shareholders´ equity and liabilities** | **274.1** | **276.0** | **273.7** |

# Notes

## Note 1 – Accounting policies

The interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2. The application of the accounting policies is consistent with those contained in the 2018 Annual Report and are to be read together with said policies. Moreover, IFRS 16 Leases apply from 1 January 2019 (see below and Note 7). In addition to the financial measures prepared in accordance with IFRS, Handicare presents non-IFRS financial measures, such as Gross profit, EBITA, EBITA before Other specified items and Net debt. These alternative performance measures are considered key earnings and performance indicators for investors and other users of the interim report. The alternative performance measures are a complement to, but not a replacement for, the financial information prepared in accordance with IFRS. Definitions and reconciliations of the alternative performance measures are presented on pages 19-20.

In 2019, the Group applies IFRS 16 Leases for the first time. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The implementation of the standard entails the recognition of almost all leases in the lessee's balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, the lessee recognises a right-of-use asset (the right to use a leased asset) and a lease liability for the obligation to make lease payments. The effect from implementing IFRS 16 is presented in Note 7. The parent company does not apply IFRS 16. The Group's segments are presented excluding the effects from IFRS 16 since the segments report lease agreements according to the former standard IAS 17 Leases in the internal management reporting. The effect from the transition to IFRS 16 is not included in some of the Group's alternative performance measures (see pages 19-20).

Currently, no other interpretations or standards that have yet to enter force are expected to entail any material impact on the consolidated financial statements.

## Note 2 – Segment overview

| Group | April - June | | January - June | | LTM | FY |
|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018/2019 | 2018 |
| Accessibility | 50.1 | 49.4 | 98.3 | 94.6 | 193.2 | 189.4 |
| Patient Handling | 19.3 | 20.5 | 38.2 | 40.7 | 77.7 | 80.3 |
| Group-wide functions | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| **Revenue - Group** | **69.4** | **70.0** | **136.6** | **135.3** | **271.0** | **269.8** |

| Group | April - June | | January - June | | LTM | FY |
|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018/2019 | 2018 |
| Accessibility | 7.1 | 7.4 | 13.9 | 13.0 | 26.2 | 25.4 |
| Patient Handling | 2.2 | 2.7 | 3.4 | 4.5 | 6.0 | 7.1 |
| Group-wide functions | -2.9 | -3.0 | -5.7 | -5.7 | -11.9 | -11.8 |
| **Adj EBITA - Group** | **6.5** | **7.2** | **11.5** | **11.9** | **20.3** | **20.7** |

| Group | April - June | | January - June | | LTM | FY |
|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018/2019 | 2018 |
| Adj EBITA - Group | 6.5 | 7.2 | 11.5 | 11.9 | 20.3 | 20.7 |
| Other specified items | - | -2.0 | - | -2.0 | -1.0 | -3.0 |
| IFRS 16 adjustment - EBITA | 0.1 | - | 0.2 | - | 0.2 | - |
| Amortization | -1.6 | -1.4 | -3.3 | -2.6 | -6.3 | -5.6 |
| Financial items, net | -2.3 | 0.8 | -2.2 | -1.1 | -2.2 | -1.2 |
| **EBT - Group** | **2.6** | **4.5** | **6.3** | **6.2** | **11.0** | **10.9** |

The operations do not allocate assets and liabilities to different segments and the company's management does not monitor operations from this perspective, which is why a segment overview is not included.

Puls, which previously was reported as a separate segment, is treated as discontinued operations during 2019 and 2018, and is therefore not included in the segment overview, see Note 4.

## Note 3 – Acquisitions

Handicare has not carried out any acquisitions in 2019. In January 2018, Handicare acquired the assets of a distributor in North America. A larger share of the purchase price was conditional and based on the distributor's future sales. The size of the earn-out is based on sales growth over a 48-month period. The fair value of the purchase price is estimated at MEUR 2.3 and is based on a discount rate of 3% and probability-adjusted, assumed future sales. In the first quarter of 2019, MEUR 0.2 of the earn-out was disbursed. The acquisition analysis for the acquisition is shown below.

| Business combination | MEUR |
|---|---|
| Tangible fixed assets | 0.1 |
| Customer contracts and customer relations | 2.2 |
| Inventory | 0.4 |
| Other liabilities | - |
| **Total identifiable net assets** | **2.6** |
| Goodwill | 0.8 |
| **Total net assets** | **3.4** |
| Less: | |
| Acquired cash, net | - |
| Contingent consideration | -2.3 |
| **Net cash flow - investments** | **1.1** |

Goodwill pertains to expected synergy effects from the merger of the Group's and the distributor's US operations.

## Note 4 – Discontinued operations

As of 22 May 2019, Puls AS was sold to Mediq International BV. Puls AS and its subsidiaries represented the Puls strategic business unit in Handicare's segment reporting. As a result of the sale, Puls will be reported as a discontinued operation. A discontinued operation is a component of an entity that represents either a separate major line of business or a geographical area of operations. Profit after tax from discontinued operations is reported on a separate row in the income statement in the period and the comparative period. The presentation of the statement of financial position for the current and preceding year is not changed in a corresponding manner.

The purchase price for Puls amounted to MEUR 10.9 (MNOK 106). The pre-tax capital gain amounted to MEUR 4.3 and is included in the financial items below.

| Discontinued operations Puls | April - June | | January - June | | LTM | FY |
|---|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018/2019 | 2018 |
| Revenue | 1.1 | 5.4 | 6.2 | 11.6 | 15.7 | 21.1 |
| Cost of material | -0.8 | -3.6 | -4.3 | -8.0 | -10.9 | -14.7 |
| Employee benefits expenses | -0.3 | -0.8 | -1.1 | -1.8 | -3.0 | -3.7 |
| Other operating cost | -0.1 | -0.4 | -0.5 | -0.8 | -1.1 | -1.5 |
| Depreciation and amortization | -0.0 | -0.0 | -0.0 | -0.0 | -0.1 | -0.1 |
| **Operating profit/loss (EBIT)** | **-0.1** | **0.5** | **0.3** | **0.9** | **0.6** | **1.2** |
| Financial items, net | 4.3 | - | 4.3 | - | 4.3 | - |
| **Profit/loss before tax** | **4.2** | **0.5** | **4.6** | **0.9** | **4.9** | **1.2** |
| Tax | - | - | - | - | - | - |
| **Net profit** | **4.2** | **0.5** | **4.6** | **0.9** | **4.9** | **1.2** |

## Note 5 – Other specified items

Handicare had no Other specified items in the second quarter 2019. Other specified items amounted to MEUR 2.0 in the second quarter 2018 and was mainly related to severance costs. During the full year 2018, in conjunction with reorganisations, Handicare charged costs of MEUR 3.0 (mainly severance costs) to earnings. These costs were reported under Other specified items.

## Note 6 – Financial net debt

| Group<br>MEUR | 30 Jun<br>2019 | 30 Jun<br>2018 | 31 Dec<br>2018 |
|---|---|---|---|
| Interest-bearing long-term loans | 102.0 | 102.4 | 100.3 |
| Lease liabilities IFRS 16 | 27.5 | - | - |
| Other interest-bearing debt | 3.8 | 4.1 | 3.8 |
| Deduct: cash and cash equivalents | -29.1 | -15.7 | -23.6 |
| Deduct: IFRS 16 impact | -27.5 | - | - |
| **Interest-bearing net debt** | **76.6** | **90.8** | **80.5** |

## Note 7 – Presentation of the transition to IFRS 16 Leases

Handicare applies IFRS 16 Leases as from 1 January 2019. During 2018, Handicare reviewed the Group's leases to evaluate the effects on the Group's financial reporting. The Group's leases have been grouped into the following asset classes: properties, vehicles and inventory. Handicare have chosen the modified retrospective approach, which means that the comparative figures have not been restated. The accumulated effect of the initial application of the standard have been recognised on the date of initial application, in other words, 1 January 2019. Handicare have measured the right-of-use assets in the Group's leases at amounts corresponding to the lease liability after adjustment for any prepayments or accrued lease fees pertaining to leases. Handicare has chosen to use the exemptions contained in the standard regarding short-term leases and leases of low-value assets. These will be recognised as straight-line expenses over the lease period. The Group has leases for office equipment (computers, printers and photocopiers) that are classified as low-value right-of-use assets.

For leases that were previously classified as financial leases under IAS 17, the carrying amounts for the right-of-use and the lease liability on the transition at 1 January 2019 will be the same as the carrying amounts for the asset and the lease liability at 31 December 2018 in accordance with IAS 17.

Several of the Group's lease agreements, especially for property, offer opportunities to extend the leases. When calculating the lease liability, the Group has included options for extension when it is reasonably certain that these options will be used. Discount rate has been set per country and average interest rate used for the valuation of the lease liability is 3.5%. The impact from applying IFRS 16 on the Group's financial statements is presented below.

## Impact on the Group's income statement, balance sheet and cash flow

| Group Income statement | April - June 2019 | | | January - June 2019 | | |
|---|---|---|---|---|---|---|
| MEUR | incl IFRS 16 | IFRS 16 impact | excl IFRS 16 | incl IFRS 16 | IFRS 16 impact | excl IFRS 16 |
| Revenue | 69.4 | - | 69.4 | 136.6 | - | 136.6 |
| Cost of material | -31.6 | - | -31.6 | -62.1 | - | -62.1 |
| Employee benefits expenses | -17.8 | - | -17.8 | -35.5 | - | -35.5 |
| Other operating costs | -11.3 | -1.5 | -12.8 | -22.8 | -2.9 | -25.7 |
| Depreciation and amortization | -3.8 | 1.4 | -2.5 | -7.6 | 2.7 | -5.0 |
| **Operating profit/loss (EBIT)** | **4.9** | **-0.1** | **4.8** | **8.5** | **-0.2** | **8.3** |
| Financial items, net | -2.3 | 0.2 | -2.1 | -2.2 | 0.5 | -1.7 |
| **Profit before tax** | **2.6** | **0.1** | **2.8** | **6.3** | **0.3** | **6.6** |
| Tax | -0.4 | -0.0 | -0.4 | -0.9 | -0.1 | -1.0 |
| **Profit after tax** | **2.3** | **0.1** | **2.4** | **5.4** | **0.2** | **5.6** |

| Key ratios | April - June 2019 | | | January - June 2019 | | |
|---|---|---|---|---|---|---|
| MEUR | incl IFRS 16 | IFRS 16 impact | excl IFRS 16 | incl IFRS 16 | IFRS 16 impact | excl IFRS 16 |
| EBITDA | 8.8 | -1.5 | 7.3 | 16.1 | -2.9 | 13.2 |
| EBITA | 6.6 | -0.1 | 6.5 | 11.8 | -0.2 | 11.5 |
| EBIT | 4.9 | -0.1 | 4.8 | 8.5 | -0.2 | 8.3 |

| Group Balance sheet | 30 Jun 2019 | | | 31 Dec | | 1 Jan |
|---|---|---|---|---|---|---|
| MEUR | incl IFRS 16 | IFRS 16 impact | excl IFRS 16 | 2018 | IFRS 16 impact | 2019 |
| Total non-current assets | 255.3 | -27.7 | 227.6 | 229.7 | 27.5 | 257.2 |
| Total current assets | 107.9 | 0.4 | 108.2 | 106.3 | -0.3 | 105.9 |
| **Total assets** | **363.1** | **-27.3** | **335.8** | **336.0** | **27.1** | **363.1** |
| **Total equity** | **179.9** | **0.2** | **180.1** | **171.3** | **-** | **171.3** |
| Lease liabilities | 22.6 | -22.6 | - | - | 21.7 | 21.7 |
| Interest-bearing loans | 104.7 | - | 104.7 | 103.0 | - | 103.0 |
| Other long-term liabilities | 10.9 | - | 10.9 | 11.3 | - | 11.3 |
| **Total long-term liabilities** | **138.3** | **-22.6** | **115.7** | **114.3** | **21.7** | **136.1** |
| Lease liabilities | 4.9 | -4.9 | - | - | 5.4 | 5.4 |
| Other current liabilites | 40.1 | - | 40.1 | 50.4 | - | 50.4 |
| **Total current liabilities** | **45.0** | **-4.9** | **40.1** | **50.4** | **5.4** | **55.8** |
| **Total shareholders' equity and liabilities** | **363.1** | **-27.3** | **335.8** | **336.0** | **27.1** | **363.1** |

The Group cash flow from operating activities has, in comparison with last year, improved by MEUR 2.9 for the six-month period, with a corresponding decline in cash flow from financing activities.

The Board of Directors and the President and CEO certify that the interim report provides a true and fair view of the Parent Company's and the Group's operations, position and results and describes the substantial risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm, 13 August 2019
Handicare Group AB (publ)

Lars Marcher
Chairman of the Board

Joakim Andreasson
Board member

Jonas Arlebäck
Board member

Maria Carell
Board member

Johan Ek
Board member

Christina Lindstedt
Board member

Claes Magnus Åkesson
Board member

Staffan Ternström
President and CEO

**Audit review**
This interim report has not been reviewed by the company's auditors.

**Telephone conference**
A telephone conference, hosted by Staffan Ternström, President and CEO, and Pernilla Lindén, CFO, will be held at 10:00 a.m. CET on 14 August 2019. To participate, please register in advance using the following link http://emea.directeventreg.com/registration/2081967

A presentation will be available at www.handicaregroup.com/investors.

**Dates for financial reports**

| | |
|---|---|
| Interim report January – September 2019 | 24 October 2019 |
| Year-end report 2019 | 12 February 2020 |

**For more information, contact:**

Staffan Ternström, CEO, Tel: +46 725 490 029

Pernilla Lindén, CFO & IR, Tel: +46 708 775 832

*This information is information that Handicare Group AB (publ) is required to disclose pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact persons set out above, at 8:00 a.m. CET on 14 August 2019.*

**Forward-looking statements**
To the extent this report contains forward-looking statements, these statements are based on the current expectations of Handicare's Group management. Although management considers the expectations expressed in such forward-looking statements to be reasonable, there is no guarantee that these expectations will prove correct. Accordingly, actual future outcomes may differ significantly from those expressed in the forward-looking statements due to such factors as changed economic, market and competitive conditions, changes in regulatory requirements and other policy measures, and fluctuations in exchange rates.

**About Handicare**
Handicare offers solutions to increase the independence of disabled or elderly people, and to facilitate for their care providers and family. The offering encompasses a comprehensive range of curved and straight stairlifts, transfer, lifting and repositioning aids and vehicle adaptations. Handicare is a global company with sales in more than 20 countries and is one of the market leader in this field. The head office is in Stockholm, Sweden and manufacturing and assembly is located at five sites distributed across North America, Asia and Europe. In the twelve-month period to June 2019, revenue amounted to MEUR 271 and the adjusted EBITA margin was 7.5%. Employees numbered around 1,100 and the share is listed on Nasdaq Stockholm. For more information, www.handicaregroup.com.

## Quarterly data

| Group MEUR | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 | Q1 2019 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue | 66.4 | 64.8 | 65.4 | 65.3 | 70.0 | 65.2 | 69.2 | 67.2 | 69.4 |
| Cost of goods sold | -37.1 | -36.4 | -37.0 | -37.5 | -39.2 | -36.5 | -43.3 | -39.1 | -40.1 |
| **Gross profit*** | **29.3** | **28.4** | **28.4** | **27.8** | **30.8** | **28.7** | **26.0** | **28.0** | **29.3** |
| Operating costs | -21.9 | -21.0 | -21.5 | -22.0 | -22.8 | -21.9 | -22.2 | -22.1 | -22.0 |
| **Adjusted EBITDA*** | **7.4** | **7.4** | **6.9** | **5.8** | **8.1** | **6.8** | **3.8** | **6.0** | **7.3** |
| Depreciation of tangible fixed assets | -0.9 | -0.8 | -0.9 | -1.0 | -0.9 | -0.9 | -0.9 | -0.9 | -0.8 |
| **Adjusted EBITA*** | **6.6** | **6.6** | **6.0** | **4.7** | **7.2** | **5.9** | **2.8** | **5.1** | **6.5** |
| Other specified items | -1.2 | -4.9 | -0.3 | - | -2.0 | - | -1.0 | - | - |
| IFRS 16 impact | - | - | - | - | - | - | - | 0.1 | 0.1 |
| **EBITA** | **5.4** | **1.7** | **5.7** | **4.7** | **5.2** | **5.9** | **1.8** | **5.2** | **6.6** |
| **Adjusted EBITDA (incl IFRS 16)** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **7.4** | **8.8** |
| **Key figures, %** | | | | | | | | | |
| *Gross margin** | *44.1 %* | *43.9 %* | *43.5 %* | *42.6 %* | *44.0 %* | *44.0 %* | *37.5 %* | *41.7 %* | *42.3 %* |
| *Adjusted EBITDA margin** | *11.2 %* | *11.4 %* | *10.5 %* | *8.8 %* | *11.5 %* | *10.5 %* | *5.5 %* | *8.9 %* | *10.5 %* |
| *Adjusted EBITA margin** | *9.9 %* | *10.2 %* | *9.2 %* | *7.3 %* | *10.2 %* | *9.1 %* | *4.1 %* | *7.6 %* | *9.3 %* |
| *EBITA margin** | *8.1 %* | *2.7 %* | *8.7 %* | *7.3 %* | *7.4 %* | *9.1 %* | *2.7 %* | *7.7 %* | *9.5 %* |

** Alternative performance measures, refer to pages 19 and 20 for definitions and calculations. Discontinued operations are not included in the table above (BD was sold during 2017 and Puls was sold during 2019)*

## Alternative performance measures

Handicare uses certain alternative performance measures (APMs) not defined in the rules for financial reporting adopted by Handicare. These APMs are considered important result and performance indicators for investors and other readers of the interim report. The purpose of these APMs is to provide a better understanding of how the business develops. These APMs shall be seen as a complement to, and not substitute to, the financial information prepared in accordance with IFRS. These APMs, as defined, cannot be fully compared with other companies' APMs. For a complete description, refer to the 2018 Annual report, pages 93-94.

**Adjusted EBIT**
EBIT excluding Other specified items and the impact from the IFRS 16 transition.

**Adjusted EBIT margin**
Adjusted EBIT as a percentage of revenue.

**Adjusted EBITA**
EBITA excluding Other specified items and the impact from the IFRS 16 transition.

**Adjusted EBITA margin**
Adjusted EBITA as a percentage of revenue.

**Adjusted EBITDA**
EBITDA excluding Other specified items and the impact from the IFRS 16 transition.

**Adjusted EBITDA margin**
Adjusted EBITDA as a percentage of revenue.

**Adjusted operating cash flow**
Cash flow from operating activities (including changes in working capital) excluding Other specified items and the impact from the IFRS 16 transition.

**Adjusted operating cash flow/Adjusted EBITDA**
Adjusted operating cash flow from operating activities as a percentage of Adjusted EBITDA.

**Capital expenditure (CAPEX)**
Investments in both tangible and intangible assets, excluding financial assets.

**Constant currency**
Translation of the preceding period at the average exchange rates for the current period.

**EBIT margin**
Operating profit (EBIT) as a percentage of revenue.

**EBITA**
Earnings before interest, tax and amortisation.

**EBITA margin**
EBITA as a percentage of revenue.

**EBITDA**
Earnings before interest, tax, depreciation and amortisation.

**EBITDA margin**
EBITDA as a percentage of revenue.

**Gross margin**
Gross profit as a percentage of revenue.

**Gross profit**
Revenue less direct costs (direct material, direct labour and freight costs) for the manufacture and sale of products.

**Net debt**
Interest-bearing liabilities, excluding lease liabiliites, less cash and cash equivalents.

**Net debt/Adjusted EBITDA**
Interest-bearing net debt in relation to adjusted EBITDA.

**Organic growth**
Organic growth refers to revenue growth excluding (i) growth related to acquisitions and divestments and (ii) growth related to fluctuations in currency exchange rates. For more details, see the section Definitions in the company's 2018 Annual Report

**Other specified items**
Other specified items cover transaction costs, integration costs, restructuring costs, IPO costs, recall costs and other efficiency projects.

## Reconciliation of significant alternative performance measures

| Group | April - June | | January - June | | FY |
|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018 |
| **Revenue** | **69.4** | **70.0** | **136.6** | **135.3** | **269.8** |
| Direct material | -30.7 | -30.0 | -60.2 | -58.4 | -119.4 |
| Direct Labor | -6.8 | -6.4 | -13.7 | -12.9 | -26.2 |
| Freight (inbound / outbound) | -2.6 | -2.7 | -5.3 | -5.3 | -10.8 |
| **Gross profit** | **29.3** | **30.8** | **57.4** | **58.6** | **113.3** |

| Group | April - June | | January - June | | FY |
|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018 |
| **Operating profit/loss (EBIT)** | **4.9** | **3.8** | **8.5** | **7.3** | **12.0** |
| Amortisation / impairment of intangible assets | 1.6 | 1.4 | 3.3 | 2.6 | 5.6 |
| Other specified items | - | 2.0 | - | 2.0 | 3.0 |
| IFRS 16 impact | -0.1 | - | -0.2 | - | - |
| **Adjusted EBITA** | **6.5** | **7.2** | **11.5** | **11.9** | **20.7** |
| Depreciation of tangible fixed assets | 0.8 | 0.9 | 1.7 | 1.9 | 3.8 |
| **Adjusted EBITDA** | **7.3** | **8.1** | **13.2** | **13.8** | **24.4** |

| Group | April - June | | January - June | | FY |
|---|---|---|---|---|---|
| MEUR | 2019 | 2018 | 2019 | 2018 | 2018 |
| **Cash flow before changes in working capital** | **8.0** | **9.3** | **16.6** | **13.5** | **23.9** |
| Taxes paid | 0.2 | 0.4 | 0.3 | 1.1 | 1.6 |
| Cash Interest and Cost | -1.1 | -0.7 | -2.2 | -1.4 | -3.0 |
| Net financial items per the profit and loss statement | 2.3 | -0.8 | 2.2 | 1.1 | 1.2 |
| Other non cash-items | -0.7 | -1.5 | -0.5 | -1.6 | -1.0 |
| Other specified items | - | 2.0 | - | 2.0 | 3.0 |
| IFRS 16 impact | -1.5 | - | -2.9 | - | - |
| Discontinued operations | 0.1 | -0.5 | -0.3 | -0.9 | -1.3 |
| **Adjusted EBITDA** | **7.3** | **8.1** | **13.2** | **13.8** | **24.4** |
| Change in net working capital | -5.5 | 0.7 | -10.4 | -3.8 | -1.3 |
| Acquired / divested tangible/intangible assets | -1.0 | -1.4 | -2.0 | -2.8 | -5.9 |
| **Adjusted operating cash flow** | **0.7** | **7.4** | **0.9** | **7.2** | **17.2** |