

INTERIM REPORT Q1

January-March

2019



“ Our vision is to establish ourselves as the leading company within dental and oral health for the pet market. ”



SWEDENCARE

** Note: The English version is a non-official translation of the original Swedish report.*



SWEDENCARE

ABOUT SWEDENCARE

Swedencare develop, produce, market and sell premium products on the global and fastgrowing market within animal healthcare for cats, dogs and horses. The product groups ProDen PlaqueOff® and NutriScience are represented on approximately fifty markets in all parts of the world, including the headquarter in Malmö, six subsidiaries in the France, Spain, Ireland, Nordics, Great Britain and United States and through an external distribution network. Swedencare's sales have increased significantly over the last few years with strong margins and results. The board of directors and the management have a wide and extensive experience of international marketing and sales.

FINANCIAL OBJECTIVE

Swedencare's financial objective is to achieve sales in excess of 200 MSEK in 2020, with an EBITDA margin exceeding 30%.

DIVIDEND

Swedencare has a long-term ambition to pay dividend to its shareholders. However, the board has decided to prioritize growth through acquisitions of companies and/or rights linked to supplementary products. The ambition is to achieve sales in excess of 200 MSEK in 2020. The board intends to come back regarding the dividend policy when the ambition of annual sales exceeding 200 MSEK has been achieved.



FANTASTIQ! - IN SALES, RESULTS AND PLAQUEOFF GROWTH

SUMMARY OF THE PERIOD

FIRST QUARTER: JANUARY 1ST – MARCH 31ST 2019

Numbers in parentheses refers to outcomes during the corresponding period of the previous year.

- Net revenue amounted to 30 551 KSEK (21 685 KSEK), an increase of 41%
- Organic, currency-adjusted, growth amounted to 33%
- Operating profit after depreciation (EBIT) amounted to 10 679 KSEK (6 012 KSEK), corresponding to an increase about 78% and an EBIT margin of 34,9% (27,6%)
- Profit after tax amounted to 8 508 KSEK (4 801 KSEK)
- Earnings per share calculated on 15 770 622 shares 0,54 SEK (0,30 SEK)
- As of March 31st 2019, cash amounted to 35 252 KSEK (22 624 KSEK)

SIGNIFICANT EVENTS DURING THE FIRST QUARTER

Swedencare's ProDen PlaqueOff® Powder has been approved by VOHC.

Swedencare establishes its own sales and marketing company in Spain - Swedencare Spain SLU.

Swedencare receives another Swedish institution as new owner, Investment AB Spiltan.

SIGNIFICANT EVENTS AFTER THE FIRST QUARTER

There are no significant events after the end of the first quarter to report.



WORDS FROM THE CEO

In the annual report, I mentioned that the year started well and this still applies!

We have a fantastic quarter behind us, our strongest ever in terms of both sales and profit. We have now four quarters in a row with different records, this shows the momentum I talked about on several occasions.

We have definitely geared up and still see many new business opportunities which predicts that we are only at the start of what we want to create. ***Our vision is to establish ourselves as the leading company within dental and oral health for the pet market*** while offering our customers a broad complementary portfolio of well-functioning animal health products.

Net sales during Q1 2019 was 30.5 MSEK, an increase of 41% compared to Q1 2018. The profit was even better and we showed an EBIT of 10.7 MSEK, an increase of 78%. The EBIT margin was noted at 34.9%, well above our 30% profit target. This is the first time that we have sales of more than 30 MSEK and also the first time we have a profit of more than 10 MSEK.

We have had strong development in most markets. North America continues to deliver despite some challenges. During the quarter, we changed partners regarding deliveries in Canada, as our former partner did not keep promised delivery times. Not until now in April have we been able to restock our warehouse after having sold out our Dental Bones early in the quarter in Canada. North America has also been negatively affected by production delays for Dental Bites at our new manufacturing partner. Despite this, we have a currency-adjusted sales increase in Swedencare USA of 55% compared with the corresponding quarter last year, and with a very high margin, already in Q1, 61% of last year's full-year result was achieved. Demand remains high and we expect North America to remain strong throughout the year.

The UK also had a strong quarter where all product areas are growing. Dental Bones has the strongest growth and this is because we only had one flavor in Q1 2018 compared to four this year. Online sales through partners remain strong, but we also see that our increased onsite visits / trainings at clinics and stores provide results.

The Nordic region has come back strongly after a slow 2018 and here we work the market with both onsite visits and online ventures. In the rest of Europe, France has delivered well along with Portugal and Greece, among others. In Spain we started our own sales organization during Q1 and we expect to have our first sales figures to be presented in Q2 with increasing volumes during the second half of the year. We already have agreements with a number of regional distributors and larger pet retail chains.



It will be exciting to follow how we, together with our new colleague Raquel Tosca, will change our position in the Spanish market, which is one of the most important in Europe.

As far as the Rest of the World is concerned, Asia and especially China and Japan, were strong in the quarter. In China, major investments are still being made in education and customer visits. Our partner sold twice as much in Q1 this year compared to last year's corresponding period. We will participate in a longer educational tour in April and the interest in our products increase quarter by quarter.


Our colleagues in Ireland have now moved in completely and the factory meets our high demands and expectations. The team has done a fantastic job with the move, and it is only now in April they can completely focus on "normal" production work. The sale of the NutriScience line will increase during the year and we look forward to launches in some new countries. We also have had several visits during Q1 by external customers, all of whom are very impressed by the facility and this has led to discussions about new projects.

2019 will be intense and the entire organization looks forward to delivering our high demand products and continue to build strong brands worldwide. I will go to Australia in May, and it will be inspiring to meet both veterinarians and pet owners in a market which we expect to continue to show good growth in the coming years.

Thank you,




*Håkan Lagerberg, CEO
Malmö April 25th 2019*



We're flattered.

ProDen PlaqueOff® is the original and only patented systemic supplement recommended by vets and carries the VOHC seal of acceptance to prove that ProDen PlaqueOff helps improve oral hygiene.



www.PLAQUEOFF.COM

KPI'S Q1 2019

NET REVENUE
30 551 KSEK

CHANGE IN
NET REVENUE
41%

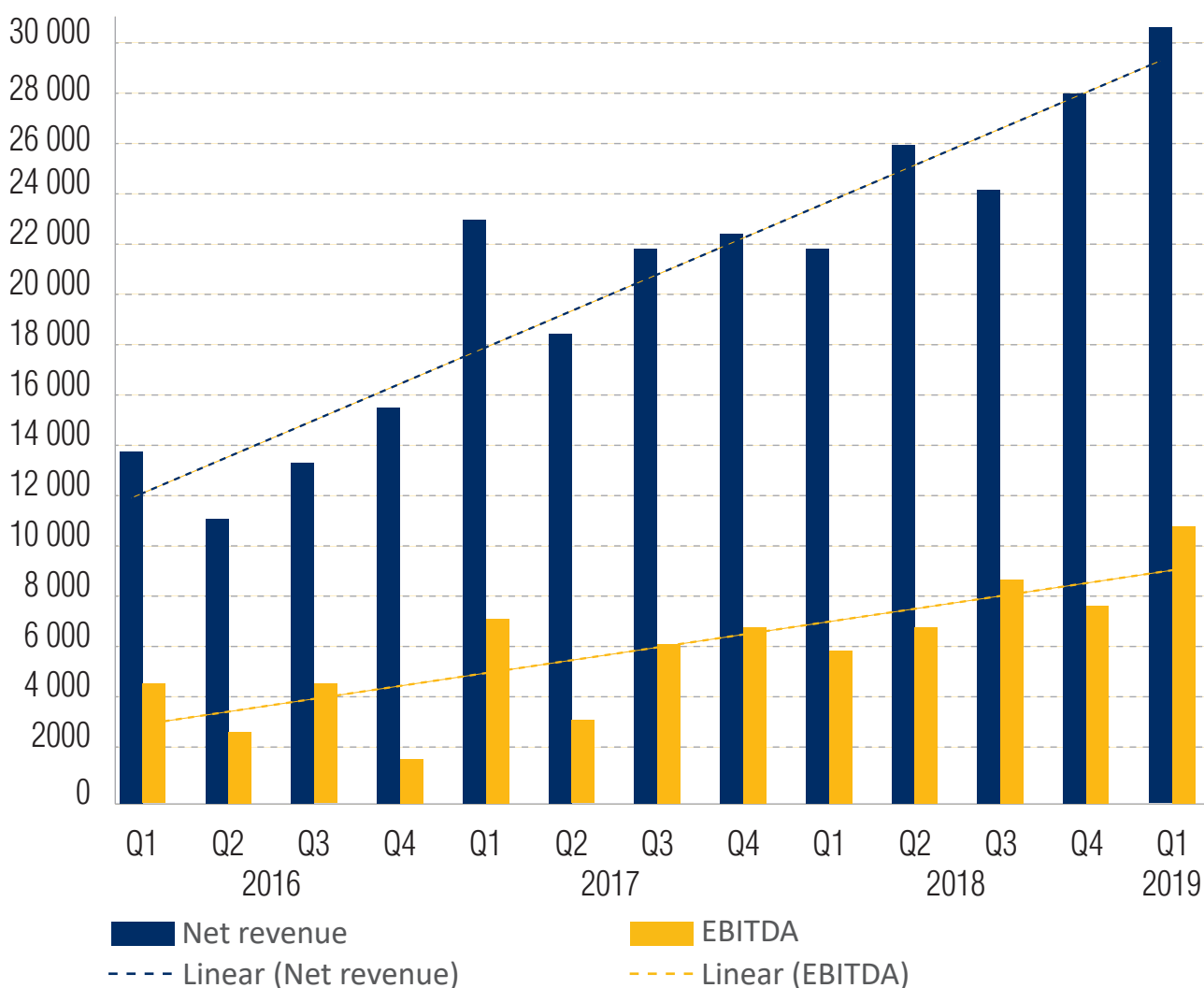
EBIT
10 679 KSEK
EBIT
MARGIN
34,9%

EARNINGS
PER SHARE
0,54 SEK

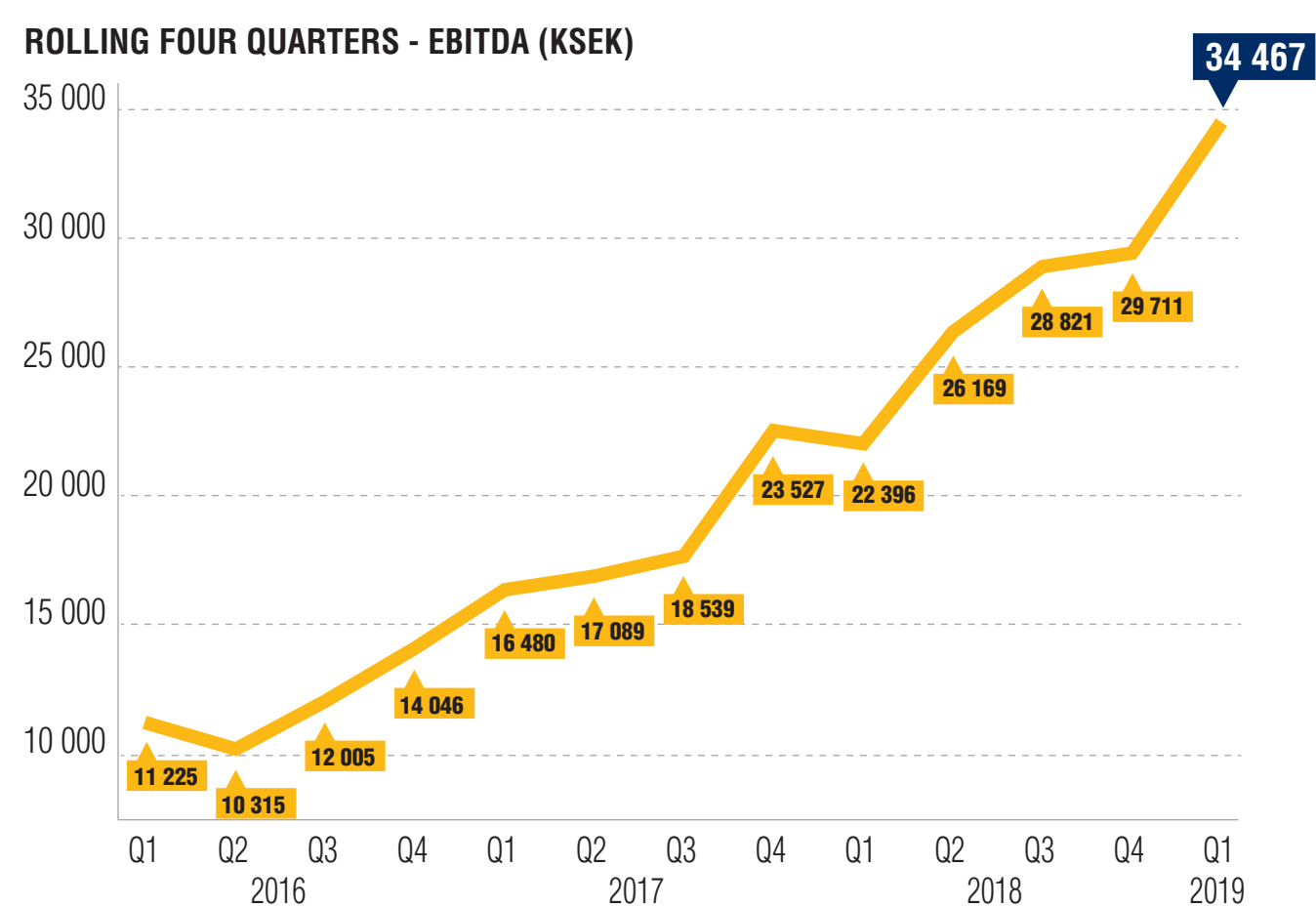
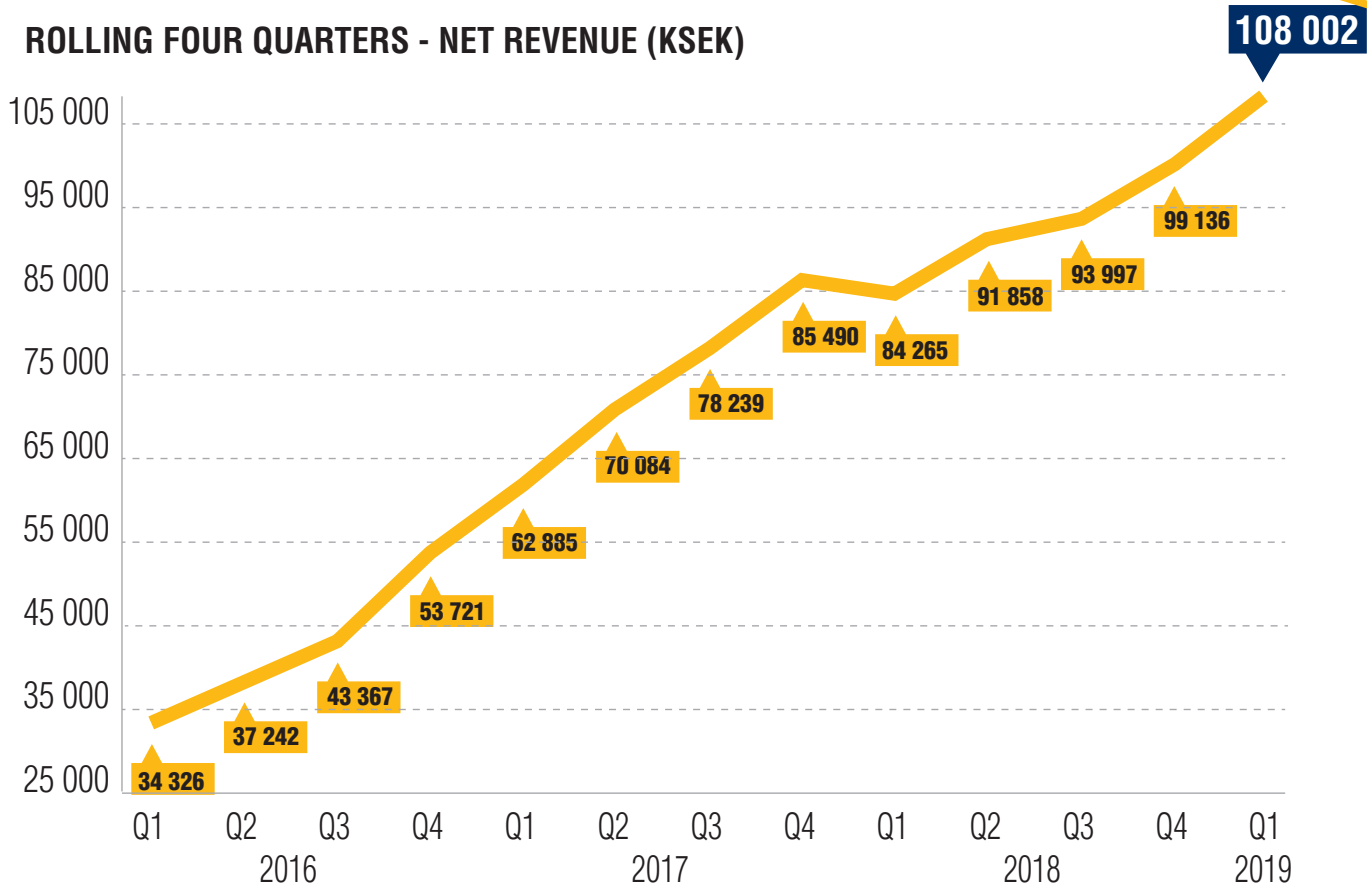
CASH
35 252 KSEK

SOLVENCY
81,2%

2016-2019 QUARTERLY HISTORY OF REVENUE AND EBITDA (KSEK)



Additional KPI's and definitions can be found on page 18.



Note that EBITDA in **QUARTERLY HISTORY** (page 6) and in **ROLLING FOUR QUARTERS** (page 7) before Q1 2018 is calculated according to K3 (local GAAP) however, the difference between accounting principles at EBITDA level is not significant.

COMMENTS ON THE FINANCIAL DEVELOPMENT

Numbers in parantheses refers to outcomes during the corresponding period of the previous year.

NET REVENUE

Net sales during Q1 were for the first time over 30 MSEK and for the fourth quarter in a row, Swedencare has been able to deliver increases in sales compared with the corresponding period previous years. During the first quarter net sales increased by 41% to 30,551 KSEK (21,685 KSEK) compared with the previous year. The increase is mainly due to the fact that all ProDen PlaqueOff® products have experienced growth over 30% compared with the corresponding quarter last year. At the same time as almost all markets continue to grow. The major increase comes from Asia, with China at the top. North America has also increased by (+ 55%), and also UK / Ireland (+ 35%) has contributed to high growth. Part of the quarter's sales in the UK may have been positively affected by an unstable Brexit situation.

The organic growth during the first quarter was 33%.

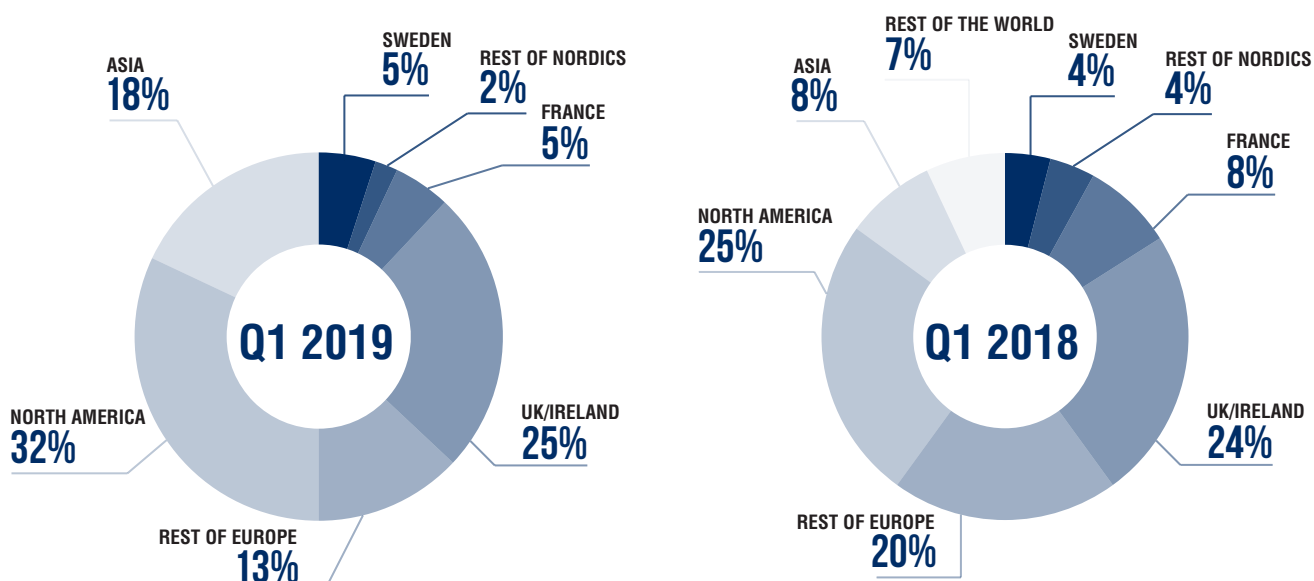
GEOGRAPHIC DISTRIBUTION

Asia continues to grow - during the quarter Asia has more than doubled its sales and now represents 18% of total sales compared to 8% in the corresponding period last year. China as the largest market accounts for 9% in Q1 2019.

The market in North America also continues forward with big steps, with an increase of 55% compared to the same quarter last year and now representing 32% of the Group's total sales, which means that the sub-market is our largest during the quarter. In Q1 2018, Rest of the World represented 7% of quarter sales, this quarter it is 0%. This is because last year we had a large delivery to Australia and this year we have not yet had any sales to this market.

It is also satisfying that the market in Sweden, after a calmer 2018, has gained momentum during Q1 2019 and increased sales by a full 60% compared with the corresponding quarter last year.

During Q1 2019 and Q1 2018, the geographical sales were distributed according to the graphics.



PRODUCT DISTRIBUTION

All products within the ProDen PlaqueOff® product line increased during the quarter compared with the corresponding period last year. Dental Bones continues to be the fastest growing product, sales have more than doubled compared to Q1 2018 and now represent 10% of total sales. In North America, where it was first launched, it represents 25% of total sales.

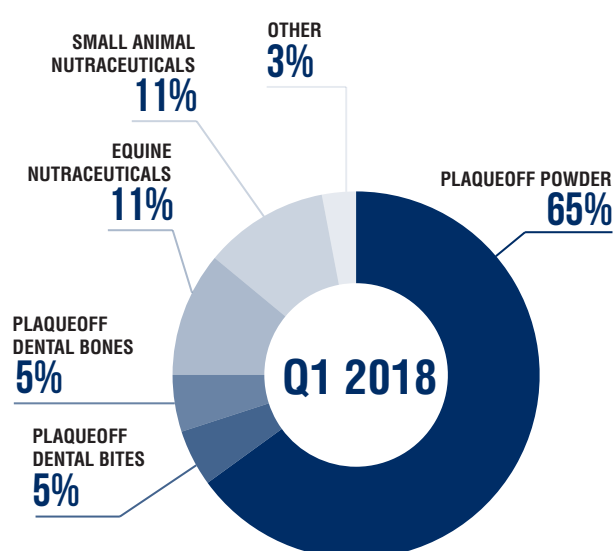
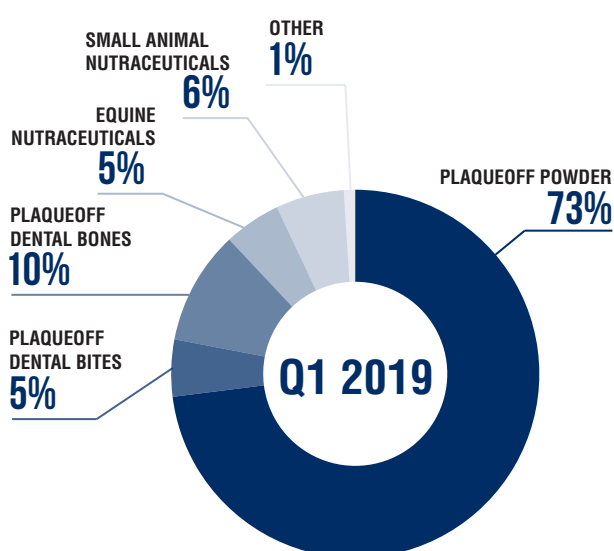
Although PlaqueOff Powder, our flagship product, is well established in our markets, this product continues to grow strongly - in the first quarter, growth was 49% over the corresponding period last year and now represents 73% of total sales.

From 2019 and this interim report, we distribute our other brand family NutriScience in "Equine", products for horses, and "Small animal", products for dog and cat. Both of these product families have had a slower start compared to the corresponding period last year.

Despite only marginal sales of Dental Bites in North America due to production delays, this product group has increased by 36% compared with the corresponding period last year.

Powder Ingredient, which is used in the collaboration with food producers, has had a growth of 32% compared to Q1 2018, however, the volumes are too small to be seen in the graphics in Q1.

During Q1 2019 and Q1 2018 sales per product group were distributed according to the graph.



PROFIT

Operating profit before financial costs and taxes (EBIT) during the first quarter of 2019 amounted to 10,679 KSEK (6,012 KSEK), corresponding to an operating margin of 34.9% (27.6%) - well above the company's long-term profitability targets.

A higher gross margin, 76.2% compared to 74.2% in the full year 2018, was affected by a higher proportion of PlaqueOff products and fewer first-time discounts on Dental Bones. During the first quarter, the company has increased its marketing efforts, which affects the external costs, the increased market investment will continue in 2019. Depreciation of tangible and intangible fixed assets is affected by IFRS16 Leasing agreements, which means that the Group's lease agreements and cars are also reported in the balance sheet as of 2019. Exchange rate fluctuations affected EBIT in Q1 with a exchange gain of 572 KSEK.

Profit after tax for the first quarter of 2019 amounted to 8,508 KSEK (4,801 KSEK), corresponding to a profit margin of 27.8% (22.0%).

Earnings per share during the first quarter of 2019 amounted to 0.54 SEK (0.30 SEK) based on the number of outstanding shares (15,770,622) as of March 31st 2019.

CASH FLOW

Cash flow from operating activities amounted to 8,467 KSEK (2,181 KSEK) during the first quarter of 2019.

During the first quarter of 2019, cash flow amounted to 6,810 KSEK (-1,453 KSEK). Cash flow was affected by continued investments in the new factory and logistics property in Ireland, as well as machines and tools for increased productivity. In connection with IFRS16, the amortization also increased. During the quarter, there was no, against normal one, amortization of the loan.

FINANCIAL POSITION

Swedenare's equity, as of March 31 2019, amounted to 107,962 KSEK (80,007 KSEK), of which 811 KSEK (811 KSEK) was restricted equity.

Swedencare's cash amounted to 35,252 KSEK (22,624 KSEK) at March 31st 2019, at the same date, the Group had interest-bearing long-term and short-term liabilities totaling 11,711 KSEK (17,998 KSEK).

9,000 KSEK of the long-term and short-term interest-bearing liabilities relate to acquisition loan. Swedencare has a net cash which, as of March 31st 2019, amounted to 23,541 KSEK (4,626 KSEK).

PERSONNEL

On March 31st 2019, Swedencare had a total of 31 employees in Sweden (7), England (4), France (2), USA (4), Ireland (13) and Spain (1). The gender distribution is 55% women and 45% men. As of March 31st 2018, Swedencare had a total of 29 employees.



OTHER INFORMATION

RISK FACTORS

The Board of Directors and the Managing Director ensure that the interim report gives a true and fair view of the Company's business, position and results. In assessing Swedencare's future development, it is important to take into account risk factors in addition to potential sales and profit growth. Swedencare's operations are affected by a number of risks that may affect the Company's earnings and financial position to varying degrees. For a description of Swedencare's risks, reference is made to the Company's Annual Report.

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34. Same principles have been applied as per the last Annual Report. Since 2019 the group applies IFRS 16 Leasing which includes rental and car lease agreements in the balance sheet. This does not have a material impact on the result.

RELATED PARTY TRANSACTIONS

There have been no transactions with related parties during the first quarter.

WE ARE PRESENT **WORLDWIDE**

Today, our products are sold in approximately 50 countries and we have customers on all continents.

"Swedencare USA continued our solid performance from 2018 into 2019 with a record Q1 in both sales and profitability. We had a successful launch of our new Dental Bone flavor, Bison and Apple, at the Global Pet Expo."

While the US market is caught up in a wave of consolidation, Swedencare USA is positioned with excellent partners in distribution and Internet sales so that we can take advantage of the growth and sales expansion of our partners through the rest of 2019."

- Martin Shimko
VD - Swedencare USA

"Swedencare UK Ltd was delighted to report its best ever Q1 Sales (33% increase vs prior year) with record sales posted in March."

- John Leonard
VD - Swedencare UK/Ireland

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"In the last couple of months we have focused our efforts on establishing the company's structure and the base of a solid distribution network. Initial meetings and contacts have been very satisfactory, and we expect that during the month of May we'll be closing our first commercial agreements."

In March we have attended the biggest animal health exhibition in our market and we had the opportunity to confirm that PlaqueOff is recognized as a premium product from both vets and pet shops owners, which give us a good outlook on sales for the coming months."

- Raquel Tosca
Recently recruited Country Manager - Swedencare Spain



SWEDENCARE

Offices

- ★ Malmö, Sweden - **Head office**
- ① Waterford, Ireland
- ② Leeds, UK
- ③ Purget-sur-Argens, France
- ④ Poulsbo, Washington, USA
- ⑤ Barcelona, Spain

"A positive visit to Optifeed in Poland secured a new Equine Distributor for this region. Optifeed import premium equine brands from Western Europe. I'm confident given time and focus, they will be an excellent fit for the Nutriscience equine range."

- Padge Whelan
European Sales Manager - NutriScience productline

"A mix of increased activity with existing customers, and that customers which we have built relationships with for a while placed their first orders, gave us a good result during Q1. We continue to work the market with visits and trainings for veterinary clinics and animal stores. We are using social media like Facebook and Instagram to spread information about our products. Increasing the awareness to end consumer gives us a greater opportunity to get stores and veterinarians to buy our products."

- Sabine Uhde
Swedencare Nordic Director

"Our Chinese distributor is reporting that the sales of PlaqueOff products in Q1 this year is doubled from the same period last year. They have now also in Q1 initiated a intense product training program aimed directly at pet stores and veterinary clinic staff in all major areas around the country."

- Andreas Lysander
Export Sales Manager

"Both the Greece and Portuguese markets show a positive increase in sales and results and our products have been introduced in several new petshop chains."

"In addition, we are happy to see the good results in Petshops sales during and after our PlaqueOff TV-spot which has been running in channel 8 in France."

- Hans Persson
VD - Swedencare Buccosanté

● Our presence

We are present worldwide

STOCK

	31 Mar 2019	31 Mar 2018	31 Mar 2017	30 Jun 2016
Number of shares at the end of the period	15 770 622	15 770 622	15 770 622	15 395 500
Share price at the end of the period	53.0	34.0	24.5	19.8

SHAREHOLDERS (the table summarizes Swedencare's owner structure as of March 31st 2019).

	NUMBER OF SHARES	OWNERSHIP
Håkan Svanberg & Co Health Care AB	5 020 982	31.84%
Mastan AB (<i>Håkan Lagerberg through company</i>)	1 990 362	12.62%
JCC Group Invest Sweden AB (<i>Johan Bergdahl through company</i>)	1 977 351	12.54%
AMF Aktiefond Småbolag	755 000	4.79%
Swedia Capital AB	735 401	4.66%
SHB Fonder	500 000	3.17%
Aktia Nordic Micro Cap	416 614	2.64%
Nordnet Pensionsförsäkring AB	310 512	1.97%
Martin Shimko - VD Swedencare USA	300 000	1.90%
Investment AB Spiltan - NEW	300 000	1.90%
GrenSpecialisten - NEW	266 742	1.69%
ML, Pierce Fenner & Smith Inc.	222 173	1.41%
Hans Persson - VD Swedencare Frankrike	199 751	1.27%
Enter Småbolagsfond	195 000	1.24%
Grandeur, Fund BBHBOS	194 678	1.23%
Tedcap AB (<i>Thomas Eklund through company</i>)	190 000	1.20%
Avanza	168 882	1.07%
Jonas Pålsson	160 101	1.02%
BNP Paribas, Luxemburg - NEW	140 000	0.89%
Per Malmström Consulting AB	123 000	0.78%
Aktia Secura - NEW	100 000	0.63%
Others	1 504 073	9.54%
Total	15 770 622	100.00%
Free Float*	6 468 927	41.02%

Holdings include related parties

* Shares not owned by board members, their close related or shareholders with more than 10%

FINANCIAL OVERVIEW

CONSOLIDATED PROFIT AND LOSS (KSEK)

	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net revenue	30 551	21 685	99 136
Other revenue	6	113	253
Total revenue	30 557	21 798	99 389
Cost of sales	-7 272	-5 880	-25 615
Gross margin	23 285	15 918	73 774
Other external costs	-5 845	-4 160	-20 538
Personnel costs	-6 624	-5 698	-23 525
EBITDA	10 816	6 060	29 711
Depreciation and amortization	-709	-276	-1 126
Other costs*	572	228	843
EBIT	10 679	6 012	29 428
Financial costs	-82	-101	-339
Result after financial costs	10 597	5 911	29 089
Net income before tax	10 597	5 911	29 089
Tax on profit	-2 178	-1 100	-5 871
Deferred tax	89	-10	102
Net income	8 508	4 801	23 320
Attributable to shareholders of parent company	8 508	4 801	23 320

* Includes exchange rate differences

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (KSEK)

Net income	8 508	4 801	23 320
Exchangedifference	1 185	1 003	746
Total result	9 693	5 804	24 066
Attributable to shareholders of parent company	9 693	5 804	24 066

CONSOLIDATED BALANCE SHEET (KSEK)

	31 Mar 2019	31 Dec 2018	31 Mar 2018
ASSETS			
Non current assets			
<i>Intangible assets</i>			
Goodwill	49 848	49 848	49 848
Other intangible assets	261	311	461
<i>Tangible assets</i>			
Buildings and land	8 291	7 854	3 385
Machinery and other tech assets	5 637	2 957	2 136
Tools, furnitures and fixtures	2 049	1 291	1 040
<i>Financial assets</i>			
Other financial assets	32	32	32
Deferred tax asset	698	609	498
Total non current assets	66 816	62 902	57 400
Current assets			
Inventory	11 081	9 740	9 190
Accounts receivable	18 122	14 415	14 494
Tax receivable	-	-	162
Other receivable	-65	1 194	649
Prepaid costs and deferred revenue	1 796	1 180	929
Cash	35 252	28 435	22 624
Total current assets	66 186	54 964	48 048
TOTAL ASSETS	133 002	117 866	105 448
EQUITY AND LIABILITIES			
Equity			
Share capital	789	789	789
Reserves	22	22	22
Retained earnings incl. NI	107 151	97 458	79 196
Total equity	107 962	98 269	80 007
Long term liabilities			
Debt to credit institutions	1 000	1 000	9 000
Other long term liabilities	2 711	1 376	998
Short term liabilities			
Debt to credit institutions	8 000	8 000	8 000
Accounts payable	4 386	3 248	2 874
Tax liabilities	1 797	788	-
Other liabilities	4 866	2 968	3 054
Deferred costs and prepaid income	2 280	2 217	1 515
Total liabilities	25 040	19 597	25 441
TOTAL EQUITY AND LIABILITIES	133 002	117 866	105 448

CONSOLIDATED CASH FLOW STATEMENT (KSEK)

	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Operating income after financial costs	10 597	5 911	29 089
Depreciation	709	276	1 082
Paid tax	-1 169	-1 964	-5 774
Change in working capital	-1 670	-2 042	-2 446
Cash flow from operating activities	8 467	2 181	21 951
<i>Investment activities excl. leasing</i>			
Purchases of buildings	-365	-3 099	-7 867
Purchases of machines	-412	-	-637
Purchases of tools, furnitures and fixtures	-457	-469	-889
Cash flow from investments	7 233	-1 387	12 558
<i>Financial activities</i>			
Amortization on interest-bearing loan	-	-	-8 000
Amortization on lease	-423	-66	-272
Cash flow for the period	6 810	-1 453	4 286
Cash balance at beginning of period	28 435	24 077	24 077
Exchange difference in cash	7	-	72
Cash balance at end of period	35 252	22 624	28 435

CONSOLIDATED CHANGE OF EQUITY (KSEK)

	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Beginning balance	98 269	74 203	74 203
Net income	8 508	4 801	23 320
<i>Other comprehensive income</i>			
Exchange difference	1 185	1 003	746
Ending balance	107 962	80 007	98 269

CONSOLIDATED KPI'S (KSEK)

	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018
Net Revenue	30 551	21 685	99 136
Total Revenue	30 557	21 798	99 389
EBIT	10 679	6 012	29 428
Net Income	8 508	4 801	23 320
Balance Sheet Total	133 002	105 448	117 866
Equity	107 962	80 007	98 269
Change of Revenue (%)	40.2%	-4.9%	16.0%
Gross Margin (%)	76.2%	73.0%	74.2%
EBIT-margin (%)	34.9%	27.6%	29.6%
Net Income margin (%)	27.8%	22.0%	23.5%
Solvency (%)	81.2%	75.9%	83.4%
Interest-bearing netdebt	-23 541	-4 626	-18 059
Cash	35 252	22 624	28 435
Outstanding Shares	15 770 622	15 770 622	15 770 622
Average outstanding shares	15 770 622	15 770 622	15 770 622
Earnings per share (SEK)	0.54	0.30	1.48
Equity per share (SEK)	6.85	5.07	6.23

DEFINITION OF KPI'S

Net revenue

The main revenue of the Company

Change of revenue (%)

Total revenue in relation to the previous corresponding period

Gross profit

Sales revenue minus costs for raw materials and components

Gross margin (%)

Gross profit as a percentage of total revenue

EBITDA

Operating profit before depreciation and other operating expenses

EBIT

Operating profit

EBIT-margin (%)

Operating profit before fin. costs and taxes as a percentage of total revenue

Net income margin (%)

Profit after tax as a percentage of total revenue

Solvency (%)

Equity (equity and untaxed reserves minus deduction for deferred tax) calculated as a percentage of total assets

Interest-bearing netdebt

Interest-bearing debt including leasing minus cash

Earnings per share

Net income for the period in relation to the average number of shares during the period. There is no dilution effect.

Equity per share

Equity in relation to the number of shares at the end of the period

BOARD OF DIRECTORS

The Board of Directors ensures that this interim report provides a true and fair view of the group's operations, financial position and results.

MALMÖ APRIL 25TH 2019



Per Malmström
Board Chairman



Håkan Svanberg
Board Member



Johan Bergdahl
Board Member



Thomas Eklund
Board Member



Håkan Lagerberg
CEO and Board Member

AUDITOR'S REVIEW

This interim report has not been reviewed by the company's auditor.

FUTURE REPORTING SCHEDULE

Interim report Q2 2019
Interim report Q3 2019
Year report 2019
Interim report Q1 2020

26st of July 2019
24th of October 2019
13th of February 2020
23st of April 2020

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