

Interim Report

January-June 2023

Röko AB, Org.nr 559195-4812

April-June

- Net sales increased 40% to MSEK 1,395 (993)
- Operating profit increased 50% to MSEK 206 (137)
- Adj. EBITA increased 51% to MSEK 262 (173)
- Adj. EBITA margin was 19% (17%)
- Net profit increased to MSEK 116 (95)
- Earnings per share* increased to SEK 8.58 (7.08)

January-June

- Net sales increased 47% to MSEK 2,782 (1,889)
- Operating profit increased 62% to MSEK 438 (271)
- Adj. EBITA increased 58% to MSEK 550 (348)
- Adj. EBITA margin was 20% (18%)
- Net profit increased to MSEK 278 (199)
- Earnings per share* increased to SEK 20.59 (14.79)
- One acquisition with annual sales of MSEK 255 was completed during the period

Events after the period

After the period, Röko has closed its new share issue of MSEK 708, of which MSEK 405 has been paid in during the second quarter and the remainder in July. In July, Röko has repaid MSEK 1,000 of bank debt and instead obtained commitments from its banks for additional credit when needed. Following the completion of the new share issue on 4 April 2023, and repayment of bank debt, Röko's Financial net debt amount to MSEK 2,973 and Interest-bearing net debt amount to MSEK 684, or 2.6x and 0.6x RTM EBITDA respectively.

Rolling twelve months - RTM¹

During the last twelve months, the companies that were consolidated in the Röko Group at the end of the period (referred to as RTM), generated RTM net sales of MSEK 5,562 and RTM Adj. EBITA of MSEK 1,015.

Summary of financial performance

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Net sales	1,395	993	2,782	1,889	4,316
Operating profit	206	137	438	271	612
Earnings per share (SEK)*	8.58	7.08	20.59	14.79	28.60
Adj. EBITA	262	173	550	348	787
Adj. EBITA margin	19%	17%	20%	18%	18%
Net profit for the period	116	95	278	199	386

* Historical periods are restated based on the number of shares after the 1,000:1 split in January 2023.

Röko is a perpetual owner of European small and medium-sized businesses and today we own 23 companies in a variety of industries across Europe. Our team has more than 100 years of combined experience working with owner-managed businesses across markets and in different situations. To date, Röko has only acquired majority stakes in founder-owned companies, and the founders and management teams in our group companies remain invested in their own entity. We believe in empowering local management teams with autonomy and sharing incentives for local management to safeguard alignment of interest.

See definitions on page 23

Comments from the CEO

For the quarter, net sales increased 40% from MSEK 993 to MSEK 1,395, driven by acquisitions and exchange rate differences. The companies' organic sales shrunk -4% in local currency in the quarter but measured in SEK sales grew 1%. For the six-month period, organic sales shrunk -3% but measured in SEK sales grew 1%. No acquisitions were completed during the second quarter.

During the three-month period ending 30 June 2023 Adj. EBITA increased 51% from MSEK 173 to MSEK 262 largely driven by acquisitions. The Adj. EBITA margin increased slightly in the period and is explained by acquisitions with high profitability in the period. We always work with improving margins in all our business units. Acquisitions completed since the first quarter last year impact the seasonality of the Group where the first two quarters are positively impacted. Cash flow from operational activities amounted to MSEK 207 (134).

The relation between financial net debt (including put / call option debt and deferred considerations) and RTM Adj. EBITDA was 2.8x at the end of the period which is in line with our long-term target of being below 3.0x. Of the total financial net debt, the interest-bearing net debt amounts to 0.9x RTM Adj. EBITDA.

The put/call option debt and deferred consideration has increased with MSEK 10 during the quarter. The debt was reduced with MSEK 94 due to payments of deferred considerations, but exchange rate differences increased the debt in the quarter. In total the put / call option debt and deferred considerations amounted to MSEK 2,274 at the end of the quarter.

Return on capital employed was 13% for the first six months and is low compared to comparable companies that have been active longer than we have. The lower return is a result of Röko being a new company with very high growth, mainly through acquisitions, which impact the metric in three ways. Acquisitions completed at the end of the reporting period add capital employed but do not contribute profits and hence has a negative relative impact on the calculated return rate. Capital employed stemming from acquisitions will be reduced over time due to amortizations. Acquired companies will increase profits over time without a corresponding increase in capital employed.

Röko has drawn the full committed capital from shareholders and announced a new share issue of MSEK 708 during the quarter, which have been completed in early July 2023. In total, Röko's shareholders have contributed MSEK 1,189 of equity capital to Röko in the second quarter and beginning of the third quarter. This additional capital gives Röko ample financial room for additional acquisitions.

Fredrik Karlsson
CEO
Stockholm, 20 July 2023

Group performance in April-June

Net sales increased to MSEK 1,395 (993) during the quarter, driven by acquisitions. Organic sales shrunk -4% in local currency in the quarter but measured in SEK sales increased 1%. Earnings per share for the quarter increased to SEK 8.58 (7.08) and has been negatively impacted by exchange rate differences on deferred considerations.

Operating profit increased to MSEK 206 (137) during the period. Adj. EBITA increased to MSEK 262 (173). The Adj. EBITA margin was 19% (17%). Röko's definition of Adj. EBITA does not include costs for acquisitions, see definitions on page 22. Acquisition-related costs amounted to MSEK 2 (3) in the quarter.

Net interest on interest-bearing debt increased to MSEK -26 (-7), while net other financial items amounted to MSEK -18 (-8). Income tax increased to MSEK -47 (-27). The effective tax rate was 29% (18%). Net profit for the period increased to MSEK 116 (95).

Capital employed increased by 5% from 2023-03-31 to 2023-06-30 to MSEK 8,722 (8,303), largely driven by exchange rate differences. Return on Capital Employed* (ROCE) amounted to 12% in Q2 2023. Exchange rate differences have increased capital employed with MSEK 300 during the quarter. Quarterly ROCE can be misleading due to timing of acquisitions.

From 2023-03-31 to 2023-06-30, the Group's interest-bearing net debt decreased by MSEK 720 to MSEK 987. In the period, the Group's put/call option debt for shares relating to non-controlling interests and earn-out obligation increased by MSEK 10 to MSEK 2,274.

The cash flow from operational activities increased to MSEK 207 (134) and cash amounted to MSEK 1,042 at the end of the period.

Group performance in January-June

Net sales increased to MSEK 2,782 (1,889) during the six months period, driven by acquisitions. Organic sales shrunk -3% in local currency in the period but measured in SEK sales increased 1%. Earnings per share for the quarter increased to SEK 20.59 (14.79).

Operating profit increased to MSEK 438 (271) during the period. Adj. EBITA increased to MSEK 550 (348). The Adj. EBITA margin was 20% (18%) and is explained by recent acquisitions. Recent acquisitions impact the seasonality of the group's profit generation, with higher profits during the first two quarters. Röko's definition of Adj. EBITA does not include costs for acquisitions, see definitions on page 22. Acquisition-related costs amounted to MSEK 6 (12) in the period.

Net interest on interest-bearing debt increased to MSEK -50 (-13), while net other financial items amounted to MSEK -24 (-5). Röko's interest expenses have increased during the first six-months, solely explained by the increase in the reference rates from central banks. Income tax increased to MSEK -86 (-53). The effective tax rate was 24% (19%). Net profit for the period grew to MSEK 278 (199).

Capital employed increased by 10% from 2022-12-31 to 2023-06-30 to MSEK 8,722 (7,944), driven by acquisitions and exchange rate differences. Return on Capital Employed* (ROCE) amounted to 13% in H1 2023.

From 2022-12-31 to 2023-06-30, the Group's interest-bearing net debt decreased by MSEK 600 to MSEK 987. In the period, the Group's put/call option debt for shares relating to non-controlling interests and earn-out obligation increased by MSEK 88 to MSEK 2,274.

The cash flow from operational activities increased to MSEK 429 (212) and cash amounted to MSEK 1,042 at the end of the period.

The Group's leverage, defined as financial net debt (Including put/call option debt for non-controlling interest and earn-out obligations) to RTM Adj. EBITDA, is 2.8x which is in line with our long-term target of not exceeding 3.0x. Short-term the group's leverage can exceed 3.0x depending on timing of acquisitions. Interest-bearing net debt in relation to RTM Adj. EBITDA is 0.9x.

During the period Röko completed the acquisition of Godiva, a UK-based distributor of bearings, financed solely with cash from the balance sheet.

*) Return on capital employed for the second quarter and the first six months of 2023 has been calculated based on the opening and closing balance for each period and for the periods by annualizing Adj. EBITA for the period. Please refer to Reconciliation of alternative key performance indicators on page 24-25.

Segment Overview

Net Sales MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Segment B2B	911	648	1,785	446	2,965
Segment B2C	485	345	997	346	1,351
Net Sales	1,395	993	2,782	792	4,316

Adj. EBITA MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Segment B2B	172	126	337	254	574
Segment B2C	100	60	231	112	256
Adj. EBITA*	272	187	568	366	830
Central costs	-10	-13	-19	-18	-43
Group Adj. EBITA*	262	173	550	348	787

*) Segmental Adj. EBITA does not include the amortization of intangible assets (including from assets arising from the acquisitions), acquisition costs, or other acquisition-related items which are reported as part of the operating income in the consolidated financial statements. The amortization of intangible assets related to acquisitions amounted to MSEK 52 (31), and the acquisition costs were MSEK 2 (3) in the quarter. For the first six months, the amortization of intangible assets related to acquisitions amounted to MSEK 102 (59), and the acquisitions costs were MSEK 6 (12) for the period.

The Röko Group consists of 23 business units in different industries and no single customer or industry is individually significant to the group.

Quarterly Adj. EBITA increased to MSEK 172 (126) for Segment B2B and increased to MSEK 100 (60) for Segment B2C before the allocation of central group costs. Central group costs amounted to MSEK 10 (13) in the quarter. For the first six months, Adj. EBITA increased to MSEK 337 (254) for Segment B2B and increased to MSEK 231 (112) for Segment B2C before the allocation of central group costs. Central group costs amounted to MSEK 19 (18) for the period.

B2B performance in April-June

The B2B segment includes 15 business units of which one was consolidated at the end of the period. Net sales increased to MSEK 911 (648) during the period, driven by acquisitions and with positive contribution from exchange rates. The input-cost increases for our B2B segment are still high and some companies have not been passing these on to customers in full. The segment Adj. EBITA is stated before central costs.

B2C performance in April-June

The B2C segment includes eight business units of which all were included at the start of the period. Net sales increased to MSEK 485 (345) during the period, driven by acquisitions and with positive contribution from exchange rates. Acquisitions completed since the first quarter 2022 experience seasonality which impact the business segment's EBITA with approximately MSEK 10 in the second quarter. The segment Adj. EBITA is stated before central costs.

B2B performance in January-June

The B2B segment includes 15 business units of which one was consolidated at the end of the period. Net sales increased to MSEK 1,785 (446) during the period, driven by acquisitions and with positive contribution from exchange rates. The input-cost increases for our B2B segment are still high and some companies have not been passing these on to customers in full. The segment Adj. EBITA is stated before central costs.

B2C performance in January-June

The B2C segment includes eight business units of which all were included at the start of the period. Net sales increased to MSEK 997 (346) during the period, driven by acquisitions and with positive contribution from exchange rates. Adj. EBITA increased during the period. Acquisitions completed since the first quarter 2022 experience seasonality which impact the business segment's EBITA with approximately MSEK 50 in the first six months. Several companies in the segment experienced slower demand in the period, and hence difficulties to pass on input-cost increases to customers. The segment Adj. EBITA is stated before central costs.

Other financial information

Parent Company

Röko AB is a perpetual owner of niche businesses across a variety of industries. Röko AB has 7 employees and recorded a net profit of MSEK 16 (208) in the first six months of 2023, of which 58 (139) in the second quarter. The decline in net profit is mostly explained by exchange rate differences on financial net debt related to acquisitions in foreign currencies. Röko AB received MSEK 240 (165) in dividends during the second quarter and MSEK 257 (210) during the first half year. Röko AB received MSEK 118 (77) in repayments of loans from the companies in the group during the first half-year 2023. Röko AB has converted an MSEK 400 loan to a wholly owned subsidiary to equity contribution.

Employees

At the end of the period, the number of employees in the Group was 1,345 (1,271 in December 2022). Acquisitions have added 68 employees since the beginning of the year.

Events after the end of the reporting period

After the period, Röko has closed its new share issue of MSEK 708, of which MSEK 405 has been paid in during the second quarter. In July, Röko has repaid MSEK 1,000 of bank debt and obtained commitments from its banks for additional credit when needed. Following the completion of the new share issue and repayment of bank debt, Röko's Financial Net Debt amount to MSEK 2,973 and Interest-Bearing net debt amount to MSEK 698, or 2.6x and 0.6x RTM EBITDA respectively.

Related party transactions

Transactions between Röko AB and the other Group companies have been eliminated in the consolidated financials as presented in this report. Any sale of goods or services between Group companies are done on market terms and at arm's length. Intragroup sales amounted to MSEK 130 in the quarter. Röko has entered into commercial agreements with related parties to the companies in the Group with an amount equal to MSEK1 for the quarter. The related party transactions are mostly relating to lease of properties for the companies' facilities. Loans from related parties arising from acquisitions amount to MSEK 7. Röko's shareholders have contributed MSEK 886 (726) in equity injections, of which MSEK 405 (0) in ongoing new share issue, during the quarter and MSEK 886 (924) during the first six months. The equity injections have been partly funded by Röko's controlling shareholders, Fredrik Karlsson and Tomas Billing, through their respective holding companies. Fredrik Karlsson's holding company, Gjusböte AB, have contributed MSEK 35 (4) during the quarter and MSEK 35 (16) during the first six months. Tomas Billing's holding company, Smöla AB, have contributed MSEK 14 (4) during the quarter and MSEK 14 (16) during the first six months.

Risks and uncertainties

The risk factors which have the largest impact on Röko are the competitive situation, structural changes in the market, and general level of economic activity. The Röko Group is currently experiencing high inflation and supply chain shortages across the business segments and markets in which Röko operates. The Röko Group has interest-bearing net debt of MSEK 987, which equals 0.9x RTM Adj. EBITDA. An increase of the interest rate with 1% on Röko's interest-bearing debt would impact our net profit with MSEK -10 for the next 12-month period. The M&A market is volatile, and the number of opportunities can be low during uncertain periods. We believe that there is a risk for lower transaction volumes in the near term. Röko is also exposed to financial risks, including currency risks, interest rate risks, credit, and counterparty risks. At the end of the period the Group had MSEK 1,042 in cash, an additional MSEK 250 as an undrawn revolving credit facility and an ongoing new share issue that have added an additional MSEK 303 to Röko AB after the end of the period.

The Parent Company is affected by the above risks and uncertainties in its capacity as owner of the subsidiary companies. For further information on Röko's risks and risk management, Röko refers to page 14 and Note 3 and 4 in the Annual Report for 2022.

Accounting policies

The group applies International Financial Reporting Standards (IFRS) and interpretations from IFRIC, as adopted by the European Union, the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups and related interpretations and the Swedish Annual Accounts Act.

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. In respect of the Parent Company, the report has been prepared in accordance with the Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. The accounting policies have been applied in accordance with those which are presented in Note 2 on pages 24-28 in the 2022 Annual Report and should be read in conjunction with these.

The interim information on pages 1-6 is an integrated part of this financial report. This English report is an unofficial translation. In case of any discrepancy between the English and the Swedish version, the Swedish shall prevail. This interim report has not been reviewed by the company's auditors.

Declaration of the Board of Directors

The Board of Directors and the Chief Executive Officer warrant and declare that this interim report gives a true and fair view of the Parent Company's and the Group's operations, financial positions and results, and that it describes significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Stockholm, 20 July 2023

Tomas Billing
Chairman of the Board

Peter Sterky
Director

Fredrik Karlsson
Director and CEO

Lilian Biner
Director

Angela Langemar Olsson
Director

Financial statements

Condensed Consolidated Income Statement

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Net sales	1,395	993	2,782	1,889	4,316
Cost of goods and services sold	-842	-610	-1,655	-1,163	-2,668
Gross profit	554	384	1,127	727	1,648
Sales and marketing expenses	-143	-103	-298	-207	-474
Administrative expenses	-179	-114	-336	-212	-482
Other operating income and expenses	0	-24	1	5	18
Other operating expenses	-26	-7	-56	-41	-98
Operating profit	206	137	438	271	612
Net Interest on interest-bearing debt	-26	-7	-50	-13	-41
Net other Financial items*	-18	-8	-24	-5	-18
Profit before tax	163	122	364	253	554
Tax	-47	-27	-86	-53	-168
Net profit for the period	116	95	278	199	386
Profit attributable to:					
Parent Company shareholders	116	95	278	199	386
Non-controlling interests	-	-	-	-	-
Profit for the period	116	95	278	199	386
Earnings per share before and after dilution for the period, attributable to Parent Company shareholders (SEK)**	8.58	7.08	20.59	14.79	28.60

*Interest on leasing obligations and currency gains / losses on revaluations of financial debt, including earn-out obligations

**Per share data for the historical periods have been re-stated based on the 1,000:1 share split

Consolidated Statement of Comprehensive Income

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Net profit for the period	116	95	278	199	386
Other comprehensive income					
Items that can later be reclassified to profit or loss:					
Hedge of net investments	-38	-	-38	-	-
Tax related to hedge of net investments	-	-	-	-	-
Hedge of debt	-65	-	-65	-	-
Tax related to hedge of debt	-	-	-	-	-
Translation differences	318	63	329	46	143
Other comprehensive income	215	63	226	46	143
Total comprehensive income for the period	331	158	504	246	529
Comprehensive income attributable to:					
Parent Company shareholders	331	158	504	246	529

Condensed Consolidated Balance Sheet

MSEK	2023-06-30	2022-06-30	2022-12-31
ASSETS			
Non-current assets			
Intangible assets	7,779	4,838	7,339
Tangible assets	775	610	747
Other long-term securities and receivables	16	16	15
Total non-current assets	8,569	5,463	8,101
Current assets			
Inventories	958	626	843
Accounts receivables	657	481	597
Other current receivables	36	60	28
Prepaid expenses/accrued Income	57	40	53
Cash and cash equivalents	1,042	345	558
Total current assets	2,750	1,552	2,079
TOTAL ASSETS	11,319	7,015	10,180
EQUITY AND LIABILITIES			
Equity			
Share capital	1	1	1
Other contributed capital	3,735	2,368	3,254
Ongoing new issue	405	-	-
Translation reserve	399	76	173
Non restricted equity incl. net income	386	255	226
Equity attributable to parent company shareholders	4,926	2,699	3,653
Non-controlling interest	-	-	-
Total equity	4,926	2,699	3,653
Non-current liabilities			
Non-current interest-bearing liabilities incl. leasing	464	376	460
Other non-current liabilities, put/call debt and earn-out liabilities	2,209	1,363	2,034
Deferred tax liability	761	439	719
Other provisions, non-current	5	1	4
Total non-current liabilities	3,440	2,179	3,217
Current liabilities			
Current interest-bearing liabilities incl. leasing	2,100	1,435	2,202
Accounts payable	361	350	352
Advances from customers	23	17	198
Current tax liabilities	60	91	67
Other current liabilities, put/call debt and earn-out liabilities	214	116	321
Accrued expenses and prepaid Income	195	129	168
Total current liabilities	2,954	2,137	3,309
TOTAL EQUITY AND LIABILITIES	11,319	7,015	10,180

Condensed Consolidated Statement of Changes in Equity

MSEK	Share capital	Other contributed capital	Translation reserve**	Non. Restr equity	Total
Opening balance per 2022-01-01	1	1,838	30	122	1,991
Net profit for the period	-	-	-	199	199
Other comprehensive income					
Items which can later be reclassified to profit or loss					
Hedge of net investments	-	-	-	-	-
Tax related to hedge of net investments	-	-	-	-	-
Hedge of debt	-	-	-	-	-
Tax related to hedge of debt	-	-	-	-	-
Translation differences	-	-	46	-	46
Total other comprehensive income	-	-	46	199	246
Total comprehensive income for the period	-	-	46	199	246
Transactions with owners					
Shareholder's contribution	-	537	-	-	537
Ongoing new issue	-	-	-	-	-
Transaction costs relating to capital increase	-	-8	-	-	-8
Revaluation of liabilities to non-controlling interests*	-	-	-	-67	-67
Closing balance per 2022-06-30	1	2,368	76	255	2,699
Opening balance per 2023-01-01	1	3,254	173	226	3,653
Net profit for the period	-	-	-	278	278
Other comprehensive income					
Items which can later be reclassified to profit or loss					
Hedge of net investments**	-	-	-38	-	-38
Tax related to hedge of net investments**	-	-	-	-	-
Hedge of debt**	-	-	-65	-	-65
Tax related to hedge of debt**	-	-	-	-	-
Translation differences**	-	-	329	-	329
Total other comprehensive income	-	-	226	278	504
Total comprehensive income for the period	-	-	226	278	504
Transactions with owners					
Shareholder's contribution	-	481	-	-	481
Ongoing new issue	-	405	-	-	405
Transaction costs relating to capital increase	-	-	-	-	-
Revaluation of liabilities to non-controlling interests*	-	-	-	-117	-117
Closing balance per 2023-06-30	1	4,140	399	386	4,926

*Revaluation of put/call options for shares relating to non-controlling interests

**Translation differences amount to MSEK 502, hedge of net investments to MSEK -38 and hedge of debt to -65 at 2023-06-30.

Condensed Consolidated Statement of Cash Flows

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Operating activities					
Operating profit	206	137	438	271	612
Non-cash items	87	57	173	114	262
Other financial items	-2	0	-1	2	-6
Interest received	4	2	5	0	2
Interest paid	-35	2	-65	-22	-63
Tax paid	-36	-24	-110	-68	-189
Cash flow before changes in working capital	225	174	439	298	618
Changes in working capital					
Increase/decrease in inventory	16	-24	38	-72	-84
Increase/decrease in receivables	10	2	48	-15	11
Increase/decrease in accounts payable	-43	-19	-97	1	-30
Total change in working capital	-17	-41	-11	-86	-103
Cash flow from operating activities	207	134	429	212	515
Investing activities					
Investments in intangible assets	-18	-	-18	-1	-1
Divestments of intangible assets	2	-	2	-	0
Investments in tangible assets	-16	-13	-33	-25	-49
Divestments of tangible assets	1	-	4	-	0
Acquisition of subsidiaries after subtracting cash	-98	-331	-301	-891	-2,438
Divestments of subsidiaries	1	1	1	3	3
Changes in non-current assets	-0	-	0	-	0
Cash flow from investing activities	-128	-343	-344	-914	-2,486
Financing activities					
Shareholder's contribution	886	138	886	535	1,421
Debt issued	-	109	-	375	1,187
Debt repayment	-120	-35	-181	-76	-242
Other financing activities	-93	-18	-213	-6	-9
Payments to non-controlling interests	-105	-65	-117	-72	-125
Cash flow from financing activities	567	129	375	757	2,231
Cash flow of the period	646	-81	460	55	260
Cash and cash equivalents at beginning of period	375	421	558	290	290
Translation differences	21	5	24	0	8
Cash and cash equivalents at end of period	1,042	345	1,042	345	558

Business Segments

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Segment B2B	172	126	337	254	574
Segment B2C	100	60	231	112	256
Central Group functions	-10	-13	-19	-18	-43
Adj. EBITA*	262	173	550	348	787
Amortisation of intangible assets	-54	-33	-106	-64	-148
<i>Amortization of intangible assets arising from acquisitions</i>	<i>-52</i>	<i>-31</i>	<i>-102</i>	<i>-59</i>	<i>-139</i>
Acquisition related costs	-2	-3	-6	-12	-27
Operating profit	206	137	438	271	612
Net financial items	-43	-15	-74	-19	-58
Profit before tax	163	122	364	253	554

*) Segmental Adj. EBITA does not include the amortization of intangible assets (including from assets arising from the acquisitions), acquisition costs, or other acquisition-related items which are reported as part of the operating income in the consolidated financial statements. They amount to MSEK 56 (36) in the quarter and MSEK 112 (76) for the first six months.

The Röko Group consists of 23 business units in different industries and no single customer or industry is individually significant to the group.

Quarterly Adj. EBITA increased to MSEK 172 (126) for Segment B2B and increased to MSEK 100 (60) for Segment B2C, before allocation of central group function costs. Central group costs decreased from MSEK 13 to MSEK 10. Central group function costs decrease as a share of Adj. EBITA. In H1 Adj. EBITA increased to MSEK 337 (254) for Segment B2B and increased to MSEK 231 (112) for Segment B2C, before allocation of central group function costs. Central group costs increased from MSEK 18 to MSEK 19. Central group function costs decrease as a share of Adj. EBITA.

Segmentation of net sales

MSEK	Q2		Totalt
	B2B	B2C	
Over time	45	0	45
At a specific point in time	866	485	1,351
Net Sales Q2 2023	911	485	1,395

MSEK	Q2		Totalt
	B2B	B2C	
Over time	40	0	40
At a specific point in time	608	345	944
Net Sales Q2 2022	648	345	993

MSEK	H1		Totalt
	B2B	B2C	
Over time	86	0	86
At a specific point in time	1,699	997	2,696
Net Sales in Jan-Jun 2023	1,785	997	2,782

MSEK	H1		Totalt
	B2B	B2C	
Over time	84	0	84
At a specific point in time	1,172	634	1,806
Net Sales in Jan-Jun 2022	1,256	634	1,889

Recognition of net sales over time

MSEK	Q2		Totalt
	B2B	B2C	
Products	829	462	1,290
Services	82	23	105
Net Sales Q2 2023	911	485	1,395

MSEK	Q2		Totalt
	B2B	B2C	
Products	566	319	886
Services	82	26	108
Net Sales Q2 2022	648	345	993

MSEK	H1		Totalt
	B2B	B2C	
Products	1,620	952	2,572
Services	165	45	210
Net Sales in Jan-Jun 2023	1,785	997	2,782

MSEK	H1		Totalt
	B2B	B2C	
Products	1,088	584	1,672
Services	168	49	217
Net Sales in Jan-Jun 2022	1,256	634	1,889

Acquisitions January-June 2023

23 business units were consolidated as per 2023-06-30. During the period, one acquisition was completed. Godiva, a UK-based company was acquired and consolidated at the end of the first quarter. During the period Röko acquired shares in a subsidiary from a non-controlling shareholder in accordance with a put/call option agreement and paid a delayed part of a purchase price. Acquisition-related costs amounted to MSEK 2 (3) in the second quarter and amounted to MSEK 6 (12) in the six-month period.

The table below for acquired net assets includes all the acquisitions completed in the period, and for these acquisitions the analysis is preliminary.

The purchase price allocation includes all acquisitions made during the full year as well as payments made for acquisitions in previous periods.

Acquired net assets

Net assets, MSEK. Preliminary analysis of acquisitions from January 1st 2023			
	Carrying amount	Value adjustment	Fair value
Trademarks, customer relationships, licences	–	76	76
Tangible assets	2	–	2
Inventories, accounts receivable and other receivables	158	–	158
Accounts payable and other liabilities	-35	–	-35
Deferred tax	-0	-19	-19
Adjustments to previous acquisitions	2	–	2
Cash and cash equivalents	76	–	76
Net assets	202	57	259
Goodwill	–	92	92
Total net assets	202	150	352
Put/call option debt for non-controlling interests	–	-71	-71
Cash flow effect			MSEK
Purchase price			-281
<i>o/w withheld purchase price</i>			3
Cash in acquired companies			76
Total cash flow effect			-202
Cash paid for acquisitions in previous periods			-99

Acquisitions

Consolidated in month	Acquisitions	Segment	Net Sales RTM (MSEK)	Employees	Röko ownership
March	Godiva Ltd	B2B	255	68	75%

Godiva is a UK-based distributor of bearings and spare parts for automotive and industrial customers. The acquisition completed during the period have added MSEK 62 of sales, MSEK 13 in Adj. EBITA and MSEK 10 of operating profit for the period. If the company would have been consolidated since January 1, 2023, it would have added an additional MSEK 68 of sales, MSEK 11 of Adj. EBITA and MSEK 10 to operating profit for the period.

Röko consolidates all subsidiary companies to 100% provided the contractual put and call option agreements regarding outstanding ownership with all minority shareholders in each respective company. The put/call option debt with non-controlling interests is valued based on the expected cash outflow to exercise the options and is based on the metric applied in the agreements.

Goodwill arises from acquisitions due to human resources, key personnel experience and skill in the acquired entity as well as geographical market extension. No part of goodwill arising from acquisitions is tax deductible.

Financial Instruments

Specification of leasing in the balance sheet and income statement

MSEK	2023-06-30	2022-06-30
Reported in the balance sheet		
The following amounts related to leasing agreements are reported in the balance sheet:		
Right of use assets (reported as rights of use assets in the Balance Sheet)		
Properties and premises	534	409
Total	534	409
Lease liabilities		
Long term (reported as non-current liabilities in the Balance Sheet)	453	358
Short term (reported as current liabilities in the Balance Sheet)	81	51
Total lease liabilities	534	409
	H1	
MSEK	2023	2022
Reported in the income statement		
The following amounts related to leasing agreements are reported in the income statement		
Depreciation on right of use assets		
Properties and premises	38	25
Total	38	25
Interest expense	11	8

Financial assets in the balance sheet

MSEK	Financial assets at amortised cost
Per 2023-06-30	
Accounts Receivables	657
Other non-current financial receivables	16
Cash and cash equivalents	1,042
Sum	1,714
Per 2022-12-31	
Accounts Receivables	597
Other non-current financial receivables	15
Cash and cash equivalents	558
Sum	1,169
Per 2022-06-30	
Accounts Receivables	481
Other non-current financial receivables	16
Cash and cash equivalents	345
Sum	841

Financial liabilities in the balance sheet

MSEK	Classification in the fair value hierarchy	Liabilities valued at fair value which affect equity*	Financial liabilities at amortised cost	Total
Per 2023-06-30				
Interest-bearing borrowings		–	2,029	2,029
Accounts payable - trade		–	361	361
Put/call-option debt*	3	2,209	–	2,209
Deferred considerations*	3	65	–	65
Other liabilities**		–	761	761
Total		2,274	3,151	5,426
Per 2022-12-31				
Interest-bearing borrowings		–	2,145	2,145
Accounts payable - trade		–	352	352
Put/call-option debt*	3	2,034	–	2,034
Deferred considerations*	3	152	–	152
Other liabilities**		–	719	719
Total		2,186	3,215	5,401
Per 2022-06-30				
Interest-bearing borrowings		–	1,402	1,402
Accounts payable - trade		–	350	350
Put/call-option debt*	3	1,363	–	1,363
Deferred considerations*	3	29	–	29
Other liabilities**		–	439	439
Total		1,392	2,190	3,582

* Deferred considerations are liabilities which are recognised at fair value over the income statement and put/call option debt is valued at fair value over equity in accordance with IFRS 9.

** Other liabilities consist of acquisition related deferred tax liabilities and other deferred tax liabilities

Financial instruments are valued at their fair value depending on the classification of fair value in the hierarchy: Quoted prices (level 2) and non-observable market data points (level 3). The liabilities that Röko has which are non-observable are put/call liabilities for non-controlling shares in the subsidiary companies and earn-out obligations. No transfers between the levels have occurred during the quarter, or during last year. Changes in the value of put/call debts are made in equity over the balance sheet while changes in the value of earn-out liabilities occur in the Income Statement. In case the interest-rate impact is deemed to be material an amendment is made in the period. The fair value of short-term borrowing corresponds to the carrying amount, as the discounting effect is not significant.

The tables below display changes and recognitions of deferred considerations and put/call option liabilities.

Deferred considerations

MSEK	2023-06-30	2022-12-31
Opening balance	152	106
Acquisitions in the period	3	154
Paid purchase prices	-99	-111
Expense/Reversal via income statement	-	-
Interest	-	-
Exchange rate differences	9	-
Closing balance	65	152

Option liabilities

MSEK	2023-06-30	2022-12-31
Opening balance	2,034	1,050
Acquisitions in the period	85	762
Divestments in the period (management purchases)	1	6
Paid purchase prices	-14	-5
Expense/Reversal via equity in the balance sheet	-	162
Interest	-	-
Exchange rate differences	103	59
Closing balance	2,209	2,034

MSEK 114 of the option liabilities are to be exercised within 12 months, MSEK 1,035 between one and three years and MSEK 1,126 after more than three years.

Condensed Parent Company Income Statement

Röko AB, 559195-4812

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Other operating income*	1	2	25	15	19
Administrative expenses	- 9	- 10	-17	- 17	-38
Operating profit	-8	- 8	8	- 2	-19
Profit from shares in group companies**	240	165	257	210	325
Financial income	41	18	85	50	135
Financial expenses	- 216	- 35	-334	- 51	-193
Profit after financial items	58	139	16	208	248
Appropriations	-	-	-	-	-
Tax	-	-	-	-	-
Net profit for the period	58	139	16	208	248

* Invoicing of group-wide services

** Profit from shares in group companies are dividends received from the group companies during each respective period.

Net profit for the period and total comprehensive income for the period are the same and therefore no Comprehensive Income Statement for the Parent company is presented.

Condensed Parent Company Balance Sheet

MSEK	2023-06-30	2022-06-30	2022-12-31
ASSETS			
Non-current assets			
Shares in group companies	7,157	4,814	6,419
Long-term receivables	7	10	6
Total non current assets	7,163	4,824	6,425
Current assets			
Receivables in group companies	966	687	1,391
Current tax receivables	0	1	1
Prepaid expenses/accrued Income	2	1	1
Cash and cash equivalents	790	68	34
Total current assets	1,758	758	1,427
TOTAL ASSETS	8,921	5,582	7,851
EQUITY AND LIABILITIES			
Restricted equity			
Equity	1	1	1
Total restricted equity	1	1	1
Non-restricted equity			
Other contributed capital	3,735	2,368	3,254
Non restricted equity incl. net income	459	402	442
Ongoing new share issue	405	-	-
Total non-restricted equity	4,599	2,770	3,696
Total equity	4,600	2,770	3,697
Non-current liabilities			
Other non-current liabilities	1,953	1,342	1,765
Total non-current liabilities	1,953	1,342	1,765
Current liabilities			
Debt to credit institutions	2,007	1,358	2,118
Accounts payable	2	7	3
Liabilities to group companies	293	75	114
Current tax liabilities	-	-	-
Other current liabilities	66	30	154
Accrued expenses and prepaid Income	0	-	0
Total current liabilities	2,368	1,470	2,389
TOTAL EQUITY AND LIABILITIES	8,921	5,582	7,851

Parent Company Statement of changes in equity

MSEK	Share capital	Other contributed capital	Non. Restr equity	Share premium account	Total
Opening balance per 2022-01-01	1	1,833	194	–	2,027
Net profit for the period	–	–	208	–	208
Other comprehensive income					
Transactions with owners					
Shareholder's contribution	–	543	–	–	543
Ongoing share issue	–	–	–	–	–
Transaction costs	–	-8	–	–	-8
Closing balance per 2022-06-30	1	2,368	402	–	2,770
Opening balance per 2023-01-01	1	3,254	442	–	3,697
Net profit for the period	–	–	16	–	16
Other comprehensive income					
Transactions with owners					
Shareholder's contribution	–	481	–	–	481
Ongoing share issue	–	405	–	–	405
Transaction costs	–	–	–	–	–
Closing balance per 2023-06-30	1	4,140	459	–	4,600

Key Performance Indicators

	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Net sales for the period, MSEK	1,395	993	2,782	1,889	4,316
RTM* Net sales, MSEK	5,562	4,017	5,562	4,017	5,259
Adj. EBITA*, MSEK	262	173	550	348	787
Adj. EBITA* margin	19%	17%	20%	18%	18%
RTM Adj. EBITA*, MSEK	1,015	779	1,015	779	1,005
RTM Adj. EBITA* margin	18%	19%	18%	19%	19%
Adj. EBITDA*, MSEK	296	187	617	399	902
Adj. EBITDA* margin	21%	19%	22%	21%	21%
Capital employed*, MSEK	8,722	5,557	8,722	5,557	7,944
Return on capital employed	12%	14%	13%	14%	13%
Return on equity	11%	17%	13%	17%	14%
Financial net debt*, MSEK	3,261	2,449	3,261	2,449	3,773
Interest-bearing net debt*, MSEK	987	1,057	987	1,057	1,587
Financial net debt*/ RTM Adj EBITDA, times	2.8x	2.8x	2.8x	2.8x	3.3x
Interest-bearing net debt*/ RTM Adj EBITDA, times	0.9x	1.2x	0.9x	1.2x	1.5x
Equity/assets ratio	44%	38%	44%	38%	36%
Number of shares	13,484,000	13,484,000	13,484,000	13,484,000	13,484,000
Number of employees, end of the period	1,345	1,028	1,345	1,028	1,271

* See definitions on page 23.

Definitions and objectives

The report includes financial key ratios that are based on IFRS (e.g. earnings per share) and in addition Röko also uses additional other key ratios (Alternative KPIN - Alternative Key Performance Indicators) to describe and assess the Group's operations. These Alternative metrics and Alternative KPIs are to be considered as a complement to the financial reporting as presented in accordance with IFRS. Note that these definitions may differ somewhat from other companies' definitions of the same terms.

Adj. EBITA	Adj. EBITA is considered a relevant metric for investors who wish to understand the earnings generated by Röko's acquired companies and is the metric used for internal tracking of performance per business segment. Adj. EBITA, defined as earnings before interest, taxes, and amortization as well as acquisition expenses. Adj. EBITA serves as an approximation for the cash flow before tax, under the assumption that capital expenditures mirror depreciation, which is normally the case, as Röko invests in asset-light businesses.
Adj. EBITA margin	Adj. EBITA divided by net sales.
Adj. EBITDA	Adj. EBITDA is considered a relevant metric for investors who wish to understand the earnings generated by Röko's acquired companies. Adj. EBITDA, defined as earnings before interest, taxes, depreciation, and amortization as well as acquisition expenses. Adj. EBITDA serves as an approximation for the cash flow before capital expenditures and tax.
Adj. EBITDA margin	Adj. EBITDA divided by net sales.
RTM	RTM information of net sales and Adj. EBITA is based on the companies' reported figures from the group reporting during the period in the most recent rolling twelve months that the companies have been consolidated in the Group. For companies that have been acquired during the last twelve months the company's own monthly reporting for the months prior to consolidation is included for net sales and Adj. EBITA. The RTM metric is unaudited or otherwise reviewed (IRSE 2410). RTM net sales and Adj. EBITA is based on local GAAP for the not consolidated financial information of the last twelve months for subsidiaries owned on the balance sheet date, for the elimination of internal sales and profits. As the Röko Group is growing rapidly through acquisitions, RTM gives a better understanding of the Group's current sales and earnings potential than the IFRS accounting.
Financial net debt	Röko uses the alternative KPIN total net debt. This allows users of the financial reports to assess the Group's ability to pay dividends, make strategic investments and meet its financial obligations. The KPIN is defined as follows: current and non-current liabilities to credit institutions, bonds, interest-bearing pension provisions, liabilities related to put/call options for non-controlling interests and additional considerations relating to acquisitions less cash and cash equivalents.
Earnings per share	Profit after tax attributable to Parent Company shareholders, divided by the average number of shares outstanding.
Interest-bearing net debt	Röko uses the alternative KPIN interest-bearing net debt. This allows users of the financial reports to assess the Group's ability to pay dividends, make strategic investments and meet its financial obligations. Röko defines the KPIN as follows: current and non-current liabilities to credit institutions, bonds as well as interest-bearing pension provisions less cash and cash equivalents.
Equity/assets ratio	Equity divided by total assets (balance sheet total).
Capital employed	Capital employed is used as a base for calculating returns and for measuring efficiency for the Group. Capital employed is useful in helping users of the financial reports to understand how the Group finances itself. Röko defines capital employed as total assets less cash and cash equivalents, interest-bearing pension provisions and non-interest-bearing liabilities except for liabilities related to put/call options and additional considerations relating to acquisitions.
Return on equity	Net profit for the period, annualized if the period is shorter than 12 months, divided by average equity, calculated as the average of the opening, and closing balance for the period.
Return on capital employed	Adj. EBITA for the period, annualized if the period is shorter than 12 months, divided by average capital employed for the period, calculated as the average of the opening, and closing balance for the period. The measure is an approximation for the pre-tax cash return.

Organic growth	Net sales for companies that have been consolidated in the group for the entire period as well as for the entire comparable period. FX from the prior period has been used for both periods to calculate the fixed currency growth and the organic growth is calculated as an arithmetic mean.
Net sales	Net sales are the sum of gross sales less its returns, allowances, and discounts.
Put/call options for shares relating to non-controlling interests	Put/call options for shares relating to non-controlling interests is the sum of obligations to exercise put and call options to purchase the outstanding shares held by non-controlling interest. The value of the put/call liability is the current estimate of the future outflows to acquire the shares in accordance with agreements with all non-controlling interests.

Reconciliation of alternative metrics

The interim report presents alternative metrics (KPIs) for assessing the Group's performance. The primary alternative KPIs presented in this interim report are Adj. EBITA, Adj. EBITDA, net debt, and capital employed. Definitions of the alternative KPIs are presented on page 23.

Adj. EBITA compared with financial statements in accordance with IFRS

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Operating profit	206	137	438	271	612
Amortisation of intangible assets related to acquisitions	54	33	106	64	148
Acquisition costs	2	3	6	12	27
Adj. EBITA	262	173	550	348	787

Adj. EBITDA compared with financial statements in accordance with IFRS

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Operating profit	206	137	438	271	612
Depreciation of tangible assets	34	13	67	50	115
<i>of which Depreciation of leasing rights</i>	<i>19</i>	<i>1</i>	<i>38</i>	<i>25</i>	<i>61</i>
Amortisation of intangible assets	54	33	106	64	148
<i>of which Amortisation of intangible assets from acq.</i>	<i>52</i>	<i>31</i>	<i>102</i>	<i>59</i>	<i>139</i>
Acquisition costs	2	3	6	12	27
Adj. EBITDA	296	187	617	399	902

Net debt compared with financial statements in accordance with IFRS

MSEK	2023-06-30	2022-06-30	2023-03-31	2022-03-31	2022-12-31
Non-current interest-bearing liabilities	10	325	12	16	13
Current interest-bearing liabilities	2,019	1,383	2,070	1,294	2,132
Cash and cash equivalents	-1,042	-345	-375	-421	-558
Interest-bearing Net Debt	987	1,057	1,707	889	1,587
Put/call debt for non-controlling shares and earn-out debt	2,274	1,392	2,264	1,401	2,186
Total Financial net debt	3,261	2,449	3,971	2,290	3,773

RTM Net Sales and RTM Adj. EBITA*

MSEK	Q2		Full-year
	2023	2022	2022
Net sales according to consolidated IS	5,209	3,181	4,316
Addition of non-consolidated Net Sales from April 1 (January 1 for Full year) to the acquisition date			
Segment B2B	220	838	506
Segment B2C	133	0	436
RTM Net Sales	5,562	4,019	5,259
Adj. EBITA Last Twelve Months	989	601	787
Addition of non-consolidated Adj. EBITA from April 1 (January 1 for Full year) to the acquisition date			
Segment B2B	19	177	94
Segment B2C	8	0	124
RTM Adj. EBITA	1,015	779	1,005

Capital employed

MSEK	2023-06-30	2022-06-30	2023-03-31	2022-12-31
Constituents of Capital employed				
Equity	4,926	2,699	3,815	3,653
Interest-bearing debt	2,029	1,402	2,081	2,145
Leasing	534	409	527	518
Put/call debt for non-controlling shares and earn-out debt	2,274	1,392	2,264	2,186
Less cash	-1,042	-345	-375	-558
Capital employed	8,722	5,557	8,313	7,944
Average Capital employed (used for ROCE)**	8,333	5,371	8,129	6,102

Return on capital employed

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Constituents of ROCE					
Adj. EBITA	262	173	550	348	787
Annualized Adj. EBITA	1,048	694	1,100	697	787
Average capital employed	8,515	5,371	8,333	4,908	6,102
ROCE in %	12%	13%	13%	14%	13%

Organic growth

MSEK	Q2		H1		Full-year
	2023	2022	2023	2022	2022
Net sales, including sales for comparable companies***	1,003	993	1,768	1,756	1,478
FX impact	-51		-67		-61
Organic sales in constant currency	952	993	1,701	1,756	1,417
<i>Organic growth constant currency</i>	<i>-4%</i>		<i>-3%</i>		<i>8%</i>
<i>Growth comparable companies (actual currency)</i>	<i>1%</i>		<i>1%</i>		<i>12%</i>

* The twelve-month period referred to is the reported financials for the Röko Group in the period from 1 July 2022 / 2021 to 30 June 2023 / 2022. For full year the period is from 1 January 2022 to 31 December 2022.

**Average capital employed is calculated as the average of the opening balance and closing balance of capital employed for each period.

*** Includes companies that were owned by Röko for the entire current period as well as for the full comparable period.

Financial calendar

Third quarter 2023	27 October 2023
Year-end 2023	16 February 2023

Questions

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Röko in brief

Röko is a perpetual owner of European small-and medium-sized businesses and today we own 23 companies in a variety of industries across Europe. We are a Swedish company, and our team has more than 100 years of combined experience working with owner-managed businesses across markets and in different situations.