Our Vision:
Transforming medical technology and advancing quality of life worldwide
Customized milling of dental prosthetics.
Significant Sustainability Highlights

- Conducted a materiality assessment to define Elos Medtech’s key sustainability topics and our sustainability strategy has been endorsed by the board
- Net sales amounted to MSEK 577.9, an increase of 4.3% after currency adjustments
- Operating profit amounted to MSEK 42.7
- Launch of Our Way; a new vision, mission and revitalization of values
- Developed a Code of Conduct
- All employees have undergone training in compliance and our values
- 121 new hires, of whom 41 women
- Significant reduction of energy consumption through a newly installed cooling system

Elos Medtech’s Employees, 2017

<table>
<thead>
<tr>
<th>Group</th>
<th>2017</th>
<th></th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Total</td>
<td>Men</td>
</tr>
<tr>
<td>Sweden</td>
<td>87</td>
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<td>134</td>
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<tr>
<td>Denmark</td>
<td>95</td>
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<tr>
<td>China</td>
<td>68</td>
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<tr>
<td>USA</td>
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<td>Sweden</td>
<td>5</td>
<td>8</td>
<td>13</td>
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</tbody>
</table>

Share of investment budget spent on projects improving our environmental performance.

Average hours of training per employee in 2017.
This is Elos Medtech

In a fast-moving and high-technology industry, which is characterized by shorter lead times and higher demands on increased regulatory requirements for medical devices, Elos Medtech offers its customers quality, competence and service with a comprehensive solution – Complete Performance™. This comprehensive solution leads to increased efficiency and added value for the customers.

Elos Medtech was founded in 1923. Today we are an experienced partner in the development and manufacture of products and components for the medtech industry. We operate in five market segments: Dental Implants, Orthopedics, Diagnostics, Hearing Devices and Vibration, and Other Medical Areas. Elos Medtech’s core focus is on the first three of these segments.

**Business Model**

Elos Medtech is a global company which provides best-in-class products packaged into comprehensive business solutions through dedicated centers of excellence in Sweden, Denmark, the USA and China.

We primarily operate as a contract manufacturer and most of our customers constitute industry-leading multinational companies. Elos Medtech offers a high-quality, comprehensive solution by taking care of the entire value chain i.e. from development to serial manufacturing and logistics.

In addition to the development and contract manufacturing, we have also built a business focused on the development, manufacture and sale of OEM products, as well as Elos Medtech branded products. These products can mainly be found in the segment Dental Implants.

Elos Medtech develops and manufactures a large assortment of medical devices and components, in key segments in which the company has specialist competencies. Common products include drills, screws, implants, multi-use delivery systems, plates and instruments made from titanium and stainless steel, as well as other products for diagnostics and disposable products in high-tech plastics.

Elos Medtech was listed in 1989. Today we are listed on the Nasdaq Stockholm Small Cap list.

**Value Creation by Complete Performance™**

Elos Medtech’s model for value creation focuses on meeting the customers’ high demands with regard to quality, competence and service with a comprehensive solution. This solution is called Complete Performance™ and includes a solid value chain from development to prototype, testing, serial manufacturing and logistics. The purpose of this comprehensive solution is to strengthen the cooperation with each individual customer by building partnerships and together developing and manufacturing high-quality medical device products, thereby adding value for the customer.

10 million patients are treated for their diseases/injuries with products supplied by Elos Medtech.

**Strategic supplier**

to market-leading companies in the medical device industry
2003
Elos Medtech implements the strategic decision to focus on medical devices.

2009
Launch of Our Way including corporate social responsibility, vision and values.

2012

2016
Our commitment ‘Energizing Sustainability’ launches, in order to introduce a more systematic and transparent way of working with sustainability.

2017
Sustainability defined as an important aspect in the business strategy development. Launch of an updated Our Way.

2018 – The Road Ahead
Elos Medtech’s sustainability agenda to be anchored in the organization and continued development of our strategy to strengthen our focus on sustainability. Elos Medtech’s first sustainability report is published.
Helping Customers to Improve the Life of Millions

One of the highlights of 2017 for Elos Medtech was the autumn launch of our new vision and mission – both of which go hand in hand with our sustainability focus.

The new vision, Transforming Medical Technology and Advancing Quality of Life Worldwide, describes our constant focus on and passion for making meaningful changes. Not only in the way we conduct our business but, especially, changes in the lives of all the millions of people we affect. As we strive to fulfil our new vision, we always reach further. We are always seeking innovative partnerships with our customers to improve our market, our business, and our results.

We are also fully committed to our new mission, in which sustainability, partnership and excellence are key components. Furthermore, these aspects are essential to our business and genuinely permeate our way of working, as well as the business strategy. During 2017 we have pushed ourselves to reach high levels of customer satisfaction with regards to product quality, compliance, cost efficiency and innovative solutions, thus taking steps in our journey toward sustainable growth.

In 2017, we also introduced our Code of Conduct. Activities to ensure full commitment to the Code of Conduct among employees are planned during 2018 at all business centers. The target for 2018 is to roll-out a full implementation program, including a sign-off from each employee. Communication to customers, business partners and suppliers will also be performed during 2018.

Priorities 2017
• Launching a new vision and mission
• Developing a Code of Conduct
• Sustainable growth

Together with Partners
Elos Medtech is a global contract development and manufacturing partner (CDMO). The corner-stones of our business are to develop, manufacture and deliver medical device products to – or together with – our partners better than any other CDMO. Our global medical technology customers require that we are cost effective and that we deliver outstanding quality and reliability.

Outsourcing their production to Elos Medtech enables our customers to manage their internal resources and costs by focusing on core competences and high value projects, without binding resources in infrastructure. This is a truly sustainable business model and one that explains why Elos Medtech is chosen as a trustworthy partner and supplier to many of the leading medical device companies around the world.

Sustainable Innovation and Know-How
Ever since 1923, Elos Medtech have been focusing on innovation and know-how, and sustainability has been an ever-present consideration throughout the years. Customer relationships and sustainability efforts have largely been managed by the local subsidiaries. In the process of consolidating Elos Medtech, we are choosing a more unified approach to sustainability. I am proud to be part of this journey at Elos Medtech as we publish our first Sustainability Report. Next year we will propel ourselves ever more directly towards our goals within sustainability. We look forward to seizing the opportunities set in the sustainability strategy and expect to be able to report on our successes in subsequent reports!

Our long-term commitment to partner up with customers as they make life better for millions of patients has always motivated us to deliver the true value of our offering to all of Elos Medtech’s stakeholders. We have the ability to maintain a thriving company by continuously improving in regard to business, environmental and social aspects of our operations. I would like to express my sincere thanks to all the employees. All of you are important ambassadors for our brand and it is vital that you feel involved in making a global difference.

Jan Wahlström, CEO
Gothenburg, March 2018
Our long-term commitment to partner up with customers as they make life better for millions of patients, has always motivated us to deliver the true value of our offering to all of Elos Medtech’s stakeholders.
Objectives and Strategy

During autumn 2017, Elos Medtech launched a new vision and mission in a concept called Our Way. In doing so, the company aims to clarify its role in the market for medical devices and how it creates sustainable value. Group-wide objectives, strategies and values create clear frameworks and priorities for work in both the short and long term.

**Vision:** Transforming medical technology and advancing quality of life worldwide.

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

**Value based culture:** Our culture is value-based, customer-centric, process-oriented, and results-driven. Our three core values serve as a compass for what we collectively believe in and continuously guide our work and behaviors.

- **Passionate.** We are committed, determined and dedicated. With a positive attitude, we drive our development forward and find solutions.
- **Trustworthy.** We are open and honest. We take responsibility for our actions and products and keep our promises.
- **Result-oriented.** By taking initiative and wanting to win, we achieve the targets that create trust and value for patients and customers.
Strategic Objectives

Build a Leading Global Group in the Medical Device Market

Strengthen Our Offering and Expertise

Double Digit Growth

Strategy

FOCUS & SPECIALIZATION
- Supply to selected market segments, prioritizing the Dental Implant Systems, Orthopedics and Diagnostics market segments
- Focus our competence in metal and polymer solutions
- Center of excellence within orthopedics and dental implants

POSITIONING
- Advance expertise in design and development, manufacturing and logistics, all ensured by highest quality assurance

GROWTH
- Outperform market growth in selected segments
- Combine organic growth with acquisitions
- Expand our international operations

Strategic Focus Areas

INNOVATION
- Foster a culture of innovation

OPERATIONAL EXCELLENCE AND CONTINOUS IMPROVEMENTS
- Specialization
- “Best in class”

MARKET FOCUS AND SALES GROWTH
- Customer partnership

WORKING AS A GROUP
- Value-based culture
- Build engagement by empowering and involving people

Financial Goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic growth rate, %</td>
<td>4.7</td>
</tr>
<tr>
<td>EBIT, %</td>
<td>7.4</td>
</tr>
<tr>
<td>Share of own products, %</td>
<td>9.6</td>
</tr>
<tr>
<td>Sales incl. acquisitions, MSEK</td>
<td>577.9</td>
</tr>
</tbody>
</table>

Sustainability Goals 2017

<table>
<thead>
<tr>
<th>Goal</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch of Our Way (incl. vision, mission &amp; values)</td>
<td>Roll-out at all business centers</td>
</tr>
<tr>
<td>Define a sustainability platform &amp; focus areas</td>
<td>Develop a sustainability strategy</td>
</tr>
<tr>
<td>Identification of risks, risk control measures &amp; monitoring risks</td>
<td>Set-up a model for management of business risks</td>
</tr>
<tr>
<td>Establish a set of rules for culture &amp; common behaviors</td>
<td>Establish a Code of Conduct</td>
</tr>
<tr>
<td>Consolidate energy consumption, CO₂ emissions, water for the whole company</td>
<td>Total numbers for the Group</td>
</tr>
</tbody>
</table>

✓ Completed
Energizing Sustainability

Globally, the debate surrounding the challenges of developing a sustainable world is intensifying. We are committed to contributing to a more sustainable development within medical technology, improving the lives of millions of patients.

As a global CDMO company, Elos Medtech has a responsibility which goes beyond simply supplying high-quality products. We take long-term economic, social and environmental responsibility for how our business affects our stakeholders, and we define strategic targets to ensure that we make continuous improvements in these areas.

Sustainability is an important and integrated part of Elos Medtech’s operations and is crucial to our future development. In recent years, we have adopted a new approach to sustainability. To demonstrate our responsibility in this area and at the same time create greater commitment, we have named the approach Energizing Sustainability.

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

Our focus
As a business seeking growth and profit, our challenge is to focus our efforts on the economic aspects, whilst optimizing our social and environmental impacts. To achieve this, we have developed a sustainability strategy, with goals and targets that are closely aligned to our business strategy.

We believe that customer-focused business development, and an ethical approach to our business relationships, helps us create an economically sustainable organization. Job satisfaction, commitment and motivation increases when our employees work proactively and contribute to improvements.
Mission:
In partnership with our customers, we provide sustainable, innovative products and solutions for the global medical device market. Building profitable, long term partnerships and striving for excellence in everything we do, our goal is to help people to live rich, active and fulfilling lives.
Elos Medtech Cares

Elos Medtech has identified three focus areas that are critical success factors in our sustainability agenda. These focus areas comprise the sustainability topics in which we have the greatest impact, and thus the greatest possibility to improve the lives of millions of patients.
Our main customer group comprises international, leading medical device companies that are working to improve patients’ quality of life. Medical devices support people with diseases and injuries, and product safety and performance are of the utmost importance for our customers, users and for Elos Medtech as a trustful partner. We care about to deliver products and services of the right quality, in time and at the right price. We are committed to offering innovative, sustainable and efficient solutions to our customers.

Without a focus on our greatest strength, our people, our high performance would not be sustainable. Engaged employees will go the extra mile, learn more and faster, and are more creative. In addition, engaged employees are our organization’s ambassadors. Engagement takes committed and motivated employees to an even higher level, focusing on company goals and achieving the results that are expected of them.

As a global CDMO partner, we have operations in many locations across the world and our employees represent a variety of cultures with diverse backgrounds. With this comes great responsibility – both locally and globally. We strive to make a positive contribution to the communities we are active in and aim to minimize the negative environmental impact of our business throughout the products’ entire life cycles.
Care for Our Business

Ensuring customer satisfaction and product performance while also investing in sustainable solutions is at the core of Elos Medtech’s operations.

Ensuring Customer Satisfaction
Elos Medtech brings together knowledge and expertise to develop the best components and products in partnership with our customers. Parts of our customers’ missions are the same as ours: to improve the lives of patients and to help people to live rich, active and fulfilling lives. Elos Medtech is committed to supporting the medical device industry to achieve this mission, by transforming medical technology and advancing quality of life worldwide.

Elos Medtech has long-lasting and close relationships with its CDMO customers, distributors and business partners. This is a central part of the company’s business model, as well as one of the strategic focus areas. Long-lasting and close collaboration with its customers has been of great importance for Elos Medtech’s growth and success over the last decades. Elos Medtech has over 50 CDMO customers in Europe, Asia, and the US, whereby approximately 30 percent of the customers stand for 85 percent of the total sales.

Elos Medtech maintains a continuous dialogue with its customers and initiates contact on a regular basis. Additionally, we conduct customer surveys to better understand our customers, their needs and preferences. Depending on sales volumes, surveys are conducted monthly or annually.

Each business center and the assigned Key Account Manager are responsible for initiating improvements to ensure satisfied customers. Customer satisfaction results are also analyzed in the biannual management review, which monitors customer complaints, quality ratings and delivery performance.

About half of the customer surveys is initiated by Elos Medtech, the other half is initiated by the customers in their processes of conducting supplier evaluations. In 2017, the majority of our customers ranked Elos Medtech’s quality performance, compliance to values and technical know-how highly.

We Never Compromise on Quality

The business of Elos Medtech is subject to extensive regulations. Elos Medtech’s employees are aware of the concept of Compliance and are expected to fulfill the requirements accordingly. As a true trustworthy partner in the medical device business, Elos Medtech is fully committed to:

• focusing on patient safety in decisions and work processes
• ensuring high product quality through dedication to critical details
• knowing and following all relevant laws, rules, regulations, and procedures
One tenth of our sales consists of own products, mainly dental products.

Post-market surveys are established for all own products to monitor and measure customers’ feedback. Through a review of these customers’ expectations together with Elos Medtech’s, our performance is assessed and later discussed with the customer. The subjective parameters such as packaging material, functionality of product, and design of IFU are defined and evaluated together with the customers. These surveys also showed that the customers highly rank the quality and functionality of our products.

Committed to Product Performance and Excellence

Elos Medtech develops and manufactures medical devices in a highly regulated environment. We hold a certification according to ISO 13485 (Quality management system for medical devices) and comply with the requirements of international legislation and product safety standards, such as the United States FDA’s quality system regulations, European Medical Devices Directive and ISO 14971.

All complaints regarding Elos Medtech’s own products are evaluated with regards to product safety and performance. The European Medical Device regulations state that we, as a medical device manufacturer, must report any adverse events and field safety corrective actions relating to our own products to the European Union’s Competent Authorities.

We guarantee that all cases of reported complications caused by our products are acted upon to the best of our ability. This includes mitigating the impact as well as following applicable regulations in terms of reporting the adverse events to the relevant authorities and other stakeholders. In 2017, two cases were reported. These incidents did not cause any harm or injuries to patients.

In June 2017, the FDA (the U.S. Food and Drug Administration) carried out an inspection of Elos Medtech Onyx’s quality management system. During the thorough inspection, which lasted for four days, two minor observations were found. These did not meet the threshold of regulatory significance and were directly resolved by Elos Medtech Onyx.

Our commitment to product performance and excellence also extends to our distributors. We ensure that our distributors comply with applicable parts of the regulations. They also undertake product trainings that need to be documented.

Investments Supporting Sustainable Solutions

Our aim is to invest more than five percent of our investment budget in projects that improve our environmental performance. In 2017 we invested more than seven percent of the budget in a new cooling system and waste heat recovery project at Elos Medtech Pinol in Denmark.

The focus of the project was to reduce the amount of cooling required by a new ammonia compressor. By recovering the heat from the compressor via a waterborne cross-flow exchanger, the heat can be transferred to a heat pump that utilizes the waste heat to heat up other rooms and water at the premises. By making this investment, we will reduce the site’s energy consumption by 200,000 kWh per year going forward.
Building Common Platforms for Growth

He has an background in mechanical engineering and many years of experience working at Onyx Medical, a company that is a part of the Elos Medtech Group. Tim Turner is the Business Development Manager who is driven by team spirit and challenging projects. His contribution to meeting our global customers’ demands made him “Employee of the Year”. But, according to him, it was entirely a team effort.

"Today, as a Business Development Manager I oversee the sales and customer service at Onyx Medical, as well as our production scheduling. I serve as the face of our company to our customers, not only for Onyx but for the entire Elos Medtech organization, and I also serve as the face of our customers to our team within our organization," says Tim Turner.

"As a way of doing this, we started to network within the Elos Medtech organization to build up an overview of our collective resources and present those to our customers. There are a number of projects in which we are utilizing the capabilities of our other sites, with even more projects now in discussion. For one particular project, I specifically worked with our facility in China with a customer that is very interested in our ability to manufacture in the US as well as in China," explains Tim Turner.

Listening to the customer
From a sales perspective, everything starts by listening and understanding customers’ needs.

"Also, it is important to understand where our customers are heading in the future so we can then internally implement the resources that are needed to meet the market demands and stay at the forefront as a viable supplier of orthopedic products," says Tim Turner.

An important long-term goal for Elos Medtech is to achieve a unified company. The company wants to utilize the synergy effects between the business centers in Sweden, Denmark, USA and China, to drive global growth.

"As a way of doing this, we started to network within the Elos Medtech organization to build up an overview of our collective resources and present those to our customers. There are a number of projects in which we are utilizing the capabilities of our other sites, with even more projects now in discussion. For one particular project, I specifically worked with our facility in China with a customer that is very interested in our ability to manufacture in the US as well as in China," explains Tim Turner.

The project served as a way for Elos Medtech to identify what resources there are and what resources need to be added to meet the demands of the orthopedic market. By doing this, Elos Medtech has created a platform that can be used to aid in our continued expansion in China.
My vision is that we will continue to expand globally and meet more of our customers’ expectations in the medtech industry. The work that we have done in China is a part of this. If we continue to listen to our customers as well as keep our innovative spirit, I believe that we have great potential to keep growing across the world. We are, and will continue to be, a partner to our customers, not just a contract manufacturer. By this, I mean that our customers get more than quality products from us, they also get extensive knowledge and support from all parts of our organisation,” Tim Turner concludes.

Employee of the Year

Every year, we see countless dedicated and tireless efforts in our company. To inspire more initiatives and new solutions, and to provide our shareholders with insight into the work performed by our employees, we present an Employee of the Year award every year at the Annual General Meeting.

In 2016, the award of was appointed to Tim Turner, Business Development Manager at Onyx Medical, and Daihong Han, Manufacturing Manager at Elos Medtech Tianjin. Tim’s and Daihong’s engagement and dedicated commitment has contributed to meeting global customers’ demands and creating a strong and attractive platform which is fundamental for the continuous growth of Elos Medtech.
Care for Our People

Our employees' engagement and dedication is essential for our competitive edge. We strive to provide an attractive and safe workplace.

We need to be an attractive employer to recruit the right people. We also want to ensure that our employees are passionate and proud about their work. Additionally, they should feel safe, healthy, and respected in job situations and as individuals. All Elos Medtech's employees should have good opportunities to develop, irrespective of gender or background.

In average during 2017 Elos Medtech had 527 employees. We hired 121 new employees during the year and 102 employees terminated their contracts, resulting in an employee turnover rate of 19.2 percent. The employee turnover rate of employees who have stayed longer than 6 months within Elos Medtech is 12.6 percent.

At the units in Sweden, Denmark and China, all employees are covered by collective agreements. In the US, there are no unions or collective agreements at the units, which reflects the normal situation in the country.

Empowering People

Our employees' engagement and dedication are essential for our competitive edge. Our company culture is based on a set of strong, shared core values: passionate, trustworthy, and results-oriented. These values guide us in our day-to-day business and create unity across our global sites. During 2017 we have together with all employees revitalized our values during the roll-out of Our Way.

Competent and well-trained employees are crucial for Elos Medtech to reach its goals. Employees are given annual performance reviews which result in personal development plans that are linked to individual targets to ensure career development. In 2017, 90 percent of our employees have received a performance review. On average, each employee has undertaken approximately 20 hours of training in 2017. This includes task-specific training, as well as internal and external training courses. Approximately 10 percent of the training events are company-wide training sessions that include all employees. Extensive training on the job and on-site coaching by supervisors are a natural aspect of self-improvement within the company and are not included in the calculated training hours.

Healthy and Safe Workplace

Providing a healthy and safe workplace is one of our focus areas. We strive to be accident-free, with a lost time accident rate at 0. The most common causes of injuries

### Elos Medtech’s Employees

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>Group</strong></td>
<td></td>
<td></td>
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<tr>
<td>Sweden</td>
<td>134</td>
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<tr>
<td>Denmark</td>
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<td>159</td>
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<tr>
<td>China</td>
<td>121</td>
<td>94</td>
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<tr>
<td>USA</td>
<td>115</td>
<td>119</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td>509</td>
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<table>
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<tr>
<th></th>
<th>2017</th>
<th>2016</th>
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<tbody>
<tr>
<td><strong>Parent company</strong></td>
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<tr>
<td>Sweden</td>
<td>13</td>
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### Gender Distribution, Board of Directors and Management Teams

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
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</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>71</td>
<td>29</td>
</tr>
<tr>
<td>Group Management</td>
<td>67</td>
<td>33</td>
</tr>
<tr>
<td>Local Management</td>
<td>67</td>
<td>33</td>
</tr>
</tbody>
</table>
at Elos Medtech are injuries related to heavy lifting, repetitive work, machinery, falls and slips.

In 2017, there were ten reported accidents. Two of these resulted in lost work cases, with a total of 18 days of absence. The absence rate due to illness amounted to 2.4 percent, compared to 2.8 percent in 2016.

Our employees either have access to occupational health support or hold health care coverage and wellness coverage as part of employee sponsored insurance.

Promote Favorable Labor Practices and Human Rights
Our Code of Conduct, which was developed in 2017, is the basis of Elos Medtech’s culture. We believe in the importance of a strong compliance culture that is fully embedded in our business. The Code of Conduct, together with supporting policies and procedures, reflect this commitment and thus safeguard the trust of our customers and other stakeholders.

Our ambition is that everyone at Elos Medtech is obligated to follow our Code of Conduct; our employees, board members and management. We also pass the Code on to our business partners that contribute to Elos Medtech’s products, services and other business activities and inform them that we expect them to adopt the Code of Conduct and follow it themselves.

The Code of Conduct clearly states our stance on issues such as compensation and terms of employment, freedom of association, equal opportunity and non-discrimination, child labor and forced labor, workplace practices, occupational health and safety as well as social networking. Read more at www.elosmedtech.com/about us/sustainability

Diversity
Our diverse workforce enhances our ability to understand the different cultures and languages of our customers and consumers, which contributes to customer satisfaction, and in the longer run, also our success.

Our executive management consists of individuals from Denmark, Sweden, the US, and China. In our Chinese operations, more than 80 percent of executive management has a domestic background.

Diversity can also be defined in terms of age distribution. A balanced mix of different generations in the workforce contributes to the competitiveness of a company. Looking at our entire company, Elos Medtech has a balanced and stable age mix across our different business centers. In average during 2017 Elos Medtech had 527 employees where 38% were women. During the year, Elos Medtech employed 121 people, of whom 41 were women and 80 were men.
Care for Our Responsibilities

Commitment to the company’s responsibilities is a prerequisite for business success. Elos Medtech’s responsibilities include ethics and compliance as well as environmental stewardship on matters such as energy, emissions to air and waste management.

Ethics and Compliance
Elos Medtech is committed to operating its business to the highest ethical, professional, and legal standards. If local laws and regulations are less restrictive than the Code of Conduct, Elos Medtech applies the latter, unless other instructions are given.

The Quality Manual and Quality Policy sets the baseline for the quality management system (QMS) at Elos Medtech. Our QMS complies with the standards and regulations for medical devices. All business centers are annually audited by our notified body for compliance with applicable standards.

In 2017, all employees have undergone compliance training regarding medical devices and environmental management. They have also been trained in our core values.

Employees are encouraged to report any suspected noncompliance in relation to Our Way, policies and business ethics to their line manager, their local management team or a member of our Ethics & Compliance Helpline team. The Ethics & Compliance Helpline is our secure and independent whistleblower function. The Ethics & Compliance Helpline has not received any reports during 2017.

Environmental Stewardship
Elos Medtech’s production technologies include injection molding thermoplastics, cutting metal machining, such as grinding, turning and milling, as well as post-processing, packaging and labelling of metallic parts for implant systems and other medical device components. From a life cycle perspective, in most cases, the

<table>
<thead>
<tr>
<th>Energy Consumption within the Organization, GJ</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-renewable sources (district heating – coal and gas, natural gas)</td>
<td>20,129</td>
</tr>
<tr>
<td>Renewable sources (wind, water and biomass)</td>
<td>22,793</td>
</tr>
<tr>
<td><strong>Total consumption</strong></td>
<td><strong>42,922</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ISO Certificates</th>
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<tbody>
<tr>
<td>Elos Medtech Pinol</td>
<td>ISO 13485, ISO 13485 CMDCAS, ISO 9001, ISO 14001</td>
</tr>
<tr>
<td>Elos Medtech Timmersdala</td>
<td>ISO 13485, ISO 14001</td>
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<tr>
<td>Elos Medtech Microplast</td>
<td>ISO 13485, ISO 14001</td>
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<tr>
<td>Elos Medtech Tianjin</td>
<td>ISO 13485, ISO 14001</td>
</tr>
<tr>
<td>Elos Medtech Onyx</td>
<td>ISO 13485</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Waste, tons</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incineration</td>
<td>6.7</td>
</tr>
<tr>
<td>Landfill</td>
<td>2.8</td>
</tr>
<tr>
<td>Hazardous waste</td>
<td>9.5</td>
</tr>
<tr>
<td>Recycling</td>
<td>107.1</td>
</tr>
<tr>
<td>Incineration</td>
<td>268.1</td>
</tr>
<tr>
<td>Landfill</td>
<td>3.2</td>
</tr>
<tr>
<td>Non-hazardous waste</td>
<td>378.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>387.9</strong></td>
</tr>
</tbody>
</table>
Elos Medtech believes that we have a responsibility to care for and protect the environment in which we operate. We are fully committed to improving environmental performance across all of our business activities, and will encourage our business partners to join us in this effort.

Elos Medtech recognizes our key impacts related to waste generation, emissions to air and water, transport, as well as the consumption of energy, raw materials and water.

We will strive to:
• Meet and exceed all applicable environmental legislative requirements
• Minimize waste through the careful and efficient consumption of all materials and energy
• Measure our business’/operations’ impact on the environment and set targets for continuous improvement
• Train employees in good environmental practice and encourage employee involvement in environmental action

Elos Medtech Management is responsible for the environmental work.

Energy and Water Management
Reducing the climate impact of the operations is a long-term commitment. We have initiated the work with systematic data collection and analysis of energy consumption and mapping types of energy and electricity sources used in business units to identify improvement areas, according to the EU directives. Our goal for 2018 is to ensure that we make active choices with regard to energy suppliers and electricity mix. The target is to increase the ratio of energy from renewable sources by 5 percent compared to 2017.

Elos Medtech’s Environmental Policy
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Elos Medtech Management is responsible for the environmental work.

In 2017, we conducted 21 internal audits of our business centers to assess our compliance and identify improvements. There have also been 42 days with customer audits during the year.
In 2017 we generated 388 tons of waste, of which 107 tons were recycled.

Energy is consumed by production equipment, lighting, ventilation, cooling, heating, transport, computers and servers. Elos Medtech mainly uses indirect energy in the form of electricity (80 percent) and district heating (20 percent). A couple of the sites also use natural gas. Renewable energy sources stand for approximately 53 percent of the total energy consumption. Energy consumption amounted to 42,922 GJ for 2017, corresponding to an energy intensity of 74.25 g J per MSEK of sales.

Several improvement activities are taking place to decrease energy consumption. One example is mounting LED lights in the factories, which will be expanded during 2018. Another example is investments in a new heating and cooling system at Elos Medtech Pinol, read more on page 13.

In 2017, Elos Medtech also used 22,975 m³ of water. All the water was withdrawn from municipal water supplies or other public or private water utilities. The amounts of pollutants discharged to waste water are very limited and mainly consist of sanitary water. All production units are connected to municipal wastewater treatment plants via the sewage system. Emissions of wastewater are not expected to result in any environmental impact. One exception is a limited portion (<50 tones) of the process water which is polluted with metal residuals and oil. This portion is not discharged to the sewage but handled as contaminated waste and is disposed of by certified waste service providers.

Elos Medtech’s emissions of greenhouse gases are caused by energy consumption and the transportation of raw materials and finished products, but also from the employees’ travels. During the year, data has been collected about business travels and our employees’ methods of travelling to work.

In 2017, Elos Medtech generated greenhouse gas emissions from the business amounting to the equivalent of 5,214 tons of carbon dioxide, corresponding to a greenhouse gas emission intensity of 9.0 tons of greenhouse gas emissions per MSEK of sales.

Waste Management
Elos Medtech’s aim is to minimize the production waste as much as possible. Part of the waste is scrap, mainly derived from the production of units that are rejected somewhere in the production process.

The waste generated should be recycled if possible. All core raw materials, metals, and plastics are sorted for recycling. Other non-hazardous waste that is recycled is cardboard, paper, and wood and plastics used for storage and transportation purpose. We are always looking to improve internal solutions to recycle supporting production materials, such as oil and water.

In 2017 we generated 388 tons of waste, of which 107 tons were recycled. We have contracted certified service providers for appropriate disposal, incineration, landfill and recycle handling services.
The Road Ahead

Sustainability has been an integral part of Elos Medtech’s business for many years. In this report we have described our focus areas, their impact, as well as the initiatives we have carried out in 2017.

Elos Medtech has also drawn up a comprehensive plan for the year ahead. In 2018 we aim to further strengthen our sustainability focus within our operations and incorporate sustainability in our business strategy. Our sustainability agenda should be firmly anchored in all parts of the company.

In 2018 we aim to

1. Implement a new program for measuring and monitoring customer expectations and satisfaction
2. Secure sustainable investments corresponding to at least five percent of the agreed investment budget
3. Carry through the Employee Engagement Survey program throughout the organization
4. Reduce the usage of energy from non-renewable sources and convert to energy from renewable sources where possible. The target is a 5 percent increase in renewable energy compared to 2017.
5. Reduce scrap cost by at least 20 percent year-on-year.
6. Roll-out the Code of Conduct through local training sessions. By year-end, all employees shall have participated in the training session and signed off the Code of Conduct

Elos Medtech will also enhance communication to business partners, suppliers and customers to raise awareness about our sustainability efforts and how these affect our partners.
Sustainability Risks

As a global company offering medical devices to many leading medical companies, we continuously assess and manage risks in our operations.

Elos Medtech’s risk management program is an essential element of our strategic planning. Overall, the goal of our risk management program is to take a proactive and structured approach to manage negative outcomes, respond to them if they occur, and identify potential opportunities that may be hidden in the situation.

We are committed to protect the life and health of our employees, on-site contractors and visitors, as well as serving our customers without any business interruption. Our facilities must be safeguarded against fire, natural hazards and other hazards, with respect to property damage and machinery breakdowns.

We continuously evaluate current risks and their control measures to ensure that we are prepared to adequately manage upcoming risks. Management of these areas is covered in established procedures, at business reviews and management meetings.

Potential sources of risk include, at the least, the following: commercial relationships and obligations, legal expectations and liabilities, economic shifts and circumstances, technological innovations and disruption, political changes and trends, natural events and forces, environmental impact, human error and deficiencies.

Elos Medtech’s Sustainability Risks Environment

All business units running production comply with applicable environmental protection legislation.

Environmental issues and risks are considered alongside all our business decisions, from new product design and development, to manufacturing and distribution. The environmental impact assessment has been completed and identified. Impact is related to material consumption/scraping of raw materials, waste water generation, energy consumption and greenhouse gas emissions from transportation.

Employees

Motivated and competent employees are a crucial factor for Elos Medtech to reach our goals. We regularly arrange training sessions and annual performance reviews to unlock our employees’ potential. Read more on page 16.

Our preventive health and safety measures are executed through a systematic approach. We identify risks and the causes of incidents and accidents and take appropriate action through technical improvements and training. Formal safety committees are in place at all operating units, covering all employees. Regular safety inspections and safety and fire prevention trainingsessions are conducted at all operating units.

Human Rights

Infringement of human rights at the Group’s companies could damage both the Group’s reputation and its business operations. All operations have been assessed for human rights where policies, procedures and performance have been considered.

Regular business reviews are conducted with each business center by (at least) the CEO and CFO, who physically visits the centers several times a year and monitors procedures ensuring that aspects of human rights and performance are accordingly followed up.

Social Aspects

Internal audits of financial subjects (wages, employees’ benefits etc.), as well as environmental health and safety (workplace, emergency preparedness etc.) are performed at regular intervals. Read more on page 16.

Diversity is an important competitive advantage in the global environment in which we are active. Elos Medtech strives to establish a business with extensive expertise and experience in creating an organization that develops the company towards our strategic goals. We describe how we handle diversity, in the Code of Conduct.

Anti-corruption

There are no known cases of any corruption or bribes during 2017. Assessments of Elos Medtech’s risks related to corruption and anti-competitive behavior are performed yearly. The risk assessment that was performed in 2017 showed no material risks related to corruption or anti-competitive behavior. Therefore, Elos Medtech does not deem corruption to constitute a material sustainability aspect.
Elos Medtech maintains a dialogue with key stakeholders. The key stakeholders are: employees, board and owners, customers, suppliers, society, in general and schools and universities (future employees).

In early 2017, Elos Medtech’s Sustainability Project Group held meetings to plan how the dialogue with the various stakeholder groups should be conducted going forward. Today, Elos Medtech has ongoing dialogue with its stakeholders through different channels.

The aim is to build long-term relationships, increase understanding of what is important for stakeholders and continually improve the company’s sustainability efforts.

## Stakeholder Group Dialogues

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Dialogue</th>
<th>Stakeholder Expectations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employees</strong></td>
<td>Workplace meetings, Town hall meeting, Employee surveys, Performance reviews, Safe workplace coordinating councils (SAM), Management meetings, Business risk analysis, SWOT</td>
<td>Competence development (training and education), Customer satisfaction, Environmental engagement, Leadership – strategy (strategic platform), Ethics and compliance</td>
</tr>
<tr>
<td><strong>Board and owners</strong></td>
<td>Board meetings, Personnel surveys – interviews, Annual general meeting, Business risk assessment</td>
<td>Sustainability reporting – environmental engagement, Strategic platform, Policies – Code of Conduct, Ethics and compliance, Human rights, Long-term profitability, Customer satisfaction (sustainable customer solutions)</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Business reviews, Conferences – exhibitions, Customer surveys, Audits</td>
<td>Product quality and safety, Compliance – quality management, Business continuity plan, Supplier management, Product performance and excellence, Market presence</td>
</tr>
<tr>
<td><strong>Suppliers</strong></td>
<td>Audits, Qualification questionnaires</td>
<td>Business continuity plan, Environmental engagement</td>
</tr>
<tr>
<td><strong>Society in general</strong></td>
<td>Local communities – study visits</td>
<td>Human rights, Investments for sustainable solutions, Environmental engagement</td>
</tr>
<tr>
<td><strong>Schools, universities – future employees</strong></td>
<td>Meetings, Networking, Study visits – lectures, University teacher at local apprenticeship</td>
<td>Sponsoring of local education programs, Career opportunities, Diversity, Sustainability reporting</td>
</tr>
</tbody>
</table>
Materiality Assessment

By conducting a materiality assessment, Elos Medtech has defined its most important sustainability topics.

Elos Medtech has conducted a comprehensive materiality analysis to define its key sustainability aspects. The analysis was based on the conclusions from dialogues, identified external trends, Elos Medtech’s strategy, SWOT analyses, risks and opportunities assessments, as well as sustainability frameworks such as Global Reporting Initiative and the UN Global Compact. The analysis was conducted by our Sustainability Project Group in 2016 and 2017. It will be evaluated annually.

The materiality assessment resulted in a list of eleven material aspects which are presented below, together with an illustration showing where in our value chain the impact occurs.

<table>
<thead>
<tr>
<th>Care for our business</th>
<th>Suppliers</th>
<th>Elos Medtech</th>
<th>Customers and Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer satisfaction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product performance and excellence</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Investments in sustainable solutions</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Care for our people</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empowering people</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthy and safe workplace</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promote favorable labor practices and diversity including human rights</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Care for our responsibilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics and compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emissions to air</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste management</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

By conducting a materiality assessment, Elos Medtech has defined its most important sustainability topics.
About the Sustainability Report

This is Elos Medtech’s first sustainability report. It has been prepared in accordance with the stipulations in the Swedish Annual Accounts Act referring to sustainability reporting. This sustainability report also references GRI 103: Management Approach 2016.

In conjunction with the GRI Standard, we have applied the ISO 26000 guidance standard which provides a practical set of tools to measure and report on our social responsibility issues and practices.

ISO 26000 offers guidance and recommendations on how to structure, evaluate, and improve social responsibility, including stakeholder relationships, and community impacts.

We welcome your feedback on our report! Should you have any questions or comments, please contact Lotta Ljungberg, Group QA/RA Director, lotta.ljungberg@elosmedtech.com.

Gothenburg, April 3, 2018

Yvonne Mårtensson
Chairman of the Board of Directors

Agneta Bengtsson Runmarker
Board member

Jeppe Magnusson
Board member

Jon Risfelt
Board member

Mats Nilsson
Board member

Thomas Öster
Board member

Anders Birgersson
Board member

Jon Wahlström
Chief Executive Officer

Auditor’s Report on the Statutory Sustainability Report

To the general meeting of the shareholders in Elos Medtech AB (publ), corporate identity number 556021-9650

Engagement and responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2017 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR’s auditing standard RevR 12 The auditor’s opinion regarding the statutory sustainability report.

This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.

Gothenburg, April 3, 2018
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorised Public Accountant