

ANNUAL REPORT  
**2016**



# Annual General Meeting

The Annual General Meeting will be held on 26 April 2017 at 17.00 at Nellickevägen 22, 412 63 in Göteborg.

## Registration

Shareholders wishing to attend the Annual General Meeting should notify the company by post: Elos Medtech AB, Nellickevägen 22, 412 63 Göteborg, Sweden, or by email: [info@elosmedtech.com](mailto:info@elosmedtech.com) by no later than 12.00 on 20 April 2017.

## Who has the right to attend the Annual General Meeting?

Shareholders who are registered in the transcript of the share register on 20 April 2017 and have notified their intention to attend by 12.00 on 20 April 2017 have the right to attend the Annual General Meeting of Elos Medtech.

Shareholders whose shares are nominee registered must temporarily re-register their shares in their own name in the share register kept by Euroclear Sweden AB, in order to have the right to attend the Annual General Meeting. The shareholder must notify the nominee of this well before 20 April 2017.

## Dividend

Dividend For the financial year 2016, the Board of Directors proposes to the Annual General Meeting that a dividend of SEK 1.30 per share be paid to shareholders.

# Financial information

Elos Medtech intends to provide the following financial information for the financial year 2017:

|                              |                  |
|------------------------------|------------------|
| Annual Report 2016           | April 2017       |
| Interim report for Jan-March | 26 April 2017    |
| Interim report for Jan-June  | 25 August 2017   |
| Interim report for Jan-Sep   | 27 October 2017  |
| Year-end report              | 22 February 2018 |

Elos Medtechs' financial information is available at:  
[www.elosmedtech.com](http://www.elosmedtech.com)

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# This is Elos Medtech

Elos Medtech is one of Europe's leading development and production partners for medical devices and components, such as dental and orthopaedic implants and instruments. Operations are conducted at facilities in Sweden, Denmark, the U.S. and China.

Our customers are mainly international medical technology companies in the market segments Dental Implant Systems, Diagnostics, Medical Devices and Trauma & Spine.

## Events after the end of the reporting period

Elos Medtech's MD in the Chinese operations in Tianjin, Pär Teike, has decided to resign. He will remain in his position during the notice period and will leave the Group in August 2017.

## The year in brief

- Net sales increased to SEK 552.0 million (503.7), up 10.1 per cent adjusted for exchange rate changes, of which organic growth accounted for minus 0.3 per cent.
- Operating profit increased to SEK 42.7 million (30.5).
- Profit after net financial items was SEK 37.9 million (22.5). Net financial items were positively affected by exchange rate differences of SEK 5.4 million (-0.4).
- Profit after tax totalled SEK 26.4 million (16.1), equivalent to SEK 4.37 (2.66) per share.
- Cash flow from operating activities improved to SEK 98.3 M (61.6). Cash flow after investments was SEK 68.9 million (-144.9)
- The Board proposes to pay a dividend of SEK 1.30 per share.



| Key figures   |      | 2016  | 2015 * | 2014 ** | 2013 ** | 2013 ***2012 ***/ **** | 2011 *** |
|---|------|-------|--------|---------|---------|------------------------|----------|
| Net sales   | SEKm | 552.0 | 503.7  | 380.9   | 368.1   | 479.4                  | 414.2    |
| Profit/loss after financial items                   | SEKm | 37.9  | 22.5   | 31.8    | 21.5    | 41.6                   | 17.9     |
| Operating margin before depreciation (EBITDA)       | %    | 17.6  | 15.7   | 17.8    | 17.3    | 18.5                   | 13.4     |
| Operating margin after depreciation (EBIT)          | %    | 7.7   | 6.1    | 8.7     | 7.4     | 10.0                   | 5.5      |
| Share of risk-bearing capital                       | %    | 44.7  | 40.0   | 59.2    | 48.7    | 48.7                   | 45.6     |
| Equity/assets ratio                                 | %    | 41.3  | 37.5   | 55.7    | 43.9    | 43.9                   | 40.6     |
| Return on operating capital                         | %    | 5.7   | 5.3    | 8.2     | 7.1     | 11.7                   | 6.0      |
| Return on equity                                    | %    | 7.6   | 4.8    | 40.9    | 15.0    | 15.0                   | 6.0      |
| Earnings per share after tax, continuing operations | SEK  | 4.37  | 2.66   | 3.87    | 2.79    | 5.39                   | 2.11     |
| Earnings per share after tax, total                 | SEK  | 4.37  | 2.66   | 19.30   | 5.39    | 5.39                   | 2.11     |
| Equity per share                                    | SEK  | 60.63 | 54.63  | 55.96   | 38.48   | 38.48                  | 35.74    |
| Dividend (2016 proposal, SEK 1)                     | SEK  | 1.30  | 1.00   | 3.00    | 2.00    | 2.00                   | 1.50     |
| Average number of employees                         |      | 509   | 471    | 378     | 376     | 424                    | 373      |

\*) Including acquisition of Onyx Medical which occurred on 23 April 2015. \*\*) Adjusted for the sale of Elos Fixturlaser, which took place in 2014 and is reported as discontinued operations.

\*\*\* Unchanged from previous year, i.e. including Elos Fixturlaser. \*\*\*\*) Comparative figures for 2012 have been adjusted due to change of accounting principle for pensions according to IAS 19R.



## Better equipped for new business opportunities

This year was characterized by a number of changes. These changes were made to establish a stable platform for future development, growth and profitability. With a strategic review of the business, integration of acquisitions, enhanced processes and reinforced sales teams, Elos Medtech is better equipped to capitalize on the opportunities in the global market for medical technology. This work can in no way be considered finished, but the direction is clear. Both our earnings trend and improved margins show that we are on the right path.

For me personally, 2016 was educational and challenging. Having been previously active in the medical technology industry, it is an industry I know and understand. The movements and rapid development in the global market are characteristic of the industry, and more specifically of 2016. This is a challenge that we, as contract suppliers, have to manage every day. We have to be sensitive and have flexibility in our operations - when the market moves, we must adapt and use our global presence and our strong expertise to our advantage. This is how we will further build our business in the future.

### Change in focus 2016

In recent years, Elos Medtech's business has been characterized by major changes, both internally and externally. These changes had one objective – to strengthen our position as a contract manufacturer in medical technology. I believe we succeeded in this in 2016. Let me briefly comment some of the more significant events and change projects we carried out during the year.

To develop the Trauma & Spine market area, Elos Medtech acquired the U.S. company Onyx Medical in 2015. The acquisition is a part of our strategy to focus on medical technology, specifically to strengthen our market position in orthopedics, and create a natural base for expansion in the U.S. The integration work was under way throughout the year and we see multiple synergy effects in sales development as well as in technical collaboration between sites.

Our large investment in the Diagnostics market area, Microplast's production facility in Skara, was inaugurated in May. This investment makes it possible to double the production capacity. We can note an increased interest in both existing and potential customers and have expectations that the investment

will strengthen our offering and generate several new deals. Sales increased by no less than 25 per cent for full-year 2016, largely as a result of our initiative. At the same time, we see a number of opportunities to develop synergies within our own production.

Within the Dental Implant Systems business area, we have developed a closer cooperation with the largest customers. In addition to this, we can now offer greater production capacity as a result of more automated production. We added several automated measurement methods that shorten lead times in production at the same time that we have seen greater demand from our customers in 2016.

The Medical Devices market area has stabilized since a tough 2015 and we now need to focus on recruitment to build up a strong team to meet the rising demand. The digitization of dental care is creating a need for new and innovative product solutions that are adapted to a modern way of working. We have made significant investments in the Digital Dentistry area. Above all, this applies to the development of our own product range, but not least to our build-up of a specialized team of experts for the European market. The goal is to more clearly position ourselves as an innovative cooperation partner and to strengthen new and existing partnerships in digital dental care.

As a part of the work on creating a strong and cohesive organization, we have chosen to move the head office to Gothenburg, Sweden. Here, there is a strong tradition of medical technology and a good network, both in industry and the academic community. In combination with the new sales organization we have built up, we are convinced that the move will enable new growth opportunities for us.

### **Clear positive effects from the change management**

The extensive change work we have conducted has yielded results. We have handled many internal challenges and we know with certainty that we have built a more stable business. We see this especially when we look at the operating profit, which improved considerably in 2016. The positive development of the operating profit, which is now SEK 42.7 million (30.5), shows that the changes we made were correct and had the desired effect. Other clear signals that we are on the right track are that we improved our margins and that we have a larger number of requests for offers than ever before.

### **Insights and outlook**

In 2016, we chose to look at our internal challenges and address them, which is why it is important that we now set our sights outward and ahead. The global market for medical technology is growing and we foresee major opportunities in several of our business areas. We continue working to further strengthen offerings, visibility and presence in our prioritized markets. Through Onyx Medical, we have gained access to a new network in North America and with the previous establishment in China, we see ourselves as a true global player.

In terms of our own products in the Dental Implant Systems business area, it is important for us to take advantage of the underlying demand in the market. Though it has taken longer than expected to build up new sales channels, I feel that we have reached critical mass and can grow mainly in the European market through active market cultivation.

Internally, we still have challenges in terms of our production. We have to prioritize collaboration across the Group and ensure interactivity in all of our areas of expertise. One of our key competitive advantages is our strong technical knowledge and our access to global production and I see good opportunities of creating Group-wide projects for our most important customers.

We are now working more strategically on a combined Group offering with a focus on quality, market expertise and service to effectively compete and win more deals. Much of the work ahead will be about communicating our entire Group's offering. Sharing the message that we are one of the select few contract suppliers who can offer a complete global concept – production, design and logistics. I see that we have major opportunities to become a leading cooperation partner for our customers where we contribute along the entire supply chain from research and development to finished product.

Last year was both eventful and educational. Now that we are stepping into 2017, we are taking with us a number of insights into how we should work and in what direction. I would like to direct a huge thank you to all of our expert and skilled employees for their hard work. I would also like to thank our shareholders for choosing to join us on this journey. Now our sights are looking forward – towards new opportunities and business.

Jan Wahlström  
President and CEO

# The share – Elos Medtech

## Stock market trading

Elos Medtechs' Class B shares – ticker code ELOS B – have been listed on NASDAQ Stockholm AB Small Cap since 13 June 1989. The highvoting Class A shares are not listed. The share price fluctuated between SEK 92.00 and SEK 122.75 during the year. The closing price at year-end 2016 was SEK 98.50 (123.50). At year-end 2016, Elos Medtech's market capitalisation was SEK 487.7 million (611.4).

## Dividend policy

Elos Medtech's dividend policy stipulates that the dividend is to be based on the Group's earnings performance, while taking into account its future development potential and financial position. The long-term goal is for the dividend to increase at a constant rate and to be equivalent to approximately 30-50 per cent of the profit after tax.

## Proposed dividend

For the 2016 financial year, the Board of Directors has proposed that a dividend of SEK 1.30 per share be paid to shareholders. The Group's equity/assets ratio was 41.3 per cent on the reporting date. The equity/assets ratio adjusted for the proposed dividend was 40.4 per cent on the reporting date.

## Share capital

At year-end 2016, Elos Medtech AB's share capital amounted to SEK 37.8 million. The share capital is divided into Class A and Class B shares. Apart from Class A shares each carrying one vote and Class B shares one-tenth of a vote, there is no distinction as regards the rights of the different share series in the company.

In accordance with Elos Medtech's Articles of Association, holders of Class A shares have the right to request in writing the conversion of Class A shares into Class B shares. In 2016, no Class A shares were converted into Class B shares.

At the 2016 Annual General Meeting, it was resolved to introduce a share-based incentive programme for senior executives. For more information, refer to Note 30.

## Shareholders

At year-end 2016, Elos Medtech had 1,689 shareholders. Elos Medtech's ten largest shareholders held shares equivalent to 62.6 per cent of the capital and 85.8 per cent of the votes. Swedish and international institutions held 29.6 per cent of the capital and 11.2 per cent of the votes at year-end.

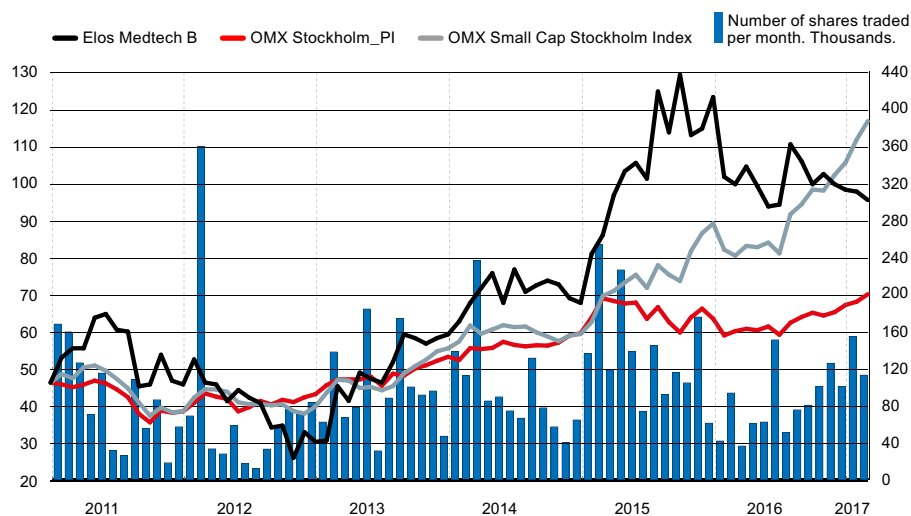
| Shareholder structure, 31-12-2016 |                      |                  |              |
|-----------------------------------|----------------------|------------------|--------------|
| No. of shares by size of holding  | No. of share-holders | No. of shares    | % of shares  |
| 1-500                             | 1,132                | 185,642          | 3.1          |
| 501-1,000                         | 257                  | 214,965          | 3.6          |
| 1,001-2,000                       | 140                  | 233,952          | 3.9          |
| 2,001-5,000                       | 82                   | 273,329          | 4.5          |
| 5,001-10,000                      | 25                   | 177,072          | 2.9          |
| 10,001-20,000                     | 21                   | 302,002          | 5.0          |
| 20,001-50,000                     | 17                   | 502,247          | 8.3          |
| 50,001-100,000                    | 5                    | 440,765          | 6.2          |
| 100,001-                          | 10                   | 2,621,286        | 62.6         |
| <b>Total</b>                      | <b>1,689</b>         | <b>4,951,260</b> | <b>100.0</b> |

| Type of share, 31-12-2016 |                  |              |                    |
|---------------------------|------------------|--------------|--------------------|
| Type of share             | No. of shares    | % of votes   | % of share capital |
| Class A                   | 1,099,740        | 69.0         | 18.2               |
| Class B                   | 4,951,260        | 31.0         | 81.8               |
| <b>Total</b>              | <b>6,051,000</b> | <b>100.0</b> | <b>100.0</b>       |

| The largest shareholders in Elos Medtech AB (publ) |                  |                  |                  |                    |              |
|--|------------------|------------------|------------------|--------------------|--------------|
| According to Euroclear AB, 31-12-2016              |                  |                  |                  |                    |              |
|  | Class A shares   | Class B shares   | Total            | % of share capital | % of votes   |
| Öster family including companies                   | 378,826          | 244,654          | 623,480          | 10.3               | 25.3         |
| Runmarker family                                   | 297,946          | 201,870          | 505,816          | 8.4                | 20.0         |
| Nilsson family                                     | 260,880          | 93,517           | 354,397          | 5.9                | 16.9         |
| Molin family                                       | 136,000          | 163,400          | 299,400          | 5.0                | 9.6          |
| Nordea Investment Funds                            | 0                | 842,222          | 842,222          | 13.9               | 5.3          |
| Svolder Aktiebolag                                 | 0                | 548,400          | 548,400          | 9.1                | 3.4          |
| Ulrika Erlandsson                                  | 26,088           | 72,304           | 98,392           | 1.6                | 2.1          |
| Unionen  | 0                | 219,500          | 219,500          | 3.6                | 1.4          |
| Magledal Holding APS                               | 0                | 180,400          | 180,400          | 3.0                | 1.1          |
| Ulfenborg family                                   | 0                | 111,200          | 111,200          | 1.8                | 0.7          |
| Other  | 0                | 2,267,793        | 2,267,793        | 37.4               | 14.2         |
| <b>Total</b>                                       | <b>1,099,740</b> | <b>4,951,260</b> | <b>6,051,000</b> | <b>100.0</b>       | <b>100.0</b> |

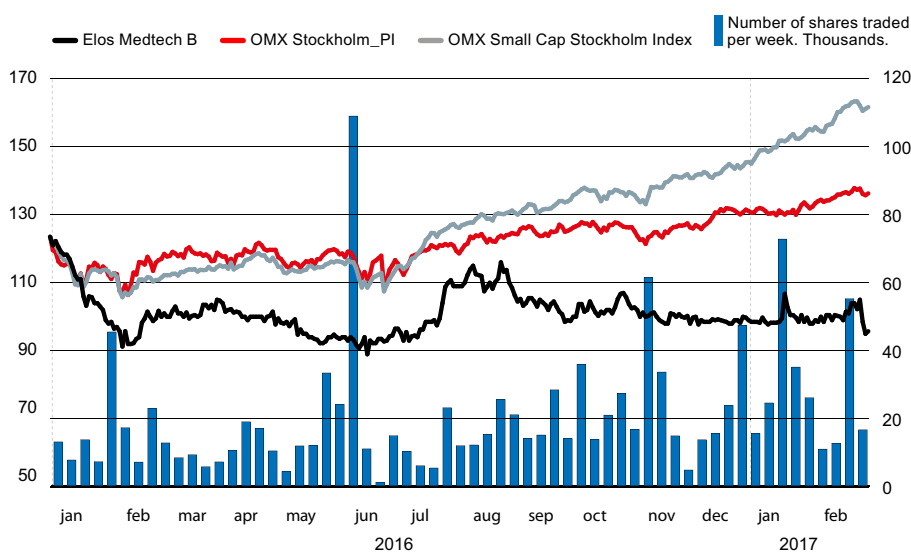


**Performance and turnover of the  
Elos Medtech share, January 2011  
– February 2017**



Source: Financial Information

**Performance and turnover of the  
Elos Medtech share, January 2016  
– February 2017**



Source: Financial Information

| Data per share                          |           | 2016  | 2015*  | 2014** | 2013** | 2013*** | 2012****/***** | 2011*** |
|---|-----------|-------|--------|--------|--------|---------|----------------|---------|
| Profit after tax, continuing operations | SEK       | 4.37  | 2.66   | 3.87   | 2.79   | 5.39    | 1.35           | 2.11    |
| Profit after tax, total                 | SEK       | 4.37  | 2.66   | 19.30  | 5.39   | 5.39    | 1.35           | 2.11    |
| Dividend (2016 proposal, SEK 1)         | SEK       | 1.30  | 1.00   | 3.00   | 2.00   | 2.00    | 1.00           | 1.50    |
| Equity                                  | SEK       | 60.63 | 54.63  | 55.96  | 38.48  | 38.48   | 33.37          | 35.74   |
| Closing share price                     | SEK       | 98.50 | 123.50 | 68.00  | 59.50  | 59.50   | 30.50          | 46.00   |
| Dividend yield                          | %         | 1.3   | 0.8    | 4.4    | 3.4    | 3.4     | 3.3            | 3.3     |
| Share price/Equity                      | %         | 162.5 | 226.1  | 121.5  | 154.6  | 154.6   | 91.4           | 128.7   |
| Average number of shares                | thousands | 6,051 | 6,051  | 6,051  | 6,051  | 6,051   | 6,051          | 6,051   |
| Number of shares at year-end            | thousands | 6,051 | 6,051  | 6,051  | 6,051  | 6,051   | 6,051          | 6,051   |

\*1) Including acquisition of Onyx Medical which occurred on 23 April 2015.

\*\*1) Adjusted for the sale of Elos Fixturlaser in 2014, which is reported as discontinued operations.

\*\*\*1) Unchanged from previous year, i.e. including Elos Fixturlaser.

\*\*\*\*1) Comparative figures for 2012 have been adjusted due to change of accounting principle for pensions according to IAS 19R.

# Strategies for growth

## Vision

Elos Medtech is the preferred partner of innovative and demanding customers, as we offer integrated solutions to improve the customer's competitiveness. We provide advanced expertise and an uncompromising focus on quality, creating value for our customers.

## Strategy

The overall strategy is to focus the Group's operations and structure on segments where a significant market position can be achieved. The goal is to create a more concentrated business base in segments where a critical mass can be achieved.

| Group targets                       | Growth<br>(currency-adjusted) | Operating margin | Return on equity | Return on operating capital | Share of risk-bearing capital | Liquidity inc. granted but unutilised bank overdraft facilities |
|-------------------------------------|-------------------------------|------------------|------------------|-----------------------------|-------------------------------|---|
| <b>Objectives</b>                   | <b>&gt; 10% per year</b>      | <b>&gt; 13%</b>  | <b>&gt; 15%</b>  | <b>&gt; 15%</b>             | <b>&gt; 30%</b>               | <b>6-12% of annual sales</b>                                    |
| Outcome 2016                        | 10.0%*                        | 7.7%             | 7.6%             | 5.7%                        | 44.7%                         | 18.0%   |
| Outcome 2015                        | 26.4%*                        | 6.1%**           | 4.8%             | 5.3%                        | 40.0%                         | 22.2%   |
| Outcome 2014, continuing operations | 0.7%                          | 8.7%**           | 40.9%            | 8.2%                        | 59.2%                         | 48.0%   |
| Outcome 2013, continuing operations | 13.9%                         | 7.4%             | 15.0%            | 7.1%                        | 48.7%                         | 20.7%   |
| Outcome 2013, original operations   | 11.8%                         | 10.0%            | 15.0%            | 11.7%                       | 48.7%                         | 15.9%   |
| Outcome 2012                        | 4.3%                          | 4.2%             | 3.9%             | 4.4%                        | 42.4%                         | 14.2%   |

\* including growth via acquisition, organic growth was 0.3% (-1.1).

\*\* operating margin before non-recurring items was 7.7% (9.6).

|                      | Objectives   | Strategic tools  | Outcome 2016   | Activities 2017  |
|----------------------|--|--|--|--|
| <b>Customers</b>     | Elos Medtech is the preferred long-term partner of innovative and demanding customers in medical technology.   | High quality and short, reliable lead times. Active collaborative partners for product development. Further development of Elos Medtech Complete Performance.  | The position in Trauma & Spine has been strengthened with the integration of Onyx Medical. New customers and stronger relationships in Diagnostics and Dental Implant Systems. Within Medical Devices, the positions were stabilised.  | Increase market integration in Trauma & Spine through continued coordination of Onyx. Continue to strengthen Dental Implant Systems through a clear Key Account focus and continued development of own products in the digital platform.                                       |
| <b>Growth</b>        | Achieve organic growth in excess of 10% per year.  | Key Account Management with a focus on sales for the whole Group. Develop the cooperation with existing customers. Add new customers in the selected segments. Development of own-brand products.                  | 10.0% in growth of which organic growth of 0.3%. Sales increased within all segments. Continued launch of own products and build-up of distribution networks according to plan. Sales of own products increased by 9.2%.   | Continue to strengthen sales resources with a focus in our customer areas and development of the offering in our own products. Further development of the global Key Account organisation to become better at sales of the whole company's resources.                          |
| <b>Profitability</b> | Elos Medtech must have the profitability to create added value for the company's stakeholders and be among the most profitable companies in the areas the Group is active. | Increased percentage of own-brand products as a result of active development and sales work. Growth through an improved market position with existing and new customers. Active cost control Increased automation. | Operating margin improved. The EBITDA margin was 17.6% (15.7%). The underlying operating profit improved by 40%. In terms of earnings, the acquisition of Onyx Medical contributed significantly to the Group's profitability, but earnings strengthened substantially even without the acquisition, for example with 16% at EBIT level. | Greater focus on attracting new customers. Continued focus on sales synergies. Improve capacity utilisation in the factories. Continued initiatives on our own products. Invest in increased automation and increased capacity.  |
| <b>Employees</b>     | Elos Medtech must be perceived as an attractive employer.  | Employee surveys and competence-raising training. Steering document regarding Our Values, with vision, mission and values.   | Wider training initiatives introduced in several units. Employee surveys performed according to plan.  | More work on goal breakdown at individual level and follow-up of employee surveys etc. Offer adapted training at individual and group level. Continuous development of the employees' expertise. Work to be the industry's best company in sustainable development and growth. |

\* Adjusted for exchange rate fluctuations during the year. \*\* Adjusted for non-recurring costs.





## Elos Medtech is a strategic development and production partner with the whole world as its market

Elos Medtech's ambition is to be the customer's first choice in selected market segments as a strategic development and production partner.

In the latest five-year period, significant investments regarding quality and expertise have been made in the operations in Sweden, Denmark, China and the U.S.

The result is that we have further strengthened the position as a leading company in the global market and through the acquisition of Onyx Medical in the U.S. we now have a presence in all of the key submarkets.

The markets that Elos Medtech works in noted a good growth with continued satisfactory demand during the 2016 financial year. In China, a slow 2015 turned into growth of 22.9 per cent. The increase in demand mainly came during the second half of the year and, in the first few months of this year, work has been done to increase the production capacity at the facility in Tianjin.

The investments during the year amounted to SEK 34.6 million, which corresponds to a halving of the previous year's SEK 75.8 million. The reduced investment rate was largely due to the cost of the expansion of Microplast's production facility in Skara essentially being completed in 2015.

The investments in 2016 were mainly directed at capacity improvements in Microplast's new factory and continued efforts on automation at the facilities in Sweden and Denmark.

### With the whole world as a market

In the past ten-year period, Elos Medtech has developed into a well-reputed development and production partner in selected areas in medical technology. For example, the Group is one of the largest subcontractors in the area of dental implants in Europe.

### Elos Medtech in brief

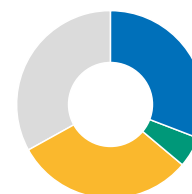
| Income statement, SEKm          | 2016   | 2015   | 2014   | 2013   |
|---------------------------------|--------|--------|--------|--------|
| Net sales                       | 552.0  | 503.7  | 380.9  | 368.1  |
| Cost of goods sold              | -394.9 | -367.6 | -273.2 | -272.9 |
| Gross profit/loss               | 157.1  | 136.1  | 107.7  | 95.2   |
| Selling expenses                | -36.2  | -30.0  | -21.1  | -15.5  |
| Administrative expenses         | -65.0  | -63.2  | -44.1  | -43.7  |
| Development costs               | -15.3  | -13.9  | -9.9   | -9.1   |
| Other operating income/expenses | 2.1    | 1.5    | 0.5    | 0.3    |
| Operating profit                | 42.7   | 30.5   | 33.1   | 27.2   |

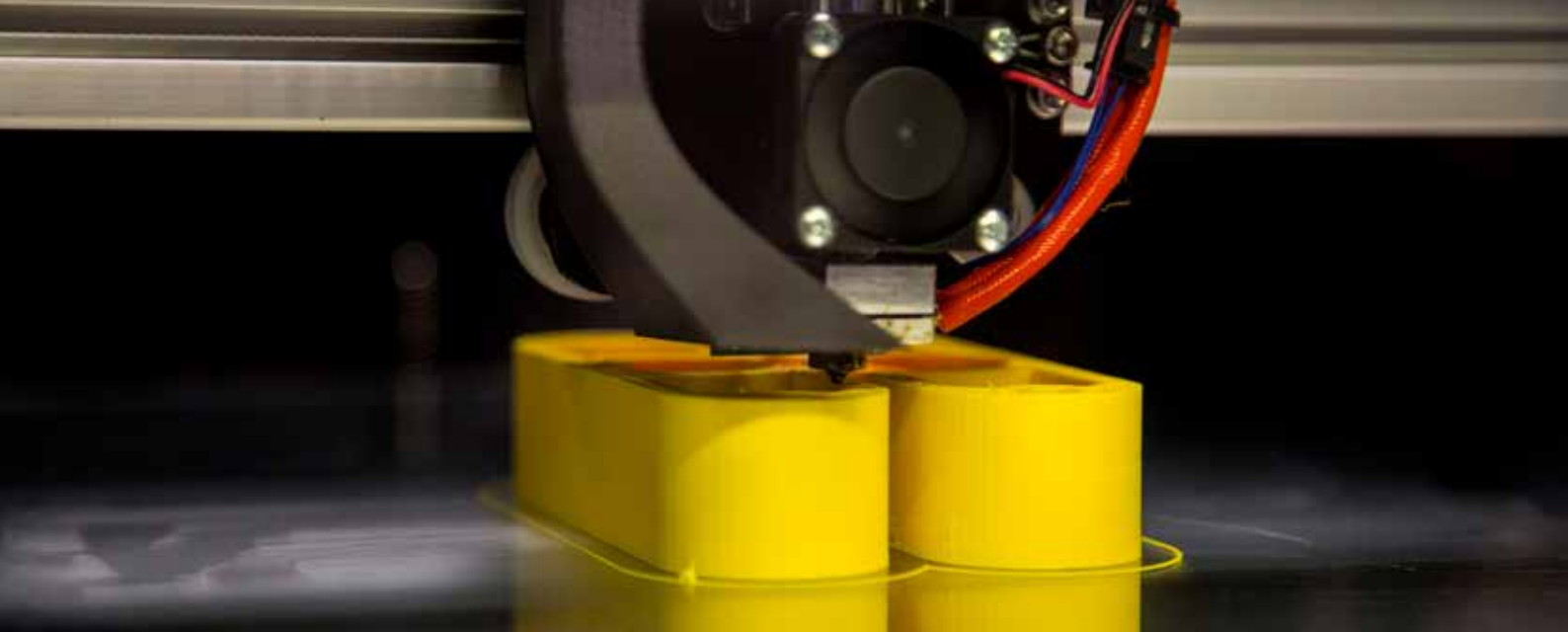
### Key data

|                                      |      |      |      |      |
|--------------------------------------|------|------|------|------|
| Operating margin, %                  | 7.7  | 6.1  | 8.7  | 7.4  |
| Gross investments excl. shares, SEKm | 34.6 | 75.8 | 41.0 | 16.5 |
| Average number of employees          | 509  | 471  | 378  | 376  |

### Sales by market segment

|                        |       |
|------------------------|-------|
| Dental Implant Systems | 31.0% |
| Diagnostics            | 5.4%  |
| Medical Devices        | 30.7% |
| Trauma & Spine         | 33.0% |





Elos Medtech works as a contract manufacturer up to around 90 per cent. The customers are international medical technology companies, active in a global market, that set high demands of Elos Medtech being a full-service partner. Elos Medtech meets the customers' demands through a global offering, consisting of a value-creating total solution comprising an unbroken chain from development and design to construction, testing and pilot series, full-scale production, handling in clean rooms, packaging and logistics.

Our offering is marketed under the name Complete Performance™ and aims to strengthen the collaboration with each individual customer. We achieve this by developing new products in partnership that complement an existing product range. At the same time, we increase our attractiveness as a contract manufacturer for the customers' core products.

A close cooperation is of major importance to be able to guar-

antee function and a cost-effective production. Our expertise and knowledge of the products' construction and areas of use combined with continuous and close development work are the foundation of maintaining long-term customer relationships that generate value.

Crucial to successful cooperation is also living up to high quality standards and being responsible for evaluation and validation of all processes. The overall quality work is led by the Group's quality manager who works with the quality departments of the subsidiaries to ensure that Elos Medtech has the necessary competence and capacity. Responsibility for complying with the international certifications and standards that individual countries set for medical devices lies with the subsidiaries.

At Elos Medtech there is normally a pilot production with the machines that will later be used for series production. This is an important step to facilitate the validation processes, which ensure the quality standards.

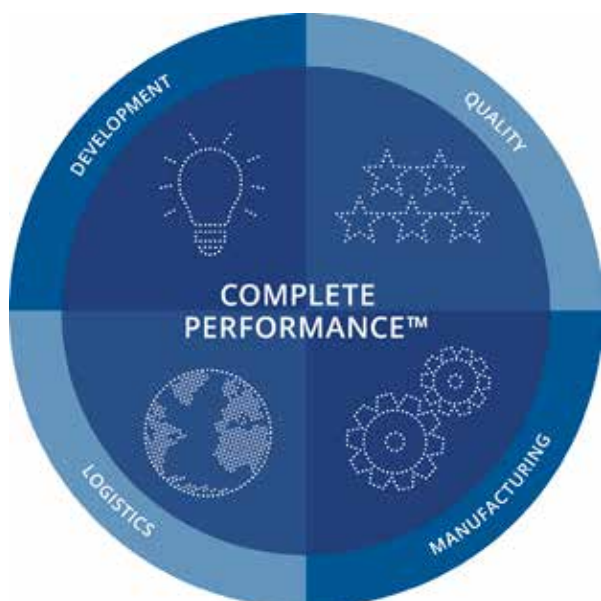
Being able to meet the customers' demand for efficient logistics is another strong competitive advantage. Elos Medtech disposes over many different types of VMI (Vendor Managed Inventory) systems, which facilitate the customers' warehousing and permit delivery of the right products, details and components at the right time, according to the customers' needs.

Alongside contract manufacturing, we have gradually built up an operation with a focus on developing, producing and selling our own products, both to the OEM market and under our own brand. The main part of our own products are developed within the Dental Implant Systems area.

#### Customer structure and competitors

Elos Medtech's customer structure in selected market segments can be divided into three groups:

- Large global companies.
- Specialists that mainly work with niche products.
- Local and regional companies where the business is geographically concentrated.





The extensive regulatory frameworks for medical devices apply to all customer groups, indiscriminately. The future trend is also clear: requirements increase from year to year, from the FDA in the USA and corresponding authorities within the EU.

It is particularly four factors that determine the market's demand:

- Demographics, since the global population requires more health care.
- The rapid rate of skills development in orthopaedics and surgery results in an increasing number of complex operations being performed and a higher rate of investment in new technologies.
- Access to more specialised health care with specialised healthcare staff.
- The extent of financial funding for healthcare budgets in the social insurance systems of various countries, as well as the extent to which individual consumers are willing to use their own money to pay for items such as dental implants and hearing aids.

Elos Medtech's foremost competitors are also the global companies with the whole world as their market, such as Cendres & Mètaux, Diener, Ruetschi in Switzerland and Helmut Klingel in Germany. In the U.S., we meet competition particularly from Tecomet, Orchid, Paragon, Greatbatch Medical and Symmetry. Global medical technology companies with their own production can also be counted as potential competitors.



### Dental Implant Systems

In the Dental Implant Systems market segment, sales increased in 2016 by 11.2 per cent. The market's demand for dental implants also increased in 2016, although not at such a high pace.

As a contract manufacturer, Elos Medtech has been a global market leader and sub-supplier to the majority of the largest dental implant companies for several years. The production consists mainly of implants, components for implant-borne prosthetics and instruments for dental implant treatment.

The development in the market has for some time meant that customers in the dental area have chosen to reduce the number of customers. The driving factors are both increasing regulatory requirements and demand for ever shorter lead times in production. Higher standards on the contract manufacturers are leading to a continued restructuring of the market, which benefits Elos Medtech with its presence in Europe, the U.S. and China. In 2016, work continued to complement the contract production by developing and selling our own products. Our own torque wrench – which is both sold as an “OEM-private-label product” and under Elos Medtech's own brand – has gradually become more popular and is today one of the world's most sold and used torque wrenches.

The initiative on the Group's digital assortment, which is marketed under the brand Elos Accurate® continued during the year with the launch of a new product, Elos Accurate® API® Bridge, a new concept for implant bridges, which has been approved for the European market.

During the year, a sales and marketing organisation was built up with a focus on products in digital dental care and a number of contracts were signed with distributors in Europe.



### Trauma & Spine

Sales for Trauma & Spine increased during the year by 15.4 per cent, essentially due to Onyx Medical for the first time being included in the Group's entire financial year.

The business is focused on development and manufacturing in two main areas:

For Trauma – mainly implants, drills, guide pins and wires and plates for fracture surgery.

For Spine – primarily instruments, screws and implants, for neck and lower back and scoliosis treatment.

The customers are primarily leading international orthopaedics companies, the six largest of which have a combined global market share of around 70 per cent. Onyx Medical has a strong position in the North American market. The acquisition of Onyx Medical in 2015 demonstrated in all clarity that Elos Medtech





intends to continue growing and marking its position as an international and long-term player with a high level of credibility in the medical technology area.

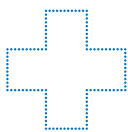


#### Diagnostics

The market segment of Diagnostics continued to develop strongly in 2016, with a sales increase of 25.8 per cent. The majority of the products manufactured are comprised of disposables for clinical analyses, such as allergy tests, tests for autoimmune diseases and similar kinds of tests.

Components included in various types of lab equipment are also supplied to some extent.

Close cooperation with several customers regarding the development of new products bodes well for a good development for the segment. The customers have a global market presence with market leading positions.



#### Medical Devices

The Medical Devices market segment recovered in 2016 and showed a positive development. The focus of the business in Medical Devices is on three main areas:

- Surgically implanted hearing devices and components for traditional hearing aids.
- The development and manufacture of high precision products for diabetes treatment.
- The development and manufacture of products for neuro and heart surgery and for alternative treatment methods for cancer etc.

In Medical Devices there are good opportunities for achieving synergies between the various units. Interest among customers in combining our expertise in polymer materials with Elos Medtech's traditional offering of metalworking has grown, which opens the way for new business opportunities.

#### Developments during 2016

Demand for Elos Medtech's products and services was satisfactory in 2016, where three out of four market segments were able to report increases in sales, while the fourth – Medical Devices – generally matched the year before.

Consolidated net sales amounted to SEK 552.0 million (503.7), which corresponded to an increase of 10.1 per cent, after adjustment for exchange rate changes. Organic growth amounted to 0.3 per cent.

Operating profit improved markedly to SEK 42.7 million (30.5), up 40 per cent. Profit after net financial items was SEK 37.9 million (22.5). Positive exchange rate differences affected net financial items in an amount of SEK 5.4 million (-0.4).





### The future

Elos Medtech is a respected player in selected market segments in the global medical technology market. The Group has five production facilities distributed across the three most important markets – North America, Europe and Asia – and thereby guarantees close proximity to the major customers that are active around the world.

With Onyx Medical in the Group, new possibilities for synergies have been opened up and in 2016, we took important major steps forward to realise them. Actively marketing Elos Medtech as a contract manufacturer with a global presence is now gradually yielding results. The interactivity between the production facilities has been developed into successful collaboration that extends the whole way from sales and marketing to production.

Our express ambition is to continue the development towards being the technical specialist that develops complement products, which with minor variations have a market with several OEM customers.

Besides the contract business, we work purposefully to develop our own products, which are sold both through the OEM market and via Elos Medtech's own sales channels. During the year, an initial product in Trauma & Spine was introduced, intended for spinal surgery, which opens the way for entire new custom-

er categories. There are several interesting projects in our pipeline, mainly in digital dental care.

The on-going structural transformation in the medical technology industry is continuing unabated. At the same time that large companies are acquiring the smaller, mergers and broad collaboration between the larger companies are taking place. It is not only the regulatory requirements that are driving this development. The hunt for shorter lead times from product idea to finished product is also placing clearer demands on the suppliers in the industry.

In the wake of the consolidation and structuring in the industry, new business opportunities are also opening up for the contract manufacturers. Skilled contract manufacturers are increasingly being given an important task by the large customers in terms of the work on developing new products and serving as catalysts in the start up of new projects. Through its concept Complete Performance™, Elos Medtech has a good opportunity to support customers in moving faster from idea to finished product.

Today, Elos Medtech has achieved a position where we are "top of mind" among the major customers and we are more than ready to accept the challenges that new business opportunities offer.



## Clear strategy for long-term sustainable development

For Elos Medtech, being a global company in medical technology brings responsibilities that go beyond offering products of high quality. This means that Elos Medtech developed a clear strategy to contribute to a sustainable development regarding both a reduced environmental impact from production to a social responsibility in the markets in which the Group is active.

Elos Medtech has many stakeholders: customers, employees, owners, business partners, politicians, opinion formers and local, national and international authorities. Elos Medtech has its greatest influence on customers, employees and owners. Conversely it is the same groups that have the greatest opportunity to influence Elos Medtech in its daily activities. It is of utmost importance that we as a company understand and act on our stakeholders' perception of what issues are important to drive to achieve a sustainable development.

Sustainability can be described in several dimensions – ecologically, financially and in terms of social sustainability. The crucial issue is, however, how long-term sustainability should be achieved. It ultimately concerns how the Earth's resources should be handled. Products with the right quality contribute to minimising resource waste, as well as efficient processes that create the intended customer value. Customer-oriented business development contributes to creating financially sustainable organisations. Satisfaction, commitment and motivation are positively affected when the employees actively work on improvements and are involved. Altogether, this has a strong connection to quality and constant improvements.

Elos Medtech has initiated the project "Energizing Sustainability at Elos Medtech". The name reflects how important the sustainability work is for the Group and indicates a new drive for the sustainability work. We describe and work with sustainability based on three focus areas: Care for Our Business, Care for Our People and Care for Our Responsibility.

### Care for Our Business

As a reliable, stable and strategic development and production partner, we both reinforce existing business relations and create new business opportunities. The requirement both from owners and customers, that Elos Medtech will contribute to a long-term value creation, is a given. Not least to be able to guarantee the continued investments required to remain on the forefront of technology and thereby maintain strong competitiveness. But there is also a requirement that in priority market segments the Group should work continuously to achieve sustainable development and identify sustainable business opportunities as a step in developing our competitiveness and ensuring future growth.

With development, production, marketing and sales centred on high product quality and very stringent regulatory requirements, the Group's purposeful work on sustainability legitimises the quality of everything we undertake.

### Regular customer surveys

Satisfied customers and thereby lasting customer relations are of crucial importance to Elos Medtech's long-term growth and success. As a part of this endeavour, regular customer surveys are conducted to measure how satisfied the customers are with Elos Medtech and to obtain opinions on how we in the Group can further improve our solutions, products and our work.

### Product liability & operational excellence

For both Elos Medtech and our customers, quality means patient safety, product quality, operational excellence/efficiency and compliance to regulatory requirements and internal policies and procedures.

Elos Medtech works to gradually introduce "Lean principles" for standardised work, problem resolution and visual objective management. Several employees have been trained in "Lean" and several improvement initiatives are activated.





Elos Medtech has a well established management system that is certified according to ISO 13485 (management system for medical devices) and ISO 14001 (environmental management system, requirements and guidelines). There are also test methods accredited according to ISO 17025 (general competence requirements for test and calibration laboratories) within the Group.

Elos Medtech also complies with applicable requirements in international legislation and product safety standards, such as the directive for technical medical products, harmonised standards for technical medical products such as ISO 14971, American FDA requirements for quality systems as well as many other European and national laws and regulations.

Within the all of the Group's facilities, regular follow-up and audits take place of the management system according to an annual internal audit programme. Audits to check the fulfilment of ISO standards and the medical technology regulations are performed by accredited organisations. The Group is also audited by several customers, to follow up on the fulfilment of standards, rules and their own requirements.

### Supplier governance

As a global player in medical technology, with significant purchases of materials and services, Elos Medtech has a responsibility to choose well documented and reliable suppliers that deliver according to set requirements and expectations. There are established work processes concerning how new suppliers are qualified and how we continuously follow up that they fulfil current qualification requirements.

Before a new main supplier is accepted, a detailed assessment and evaluation is done to ensure that they can meet set requirements and expectations. Quality agreements are also established with the main suppliers, which binds them to meet norms for quality, delivery times and technical specifications.

When a supplier has been appointed, regular controls continue and we also conduct continuous supplier audits of our main suppliers.

The business climate between Elos Medtech and our suppliers shall be based on honest and mutual understanding and respect and that there is a common interest in maintaining good business ethics. We also ensure that our suppliers are aware of how their operations and products affect the environment, that they continuously work to reduce the impact on the environment and that they are aware of and meet laws and ordinances that concern them.

### Care for Our People

Elos Medtech employs more than 500 people around the world. The employees' commitment and loyalty is crucial to ensure that the company is continuously developed and thereby retains and also further strengthens its competitiveness.

Elos Medtech strives to be an attractive employer that offers a working environment based on cooperation, responsibility and openness. To realise the strategy and achieve set targets, it is important that the business is permeated by common values and is well-rooted in the organisation. Elos Medtech's values build on a common commitment with people in focus. The values combine passion with credibility and a results focus.

**Passionate** – We are committed, determined and dedicated. With a positive attitude, we drive our development forward and find solutions. Cooperation and solidarity are important, resulting in job satisfaction for our customers and ourselves.

**Trustworthy** – At Elos Medtech, we are open and honest. We take responsibility for our actions and products and keep our promises. We apply our policies in our daily work and influence our suppliers and partners to work in line with our way of working.

**Result-oriented** – By taking initiative and wanting to win, we

achieve the targets that create value for the customer. Our targets should be ambitious and achievable as well as firmly established internally and with our customers. We create the best value for all parties through cooperation and participation.

Consistently communicating these values within all parts of the Group and ensuring that we live up to them generates confidence among customers, employees, suppliers and owners. Our aim is to always live up to the expectations.

### Personal development

The Group's employees are in many cases specialists with unique competencies. To continue to be able to develop Elos Medtech's business, the Group must attract, recruit, develop and retain employees with the right expertise and right values. It is important that the employees continuously develop and improve their level of expertise.

We promote a culture that is characterised by learning and the exchange of knowledge and experience throughout the Group. We learn from each other's challenges and problems and we share best practices. Employees and managers have an annual evaluation together every year of individual performance targets and development plans so as to ensure that we develop the expertise that is necessary so that our customers and our company can grow and so that our employees can develop their own potential.

The success of all companies and organisations depends on having employees that are committed and motivated in their work. This is a reality that is highly relevant within Elos Medtech.

To stimulate more initiatives and new solutions, it has been decided at every Annual General Meeting to name the "Employee of the Year". The award can go to an individual employee or to a group that with creative ideas and efforts contributed to Elos Medtech achieving a significant improvement of the operations. This may, for example, concern efficiency enhancements, changes to processes or ideas for new products.

At Elos Medtech's Annual General Meeting on 26 April 2016, the R&D team at Elos Medtech Pinol was named "Employee of the Year" in the Group.

The motivation was: "Through expertise, systematic approaches, innovation and energy, the R&D team within Elos Medtech Pinol contributed to Elos Medtech now being able to introduce a first comprehensive product line in digital dental care. With great passion, a focus on results and resolve, the team developed a product platform that will support our customers' business and create conditions for continued growth for Elos Medtech."

Søren Rangstrup and Ulrik Erdland represented the R&D team and accepted the award. They held a speech and told about the team's way of working with an express objective of helping the customers develop new products.



Søren Rangstrup (at left) and Ulrik Erdland (at right) receive the award "Employee of the Year".

### A safe and healthy work environment

Elos Medtech strives to offer a safe and healthy work environment for all employees and therefore conducts continuous and long-term health and safety work at all production facilities. Working in teams has proven to be successful with the aim of minimising accidents and work-related illnesses. Safety is a recurring item of the agenda at most meetings in the Group.

The Group's work with health and safety issues is based on national legislation, international regulations and the Group's own requirements and policies and is coordinated with the operation's governance.

Systematic work environment efforts are conducted at the respective facility through frequent inspections, investigations and risk assessments of the work environment and evaluation of illness, accidents and incidents. Programmes of measures and action plans are prepared as necessary and continuous follow-up is done to ensure that measures have been carried out. The systematic approach and preventive way of working aims to discover risks and deficiencies in the entire organisation and thereby be able to address them before anyone falls ill or is injured due to their work. But the work also aims to create a pleasant and stimulating work environment that contributes to creativity, productivity and personal development. It is also Elos Medtech's opinion that a safe and appreciated work environment also contributes to better finances and profitability, a good reputation for the organisation and that it facilitates the work of both maintaining existing employees and recruiting new staff.

All facilities in the Group have programmes for health follow-up when employees' physical well-being is checked, especially for employees for which there is a higher risk of being exposed to e.g. toxic chemicals or high noise levels.

Sickness absences in 2016 amounted to a total of 2.8 per cent for the Group as a whole. No serious accidents were reported during the year.

## Employees' working conditions, equality and diversity

Elos Medtech strives to establish an operation with extensive collective expertise and broad experience to create a dynamic organisation that can continue to develop the company in line with the Group's strategic objectives.

Diversity is also an important competitive advantage that is becoming increasingly important to succeed in a global environment where the customers represent diverse groups from various cultures with different backgrounds and ages, something that needs to be reflected in our own management structures. For Elos Medtech, it is a given to offer all employees and job applicants equal opportunities regardless of gender, cross-gender identity or expression, ethnic background, religion or other faith, disability, sexual orientation or age.

Elos Medtech pays its employees a fair market wage, in accordance with the law or the prevailing industry standard (whichever is higher) in the country concerned, and provides all statutory benefits, such as leave, medical insurance, social insurance and pensions.

In 2016 the average number of employees was 509 (471), of

whom 61 (62) per cent were men and 39 (38) per cent women. In management posts, the breakdown was 63 (65) per cent men and 37 (35) per cent women. For senior management within the Group, the proportion was 67 per cent men and 33 per cent women.

## Human rights

Elos Medtech supports and respects internationally established human rights for employees and treats all employees with dignity and respect. We do not accept child labour or any kind of forced labour or penal servitude. We follow, as a minimum, local laws on wages and benefits, holiday, and the age of child labour.

Employee freedom of association and collective bargaining are a matter of course, as well as freedom of communication. Elos Medtech's employees should be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment. No forms of discrimination are tolerated.

Elos Medtech should treat its employees with respect and dignity, and must not subject them to any kind of inhuman or degrading punishment, physical, verbal or sexual abuse, or threat of abuse or harassment.

## Care for Our Responsibility

Credibility with politicians, opinion formers and local, national and international authorities is based on Elos Medtech taking responsibility for the environment and human beings and always standing for impeccable business ethical conduct. Such conduct requires both analysis and careful consideration, especially as the Group is expanding through the establishment and development of operations in non-Scandinavian countries.

The objective is to create an open corporate culture where ethical issues are discussed regularly with transparency. All employees annually attend training to ensure that they are well aware of and familiar with what industry Elos Medtech is active in and thereby what requirements are placed on the business in general. But above all, what commitment and involvement are expected of each individual employee in order for us to live up to the company's highly set goals of credibility and integrity.

It is necessary that the employees feel comfortable taking up ethical issues and dilemmas with supervisors and colleagues. All employees need to know that they can report it on if they suspect an ethical violation. One way of reporting is through the Group's "Ethics and Compliance Helpline" that is available to all employees.

Ethics and morals form the basis of all activities in the company and shall be reflected in all relationships, both internally and externally. Combating corruption is very important for Elos Medtech. Gifts, representation, compensation and personal benefits may only be offered to outsiders if they are of minor value and are commensurate with prevailing practices. No gifts, representation or personal benefits may be given if they are counter to applicable legislation or prevailing practices.

Within Elos Medtech, there is a perception that competition

### Employment period in the Group

|               |     |
|---------------|-----|
| – 5 years     | 55% |
| 6 – 10 years  | 19% |
| 11 – 15 years | 8%  |
| 16 years –    | 18% |



### Employees by country

|         |     |
|---------|-----|
| Sweden  | 27% |
| Denmark | 30% |
| USA     | 22% |
| China   | 21% |



### Age distribution

|               |      |
|---------------|------|
| – 29 years    | 19 % |
| 30 – 39 years | 30 % |
| 40 – 49 years | 25 % |
| 50 years –    | 25 % |



### Proportion of men/women in the Group

|       |     |
|-------|-----|
| Men   | 61% |
| Women | 39% |







on equal terms is important to the company, our shareholders, customers, employees and society in general. Competition on equal terms stimulates efficiency and innovation, which forms the basis for a well-functioning market economy. This means that Elos Medtech does not tolerate violations of antitrust and competition law or associated ordinances in any form.

### Responsibility for the environment

Elos Medtech contributes to a sustainable society through active work in the environmental field. The objective is to reduce environmental impact from the products throughout the entire life cycle. Systematic environmental work is the basis for reducing Elos Medtech's environmental impact and increasing resource effectiveness.

The largest environmental impact in the Group comes from water and energy consumption, waste water, waste and transports. In the products' life cycle, the greatest environmental impact occurs during production and in final waste management.

The Group complies with statutory environmental requirements and is not involved in any environmental disputes. At year-end 2016, Elos Medtech had operations at five facilities in four countries. One facility in Sweden is obliged to return a report on its activities in accordance with environmental legislation and the other facilities are obliged to have permits in accordance with the environmental legislation of their respective countries. In most cases regular reporting is done to the environmental authorities and inspections are performed by the supervisory authority. No breaches of environmental legislation were recorded in 2016.

All manufacturing units, except the last operation acquired, Onyx Medical in the U.S., have a certified management system that fulfils ISO 14001. The management system according to ISO 14001 is a tool for identifying, prioritising and managing environmental risks as a part of the day-to-day operations. Well implemented and communicated environmental work improves the company's relationships with both customers and the surrounding world. Care for the environment not only provides goodwill, but also leads to concrete cost savings. Better utilisation of energy, carefully selected raw materials and controlled recycling through an optimised environmental management system accordingly contributes positively to Elos Medtech's competitiveness and profitability.

In 2016, a GAP analysis was done of Onyx Medical's environmental work and management system in relation to ISO 14001 with the aim of identifying areas that need to change to achieve these requirements. The assessment is that it is limited work that is necessary to meet the requirements and achieve a certification.

### Elos Medtech's environmental policy

Elos Medtech has a responsibility to take care of and protect the environment we work in. We are determined to improve the environmental impact in all of our operations and will encourage our business partners to join us in this work.

Elos Medtech is aware that our most important impact on the environment is the generation of waste, emissions to air and water, transports and use of energy, raw materials and water.

We endeavour to:

- Meet and exceed all applicable environmental law requirements.
- Minimise waste through careful and efficient use of materials and energy.
- Measure the impact of our operations on the environment and set targets for continuous improvement.
- Train our employees in good environmental practices and encourage involvement by our employees in environmental activities.

Regular external and internal audits contribute to the management systems being constantly developed and contributing to effective environmental work.

All production facilities continuously report their environmental performance with regard to electricity consumption, waste and water consumption. The report is integrated into the Group's financial reporting and provides good possibilities for follow-up of how the work on the Group's environmental targets is progressing.

### External communication

External communication is an important part of Elos Medtech's efforts in marketing and brand building and comprises all communication that is directed at existing customers, potential customers, partners, suppliers, shareholders, the capital market in general and all other conceivable stakeholders. This includes all forms of external media.

- We comply with the communication rules that apply to Swedish listed companies.
- Our communication is correct and reliable, which means that we maintain our integrity and credibility.
- We strive to have an open mind in dialogues for those affected by our operations.

### Sustainability work is a critical success factor

There is a strong conviction within Elos Medtech to continuously strive to develop responsible sustainability work that strengthens Elos Medtech's global competitiveness in the long term. Clearly noting the importance of taking responsibility, continuing to develop good relationships with those around us and not least living by what we learn will add value to the Elos Medtech brand.

In 2017, we will produce an annual report according to applicable legal requirements for the Group's sustainability work. The report will comprise activities and results from our three focus areas: Care for Our Business, Care for Our People and Care for Our Responsibility, where the GRI-G4 standard is a guide for the reporting.

# Directors' report

## General information about the organisation

The Group's operations are entirely focused on Medical Technology. Operations are conducted at facilities in Sweden, Denmark, China and the USA. The company is one of Europe's leading development and production partners for medical devices and components, such as dental and orthopaedic implants and instruments. Our customers are mainly international medical technology companies in the market segments Dental Implant Systems, Diagnostics, Medical Devices and Trauma & Spine.

## Net sales and results

The Group's net sales during the year increased and amounted to SEK 552.0 million (503.7). Adjusted for exchange rate changes, the increase amounted to 10.1 per cent. Organic growth during the year was 0.3 per cent. The units in the U.S., China and Sweden stand for the largest part of the sales increase. At the same time, sales in the U.S. were negatively impacted in the second half of the year by a customer deciding to move over a product to its own production. The lower demand at the unit in Tianjin in 2015 was turned around and the Group achieved a growth in China of 22.9 per cent for the full year.

Operating profit for the year was SEK 42.7 million (30.5) corresponding to an operating margin of 7.7 per cent (6.1).

The Group's net financial items were positively affected by translation differences of SEK 5.4 million (-0.4) and amounted to an expense of SEK 4.8 million (expense: 8.0). Profit after financial items was SEK 37.9 million (22.5).

Profit after tax totalled SEK 26.4 million (16.1), equivalent to SEK 4.37 (2.66) per share. Comprehensive income for the Group amounted to SEK 40.9 million (10.1). Comprehensive income per share was SEK 6.75 (1.67).

## The organisation

Work on future development and expansion continues. The ambition is to strengthen our global structure and thus our market position within existing market segments. For continued growth, it is important to intensify the cultivation of existing, new and potential customers. The continuous work of efficiency enhancement, automation and quality development is being continued. There will also continue to be an increased focus on developing service related activities and continued reinforcement of sales resources. Hand in hand with these initiatives, effective cost control is necessary.

## Acquisition of activities

One stage in the expansion is growth through acquisitions that complement the existing structure, which has been partly realised through the acquisition of the North American company Onyx Medical LLC which was concluded in the previous year and is included in the consolidated accounts with effect from 23

April 2015. This acquisition strengthens the Group's market position in the Trauma & Spine market segment and, in combination with existing activities, will function as a platform for the Group's development in North America.

## Investments

The Group's investments in buildings, land, machines and equipment amounted to SEK 34.6 million (71.8), which mainly relates to increased machine capacity to meet higher demand, plus some replacement investment. Also, SEK 1.8 million (2.0) was invested in balanced development costs and SEK 1.5 million (2.0) in other intangible fixed assets.

## Research and development

There is continuous development work in the companies within the Group, which is a natural part of the activities. Development work is often done in close collaboration with customers. Costs that can be put under the heading of development costs amounted to SEK 15.3 million (13.9), of which depreciation of balanced development costs amounted to SEK 1.4 million (0.4). The investment for the year in capitalised development costs amounted to SEK 1.5 million (2.0). Total development expenses correspond to 3.0 per cent (3.2) of the Group's net sales.

## Personnel

At year-end the Group had 511 full-time employees, compared with 505 the previous year. Information about distribution by country and remuneration to senior management, the Board and other employees may be found in note 2.

In 2016, Johannes Lind-Widestam left the company as the CEO. As of 1 July 2016, the new CEO is Jan Wahlström.

In 2016, the company decided to carry out a share-based incentive program for senior employees in the Group; also refer to Note 30.

## Financial position and liquidity

The Group's balance sheet total increased during the year and amounted to SEK 887.7 million (881.6). Group equity amounted to SEK 366.8 million (330.5). Equity per share was SEK 60.63 (54.63). Risk-bearing capital at year-end amounted to SEK 396.9 million (353.4), which corresponds to 44.7 per cent (40.0) of total capital. Group solvency amounted to 41.3 per cent (37.5).

Group cash flow from current activities amounted to SEK 98.3 (61.6) million. Cash flow after investments and sales of fixed assets was SEK 68.9 million (-144.9).

The Group's net debt decreased during the year due to repayments and amounted to SEK 384.8 million (427.3).

The Group's liquid assets including unused credits amounted to SEK 99.6 million (111.6).



## Operating risks

Risk is a natural part of business and enterprise. The Group works continuously on risk management and monitoring and reporting this. The Group has sought to create a focus on competence and equipment so as to give customers the best possible service and products at the lowest possible risk. Elos Medtech's customers are active in different market segments and geographical areas, which limits the effect of changes in any one market segment.

Some of the most important factors for Elos Medtech's success and minimising operating risk are that:

- Elos Medtech's customers are successful
- we continuously seek, together with the Group's customers, to improve our own and the customers' competitiveness
- the business is run efficiently with regard to income, expenses and tied-up capital
- the operations have the right expertise, in product development, quality and production processes and market insight and sales expertise, to name a few

Elos Medtech is active in competitive markets and seeks to achieve competitive advantages by offering products and services with a high-value content. There is continuous work to develop and streamline the development, quality, production and distribution processes within the Group.

The Group's activities are regulated by a number of different standards and rules. This give guidelines and set requirements for the way in which activities are performed. Examples of these are ISO 13485, ISO 14001, the FDA regulations and the medical technology directive. Deviation from these standards and rules can have a negative effect on activities. There is regular monitoring and audits in the Group's companies. Audits are performed by accredited third-party organisations. Operations are also monitored in many cases by the larger customers, who check compliance with standards and their own requirements.

## Financial risk and risk management

The Group's financial instruments consist of derivatives, bank loans, debt instruments and financial leasing. The main purpose of these financial instruments is to finance the Group's activities. The Group also has other financial instruments such as liquid assets, accounts receivable and accounts payable that arise in the activities on an ongoing basis. Further information about the Group's financial risk and risk management may be found in the close of accounts comments note 1 and in note 43.

## Environmental impact

At year-end 2016, the Group had operations at five facilities in four countries. One facility in Sweden is obliged to return a report on its activities in accordance with environmental legislation and

the other facilities are obliged to have permits in accordance with the environmental legislation of their respective countries. These activities consist mainly of production of precision mechanical products and are comparatively clean, so that production involves very limited emissions to air or water. A further description of the Group's environmental work and environmental impact may be found in the section "Sustainability" on pages 12-17.

## Parent Company

In addition to central management issues, the Parent Company also handles Group support activities such as marketing support, quality management, financing and financial controls.

The Parent Company's net turnover amounted to SEK 20.1 million (15.7). Profit after financial items was SEK 19.9 million (13.4). The profit includes internal Group dividends of SEK 12.5 million (9.9) and Group contributions of SEK 8.8 million (10.5). The Parent Company's comprehensive income amounted to SEK 17.6 million (11.7).

The proportion of risk-bearing capital was 73.5 per cent (92.8). Solvency amounted to 73.4 per cent (92.4). The Parent Company's liquid assets including unused credits amounted to SEK 34.2 million (145.4).

## Events after the end of the financial year

Elos Medtech's MD in the Chinese operations in Tianjin, Pär Teike, has decided to resign. He will remain in his position during the notice period and will leave the Group in August 2017.

### Prospects for 2017

The Group's increased resources in marketing and sales, continued investments in automation and quality work and the selected market segments' positive development forms the basis of a continued growth.

## Remuneration to senior management

At the 2016 Annual General Meeting, guidelines were adopted for remuneration and other conditions of employment for senior management. The guidelines cover the persons who, during the period the guidelines apply to, represent the Group's management (at present CEO, CFO, Marketing Director and Group QA Director) as well as the Managing Directors of the subsidiaries. The guidelines apply to agreements entered into after the Annual General Meeting's decision, as well as when amendments are made to existing agreements after this date.

The 2016 Annual General Meeting resolved that the guidelines for remuneration and other conditions of employment for senior management remain unchanged, with the exception that the percentage of variable salary is changed so that it can correspond to a maximum of 50 per cent of fixed salary.

The company must offer total remuneration at market levels that enables senior management to be recruited and kept. Remuneration to company management consists of fixed salary and in addition variable salary, individual pension remuneration and other remuneration may be part of the remuneration package. Together these parts represent the individual's total remuneration. The variable salary may vary depending on position and agreement and may represent a maximum of 50 per cent of the fixed salary. Individual pension remuneration is limited so that it is favourable to the company in terms of tax deduction. The retirement age is 65. Contracts of employment for management include termination provisions. According to these agreements, employment can normally cease at the employee's request with a notice period of three to six months and at the company's request with a notice period of six to twelve months. For the CEO a notice period of up to twelve months applies. Settlement against other income occurs during the notice period. See also note 2.

Prior to the 2017 Annual General Meeting, it is proposed that terms remain unchanged except for the removal of the limitation that the pension provisions shall be tax deductible.

### Corporate governance and the work of the Board

Information about corporate governance and the work of the Board during the year may be found in the Corporate Governance Report, which may be obtained on the company's website and is included on pages 48-51 in the annual report.

### Dividend

The Board proposes to the Annual General Meeting that a dividend for the 2016 financial year be paid in an amount of SEK 1.30 per share. According to the proposal, the total dividend amounts to SEK 7.9 million (6.1).

In the Board's opinion, a complete assessment of the company's and the Group's financial position indicates that the dividend is reasonable, bearing in mind the requirements that the business's nature, scope and risks set for the amount of the company and Group equity, as well as the company and Group consolidation needs, liquidity and position in general.

No amount is included in disposable profit that depends on financial assets and liabilities being assessed at fair value. The proposal of the Board for the date of settlement is 26 April 2017. If the Annual General Meeting adopts the Board's proposal, it is estimated that the dividend will be paid from Euroclear on 2 May 2017.

### Proposed allocation of profit

The following annual profit is available for disposal:

|                                  | SEK thousand   |
|----------------------------------|----------------|
| Profit brought forward including |                |
| share premium reserve            | 158,721        |
| Total profit for the year        | 17,607         |
| <b>Total</b>                     | <b>176,328</b> |

Taking into account the statement that according to the Swedish Companies Act is provide above, the Board proposes that this profit is allocated as follows:

|  | SEK thousand   |
|--|----------------|
| Dividend of SEK 1:30 per share to shareholders | 7,866          |
| Carried forward to next year                   | 168,462        |
| <b>Total</b>                                   | <b>176,328</b> |

## Consolidated income statement and statement of comprehensive income

| SEK thousand   |                  | 2016            | 2015     |
|--|------------------|-----------------|----------|
| Net sales  | Note 3, 4, 5     | <b>551,989</b>  | 503,661  |
| Cost of goods sold   |                  | <b>-394,857</b> | -367,520 |
| <b>Gross profit</b>  |                  | <b>157,132</b>  | 136,141  |
| Selling expenses   |                  | <b>-36,240</b>  | -30,027  |
| Administrative expenses  | Note 7           | <b>-64,975</b>  | -63,244  |
| Development costs  |                  | <b>-15,325</b>  | -13,901  |
| Other operating income   | Note 9           | <b>4,360</b>    | 3,197    |
| Other operating expenses   | Note 10          | <b>-2,272</b>   | -1,680   |
| <b>Operating profit</b>  | Note 2, 5, 8, 11 | <b>42,680</b>   | 30,486   |
| <i>Profit from financial investments</i>                           |                  |                 |          |
| Other interest income and similar profit/loss items                | Note 13          | <b>5,611</b>    | 406      |
| Other interest expenses and similar profit/loss items              | Note 14          | <b>-10,364</b>  | -8,364   |
| <b>Profit after financial items</b>                                |                  | <b>37,927</b>   | 22,528   |
| Tax expense  | Note 16          | <b>-11,493</b>  | -6,439   |
| <b>Profit of the year</b>  |                  | <b>26,434</b>   | 16,089   |
| Attributable to Parent Company shareholders                        |                  | <b>26,434</b>   | 16,089   |
| <b>STATEMENT OF COMPREHENSIVE INCOME</b>                           |                  |                 |          |
| <b>Profit after tax</b>  |                  | <b>26,434</b>   | 16,089   |
| <b>Other comprehensive income</b>                                  |                  |                 |          |
| <b>Items that will not be reclassified to the income statement</b> |                  |                 |          |
| Actuarial gains and losses   |                  | <b>880</b>      | 420      |
| Tax  |                  | <b>-194</b>     | -92      |
|  |                  | <b>686</b>      | 328      |
| <b>Items that may be reclassified to the income statement</b>      |                  |                 |          |
| Translation differences for the period                             |                  | <b>13,757</b>   | -5,647   |
| Hedging of net investments   |                  | <b>-</b>        | -690     |
| Tax  |                  | <b>-</b>        | 46       |
|  |                  | <b>13,757</b>   | -6,291   |
| <b>Other comprehensive income, net</b>                             |                  | <b>14,443</b>   | -5,963   |
| <b>Comprehensive income for the year</b>                           |                  | <b>40,877</b>   | 10,126   |
| Attributable to Parent Company shareholders                        |                  | <b>40,877</b>   | 10,126   |
| Earnings per share (SEK) for the year before and after dilution    | Note 41          | <b>4.37</b>     | 2.66     |

# Consolidated balance sheet

| SEK thousand                               |         | 31/12/2016     | 31/12/2015     |
|--|---------|----------------|----------------|
| <b>ASSETS</b>                              |         |                |                |
| <b>Fixed assets</b>                        |         |                |                |
| <i>Intangible fixed assets</i>             |         |                |                |
| Expense carry-forward for development work | Note 17 | 6,322          | 7,151          |
| Goodwill                                   | Note 18 | 253,827        | 234,898        |
| Other intangible assets                    | Note 19 | 29,768         | 33,695         |
|  |         | <b>289,917</b> | 275,744        |
| <i>Tangible fixed assets</i>               |         |                |                |
|  | Note 20 |                |                |
| Land and buildings                         | Note 21 | 151,085        | 127,487        |
| Plant and machinery                        | Note 22 | 177,118        | 187,209        |
| Equipment, tools, fixtures and fittings    | Note 23 | 17,706         | 14,344         |
| Construction in progress                   | Note 24 | 8,407          | 27,642         |
|  |         | <b>354,316</b> | 356,682        |
| <i>Financial fixed assets</i>              |         |                |                |
| Deferred tax liability                     | Note 33 | 3,625          | 3,541          |
| Non-current receivables                    |         | 1,470          | 941            |
| Other shares and interests                 |         | 17             | 20             |
|  |         | <b>5,112</b>   | 4,502          |
| <b>Total fixed assets</b>                  |         | <b>649,345</b> | <b>636,928</b> |
| <b>Current assets</b>                      |         |                |                |
| <i>Goods in stock etc.</i>                 |         |                |                |
| Raw materials and consumables              |         | 30,598         | 30,941         |
| Work in progress                           |         | 31,449         | 30,202         |
| Finished products                          |         | 69,404         | 68,884         |
| Advance payments to suppliers              |         | 30             | 45             |
|  |         | <b>131,481</b> | 130,072        |
| <i>Current receivables</i>                 |         |                |                |
| Accounts receivable                        | Note 43 | 61,238         | 58,907         |
| Current tax assets                         |         | 2,012          | 5,563          |
| Other receivables                          | Note 27 | 2,076          | 3,646          |
| Prepaid expenses and accrued income        | Note 28 | 3,030          | 5,977          |
|  |         | <b>68,356</b>  | 74,093         |
| Cash and bank balances                     | Note 43 | 38,496         | 40,501         |
| <b>Total current assets</b>                |         | <b>238,333</b> | <b>244,666</b> |
| <b>TOTAL ASSETS</b>                        |         | <b>887,678</b> | <b>881,594</b> |

## Consolidated balance sheet

| SEK thousand   |                 | 31/12/2016     | 31/12/2015 |
|--|-----------------|----------------|------------|
| <b>EQUITY AND LIABILITIES</b>                                |                 |                |            |
| <b>Equity</b>  | Note 29         |                |            |
| <b>Equity attributable to Parents Company's shareholders</b> |                 |                |            |
| Share capital  | Note 30         | <b>37,819</b>  | 37,819     |
| Other capital contributed                                    |                 | <b>56,949</b>  | 55,526     |
| Reserves   |                 | <b>12,611</b>  | -3,266     |
| Profit brought forward                                       |                 | <b>259,465</b> | 240,516    |
| <b>Total equity</b>  |                 | <b>366,844</b> | 330,595    |
| <b>Non-current liabilities</b>                               |                 |                |            |
| Provisions for pensions                                      | Note 32         | <b>28,757</b>  | 28,016     |
| Deferred tax liability                                       | Note 33         | <b>30,130</b>  | 22,768     |
| Other non-current liabilities                                | Note 34         | <b>-</b>       | 39,173     |
| Non-current interest-bearing liabilities                     | Note 29, 36, 43 | <b>223,305</b> | 241,265    |
| <b>Total non-current liabilities</b>                         |                 | <b>282,192</b> | 331,222    |
| <b>Current liabilities</b>                                   |                 |                |            |
| Overdraft facility   | Note 35, 39, 43 | <b>40,316</b>  | 21,375     |
| Other interest-bearing liabilities                           | Note 36, 39, 43 | <b>88,079</b>  | 61,421     |
| Trade accounts payable                                       | Note 43         | <b>20,218</b>  | 21,940     |
| Tax liability  |                 | <b>769</b>     | 42         |
| Other liabilities  | Note 37         | <b>50,522</b>  | 81,837     |
| Accrued expenses and deferred income                         | Note 38         | <b>38,738</b>  | 33,162     |
| <b>Total current liabilities</b>                             |                 | <b>238,642</b> | 219,777    |
| <b>TOTAL EQUITY AND LIABILITIES</b>                          |                 | <b>887,678</b> | 881,594    |

## Consolidated cash flow statement

| SEK thousand   |             | 2016           | 2015            |
|--|-------------|----------------|-----------------|
| <b>Operating activities</b>  |             |                |                 |
| Profit after financial items   |             | 37,927         | 22,528          |
| Reversed depreciation  |             | 54,631         | 48,773          |
| Adjustment for non-cash items  | Note 42     | -131           | 4,059           |
|  |             | 92,427         | 75,360          |
| Tax paid   |             | -1,369         | -12,974         |
| <b>Cash flow from operating activities before changes in working capital</b> |             | <b>91,058</b>  | <b>62,386</b>   |
| <i>Cash flow from working capital changes</i>                                |             |                |                 |
| Increase in inventory  |             | -1,409         | -2,353          |
| Increase/Decrease in operating receivables                                   |             | 2,186          | 8,032           |
| Increase/Decrease in operating liabilities                                   |             | 6,448          | -6,460          |
| <b>Cash flow from operating activities</b>                                   | Note 42     | <b>98,283</b>  | <b>61,605</b>   |
| <b>Investing activities</b>  |             |                |                 |
| Investments in fixed assets  | Note 42     | -34,586        | -46,261         |
| Acquisition of other shares and participations                               | Note 2      | -17            | -160,436        |
| Sale of fixed assets   |             | 5,245          | 135             |
| <b>Cash flow from investing activities</b>                                   |             | <b>-29,358</b> | <b>-206,562</b> |
| <b>Financing activities</b>  |             |                |                 |
| Issue of warrants  |             | 1,423          | -               |
| Change in overdraft facilities   |             | 18,941         | 3,994           |
| Loans raised   |             | 115,952        | 119,775         |
| Repayment of loans   |             | -202,054       | -44,994         |
| Realised financial rate differences  |             | -              | -2,813          |
| Dividend to shareholders   |             | -6,051         | -18,153         |
| <b>Cash flow from financing activities</b>                                   |             | <b>-71,789</b> | <b>57,809</b>   |
| <b>Cash flow for the year</b>  |             | <b>-2,864</b>  | <b>-87,148</b>  |
| <b>Cash flow from discontinued operations</b>                                |             | <b>-</b>       | <b>1,300</b>    |
| <b>Cash flow for the year</b>  |             | <b>-2,864</b>  | <b>-85,848</b>  |
| Cash and cash equivalents at beginning of year                               |             | 40,501         | 125,531         |
| Exchange rate differences in cash and cash equivalents                       |             | 859            | 818             |
| <b>Cash and cash equivalents at year-end</b>                                 | Note 35, 42 | <b>38,496</b>  | <b>40,501</b>   |



## Parent Company's income statement and statement of comprehensive income

| SEK thousand  |           | 2016           | 2015    |
|---|-----------|----------------|---------|
| Net sales   | Note 4, 6 | 20,148         | 15,677  |
| Cost of goods sold                                    |           | -              | -       |
| <b>Gross profit</b>                                   |           | <b>20,148</b>  | 15,677  |
| Selling expenses                                      | Note 2    | -10,873        | -7,125  |
| Administrative expenses                               | Note 2, 7 | -20,266        | -17,402 |
| Other operating income                                | Note 9    | 147            | 44      |
| Other expenses  | Note 10   | -76            | -235    |
| <b>Operating profit</b>                               | Note 8    | <b>-10,920</b> | -9,041  |
| <i>Profit from financial investments</i>              |           |                |         |
| Profit from interests in Group companies              | Note 12   | 21,273         | 20,421  |
| Interest income, Group companies                      |           | 8,000          | 4,750   |
| Other interest income and similar profit/loss items   | Note 13   | 5,427          | 44      |
| Other interest expenses and similar profit/loss items | Note 14   | -3,887         | -2,794  |
| <b>Profit after financial items</b>                   |           | <b>19,893</b>  | 13,380  |
| Appropriations  | Note 15   | -460           | -135    |
| Taxes   | Note 16   | -1,826         | -1,015  |
| <b>Profit for the year</b>                            | Note 29   | <b>17,607</b>  | 12,230  |

### STATEMENT OF COMPREHENSIVE INCOME

|   |               |        |
|---|---------------|--------|
| <b>Profit after tax</b>                                       | <b>17,607</b> | 12,230 |
| <b>Other items that affect comprehensive income</b>           |               |        |
| <b>Items that may be reclassified to the income statement</b> |               |        |
| Hedging of net investments                                    | -             | -690   |
| Tax   | -             | 152    |
|   | -             | -538   |
| <b>Other comprehensive income, net</b>                        | -             | -538   |
| <b>Comprehensive income for the year</b>                      | <b>17,607</b> | 11,692 |

## Parent Company balance sheet

| SEK thousand                             |                 | 31/12/2016     | 31/12/2015 |
|--|-----------------|----------------|------------|
| <b>ASSETS</b>                            |                 |                |            |
| <b>Fixed assets</b>                      |                 |                |            |
| <i>Intangible fixed assets</i>           |                 |                |            |
| Other intangible assets                  | Note 19         | 3,299          | 3,778      |
|  |                 | <b>3,299</b>   | 3,778      |
| <i>Tangible fixed assets</i>             |                 |                |            |
| Equipment, tools, fixtures and fittings  | Note 23         | 489            | 56         |
|  |                 | <b>489</b>     | 56         |
| <i>Financial fixed assets</i>            |                 |                |            |
| Interests in Group companies             | Note 25         | 222,521        | 222,521    |
| Receivables from Group companies         | Note 26, 42     | 159,488        | 118,823    |
| Deferred tax liability                   | Note 33         | 919            | 919        |
|  |                 | <b>382,009</b> | 342,263    |
| <b>Total fixed assets</b>                |                 | <b>385,797</b> | 346,097    |
| <b>Current assets</b>                    |                 |                |            |
| <i>Current receivables</i>               |                 |                |            |
| Receivables from Group companies         |                 | 23,592         | 11,467     |
| Current tax assets                       |                 | -              | 331        |
| Other receivables                        | Note 27         | 548            | 440        |
| Prepaid expenses and accrued income      | Note 28         | 892            | 1,552      |
|  |                 | <b>25,032</b>  | 13,790     |
| Cash and bank balances                   | Note 43         | 17,122         | 1,132      |
| <b>Total current assets</b>              |                 | <b>42,154</b>  | 14,922     |
| <b>TOTAL ASSETS</b>                      |                 | <b>427,951</b> | 361,019    |
| <b>EQUITY AND LIABILITIES</b>            |                 |                |            |
| <b>Equity</b>                            |                 |                |            |
| <i>Restricted equity</i>                 |                 |                |            |
| Share capital                            | Note 30         | 37,819         | 37,819     |
| Reserves                                 |                 | 58,872         | 58,872     |
| Fund for development expenses            |                 | 784            | -          |
|  |                 | <b>97,475</b>  | 96,691     |
| <i>Unrestricted equity</i>               |                 |                |            |
| Share premium reserve                    |                 | 1,423          | -          |
| Profit brought forward                   |                 | 157,298        | 152,441    |
| Profit for the year                      |                 | 17,607         | 11,692     |
|  |                 | <b>176,328</b> | 164,133    |
| <b>Total equity</b>                      |                 | <b>273,803</b> | 260,824    |
| <b>Untaxed reserves</b>                  | Note 31         | 5,780          | 5,321      |
| <b>Provisions</b>                        |                 |                |            |
| Provisions for pensions                  | Note 32         | 4,333          | 4,470      |
| <b>Total provisions</b>                  |                 | <b>4,333</b>   | 4,470      |
| <b>Non-current liabilities</b>           |                 |                |            |
| Non-current interest-bearing liabilities | Note 36, 39, 43 | 79,599         | 58,467     |
| <b>Total non-current liabilities</b>     |                 | <b>79,599</b>  | 58,467     |
| <b>Current liabilities</b>               |                 |                |            |
| Overdraft facility                       | Note 35, 39, 43 | 12,477         | 6,954      |
| Other interest-bearing liabilities       | Note 36, 39, 43 | 22,743         | 16,705     |
| Trade accounts payable                   | Note 43         | 1,299          | 1,322      |
| Tax liability                            |                 | 57             | -          |
| Liabilities to Group companies           |                 | 21,735         | 3,866      |
| Other liabilities                        |                 | 723            | 440        |
| Accrued expenses and deferred income     | Note 38         | 5,402          | 2,650      |
| <b>Total current liabilities</b>         |                 | <b>64,436</b>  | 31,937     |
| <b>TOTAL EQUITY AND LIABILITIES</b>      |                 | <b>427,951</b> | 361,019    |

## Parent Company cash flow statement

| SEK thousand  |             | 2016           | 2015     |
|---|-------------|----------------|----------|
| <b>Operating activities</b>   |             |                |          |
| Profit after financial items  |             | <b>19,893</b>  | 13,380   |
| Reversed depreciation   |             | <b>1,459</b>   | 1,554    |
| Adjustment for non-cash items   | Note 42     | <b>-1,956</b>  | 2,518    |
|   |             | <b>19,396</b>  | 17,452   |
| Tax paid  |             | <b>-1,229</b>  | -1,802   |
| <b>Cash flow from operating activities before working capital changes</b> |             | <b>18,167</b>  | 15,650   |
| <i>Cash flow from working capital changes</i>                             |             |                |          |
| Increase in operating receivables   |             | <b>-11,573</b> | -1,556   |
| Increase/Decrease in operating liabilities                                |             | <b>20,777</b>  | -4,581   |
| <b>Cash flow from operating activities</b>                                | Note 42     | <b>27,371</b>  | 9,513    |
| <b>Investing activities</b>   |             |                |          |
| Investment in shares and interests  | Note 25     | -              | -69,925  |
| Investments in fixed assets   | Note 42     | <b>-1,413</b>  | -352     |
| Promissory note loan to subsidiary  | Note 26     | <b>-28,032</b> | -104,229 |
| <b>Cash flow from investing activities</b>                                |             | <b>-29,445</b> | -174,506 |
| <b>Financing activities</b>   |             |                |          |
| Issue of warrants   |             | <b>1,423</b>   | -        |
| Change in overdraft facilities  |             | <b>5,523</b>   | 6,954    |
| Loans raised  |             | <b>101,902</b> | 85,726   |
| Repayment of loans  |             | <b>-84,733</b> | -10,945  |
| Realised financial rate differences                                       |             | -              | -2,814   |
| Dividend to shareholders  |             | <b>-6,051</b>  | -18,153  |
| <b>Cash flow from financing activities</b>                                |             | <b>18,064</b>  | 60,768   |
| <b>Cash flow for the year</b>   |             | <b>15,990</b>  | -104,225 |
| Cash and cash equivalents at beginning of year                            |             | <b>1,132</b>   | 105,357  |
| <b>Cash and cash equivalents at year-end</b>                              | Note 35, 42 | <b>17,122</b>  | 1,132    |

## Report of change in equity – Group and Parent Company

| GROUP SEK thousand   | Note 29 | Attributable to Parent Company shareholders |                           |                     |  | Total equity   |
|--|---------|---|---------------------------|---------------------|--|----------------|
|  |         | Share capital                               | Other capital contributed | Restricted reserves | Profit carried forward including profit for the year |                |
| <b>Equity 31/12/2014</b>   |         | <b>37,819</b>                               | <b>55,526</b>             | <b>5,145</b>        | <b>240,132</b>                                       | <b>338,622</b> |
| Profit for the year  |         |   |                           |                     | 16,089   | 16,089         |
| Actuarial gains or losses pensions inc. tax  |         |   |                           |                     | 328  | 328            |
| Translation differences inc. tax   |         |   |                           | -5,753              |  | -5,753         |
| Exchange rate differences from hedging net investment in foreign operations inc. tax |         |   |                           | -538                |  | -538           |
| <b>Comprehensive income for the year</b>   |         |   |                           | <b>-6,291</b>       | <b>16,417</b>  | <b>10,126</b>  |
| Dividend   |         |   |                           |                     | -18,153  | -18,153        |
| <b>Equity 31/12/2015</b>   |         | <b>37,819</b>                               | <b>55,526</b>             | <b>-1,146</b>       | <b>238,396</b>                                       | <b>330,595</b> |
| Profit for the year  |         |   |                           |                     | 26,434   | 26,434         |
| Actuarial gains or losses pensions inc. tax  |         |   |                           |                     | 686  | 686            |
| Translation differences inc. tax   |         |   |                           | 13,757              |  | 13,757         |
| <b>Comprehensive income for the year</b>   |         |   |                           | <b>13,757</b>       | <b>27,120</b>  | <b>40,877</b>  |
| Issue of warrants  |         |   | 1,423                     |                     |  | 1,423          |
| Dividend   |         |   |                           |                     | -6,051   | -6,051         |
| <b>Equity 31/12/2016</b>   |         | <b>37,819</b>                               | <b>56,949</b>             | <b>12,611</b>       | <b>259,465</b>                                       | <b>366,844</b> |

| PARENT COMPANY SEK thousand   | Note 29 | Share capital | Restricted reserves | Share premium reserve | Unrestricted equity | Total          |
|---|---------|---------------|---------------------|-----------------------|---------------------|----------------|
|   |         |               |                     |                       |                     |                |
| <b>Equity 31/12/2014</b>  |         | <b>37,819</b> | <b>58,872</b>       | <b>0</b>              | <b>170,594</b>      | <b>267,285</b> |
| Profit for the year   |         |               |                     |                       | 12,230              | 12,230         |
| Exchange rate differences from hedging net investment in foreign operations |         |               |                     |                       | -538                | -538           |
| <b>Comprehensive income for the year</b>                                    |         |               |                     |                       | <b>11,692</b>       | <b>11,692</b>  |
| Dividend  |         |               |                     |                       | -18,153             | -18,153        |
| <b>Equity 31/12/2015</b>  |         | <b>37,819</b> | <b>58,872</b>       | <b>0</b>              | <b>164,133</b>      | <b>260,824</b> |
| Profit for the year   |         |               |                     |                       | 17,607              | 17,607         |
| <b>Comprehensive income for the year</b>                                    |         |               |                     |                       | <b>17,607</b>       | <b>17,607</b>  |
| Issue of warrants   |         |               |                     | 1,423                 |                     | 1,423          |
| Allocation to fund for development expenses                                 |         |               | 784                 |                       | -784                | 0              |
| Dividend  |         |               |                     |                       | -6,051              | -6,051         |
| <b>Equity 31/12/2016</b>  |         | <b>37,819</b> | <b>59,656</b>       | <b>1,423</b>          | <b>174,905</b>      | <b>273,803</b> |

## 1 Accounting principles, estimates and assessments, financial risks

### Company information

Elos Medtech AB (publ), corp. ID no. 556021-9650, is a limited liability company with its registered office in Lidköping, Sweden. The company's share is listed on the Stockholm Stock Exchange, Nasdaq small cap. On 1 November 2016, the head office moved from Lidköping to Gothenburg, Sweden, with the address Elos Medtech AB, Nellickevägen 22, SE-412 63 Gothenburg, Sweden.

This annual report for the 2016 financial year was signed by the Board of Directors for Elos Medtech AB on 27 March 2017 and was approved by the Board for publication on the same date. The income statements and balance sheets for the Parent Company and Group in the annual report are subject to adoption at the Annual General Meeting in Elos Medtech AB on 26 April 2017.

### Accounting principles

Elos Medtech's consolidated financial report has been prepared in accordance with the International Financial Reporting Standards (IFRS). Since the Parent Company is a company in the EU, only IFRS approved by the EU are applied. The consolidated financial report has been prepared in accordance with the Annual Reports Act and the Swedish Financial Reporting Board's recommendation RFR 1 Complementary Financial Reporting Rules for Groups has been applied. The Parent Company's financial reports have been prepared in accordance with Swedish law and with the application of the Swedish Financial Reporting Board's RFR 2 (reporting for corporate bodies). This means that IFRS valuation and information rules are applied with the deviations that appear in the section Parent Company's accounting principles.

### New accounting principles 2016

Only a few changes in IFRS have occurred during the year that need to be taken into consideration in the consolidated reporting when preparing the year-end statements for 2016. None of these changes are have had any significant effect on the Elos Medtech Group's financial reports.

For further information about accounting principles, see also the section on the Parent Company's accounting principles.

### Upcoming amended accounting principles in 2017 and later

The following new standards enter into force from the financial year that begins on 1 January 2017 or later.

- IFRS 9 "Financial Instruments" covers classification, valuation and reporting of financial assets and liabilities. It replaces the parts of IAS 39 that covered classification and valuation of financial instruments. IFRS 9 maintains a mixed valuation approach but simplifies this in certain respects. IFRS 9 also reduces the requirements for application of hedge accounting in that the 80-125 criterion is replaced with a requirement for an economic relationship between hedging instrument and hedged item and that the hedging quota should be the same as used in risk management. The standard is to be applied for the financial year that begins on 1 January 2018. Earlier application is permitted. The change is not expected to have any significant effect on the Group's financial reporting.
- IFRS 15 "Revenue from contracts with customers" regulates how reporting of income is to be done. The principles on which IFRS 15 is based are intended to give users of the financial reports more useful information about the company's income. The extended information obligation means that information about type of income, date of adjustment, uncertainties connected with income reporting and cash flow relating to the company's customer contracts must be given. IFRS 15 replaces IAS 18 Revenues and IAS 11 Construction Contracts and the associated SIC and IFRIC. IFRS 15 enters into effect on 1 January 2018 or later. The change is not expected to have any significant effect on the Group's financial reporting.
- IFRS 16 "Leases" is published by IASB in January 2016 and is a new leasing standard that will replace IAS17 Leasing Agreement and associated interpretations IFRIC 4, SIC-15 and SIC-27. For lessees the present classification into operational and financial leasing disappears and is replaced by a model in which assets and liabilities for all

leasing agreements where the leasing period exceeds 12 months must be reported on the balance sheet. This reporting is based on the view that the lessee has a right to use an asset during a specified period of time and also a liability to pay for this right. On the income statement, depreciation must be reported separately from interest expenses relating to the lease liability. The standard is applicable for financial years that begin on 1 January 2019 or later. Earlier application is permitted. The EU has not yet adopted the standard. The Group has not yet evaluated the effect of IFRS 16.

### Consolidated financial reporting

Consolidated financial reporting is based on historical acquisition value with the exception of financial instruments that are reported at fair value.

The consolidated accounts comprise the Parent Company and all subsidiaries, which refers to companies in which Elos Medtech AB owns more than 50 per cent of the shares' votes or in some other way has determining influence. The financial reports for the Parent Company and subsidiaries that are included in consolidated reporting refer to the same period and are prepared according to the accounting principles that apply for the Group.

The consolidated financial statements include the Parent Company and the companies over which the Parent Company has a direct or indirect controlling influence. The definition of controlling influence includes an ability to directly or indirectly control return-impacting activities in an owned/part-owned company and be exposed to/have the right to variable returns from the company based on its involvement. Subsidiaries are included in the consolidated financial statements as of the date the controlling influence is transferred to the Group. Divested companies are removed from the consolidated financial statements from the date the controlling influence ends.

The purchasing method of accounting is used for recognition of the Group's business combinations. The purchase consideration for acquisitions of subsidiaries consist of the fair value of transferred assets, liabilities and the shares the Group issues. The purchase consideration also includes the fair value of all assets/liabilities that is a result of a potentially agreed conditional purchase consideration. The identifiable assets and liabilities taken over in a business combination are valued at initial recognition at fair value at the time of acquisition. For every acquisition, the Group determines if a potential holding without controlling influence in the acquired company shall be recognised at fair value or at the holding's proportional share of the acquired company's identifiable net assets. Holdings without controlling influence are recognised as a separate item in equity.

Acquisition-related costs are expensed as they arise. When the business combination takes place in more than one step, the previous equity interests in the acquired business are remeasured at their fair value at the transfer date. Any profit or loss arising as a result of the remeasurement is recognised in profit or loss.

Goodwill is initially measured as the difference between the total purchase consideration plus the fair value of non-controlling interests and the fair value of identifiable assets and liabilities assumed. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognised directly in the income statement.

Internal Group transactions, balance sheet items, income and expenses on transactions between Group companies are eliminated in the consolidated financial statements. Any profit and loss resulting from intra-Group transactions reported under assets is also eliminated. Where applicable, the accounting principles for subsidiaries have been amended to ensure a consistent application of the Group's principles.

In the consolidated reporting, translation of foreign subsidiaries' income statement and balance sheet is done in accordance with the current method. In this method the balanced sheet is translated at the exchange rate on the balance date and the income statement at average rate. Translation differences that arise are reported in other comprehensive income.

## Note 1 Continuation

### Reporting for segments

The Group's operations are conducted in one business area - Medtech - and therefore reports as one operating segment. The operations consist of developing, manufacturing and selling medical devices and components in a number of defined market segments.

This organisation is led by the Group's CEO, which is the highest executive decision-maker, with a common operational management group, that makes decisions on strategies, allocation and resource distribution based on the respective customer and technology. The Group's legal structure consists of five subsidiaries that conduct production and development within the scope of the Group's needs based on production emphasis and capacity. A unit can produce for several market segments and decisions are made superior to the respective unit. In light of this, the Group's reporting units are aggregated to one operating segment and the consolidated statement of comprehensive income and statement of financial position therefore constitute one operating segment in its entirety. See Note 5 for more information on the company's segment.

### Income

Income is reported when the goods are delivered and ownership right has transferred to the buyer.

### Depreciation

Planned depreciation is calculated on the asset's acquisition value. Previous appreciation has been calculated into the asset's acquisition value. Depreciation rates are based on the asset's estimated useful lifetime.

Planned depreciation uses the following percentage rates:

|                                     |           |
|-------------------------------------|-----------|
| Buildings                           | 2 - 4%    |
| Land improvements                   | 3.75 - 5% |
| Vehicles and light machines         | 20%       |
| Other machines                      | 10 - 20%  |
| Computers and office machines       | 20 - 33%  |
| Other equipment                     | 10%       |
| Patents and other intangible assets | 10 - 33%  |
| Capitalised expenditure for R&D     | see below |

Capitalised expenditure for R&D consists of development costs for producing new products. The capitalised expenditure is depreciated on a straight line basis over the asset's estimated useful lifetime. The assets presently being reported on are assessed to have a useful life of three to five years.

### Impairments

Elos Medtech applies IAS 36 Impairment of Assets, which means that an assessment is made of each asset's, group of assets' or cash-generating unit's recoverable value when there are indications that an asset has lost value. If the book value is higher than the recoverable value, impairment to the recoverable value is performed. The recoverable value is the higher of net sales value and useful value.

### Tax

Income tax and deferred tax are reported according to IAS 12 Income taxes.

Current tax is tax to be paid or received that refers to the current year. Adjustment of current tax relating to previous periods also belongs here.

Deferred tax is calculated based on temporary differences between reported and taxable value of assets and liabilities. The amount is calculated according to how the temporary differences are expected to be adjusted and with application of the tax rates and rules that have been decided or advised on the balance date. Temporary differences are not taken into account in differences relating to shares in Group companies. In the consolidated reporting, untaxed reserves are divided into deferred tax liability and equity. Deferred tax assets referring to non-deductible temporary differences and tax loss carry-forwards are only reported to the extent that it is probable that these will be able to be used against taxable income in the future.

The tax rate for Sweden in this year's accounts is 22.0 per cent (22.0). See note 16.

### Pensions

Elos Medtech's pension undertakings are met through ongoing payments to independent authorities or insurance companies as well as through provisions and payments that are covered by the so-called FPG/PRI system.

Pension undertakings through defined benefit plans are calculated in the Group with actuarial methods and the compensation amount is calculated according to the so-called Project Unit Credit Method and is reduced by the market value of plan assets. The method means that each service period is considered to give rise to a future unit of the final obligation. Each unit is calculated separately and together they represent the total obligation on the balance date. The intention of the principle is to expense the pension payments on a straight line basis during the period of employment. The calculation is done annually by independent actuaries. The defined benefit liability is thereby valued at the present value of anticipated future payments using a discount rate, which corresponds to the rate stated in note 32.

Reporting applies to all identified defined benefit pension plans in the Group. The Group's payments in respect of defined contribution pension plans are reported as costs during the period the employee performed the services that the contribution relates to.

### Capitalised expenditure on development work

Expenses for the development of our own products are reported as intangible assets in the balance sheet under the heading "Capitalised expenditure on development work", when the following conditions apply:

It is technically possible to complete the newly developed product so that it can be sold. It is the company's intention to complete the product and sell it. The company has the conditions to sell the product and it is judged to have financial advantages for the company. There are adequate technical, financial and other resources to complete the development and sell the product. The company must also be able to reliably calculate the expenses for development that can be related to the new product.

### Goodwill

The need for impairment is tested at least annually for intangible assets, including goodwill, with an indeterminate useful life. The need for impairment of goodwill is tested by the following procedure.

The goodwill value determined at the time of acquisition is divided into cash generating units or groups of cash generating units. Assets and liabilities that already existed in the Group at the time of acquisition can also be related to these cash generating units. Each such cash flow that goodwill is distributed to corresponds to the lowest level within the Group at which goodwill is monitored by company management and is not a larger part of the Group than one segment.

There is a need for impairment when the recoverable amount for a cash generating unit (or group of cash generating units) is less than reported value. Any impairment is reported in the income statement.

### Leasing agreements

Leasing agreements are reported in the Group according to IAS 17 Leasing Agreements. Leasing is classified in the consolidated report as either financial or operational leasing. Financial leasing is when the financial risks and benefits that are associated with ownership are substantially transferred to the lessee. If this is not the case, then it is operational leasing. Briefly, financial leasing means that the relevant fixed asset is reported as an asset item in the balance sheet while a corresponding liability is entered on the liability side of the balance sheet. In the income statement, planned depreciation of the asset is reported according to the company's depreciation principles. The part of the leasing agreement that refers to interest is reported as a financial cost in the income statement, while the rest of the leasing agreement reduces book liability. In brief, operational leasing means that no asset or corresponding liabilities item is entered in the balance sheet by the lessee.

### Goods in stock

Goods in stock are valued at the lower of acquisition value, according to the first in first out principle, and fair value. Necessary deductions have been made for obsolescence.



### **Provisions**

Provisions are reported according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. A provision is reported in the balance sheet when an undertaking exists and it is probable that an outward flow of resources will be needed to regulate the undertaking and a reliable estimate of the amount can be made.

### **Financial instruments**

Financial assets and liabilities are initially reported at acquisition value, which then corresponds to their fair value, and thereafter at accrued acquisition value. Financial assets and liabilities in foreign currencies are converted to Swedish kronor using the exchange rate on the balance date. Outstanding derivatives are reported at fair value in the balance sheet and the change is reported in the income statement and if a hedging relationship exists in other comprehensive income. See also note 43.

### **Cash flow hedging**

Cash flow hedging is done, in accordance with Group policy, when an operation invests in machines in foreign currency by entering in to a forward contract.

### **Hedging of net assets in foreign currencies**

The Group's exposure regarding net assets abroad is comprised of Elos Medtech Pinol A/S, Elos Medtech Tianjin Co. Ltd and Elos Medtech U.S Holdings, Inc. Equity in Elos Medtech Pinol and Elos Medtech Tianjin, as well as associated Group goodwill, was hedged in the Parent Company up until the second quarter of 2015 in that the Parent Company performed currency hedging, which in Group terms reduced the effects of exchange rate changes in Danish Kroner and Chinese yuan against Swedish kronor. From the third quarter of 2015, forward contracts and currency hedging are no longer used to hedge the Group's net assets in foreign currencies. A hedging relationship with loans in foreign currency is used as a hedging instrument for intra-Group loans in USD; see Note 43.

### **The Parent Company's accounting principles**

The Parent Company applies RFR 2 (reporting for corporate bodies) for financial reporting. This means that the Parent Company applies IFRS valuation and information rules with the deviations given below, among others.

The Parent Company applies IAS 1 for reporting of comprehensive income. Paid pension premiums and changes in reported pension liabilities for FPG/PRI are reported on an ongoing basis as a pension cost. All leasing agreements are reported according to the rules for operational leasing.

Group contributions received from/given to a subsidiary are reported by the Parent Company as financial income/cost in the income statement according to RFR 2. Associated tax effects are reported in the income statement according to IAS 12.

The Parent Company's accounting principles are unchanged compared with previous years.

### **Critical reporting issues, estimates and assessments**

In the preparation of Elos Medtech's consolidated financial statements, the Board of Directors and CEO identified the following critical accounting issues where certain assumptions regarding the future and certain estimates and assessments as of the balance sheet date have special significance to the valuation of the assets and liabilities in the balance sheet:

Recognition of the cost of defined benefit pension plans is based on actuarial calculations that in turn are based on the development of various factors. See note 32.

The value of goodwill is tested at least once a year in relation to any need for impairment. Testing requires an assessment of the useful value of the cash generating unit, or group of units, to which the goodwill value relates. This requires in turn that the expected future cash flow from the cash generating unit is estimated and a relevant discount rate is determined for calculating the present value of the cash flow. The assessments made as at 31 December 2016 are stated in note 18.

### **Financial risk and risk management**

The Group's financial instruments consist of bank loans, debt instruments and financial leasing. The main purpose of these financial instru-

ments is to finance the Group's activities. The Group also has other financial instruments such as liquid assets, accounts receivable and accounts payable that arise in the activities on an ongoing basis.

The Group has also performed transactions with derivatives, primarily forward buying contracts, to handle risks that arise in the Group's operations and their financing. The Group's policy is not to trade in financial instruments.

The greatest risks that arise through the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board investigates risks and has determined a finance policy for how these are to be managed. A summary of the Group's financial risks is given below. See also note 43.

### **Interest rate risks**

The Group's exposure to market risk of changes in interest levels relates mainly to the Group's long-term promissory notes. Most of the Groups loans have variable interest rates. A change in interest rate of 1 percentage point would affect net profit by approximately SEK 3 million.

### **Currency risks**

The Group's currency risks arise in connection with flow exposure and translation exposure for net assets abroad.

Flow exposure occurs when one of the Group's units conducts sales or purchasing in a currency other than its own. The Elos Medtech Group is active in different markets with different types of currency exposure and currency risk. The Board has determined a Group policy in the form of a framework for managing foreign currency risks. The main point is that 50-60 per cent of the anticipated net flow of foreign currency for the next six months must be hedged. With the present structure and trading patterns within the Group, exposure of foreign currency flow is limited, which meant that no hedging in respect of these flows was done in 2015 and 2016. If the Swedish krona had fallen/risen by 10 per cent against the Danish krone, Chinese yuan and US dollar, with all other variables constant during the 2016 financial year, the year's profit before tax would have been approximately SEK 3.8 million lower/higher as a result of foreign currency gains or losses when translating the profit from the subsidiaries.

Translation exposure exists with regard to the net assets of foreign subsidiaries. For more information on risk management, please refer to Note 43.

### **Credit risks**

The Group's sales to commercial customers mainly occur on credit and are distributed among a relatively large number of customers. The Group's commercial customers are overwhelmingly well established companies or organisations. An individual credit assessment is made of all customers who receive credit. Payment terms differ from customer to customer and are included in sales agreements. Accounts receivable and other receivables are constantly monitored so as to reduce exposure to potential bad debts. Reserves for loss of value of an account receivable are made when there is an obvious risk of not receiving outstanding receivables according to the original payment terms. If the loss of value becomes definite it is written off against the account for confirmed customer losses. The Group's assessment and experience is that credit risk in accounts receivable is low in all markets in which the Group is active.

### **Liquidity risks**

The Group's policy is that the financing horizon should be long term. The objective is that the credit limits found with external credit providers should cover the capital requirement that is assessed to arise in the next year and also provide the Group with good contingency liquidity.

In connection with the Group's long-term financing, the Parent Company has entered in to an agreement on special conditions with the Group's three banks. These special conditions comprise a quota relationship between the Group's EBITDA and its net liabilities and also minimum values for the Group's and the subsidiaries' equity/assets ratio as well as limits on investments.

The most material condition relates to the quotient relationship EBITDA/Interest-bearing liabilities. The Group meets all agreed loan terms as of the balance sheet date. In 2017, the above quotient value was re-

## Note 1 Continuation

duced. Based on budget and forecast for 2017, it is forecast that the company will meet the condition for a lower quotient value at the respective measurement time.

Based on the assessment that loan terms will be able to be met, interest-bearing liabilities have been classified into current and non-current components.

In 2017, the company renegotiated the short-term property loan of SEK 21.8 million included in current liabilities at 31 December 2016 to long-term financing.

The policy is that liquid assets, including unused overdraft facilities, should amount to 6-12 per cent of the Group's net sales. The outcome for the year amounted to 18.0 per cent (22.2) where the previous year's outcome was affected by the acquisition of Onyx Medical. Investment of liquid assets must only occur in ban-related instruments.

The Group uses a number of banks and has a number of available overdraft facilities.

## Management of equity

Equity is defined as the reported equity in the balance sheet and amounted to SEK 366.8 million (330.6). The definition is the same as previous years. The return on equity should exceed the risk-free long-term interest rate by 5 to 10 per cent, depending on the share of capital. The return should exceed 15 per cent in the current situation. The return on operating capital should be at least 15 per cent. The proportion of risk-bearing capital should be at least 30 per cent. The year's outcome on return on equity amounted to 7.6 per cent (4.8), return on operating capital amounted to 5.7 per cent (5.3) and the proportion of risk-bearing capital amounted to 44.7 per cent (40.0).

The dividend policy stipulates that the dividend is to be based on the Group's earnings performance, while taking into account its future development potential and financial position. The long-term goal is for the dividend to increase at a constant rate and to be equivalent to approximately 30-50 per cent of the profit after tax.

## 2 Personnel and personnel costs

In 2015, Onyx Medical LLC is included with effect from the acquisition date, which is 23 April 2015.

| Average number of employees divided into women and men     | 2016                       |                 |                 | 2015                       |                 |                 |
|--|----------------------------|-----------------|-----------------|----------------------------|-----------------|-----------------|
|  | Men                        | Women           | Total           | Men                        | Women           | Total           |
| <b>Group</b>   |                            |                 |                 |                            |                 |                 |
| Sweden   | 88                         | 49              | 137             | 88                         | 49              | 137             |
| Denmark  | 96                         | 63              | 159             | 91                         | 59              | 150             |
| China  | 52                         | 42              | 94              | 56                         | 44              | 100             |
| USA  | 83                         | 36              | 119             | 59                         | 25              | 84              |
|  | 319                        | 190             | 509             | 294                        | 177             | 471             |
| <b>Parent Company</b>                                      |                            |                 |                 |                            |                 |                 |
| Sweden   | 4                          | 7               | 11              | 2                          | 5               | 7               |
| Salaries, other benefits and social security expenses      | 2016                       |                 |                 | 2015                       |                 |                 |
|  | Board of Directors and CEO | Other employees | Total           | Board of Directors and CEO | Other employees | Total           |
| <b>Group</b>   |                            |                 |                 |                            |                 |                 |
| Salaries and other benefits (of which profit-based salary) | 11,968 (761)               | 198,236 (2,848) | 210,204 (3,609) | 11,548 (233)               | 176,524 (4,895) | 188,072 (5,128) |
| social costs (of which pension costs)                      | 3,443 (1,257)              | 44,814 (15,025) | 48,257 (16,282) | 3,239 (1,335)              | 34,839 (13,820) | 38,078 (15,155) |
|  | 15,411                     | 243,050         | 258,461         | 14,787                     | 211,363         | 226,150         |
| <b>Parent Company</b>                                      |                            |                 |                 |                            |                 |                 |
| Salaries and other benefits (of which profit-based salary) | 3,788 (263)                | 7,974 (384)     | 11,762 (647)    | 3,753 (-)                  | 4,539 (100)     | 8,292 (100)     |
| social costs (of which pension costs)                      | 1,866 (705)                | 4,489 (1,629)   | 6,355 (2,334)   | 1,915 (786)                | 2,538 (1,075)   | 4,453 (1,861)   |
|  | 5,654                      | 12,463          | 18,117          | 5,668                      | 7,077           | 12,745          |
| <b>Salary and other remuneration by country</b>            |                            |                 |                 |                            |                 |                 |
| Parent Company in Sweden                                   | 3,788                      | 7,974           | 11,762          | 3,753                      | 4,539           | 8,292           |
| Subsidiaries in Sweden                                     | 2,201                      | 47,244          | 49,445          | 2,060                      | 44,251          | 46,311          |
| Subsidiaries in Denmark                                    | 1,933                      | 85,963          | 87,896          | 1,878                      | 79,388          | 81,266          |
| Subsidiaries in China                                      | 1,846                      | 9,514           | 11,360          | 2,263                      | 11,401          | 13,664          |
| Subsidiaries in USA  | 2,200                      | 47,541          | 49,741          | 1,594                      | 36,945          | 38,539          |
|  | 11,968                     | 198,236         | 210,204         | 11,548                     | 176,524         | 188,072         |

## Remuneration of the Board

Reasons for the principles for setting salaries and other remuneration to senior management appear in the Corporate Governance Report. Fees according to the decision of the Annual General Meeting were paid to the chair and members of the Board and totalled SEK 1,470,000 (SEK 1,200,000).

| Fee                        | 2016  | 2015  |
|----------------------------|-------|-------|
| Stig-Arne Blom (Chairman)  | 355   | 325   |
| Agneta Bengtsson Runmarker | 190   | 175   |
| Jeppe Magnusson            | 190   | 175   |
| Yvonne Mårtensson          | 190   | 175   |
| Mats Nilsson               | 190   | 175   |
| Thomas Öster               | 190   | 175   |
| Anders Birgersson *)       | 165   | -     |
|                            | 1,470 | 1,200 |

Fees refer to Board fees and remuneration for work on remuneration and audit committees. \*) Joined in connection with the 2016 Annual General Meeting.

#### Preparation and decision process

The Board has appointed a remuneration committee that discusses and decides on remuneration of the CEO and members of management who report directly to the CEO.

#### Remuneration and other benefits to senior management

Remuneration of senior management, which consists of CEO, CFO, Marketing Director, Group QA Director and MDs of subsidiaries, comprises basic salary, car benefits, variable remuneration and pension. The variable remuneration may vary depending on position and may represent a maximum of 50 per cent of the fixed salary. The variable remuneration is based on the profit outcome in the Group's individual pension remuneration limited so that it is favourable to the company in terms of tax deduction.

The present CEO, who took office on 1 July 2016, has received salary and other remuneration, including benefits of 1,230,000 in total. The remuneration for the year includes a profit-based remuneration of SEK 263,000. The former CEO has received salary and other remuneration including benefits of 891,000 in total. No profit-based remuneration was payable to the former CEO in 2016.

The retirement age for the CEO is 65. The company pays an annual premium for the CEO's pension insurance corresponding to the ITP plan and service Group life insurance and work injury insurance. The annual pension premium may not exceed what is favourable to the company in terms of tax deduction. Pension-entitled salary is the basic salary and an average of the previous three years' variable remuneration. The pension is defined contribution. The pension premium paid in 2016 for the current CEO amounted in total to SEK 287,000 (0). In the event of termination by the company, there is a notice period of 12 months with settlement against other income during the notice period. In the event of termination by the CEO, there is a notice period of six months. There is no special agreement regarding severance payment. The pension premium paid in 2016 for the former CEO amounted in total to SEK 281,000 (391,000).

Other senior executives excluding the CEO received salary and other remuneration including car benefits of SEK 11,186,000 in total (10,600,000) in 2016. The year's remuneration includes profit related salary of SEK 797,000 (333,000). The retirement age for other persons in Group management is 65. For these persons the company pays an annual premium corresponding to the ITP plan. Individual pension remuneration is limited so that it is favourable to the company in terms of tax deduction. Pension-entitled salary is the basic salary and an average of the previous three years' variable remuneration. The pension is defined contribution. The pension insurance paid for 2016 amounted to SEK 1,319,000 (1,123,000). Remuneration to senior executives agrees with the AGM resolution on guidelines to senior executives except in one case where the pension compensation was not tax deductible.

Other managers in subsidiaries, consisting of members of the subsidiaries' management groups excluding those included among senior management above, a total of 26 persons (26), received salary and other remuneration including car benefits totalling SEK 17,927,000 (15,562,000). The pension costs for these amounted to SEK 872,000 (768,000).

#### Members of the Board and senior executives

| (number of persons)             | 2016 |       |       | 2015 |       |       |
|---------------------------------|------|-------|-------|------|-------|-------|
|                                 | Men  | Women | Total | Men  | Women | Total |
| <b>Group</b>                    |      |       |       |      |       |       |
| Board members                   | 5    | 2     | 7     | 4    | 2     | 6     |
| CEO and other senior executives | 6    | 3     | 9     | 5    | 4     | 9     |
| <b>Parent Company</b>           |      |       |       |      |       |       |
| Board members                   | 5    | 2     | 7     | 4    | 2     | 6     |
| CEO and other senior executives | 2    | 2     | 4     | 1    | 3     | 4     |

### 3 Description of acquisition

#### Acquisition of Onyx Medical LLC

##### Description of acquisition

On 23 April 2015, the acquisition of 100 per cent of the share capital of Onyx Medical LLC by Elos Medtech U.S Holdings Inc., a newly formed, wholly owned subsidiary of Elos Medtech AB, was completed. The acquisition has been reported according to the acquisition method whereby the total purchase price is divided into acquired assets and liabilities taken over. These assets and liabilities have been valued at fair value by the application of generally adopted principles.

This acquisition strengthens the Elos Medtech's market position in the Trauma & Spine market segment and, in combination with existing activities, will function as a platform for the Group's development in North America. Following the acquisition, Elos Medtech has a presence in Asia, Europe and North America and, with the existing operation, will be better positioned with better opportunities to serve the global market.

The purchase price after deduction of net debt for the acquired operation amounted to SEK 164.9 million plus a conditional purchase price, based on the operation's development during 2015 and 2016, of SEK 118.8 million (according to the exchange rate at the time of acquisition) corresponding to the maximum amount according to the conditions of the agreement.

In the prepared acquisition analysis, adjustments of the carrying amounts were made to the fair value of identified customer relationships, SEK 20.8 million, surplus value in the factory property of SEK 9.5 million and surplus values in inventory of SEK 6.7 million. Goodwill that arose in connection with the acquisition, which amounts to SEK 197.2 million, consists mainly of strategic advantages and synergy effects that are particularly expected to be achieved in marketing, sales and quality.

#### Acquisition value, goodwill and cash flow effects

*The exchange rate that applied at the time of acquisition has been used.*

##### SEK million

|  |              |
|--|--------------|
| <b>Purchase price:</b>                                 |              |
| - purchase price paid cash                             | 164.9        |
| - estimated additional purchase price                  | 118.8        |
| <b>Total purchase price</b>                            | <b>283.7</b> |
| Total of fair value of acquired assets and liabilities | -86.5        |
| <b>Goodwill</b>  | <b>197.2</b> |

##### Cash flow effects:

|                            |        |
|----------------------------|--------|
| - purchase price paid cash | -164.9 |
| - liquid assets acquired   | 4.5    |

**Effect on Group's liquid assets** **-160.4**

| SEK million                        | Balance sheet<br>at time of<br>acquisition | Adjust<br>ment for<br>fair value | Fair<br>value |
|------------------------------------|--|----------------------------------|---------------|
| Intangible assets                  | -  | 20.8                             | 20.8          |
| Fixed assets                       | 93.2                                       | 9.5                              | 102.7         |
| Inventory                          | 11.9                                       | 6.7                              | 18.6          |
| Receivables                        | 14.8                                       | -                                | 14.8          |
| Cash and cash equivalents          | 4.5  | -                                | 4.5           |
| Interest-bearing liabilities       | -65.7                                      | -                                | -65.7         |
| Other liabilities                  | -9.2                                       | -                                | -9.2          |
| <b>Total net assets taken over</b> | <b>49.5</b>                                | <b>37.0</b>                      | <b>86.5</b>   |

Fair value is tax deductible and is therefore reported without deferred tax. According to tax rules in the USA, goodwill is tax deductible over a 15 year period.

## 4 Net Sales

### Sales by market segment

The table below shows the distribution of the Group's sales by market segment, regardless of where the product was manufactured.

| SEK million            | 2016         | 2015         |
|------------------------|--------------|--------------|
| Dental Implant Systems | 170.9        | 153.7        |
| Diagnostics            | 29.7         | 23.6         |
| Medical Devices        | 169.3        | 168.7        |
| Trauma & Spine         | 182.1        | 157.7        |
| <b>Total</b>           | <b>552.0</b> | <b>503.7</b> |

Primary products:

**Dental Implant Systems:** Implants, components for implant-borne prosthetics and instruments for dental implant work.

**Trauma & Spine:** Implants, drills, guide pins/wires and plates for fracture surgery. Instruments, screws and implants, for neck and lower back and scoliosis treatment.

**Diagnostics:** Disposables for clinical tests, such as allergy tests and autoimmune diseases.

**Medical Devices:** Surgically implanted hearing devices and components for traditional hearing aids. Products with high precision for diabetes treatment and products for neuro and heart surgery and alternative treatment methods for cancer.

### Sales by market area

The table below shows the distribution of the Group's sales by market area, regardless of where the product was manufactured.

Sales in 2016 include sales to a single customer of SEK 61.6 million (55.9).

| SEK million           | 2016         | 2015         |
|-----------------------|--------------|--------------|
| Sweden                | 106.6        | 113.0        |
| Nordics except Sweden | 56.0         | 64.3         |
| Europe except Nordics | 183.1        | 139.6        |
| North America         | 127.5        | 119.4        |
| Asia                  | 75.2         | 63.8         |
| Other markets         | 3.6          | 3.6          |
| <b>Total</b>          | <b>552.0</b> | <b>503.7</b> |

The Parent Company's income is internal and refers to administrative fees and is made up as follows:

| SEK million           | 2016        | 2015        |
|-----------------------|-------------|-------------|
| Sweden                | 4.2         | 5.0         |
| Nordics except Sweden | 11.2        | 6.5         |
| Asia                  | 1.5         | 2.1         |
| North America         | 3.2         | 2.1         |
| <b>Total</b>          | <b>20.1</b> | <b>15.7</b> |

## 5 Information about segments

The Groups single operating segment, Medtech, develops, manufactures and sells medical devices, components and services.

For information on the segment's sales, refer to Note 4 and for the grounds of division into segments, refer to Note 1.

### Assets and investments by geographical area

The table below shows the reported value of assets and investments by geographical area of where the assets are located.

| SEK million  | Assets       |              | Investments |             |
|--------------|--------------|--------------|-------------|-------------|
|              | 2016         | 2015         | 2016        | 2015        |
| Sweden       | 193.1        | 30.6         | 18.2        | 34.6        |
| Denmark      | 244.9        | 235.2        | 13.6        | 22.0        |
| China        | 89.9         | 97.7         | 1.0         | 3.6         |
| USA          | 359.8        | 374.0        | 1.8         | 15.6        |
| <b>Total</b> | <b>887.7</b> | <b>881.6</b> | <b>34.6</b> | <b>75.8</b> |

## 6 Buying and selling between Group companies

SEK 20.1 million (15.7) of the Parent Company's income refers to income from Group companies. During the year, there has been purchasing from Group companies of SEK 0.3 million (0.1) for IT and marketing services.

## 7 Information regarding remuneration of auditors

| Fees and expense reimbursements for continuing operations | Group        |              | Parent Company |            |
|---|--------------|--------------|----------------|------------|
|   | 2016         | 2015         | 2016           | 2015       |
| <b>PwC</b>  |              |              |                |            |
| Auditing assignment                                       | 1,232        | 1,337        | 380            | 323        |
| Auditing activities in addition to assignment             | 374          | 335          | 368            | 298        |
| <b>Other auditors</b>                                     |              |              |                |            |
| Auditing assignment                                       | 320          | 174          | -              | -          |
| <b>Total</b>  | <b>1,926</b> | <b>1,846</b> | <b>748</b>     | <b>621</b> |

Auditing assignments refers to investigation of consolidated accounting, statutory auditing of the Parent Company and subsidiaries, bookkeeping and the Board's and CEO's management, as well as consultancy and other contributions driving from investigation considerations. Everything else is other assignments. PwC is the Group's elected auditor for the financial years 2015 and 2016.

## 8 Depreciation according to plan

| Group 2016                              | Develop-           |              |                  |                 | Total         |
|---|--------------------|--------------|------------------|-----------------|---------------|
|   | Cost of goods sold | ment costs   | Selling expenses | Admin. expenses |               |
| Other intangible assets                 | 250                | 925          | 4,248            | 1,497           | 6,920         |
| Capitalised development costs           | -                  | 1,799        | 43               | -               | 1,842         |
| Buildings                               | 4,549              | 116          | 59               | 240             | 4,964         |
| Land improvements                       | 110                | -            | -                | 2               | 112           |
| Plant and machinery                     | 34,415             | -            | -                | 611             | 35,026        |
| Equipment, tools, fixtures and fittings | 3,777              | -            | 282              | 1,708           | 5,767         |
| <b>Total</b>                            | <b>43,101</b>      | <b>2,840</b> | <b>4,632</b>     | <b>4,058</b>    | <b>54,631</b> |

| 2015                                    |               |              |              |              |               |
|---|---------------|--------------|--------------|--------------|---------------|
| Other intangible assets                 | 229           | 803          | 2,913        | 1,828        | 5,773         |
| Capitalised development costs           | -             | 665          | -            | -            | 665           |
| Buildings                               | 4,956         | 120          | 50           | 286          | 5,412         |
| Land improvements                       | 44            | -            | -            | 2            | 46            |
| Plant and machinery                     | 32,131        | -            | -            | 662          | 32,793        |
| Equipment, tools, fixtures and fittings | 2,546         | -            | 245          | 1,293        | 4,084         |
| <b>Total</b>                            | <b>39,906</b> | <b>1,588</b> | <b>3,208</b> | <b>4,071</b> | <b>48,773</b> |

| Parent Company 2016     | Admin. expenses |              | Total        |
|-------------------------|-----------------|--------------|--------------|
|                         |                 |              |              |
| Other intangible assets |                 | 1,358        | 1,358        |
| Equipment               |                 | 101          | 101          |
| <b>Total</b>            |                 | <b>1,459</b> | <b>1,459</b> |

| 2015                    |                 |              |              |
|-------------------------|-----------------|--------------|--------------|
| Parent Company 2015     | Admin. expenses |              | Total        |
|                         |                 |              |              |
| Other intangible assets |                 | 1,503        | 1,503        |
| Equipment               |                 | 51           | 51           |
| <b>Total</b>            |                 | <b>1,554</b> | <b>1,554</b> |

## 9 Other operating income

|  | Group        |              | Parent Company |           |
|--|--------------|--------------|----------------|-----------|
|  | 2016         | 2015         | 2016           | 2015      |
| Profit from sale of other fixed assets | 2,438        | 218          | 17             | -         |
| Foreign currency gains                 | 1,197        | 1,440        | 130            | 44        |
| Other                                  | 725          | 1,539        | -              | -         |
| <b>Total</b>                           | <b>4,360</b> | <b>3,197</b> | <b>147</b>     | <b>44</b> |

## 10 Other operating costs

|  | Group         |               | Parent Company |             |
|--|---------------|---------------|----------------|-------------|
|  | 2016          | 2015          | 2016           | 2015        |
| Losses from sale of other fixed assets | -1,040        | -78           | -              | -10         |
| Foreign currency losses                | -1,180        | -1,560        | -              | -225        |
| Other                                  | -52           | -42           | -76            | -           |
| <b>Total</b>                           | <b>-2,272</b> | <b>-1,680</b> | <b>-76</b>     | <b>-235</b> |

## 11 Costs by type

The costs below include cost of sold goods, selling costs, administrative costs and development costs for continuing operations.

| Group                        | 2016           | 2015           |
|------------------------------|----------------|----------------|
| Material inc. subcontractors | 105,590        | 102,783        |
| Remuneration of employees    | 258,461        | 226,150        |
| Depreciation                 | 54,631         | 48,773         |
| Other costs                  | 92,715         | 96,986         |
| <b>Total</b>                 | <b>511,397</b> | <b>474,692</b> |

## 12 Profit from interests in Group companies

| Parent Company               | 2016          | 2015          |
|------------------------------|---------------|---------------|
| Group contributions received | 11,250        | 14,400        |
| Group contributions paid     | -2,500        | -3,900        |
| Dividend received            | 12,523        | 9,921         |
| <b>Total</b>                 | <b>21,273</b> | <b>20,421</b> |

## 13 Other interest income and similar income items

| Group                     | 2016         | 2015        |
|---------------------------|--------------|-------------|
| Interest income           | 185          | 406         |
| Exchange rate differences | 5,426        | -           |
| <b>Total</b>              | <b>5,611</b> | <b>406</b>  |
| <b>Parent Company</b>     | <b>2016</b>  | <b>2015</b> |
| Interest income           | 21           | 44          |
| Exchange rate differences | 5,406        | -           |
| <b>Total</b>              | <b>5,427</b> | <b>44</b>   |

## 14 Other interest expenses and similar income items

| Group                     | 2016           | 2015          |
|---------------------------|----------------|---------------|
| Interest expenses         | -9,930         | -7,983        |
| Rate differences          | -              | -381          |
| Other                     | -434           | -             |
| <b>Total</b>              | <b>-10,364</b> | <b>-8,364</b> |
| <b>Parent Company</b>     | <b>2016</b>    | <b>2015</b>   |
| Interest expenses         | -3,469         | -1,681        |
| Exchange rate differences | -              | -1,113        |
| Other                     | -418           | -             |
| <b>Total</b>              | <b>-3,887</b>  | <b>-2,794</b> |

## 15 Appropriations

| Parent Company  | 2016        | 2015        |
|---|-------------|-------------|
| Allocation to tax allocation reserve, tax year 2016                       | -1,055      | -           |
| Reversal of tax allocation reserve, tax year 2010                         | 400         | -           |
| Difference between booked depreciation and depreciation according to plan | 195         | -135        |
| <b>Total</b>  | <b>-460</b> | <b>-135</b> |

## 16 Tax

| Group   | 2016           | 2015          |
|---|----------------|---------------|
| Current tax                                     | -5,647         | -5,235        |
| Deferred tax referring to deficit deductions    | 876            | -102          |
| Deferred tax referring to temporary differences | -6,722         | -1,102        |
| <b>Total tax</b>                                | <b>-11,493</b> | <b>-6,439</b> |

The difference between the Group's tax expense and tax expense based on the current tax rate consists of the following components:

| Group  | 2016           | 2015          |
|--|----------------|---------------|
| Reported profit before tax                         | 37,927         | 22,528        |
| Tax at the current rate                            | -8,344         | -4,956        |
| Tax effects of:                                    |                |               |
| Effect of changed tax rate in foreign subsidiaries | 1,110          | 1,110         |
| Depreciation/impairment of Group surplus value     | -              | 48            |
| Current tax attributable to previous years         | -              | -21           |
| Differences in foreign tax rates                   | -2,077         | -1,645        |
| Withholding tax                                    | -226           | -300          |
| Other  | -846           | -675          |
| <b>Reported tax expense</b>                        | <b>-11,493</b> | <b>-6,439</b> |

The tax rate in Sweden has been used as the current tax rate for 2016:22.0 per cent (22.0).

Goodwill of SEK 191.4 million arose in connection with the acquisition of Onyx Medical. According to tax rules in the USA, goodwill is tax deductible over a 15 year period. This means that current tax is affected in the form of a lower tax payment of approximately SEK 5 million during this period, which also had a positive effect on cash flow.

## Note 16 Continuation

| Parent Company  | 2016          | 2015          |
|---|---------------|---------------|
| Current tax in income statement                         | -698          | -619          |
| Deferred tax referring to deficit deductions            | -919          | -102          |
| Withholding tax   | -209          | -294          |
| <b>Total</b>  | <b>-1,826</b> | <b>-1,015</b> |
| Parent Company  | 2016          | 2015          |
| Reported profit before tax                              | 19,893        | 13,380        |
| Tax at the current rate                                 | -4,376        | -2,944        |
| Tax effects of:   |               |               |
| Non-deductible costs                                    | -122          | -55           |
| Tax-free income   | 2,755         | 4,494         |
| Hedging of net investment in other comprehensive income | -             | -619          |
| Unutilised tax loss carry-forwards                      | -             | -918          |
| Withholding tax   | -209          | -294          |
| Other   | 126           | -679          |
| <b>Reported tax expense</b>                             | <b>-1,826</b> | <b>-1,015</b> |

## 18 Goodwill

| Group                                 | 2016           | 2015           |
|---------------------------------------|----------------|----------------|
| Opening acquisition value             | 234,898        | 45,126         |
| Acquired operations                   | -              | 191,379        |
| Translation difference                | 18,929         | -1,607         |
| <b>Closing acquisition value</b>      | <b>253,827</b> | <b>234,898</b> |
| Opening impairment                    | -              | -              |
| <b>Closing accumulated impairment</b> | <b>0</b>       | <b>0</b>       |
| <b>Reported value at year-end</b>     | <b>253,827</b> | <b>234,898</b> |
| Goodwill (SEK million)                | 2016           | 2015           |
| Medical Devices                       | 39             | 37             |
| Trauma and Spine                      | 208            | 191            |
| Diagnostics                           | 7              | 7              |
| <b>Total</b>                          | <b>254</b>     | <b>235</b>     |

Goodwill and intangible assets with indefinite useful lives are distributed over the lowest cash generating units identified within the respective market segment. The lowest cash generating units are comprised of legal entities or aggregations of legal entities.

Impairment testing of goodwill is done annually when indications of impairment requirements exist.

The recoverable amount of all cash generating units has been determined through calculations of value-in-use.

## 17 Capitalised expenditure on development work

| Group   | 2016         | 2015         |
|---|--------------|--------------|
| Opening acquisition value                                 | 7,534        | 4,640        |
| Purchases for the year                                    | 181          | 1,974        |
| Reclassification  | 365          | 920          |
| Divested businesses                                       | -            | -            |
| <b>Closing acquisition value</b>                          | <b>8,080</b> | <b>7,534</b> |
| Opening depreciation                                      | 383          | 0            |
| Depreciation for the year                                 | 1,375        | 383          |
| <b>Closing accumulated depreciation according to plan</b> | <b>1,758</b> | <b>383</b>   |
| <b>Reported value at year-end</b>                         | <b>6,322</b> | <b>7,151</b> |

The useful period for capitalised expenses for development work is assessed to be between three and five years.

### Assumptions

Value in use for net assets attributable to cash generating units within Medical Devices, Trauma and Spine and Diagnostics has been calculated based on discounted cash flows. The cash flows for the first year are based on a set budget for 2017. The forecast period 2018-2020 is based on a business plan set by the Board of Directors. For the forecast period, significant assumptions have been based on historical data, the management's collective experience, customers' strategy and development and trends in relevant market segments. Onyx Medical within Trauma & Spine and Microplast within Diagnostics historically showed a growth rate in excess of the assumed rate and management expects a higher growth in other operations as a result of the acquisition of Onyx Medical.

The Group's best assessment is that the growth constitutes 10 per cent in Medical Devices, 12 per cent for Trauma and Spine and 10 per cent in Diagnostics. For periods thereafter, a growth corresponding to 2 per cent was assumed. This growth rate is not in excess of the long-term growth rate for the industry as a whole.

Taking into consideration inflation expectations, interest rate levels and external risk discount rate before tax has been set at 8.63 per cent (8.63) and after tax at 8.25 per cent (8.25).

| Sensitivity analysis SEK million                                       | Medical Devices | Trauma & Spine | Diagnostics |
|--|-----------------|----------------|-------------|
| Carrying amount corresponding to the cash generating unit's net assets | 264             | 349            | 55          |
| Recoverable amount in excess of carrying amount                        | 202             | 99             | 130         |

| Reasonable changes in material assumptions        | Medical Devices   | Trauma & Spine  | Diagnostics   |
|---|---|---|---|
| Growth rate years two to four is decreased by 50% | <ul style="list-style-type: none"> <li>The change entails no impairment requirement.</li> <li>The value in use decreases by SEK 28 million, but still exceeds the carrying amount.</li> </ul> | <ul style="list-style-type: none"> <li>The change entails no impairment requirement.</li> <li>The value in use decreases by SEK 61 million, but still exceeds the carrying amount.</li> </ul> | <ul style="list-style-type: none"> <li>The change entails no impairment requirement.</li> <li>The value in use decreases by SEK 11 million, but still exceeds the carrying amount.</li> </ul> |
| Discount rate before tax increases by 1%          | <ul style="list-style-type: none"> <li>The change entails no impairment requirement.</li> <li>The value in use decreases by SEK 72 million, but still exceeds the carrying amount.</li> </ul> | <ul style="list-style-type: none"> <li>The change entails no impairment requirement.</li> <li>The value in use decreases by SEK 56 million, but still exceeds the carrying amount.</li> </ul> | <ul style="list-style-type: none"> <li>The change entails no impairment requirement.</li> <li>The value in use decreases by SEK 27 million, but still exceeds the carrying amount.</li> </ul> |

The above sensitivity analysis indicates that no need for impairment of goodwill exists.

## 19 Other intangible assets

| Group                                   | Group         |               | Parent Company |              |
|---|---------------|---------------|----------------|--------------|
|   | 2016          | 2015          | 2016           | 2015         |
| Opening acquisition value               | 50,843        | 30,132        | 9,293          | 8,941        |
| Purchasing for the year                 | 4,415         | 2,007         | 983            | 352          |
| Reclassification                        | -469          | -921          | -104           | -            |
| Acquired operations                     | -             | 20,255        | -              | -            |
| Sale and decommissioning                | -5,077        | -             | -              | -            |
| Translation difference                  | 2,641         | -630          | -              | -            |
| <b>Closing acquisition value</b>        | <b>52,353</b> | <b>50,843</b> | <b>10,172</b>  | <b>9,293</b> |
| Opening depreciation                    | 17,148        | 11,431        | 5,515          | 4,012        |
| Depreciation for the year               | 7,665         | 5,987         | 1,358          | 1,503        |
| Sale and decommissioning                | -2,889        | -             | -              | -            |
| Translation difference                  | 661           | -270          | -              | -            |
| <b>Closing accumulated depreciation</b> | <b>22,585</b> | <b>17,148</b> | <b>6,873</b>   | <b>5,515</b> |
| <b>Carrying amount at year-end</b>      | <b>29,768</b> | <b>33,695</b> | <b>3,299</b>   | <b>3,778</b> |

The balance-sheet items include acquired customer relationships valued at SEK 20.3 million in connection with the acquisition of Onyx Medial in 2015, which is amortised over 5 years. Investments for the year relate to acquired software and other development of intangible assets.

## 20 Operating leases

The Group's expenses for operating leases in 2016 amounted to SEK 3,840,000 (3,499,000). The operational leasing agreements consist mostly of lease agreements for premises, primarily Elos Medtech Tianjin's facility in China. There are no significant variable charges in the amount. The Group's future undertakings amount to the following:

| Charges that fall due | Group |       |
|-----------------------|-------|-------|
|                       | 2016  | 2015  |
| Year 1                | 3,760 | 3,076 |
| Year 2                | 3,237 | 2,452 |
| Year 3                | 2,425 | 1,994 |
| Year 4                | 799   | 1,559 |
| After year 4          | 1,390 | 16    |

## 21 Land and buildings

| Buildings                               | Group          |                |
|---|----------------|----------------|
|   | 2016           | 2015           |
| Opening acquisition value               | 165,675        | 133,270        |
| Purchases for the year                  | 134            | 743            |
| Reclassification                        | 21,625         | 4,374          |
| Acquired operations                     | -              | 30,545         |
| Sale and decommissioning                | -              | -618           |
| Translation difference                  | 6,691          | -2,639         |
| <b>Closing acquisition value</b>        | <b>194,125</b> | <b>165,675</b> |
| Opening depreciation                    | 49,256         | 44,951         |
| Depreciation for the year               | 5,969          | 5,315          |
| Sale and decommissioning                | -              | -316           |
| Translation difference                  | 1,167          | -694           |
| <b>Closing accumulated depreciation</b> | <b>56,392</b>  | <b>49,256</b>  |
| <b>Reported value at year-end</b>       | <b>137,733</b> | <b>116,419</b> |

| Land improvements                       | Group        |            |
|---|--------------|------------|
|   | 2016         | 2015       |
| Opening acquisition value               | 938          | 938        |
| Purchases for the year                  | 511          | -          |
| Reclassification                        | 323          | -4,327     |
| Acquired operations                     | -            | 4,327      |
| <b>Closing acquisition value</b>        | <b>1,772</b> | <b>938</b> |
| Opening depreciation                    | 506          | 459        |
| Depreciation for the year               | 113          | 47         |
| <b>Closing accumulated depreciation</b> | <b>619</b>   | <b>506</b> |
| <b>Reported value at year-end</b>       | <b>1,153</b> | <b>432</b> |

| Land   | Group          |                |
|--|----------------|----------------|
|  | 2016           | 2015           |
| Opening acquisition value                              | 10,636         | 3,415          |
| Acquired operations                                    | -              | 7,308          |
| Reclassification                                       | 810            | -              |
| Translation difference                                 | 753            | -87            |
| <b>Closing acquisition value</b>                       | <b>12,199</b>  | <b>10,636</b>  |
| <b>Reported value at year-end</b>                      | <b>12,199</b>  | <b>10,636</b>  |
| <b>Carrying amount at year-end, land and buildings</b> | <b>151,085</b> | <b>127,487</b> |

## 22 Plant and machinery

| Machines etc.                                   | Group          |                |
|---|----------------|----------------|
|   | 2016           | 2015           |
| Opening acquisition value                       | 410,573        | 337,236        |
| Purchases for the year                          | 11,382         | 41,234         |
| Reclassification                                | 5,709          | 8,037          |
| Acquired operations                             | -              | 56,212         |
| Sale and decommissioning                        | -7,197         | -28,126        |
| Translation difference                          | 14,565         | -4,020         |
| <b>Closing acquisition value</b>                | <b>435,032</b> | <b>410,573</b> |
| Opening depreciation                            | 223,364        | 222,499        |
| Depreciation for the year                       | 36,057         | 32,081         |
| Sale and decommissioning                        | -7,169         | -28,139        |
| Translation difference                          | 5,662          | -3,077         |
| <b>Closing accumulated depreciation</b>         | <b>257,914</b> | <b>223,364</b> |
| <b>Reported value at year-end</b>               | <b>177,118</b> | <b>187,209</b> |
| Leasing objects included in book value above at | 38,881         | 39,090         |

Of the year's investments, SEK 7.4 million (27.2) have been financed through leasing and repayment contracts. The leasing objects consist mainly of lathes, milling machines and similar machines at Elos Medtech Pinol. The total minimum leasing charges amount to SEK 39.4 million (41.7). The present value of these amounts to SEK 35.9 million (37.7).

## 23 Equipment, tools, fixtures and fittings

| Equipment, etc.                                 | Group         |               | Parent Company |            |
|---|---------------|---------------|----------------|------------|
|   | 2016          | 2015          | 2016           | 2015       |
| Opening acquisition value                       | 52,069        | 48,422        | 963            | 1,235      |
| Purchasing for the year                         | 2,235         | 4,237         | 534            | -          |
| Reclassification                                | 5,808         | 2,098         | 1              | -          |
| Acquired operations                             | -             | 1,620         | -              | -          |
| Sale and decommissioning                        | -455          | -4,254        | -              | -273       |
| Translation difference                          | 590           | -54           | -              | -          |
| <b>Closing acquisition value</b>                | <b>60,247</b> | <b>52,069</b> | <b>1,497</b>   | <b>963</b> |
| Opening depreciation                            | 37,725        | 37,324        | 907            | 1,129      |
| Depreciation for the year                       | 4,732         | 4,014         | 101            | 51         |
| Sale and decommissioning                        | -252          | -3,535        | -              | -273       |
| Translation difference                          | 336           | -78           | -              | -          |
| <b>Closing accumulated depreciation</b>         | <b>42,541</b> | <b>37,725</b> | <b>1,008</b>   | <b>907</b> |
| <b>Carrying amount at year-end</b>              | <b>17,706</b> | <b>14,344</b> | <b>489</b>     | <b>56</b>  |
| Leasing objects included in book value above at | 2,984         | 3,106         | -              | -          |

The leasing objects consist mainly of cars and the year's acquisitions amount to SEK 1.1 million (2.3). The total minimum leasing charges amount to SEK 3.1 million (3.1). The present value of these amounts to SEK 2.8 million (2.9).

## 24 Construction in progress

| Construction in progress          | Group        |               |
|-----------------------------------|--------------|---------------|
|                                   | 2016         | 2015          |
| Opening acquisition value         | 27,642       | 12,070        |
| Purchases for the year            | 15,728       | 25,562        |
| Reclassification                  | -34,169      | -10,182       |
| Sale and decommissioning          | -1,036       | -             |
| Translation difference            | 242          | 192           |
| <b>Closing acquisition value</b>  | <b>8,407</b> | <b>27,642</b> |
| <b>Reported value at year-end</b> | <b>8,407</b> | <b>27,642</b> |

## 25 Interests in Group companies

|                                       | Parent Company |                |
|---------------------------------------|----------------|----------------|
|                                       | 2016           | 2015           |
| Opening acquisition value             | 222,521        | 152,596        |
| Acquired operations                   | -              | 69,925         |
| <b>Closing acquisition value</b>      | <b>222,521</b> | <b>222,521</b> |
| Opening impairment                    | -              | -              |
| <b>Closing accumulated impairment</b> | <b>0</b>       | <b>0</b>       |
| <b>Reported value at year-end</b>     | <b>222,521</b> | <b>222,521</b> |

| Subsidiary   | Sub/Subsidiary    | Share of votes | Number of shares | Book value     |
|--------------|-------------------|----------------|------------------|----------------|
| Elos Medtech | Pinol A/S         | 100%           | 1 000            | 70,149         |
| Elos Medtech | Tianjin Co. Ltd.  | 100%           |                  | 32,571         |
| Elos Medtech | Timmersdala AB    | 100%           | 2,600            | 27,987         |
|              | TioTec AB         | 100%           |                  | -              |
| Elos Medtech | Microplast AB     | 100%           | 1,000            | 21,673         |
| Elos Medtech | U.S Holdings Inc. | 100%           | 1,000            | 69,925         |
|              | Onyx Medical LLC  | 100%           |                  | -              |
| Elos AB      |                   | 100%           | 1,000            | 116            |
| AB Westment  |                   | 100%           | 1,000            | 100            |
|              | Elos Medical AB   | 100%           |                  | -              |
|              | EM Group AB       | 100%           |                  | -              |
| <b>Total</b> |                   |                |                  | <b>222,521</b> |

### Information about the subsidiaries' organisation number and headquarters

| Subsidiary   | Sub/Subsidiary    | Corp. ID number    | Headquarters      |
|--------------|-------------------|--------------------|-------------------|
| Elos Medtech | Pinol A/S         | 13746184           | Hillerød, Denmark |
| Elos Medtech | Tianjin Co. Ltd.  | 91120111697431125P | Tianjin, China    |
| Elos Medtech | Timmersdala AB    | 556055-1201        | Skövde            |
|              | TioTec AB         | 556443-5153        | Skövde            |
| Elos Medtech | Microplast AB     | 556344-0790        | Skara             |
| Elos Medtech | U.S Holdings Inc. | 47-3691218         | Memphis, TN, USA  |
|              | Onyx Medical LLC  | 62-1445666         | Memphis, TN, USA  |
| Elos AB      |                   | 556280-2784        | Lidköping         |
| AB Westment  |                   | 556245-0089        | Lidköping         |
|              | Elos Medical AB   | 556193-2913        | Lidköping         |
|              | EM Group AB       | 556259-0215        | Lidköping         |

## 26 Receivables from Group companies

|   | Parent Company |                |
|---|----------------|----------------|
|   | 2016           | 2015           |
| Long-term loan to Elos Medtech U.S. Holdings, refers to financing of acquisition                        | 139,677        | 100,222        |
| Long-term loan to Elos Medtech Tianjin, refers to financing of the Group's net investment in subsidiary | 19,210         | 18,000         |
| Other   | 601            | 601            |
| <b>Total</b>  | <b>159,488</b> | <b>118,823</b> |

## 27 Other receivables

|                 | Group        |              | Parent Company |            |
|-----------------|--------------|--------------|----------------|------------|
|                 | 2016         | 2015         | 2016           | 2015       |
| Promissory note | 420          | 1,546        | -              | -          |
| Value added tax | 702          | 1,174        | 548            | 440        |
| Other           | 954          | 926          | -              | -          |
| <b>Total</b>    | <b>2,076</b> | <b>3,646</b> | <b>548</b>     | <b>440</b> |

## 28 Prepaid expenses and accrued income

|                  | Group        |              | Parent Company |              |
|------------------|--------------|--------------|----------------|--------------|
|                  | 2016         | 2015         | 2016           | 2015         |
| Prepaid expenses | 2,672        | 4,711        | 723            | 1,297        |
| Other            | 358          | 1,266        | 169            | 255          |
| <b>Total</b>     | <b>3,030</b> | <b>5,977</b> | <b>892</b>     | <b>1,552</b> |



## 29 Equity

### Group

Reserves include translation differences as below:

| Translation differences net assets foreign currency                                | 2016          | 2015          |
|--|---------------|---------------|
| Opening accumulated translation differences  | 4,680         | 10,433        |
| Translation differences for the year   | 13,757        | -5,753        |
| <b>Closing accumulated translation differences</b>                                 | <b>18,437</b> | <b>4,680</b>  |
| <b>Exchange rate differences from hedging net investment in foreign operations</b> | <b>2016</b>   | <b>2015</b>   |
| Opening accumulated exchange rate differences                                      | -5,826        | -5,288        |
| Profit for the year  | -             | -538          |
| <b>Closing accumulated exchange rate differences</b>                               | <b>-5,826</b> | <b>-5,826</b> |
| <b>Total closing accumulated translation and exchange rate differences</b>         | <b>12,611</b> | <b>-1,146</b> |

### Parent Company

#### Dividend

The Board proposed to the Annual General Meeting that a dividend for the 2016 financial year be paid in an amount of SEK 1.30 per share

## 30 Share capital

No Class A shares were converted into Class B shares during the year.

On 31 December 2016 the share capital consisted of 6,051,000 shares with a quota value of SEK 6.25 per share.

All shares are unrestricted. Division into types of share is as follows:

|                     |                  |
|---------------------|------------------|
| Class A (1 vote)    | 1,099,740        |
| Class B (1/10 vote) | 4,951,260        |
| <b>Total number</b> | <b>6,051,000</b> |

In accordance with Elos Medtech's Articles of Association, holders of Class A shares have the right to request in writing the conversion of Class A shares into Class B shares. Before Class A shares are transferred to a new owner who is not previously a Class A shareholder in the company, the other Class A shareholders must immediately be offered the opportunity to acquire the shares by means of a written notification to the company's Board.

Access to the shares must then be confirmed and information given about the purchase price, where the share transfer is by purchase.

#### Warrants programme

At the 2016 Annual General Meeting, it was resolved to introduce a share-based incentive programme for senior executives. The subscription price is set at SEK 147 and can be exercised between 1 October and 31 December 2019. If all outstanding warrants are utilised, the total dilution will be 5 per cent and 2 per cent of the votes in the company. In total, the approved warrants amounted to 318,473, of which 251,500 were subscribed for by 31 December 2016. Considering the company's share price, there is no dilution effect as of 31 December 2016.

## 31 Untaxed reserves

| Parent Company                        | 2016         | 2015         |
|---------------------------------------|--------------|--------------|
| Accumulated overdepreciation          | 1,483        | 1,679        |
| Tax allocation reserve, tax year 2010 | -            | 400          |
| Tax allocation reserve, tax year 2012 | 352          | 352          |
| Tax allocation reserve, tax year 2013 | 2,890        | 2,890        |
| Tax allocation reserve, tax year 2016 | 1,055        | -            |
| <b>Total</b>                          | <b>5,780</b> | <b>5,321</b> |

## 32 Provisions for pensions

|                                | Group         |               | Parent Company |              |
|--------------------------------|---------------|---------------|----------------|--------------|
|                                | 2016          | 2015          | 2016           | 2015         |
| Provision for FPG/PRI pensions | 28,757        | 28,016        | 4,333          | 4,470        |
| Other pensions                 | -             | -             | -              | -            |
| <b>Total</b>                   | <b>28,757</b> | <b>28,016</b> | <b>4,333</b>   | <b>4,470</b> |

The following actuarial assumptions have been made in calculating defined benefit pension obligations:

| Group                                  | 2016   | 2015   |
|--|--------|--------|
| Discount rate                          | 3.00 % | 3.00 % |
| Annual pay increase                    | 3.25 % | 3.00 % |
| Annual increase in income basic amount | 3.25 % | 3.00 % |
| Annual inflation                       | 1.70 % | 1.75 % |
| Attrition rate                         | 5.00 % | 5.00 % |

The discount rate has been determined for 2016 as for 2015 based on the development of the market rate on mortgage-backed bonds with a duration corresponding to an average remaining term for the obligation. For 2016, the duration was 24 years (23 years).

#### Sensitivity analysis

The sensitivity analysis was calculated according to the projected unit credit (PUC) method with the following calculation parameters.

|  |                |               |               |
|--|----------------|---------------|---------------|
| <b>Discount rate +/- 0.5%:</b>                                   | <b>2.50%</b>   | <b>3.00%</b>  | <b>3.50%</b>  |
| The obligation's present value at the end of the period          | 29,470         | 26,329        | 23,632        |
| <b>Salary increase +/- 0.5%:</b>                                 | <b>2.75%</b>   | <b>3.25%</b>  | <b>3.75%</b>  |
| The obligation's present value at the end of the period          | 25,120         | 26,329        | 27,874        |
| <b>Inflation +/- 0.5%:</b>                                       | <b>1.2%</b>    | <b>1.7%</b>   | <b>2.20%</b>  |
| The obligation's present value at the end of the period          | 24,426         | 26,329        | 28,457        |
| <b>Life expectancy +/- 0.5%:</b>                                 | <b>-1 year</b> | <b>DUS 14</b> | <b>1 year</b> |
| The obligation's present value at the end of the period          | 25,343         | 26,329        | 27,313        |
| <b>Specification of change of pension liability in the Group</b> | <b>2016</b>    | <b>2015</b>   |               |
| The obligation's present value at the start of the period        | 25,581         | 24,036        |               |
| Benefits earned during the period                                | 1,282          | 1,637         |               |
| Pension payments   | -628           | -519          |               |
| Interest   | 802            | 765           |               |
| Value of obligation relating to discontinued operations          | -              | -             |               |
| Actuarial gains (-) and losses (+)                               | -708           | -338          |               |
| <b>The obligation's present value at the end of the period</b>   | <b>26,329</b>  | <b>25,581</b> |               |
| Payroll tax  | 2,428          | 2,435         |               |
| <b>Book value</b>  | <b>28,757</b>  | <b>28,016</b> |               |

### Note 32 Continuation

The interest portion of the pension liability is reported in the income statement as interest expenses. Other part changes in the pension liability are reported in the operating profit, except for actuarial gains and losses, which are reported in other comprehensive income.

| Group   | 2016          | 2015          |
|---|---------------|---------------|
| Costs for service current year                            | 1,675         | 1,736         |
| Interest expenses   | 802           | 765           |
| Actuarial gains (-) and losses (+), including payroll tax | -880          | -420          |
| <b>Total costs for defined benefit plans</b>              | <b>1,597</b>  | <b>2,081</b>  |
| Costs for defined contribution plans                      | 14,607        | 13,419        |
| <b>Sum total pension costs</b>                            | <b>16,204</b> | <b>15,500</b> |

Estimated charges for payment to pension plans in 2017 are expected to amount to approximately SEK 645,000 (900,000).

### 33 Deferred tax asset/liability

|  | Group          |                | Parent Company |            |
|--|----------------|----------------|----------------|------------|
| Deferred tax liability                   | 2016           | 2015           | 2016           | 2015       |
| Tax-loss carry-forwards                  | 4,916          | 919            | -              | 919        |
| Temporary differences fixed assets       | 3,625          | 3,541          | -              | -          |
| Provisions for pensions                  | 2,737          | 2,745          | -              | -          |
| Other                                    | 90             | 110            | -              | -          |
| <b>Total</b>                             | <b>11,368</b>  | <b>7,315</b>   | <b>-</b>       | <b>919</b> |
| Offsettable receivables                  | -7,743         | -3,774         | -              | -          |
| <b>Recognised deferred tax liability</b> | <b>3,625</b>   | <b>3,541</b>   | <b>0</b>       | <b>919</b> |
| Deferred tax liability                   | 2016           | 2015           | 2016           | 2015       |
| Temporary differences intangible assets  | 2,736          | -              | -              | -          |
| Temporary differences tangible assets    | 27,527         | 24,461         | -              | -          |
| Temporary differences current assets     | 4,229          | -              | -              | -          |
| Untaxed reserves                         | 3,381          | 2,081          | -              | -          |
| <b>Total</b>                             | <b>37,873</b>  | <b>26,542</b>  | <b>-</b>       | <b>-</b>   |
| Offsettable receivables                  | -7,743         | -3,774         | -              | -          |
| <b>Recognised deferred tax liability</b> | <b>30,130</b>  | <b>22,768</b>  | <b>0</b>       | <b>0</b>   |
| <b>Net</b>                               | <b>-26,505</b> | <b>-19,227</b> | <b>0</b>       | <b>919</b> |

Deferred tax liabilities and receivables have been offset where there is a legal right to this. The Parent Company's deferred tax liability is included in the balance sheet item untaxed reserves (see Note 32).

|   | Group          |                |
|---|----------------|----------------|
| Changes in deferred tax                                 | 2016           | 2015           |
| Opening balance   | -19,227        | -18,041        |
| Change in P/L   | -5,846         | 1,101          |
| Change in OCI   | -194           | -92            |
| Translation difference                                  | -1,238         | 728            |
| Acquisition/divestment of subsidiaries                  | -              | -2,969         |
| Hedging of net investment in other comprehensive income | -              | 46             |
| <b>Closing balance</b>                                  | <b>-26,505</b> | <b>-19,227</b> |

### 34 Other non-current liabilities

| Group  | 2016     | 2015          |
|--|----------|---------------|
| Non-current component of calculated supplemental purchase consideration from acquisition | -        | 39,173        |
| <b>Total</b>   | <b>0</b> | <b>39,173</b> |

### 35 Overdraft facility

#### Group

The overdraft facility extended amounts to SEK 101.4 million (92.5), of which the unused amount is SEK 61.1 million (71.1).

#### Parent Company

The overdraft facility extended amounts to SEK 40.0 million (40.0), of which the unused amount is SEK 27.5 million (33.0).

### 36 Interest-bearing liabilities

| Non-current liabilities – Group | 2016           | 2015           |
|---------------------------------|----------------|----------------|
| Loan liabilities                | 197,448        | 214,470        |
| Liabilities on finance leases   | 25,857         | 26,795         |
| <b>Total</b>                    | <b>223,305</b> | <b>241,265</b> |
| Current liabilities – Group     | 2016           | 2015           |
| Loan liabilities                | 78,100         | 51,386         |
| Liabilities on finance leases   | 9,979          | 10,035         |
| <b>Total</b>                    | <b>88,079</b>  | <b>61,421</b>  |

Of the Group's loan liabilities, the amount falling due in more than 5 years is SEK 53.2 million (33.7). The corresponding amount for the Parent Company is SEK 0.0 million (0.0).

#### Financial leasing agreements

The Group's liabilities fall due for payment as follows:

|              | Group |        |
|--------------|-------|--------|
|              | 2016  | 2015   |
| Year 1       | 9,979 | 10,035 |
| Year 2       | 8,448 | 7,634  |
| Year 3       | 6,847 | 6,425  |
| Year 4       | 6,144 | 4,908  |
| Year 5       | 3,684 | 4,530  |
| After year 5 | 737   | 2,527  |

The leasing objects consist mainly of lathes, milling machines and similar machines at Elos Medtech Pinol.

### 37 Other liabilities

|  | Group         |               | Parent Company |            |
|--|---------------|---------------|----------------|------------|
|  | 2016          | 2015          | 2016           | 2015       |
| Value added tax  | 1,484         | 966           | -              | -          |
| Holiday liabilities, not paid out  | -             | 1,512         | -              | -          |
| Withholding tax  | 1,695         | 898           | 349            | 241        |
| Current component of calculated supplemental purchase consideration from acquisition | 42,820        | 76,600        | -              | -          |
| Other  | 4,523         | 1,861         | 374            | 199        |
| <b>Total</b>   | <b>50,522</b> | <b>81,837</b> | <b>723</b>     | <b>440</b> |

## 38 Accrued expenses and deferred income

|                                | Group         |               | Parent Company |              |
|--------------------------------|---------------|---------------|----------------|--------------|
|                                | 2016          | 2015          | 2016           | 2015         |
| Holiday and salary liabilities | 21,944        | 19,816        | 965            | 1,025        |
| Social expenses                | 5,756         | 4,630         | 1,103          | 684          |
| Other accrued expenses         | 11,038        | 8,716         | 3,334          | 941          |
| <b>Total</b>                   | <b>38,738</b> | <b>33,162</b> | <b>5,402</b>   | <b>2,650</b> |

## 39 Pledged assets

| For liabilities to credit institutions<br>inc. overdraft facilities | Group          |                | Parent Company |          |
|---|----------------|----------------|----------------|----------|
|   | 2016           | 2015           | 2016           | 2015     |
| Property mortgages  | 149,248        | 132,310        | -              | -        |
| Floating charges  | 42,773         | 21,775         | 6,200          | -        |
| Leasing objects   | 34,217         | 35,531         | -              | -        |
| Machines with ownership<br>rights reservations                      | 73,961         | 80,524         | -              | -        |
| Inventory with ownership<br>reservation                             | 13,837         | -              | -              | -        |
| Accounts receivable   | 11,745         | -              | -              | -        |
| <b>Total</b>  | <b>325,781</b> | <b>270,140</b> | <b>6,200</b>   | <b>0</b> |

## 40 Contingent liabilities

|   | Group      |            | Parent Company |               |
|---|------------|------------|----------------|---------------|
|   | 2016       | 2015       | 2016           | 2015          |
| Guarantee commitments<br>for subsidiaries | -          | -          | 95,973         | 24,505        |
| Other contingent liabilities              | 327        | 310        | 87             | 89            |
| <b>Total</b>                              | <b>327</b> | <b>310</b> | <b>96,060</b>  | <b>24,594</b> |

Information about the Group's pension undertakings appears in notes 2 and 32.

## 41 Earnings per share

The earnings per share have been calculated by dividing the profit for the year attributable to Parent Company shareholders, SEK 26,434,000 (16,089,000), by the average number of outstanding shares, which is 6,051,000 (6,051,000). The number of shares at the end of the period was 6,051,000 (6,051,000). Earnings per share before and after dilution were calculated at SEK 4.37 (2.66).

## 42 Cash flow

| Adjustments for non-cash items | Group       |              | Parent Company |              |
|--------------------------------|-------------|--------------|----------------|--------------|
|                                | 2016        | 2015         | 2016           | 2015         |
| Provisions                     | 1,621       | 2,108        | -137           | -88          |
| Profit on sold fixed assets    | -1,947      | 852          | -              | -            |
| Exchange rate differences      | 195         | -713         | -1,819         | 2,606        |
| Other                          | -           | 1,812        | -              | -            |
| <b>Total</b>                   | <b>-131</b> | <b>4,059</b> | <b>-1,956</b>  | <b>2,518</b> |

| Information about paid interest   | Group |       | Parent Company |       |
|-----------------------------------|-------|-------|----------------|-------|
|                                   | 2016  | 2015  | 2016           | 2015  |
| Interest paid during the year     | 9,626 | 7,993 | 3,293          | 1,514 |
| Interest received during the year | 173   | 373   | 6,137          | 3,341 |

During the year, the Parent Company received interest from subsidiaries amounting to SEK 6,137,000 (3,304,000). Liquid assets in the cash flow analysis consist of cash and bank balances.

Of total investments of SEK 34.6 million (75.8), SEK 12.2 million (29.5) is loan financed.

## 43 Financial instruments

According to IFRS 13, financial instruments valued at fair value are classified in a hierarchy of three different levels depending on the information used to determine fair value. Level 1 is use when fair value is determined on the basis of listed prices on an active market for identical financial assets and liabilities. Level 2 refers to when fair value is determined on the basis of other observable information than listed prices included in Level 1. Level 3 refers to when fair value is determined from valuation models where significant input data is based on non-observable data. The Group has no financial instruments that are valued according to level 1, except cash and cash equivalents in foreign currency. At year-end 2016, the Group had a USD currency future valued according to level 2 at fair value through profit or loss. A liability for the supplemental purchase consideration is valued at level 3. There have been no transfers between the various valuation categories in 2016 or 2015.

Management determines the classification of financial instruments according to IAS 39 when they are first reported and retests this decision for every subsequent report. This classification appears in the respective sections below.

### Financial assets

The financial assets that exist and are used in the Group are liquid assets, accounts receivable, other receivables, shares, long-term receivables and forward contracts that were concluded during 2016. All the amounts stated below correspond to book value in the Group. Loan receivables and accounts receivable are financial assets that are not derivatives, which have fixed or fixable payments and which are not listed on an active market. It should be noted that they occur when the Group provides money, goods or services directly to a customer with no intention of trading the receivable that arises. They are included in current assets, with the exception of items with maturity dates more than 12 months after the balance date, which are classified as fixed assets. Loan receivables and accounts receivable are included as appropriate in the items Accounts receivable and Other receivables in the balance sheet.

### Liquid assets

The liquid assets consist of SEK, CNY, DKK, EUR and USD and are deposited in bank accounts on the usual interest terms. At year-end the liquid assets amounted to SEK 38.5 million (40.5) for the Group and SEK 17.1 million (1.1) for the Parent Company. Book value corresponds to fair value.

### Accounts receivable

The Group's accounts receivable mainly consist of receivables in SEK, CNY, DKK, EUR and USD. All receivables are valued at the exchange rate on the balance sheet date. Payment terms for accounts receivable are 10-60 days. At year-end, accounts receivable in the Group amounted to SEK 61.2 million (58.9) and in the Parent Company to SEK 0 (0). Book value is judged to correspond to fair value. Maximum exposure to credit risk as at balance date is the reported value below. The Group holds no security for current receivables.

### Age distribution of accounts receivable - Group

|   | 2016          | 2015          |
|---|---------------|---------------|
| Receivables not yet due                     | 50,471        | 45,965        |
| Receivables that fell due 1-30 days before  | 9,890         | 10,858        |
| Receivables that fell due 31-60 days before | 845           | 1,110         |
| Receivables that fell due 61-90 days before | 149           | 624           |
| Receivables that fell due > 91 days before  | 65            | 684           |
| <b>Total that has fallen due</b>            | <b>10,949</b> | <b>13,276</b> |
| Reserved accounts receivable                | -182          | -334          |
| <b>Total accounts receivable</b>            | <b>61,238</b> | <b>58,907</b> |

#### Note 43 Continuation

##### Other receivables

The Group's other receivables fall due for payment within one year.

##### Net assets in foreign currency

The Group's net assets in foreign currencies on the balance sheet date amounts to DKK 99.9 million (99.2), USD 9.3 million (-) and CNY 35.5 million (34.5).

##### Financial hedging of foreign currency

The Parent Company took a USD loan of USD 11.3 million, for onward lending to the subsidiary Elos Medtech U.S Holdings, Inc. External borrowing has been used to provide onward lending to the subsidiary and represents financial hedging in the Parent Company where the effects of exchange rate changes are reported net in the income statement. Exchange rate fluctuations on intra-Group receivables not covered by financial hedging are recognised in the consolidated net financial items. Remaining net assets in USD in the subsidiary are converted at the balance date rate with exchange rate changes reported against other comprehensive income.

##### Forward buying contracts

During the year, the Group had forward exchange contracts where hedge accounting is not applied. Result from measurement at fair value recognised in consolidated net financial items.

##### Financial liabilities

The financial liabilities that exist and are used in the Group are trade accounts payable, overdraft facilities and loans from credit institutions. All the amounts stated below as financial liabilities, except the liability for additional purchase price, correspond to book value in the Group and are calculated according to level 2 in the IFRS 13 valuation hierarchy. Most of the Group's lending is at variable interest rate for which reason the book value is judged to almost entirely correspond to fair value. Liabilities for additional purchase price are valued according to level 3 on the basis of the terms and conditions of the purchase agreement; see also note 3. Conversion from foreign currency to SEK has been done at the balance date rate.

##### Trade accounts payable

The Group's trade accounts payable mainly consist of liabilities in SEK, CNY, DKK, EUR and USD. Payment terms for trade accounts payable are 10-60 days.

##### Overdraft facilities

The Group has three (three) different overdraft facilities with a total credit of SEK 101.4 million (92.5). At year-end, the unused amount was SEK 61.1 million (71.1). The interest rates on the overdraft facilities are variable.

##### Other interest-bearing liabilities

At year-end, the Group's loans from credit institutions amounted to SEK 311.4 million (302.7). The loans consist of loans against traditional security such as mortgage deeds and company mortgages, repayment contracts and leasing agreements.

|  | Group   |         | Parent Company |        |
|--|---------|---------|----------------|--------|
| Payments including calculated interest payments per year | 2016    | 2015    | 2016           | 2015   |
| Conditional purchase price that falls due in year 1      | 42,820  | 76,600  | -              | -      |
| Loans that fall due in year 1                            | 94,989  | 69,407  | 26,039         | 18,735 |
| Conditional purchase price that falls due in year 2      |         | 39,173  | -              | -      |
| Loans that fall due in year 2                            | 47,679  | 66,898  | 9,802          | 18,284 |
| Loans that fall due in year 3                            | 53,771  | 56,170  | 23,894         | 17,833 |
| Loans that fall due in year 4                            | 47,557  | 48,889  | 23,894         | 17,382 |
| Loans that fall due in year 5                            | 40,062  | 31,498  | 23,894         | 8,803  |
| Loans that fall due after year 5                         | 56,777  | 67,982  | 11,299         | -      |
| Total  | 383,655 | 456,617 | 118,822        | 81,037 |

Of the total loans including interest payments, SEK 78.2 million (105.2) are contracted in SEK, SEK 61.4 million (66.2) in DKK, SEK 194.1 million (161.9) in USD and SEK 7.1 million (7.5) in EUR.

All loans from credit institutions in SEK, EUR and DKK have variable interest rates. Of the loans in USD, SEK 141.5 million (75.2) is at variable interest rate and SEK 52.6 million (70.3) is at fixed rate. The average interest rate on the Group's total loan liabilities is 2.7 per cent (2.6). See also note 36.

## 44 Related party transactions

During the reporting period, the company has had transactions with members of senior management. These transactions consist of a debt repayment for the supplemental purchase price of the acquisition of Onyx Medical LLC. The remaining debt for the supplemental purchase consideration amounts to SEK 42.8 million (115.8).

Other than this, salaries and remuneration to the Board and senior management are covered in note 2.

## 45 Events after the balance sheet date

Elos Medtech's MD in the Chinese operations in Tianjin, Pär Teike, has decided to resign. He will remain in his position during the notice period and will leave the Group in August 2017.

The Board of Directors and the CEO affirm that the annual report has been prepared in accordance with Generally Accepted Accounting Principles, gives a true and fair view of the Parent Company's financial position and performance, and that the directors' report gives a fair overview of the development of the Parent Company's operations, financial position and performance and, additionally, describes the significant risks and uncertainty factors faced by the Parent Company. The Board and CEO also confirm that the consolidated financial report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as these have been adopted by the EU and gives a true picture of the Group's position and profit and that the administration report for the Group gives a true summary of the development of the Group's activities, position and profit and describes material risks and uncertainties facing the companies in the Group.

Göteborg, 27 March 2017

Stig-Arne Blom  
Chair of the Board

Agneta Bengtsson Runmarker  
Board Member

Jeppe Magnusson  
Board Member

Yvonne Mårtensson  
Board Member

Mats Nilsson  
Board Member

Thomas Öster  
Board Member

Anders Birgersson  
Board Member

Jan Wahlström  
CEO

Our auditor's report was presented on 27 March 2017  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
Authorised Public Accountant

# Auditor's report

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

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Elos Medtech AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 18-43 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Our audit approach

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

In our planning of the audit and our assessment of work performed we make an assessment of the scope of work needed in order to gather sufficient and relevant audit evidence from a group perspective. On the Swedish and Danish units we have carried out full audit procedures on the respective legal entity. On the entities situated in the US and China we have carried out specified audit procedures supported by local PwC audit team in our global PwC network. The procedures have been performed during the year as well as at year end. The work performed by the local team has been designed and monitored by the central team. As part of the central monitoring of local audits the lead partner has visited Elos Medtechs units in the US and Denmark for review meetings with local management and the local PwC audit team.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

## Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of,

and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

| Key audit matter  | How our audit addressed the Key audit matter  |
|---|---|
| <p><b>Valuation of goodwill</b></p> <p>The company's accounting principles for goodwill are described in note 1. The most significant estimations and judgements applied in the impairment test of goodwill are described in note 18.</p> <p>As of 31 December 2016 total goodwill on the balance sheet amounted to 254 M SEK representing approximately 30 per cent of the group's total assets.</p> <p>The most significant goodwill item is related to the market segment "Trauma &amp; Spine" following the acquisition of Onyx Medical in 2015.</p> <p>In accordance to IAS 36 an impairment test is made on a yearly basis on assets with indefinite useful lives (goodwill).</p> <p>The impairment test is based on a comparison of the recoverable amount of the net assets of the cash-generating units to the carrying amount of these net assets, including goodwill.</p> <p>The recoverable amount (value in use) is determined by management based on discounted future cash flow.</p> <p>The valuation of goodwill has been identified as a key audit matter as it represents a significant amount on the balance sheet, and the impairment test includes significant accounting estimates that involved management's subjective judgements in making assumptions on future events.</p> | <p>Our audit procedures on valuation of goodwill included, but were not limited to the following areas.</p> <ul style="list-style-type: none"><li>• We made an assessment of the mathematic basis for the cash flow projections, a reconciliation to the budget 2017 as approved by the Board of Directors, and to the Business Plan for 2018-2020.</li><li>• Our valuation specialists tested the discounted cash flow model to compare to general valuation models in use.</li><li>• We have assessed key assumptions in the valuation model for reasonability including growth rate, operating margin and discount rate.</li><li>• We have evaluated whether sufficient disclosures have been given on key assumptions and the impact on reasonable possible change in key assumptions on the recoverable amounts and potential impairment of carrying amounts.</li><li>• As an overall reasonability assessment we have concluded that the market cap of the company on the stock exchange as of 31 December 2016 exceeds the accounted equity of the group as of 31 December 2016.</li></ul> |

### **Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-17 and 44-66. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

[The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.]

### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or

error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/show-document/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/show-document/documents/rev_dok/revisors_ansvar.pdf).

This description is part of the auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Elos Medtech AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This



includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

Göteborg, 27 March 2017

Öhrlings PricewaterhouseCoopers AB  
Bror Frid  
Authorized Public Accountant

# Corporate governance report

Elos Medtech AB is a Swedish limited company whose Class B share is listed on NASDAQ Stockholm AB Small Cap list. Elos Medtech AB is sector classified as a Health Care company.

Elos Medtech's corporate governance is based on Swedish legislation and the listing agreement with NASDAQ Stockholm AB. The governance of Elos Medtech takes place via the General Meeting of shareholders, the Board of Directors and the CEO in accordance with the Swedish Companies Act and the company's Articles of Association and formal work plan. The current Articles of Association are available on the Elos Medtech website, [www.elosmedtech.com](http://www.elosmedtech.com) under the heading IR/Financial info.

Elos Medtech applies the Swedish Corporate Governance Code.

## General Meeting

The shareholders' right to make decision regarding the company's affairs is exercised at the General Meeting of shareholders. The Annual General Meeting (AGM) is to be held within six months of the end of the financial year. Elos Medtech's Annual General Meeting for 2016 will be held on 26 April 2017 in Gothenburg, Sweden. At the AGM, all shareholders can participate who are registered and have reported their interest in participating, and can vote in relation to their shareholdings. At the Annual General Meeting, a number of central issues are addressed, such as the adoption of the company's income statement and balance sheet for the past year, discharge from liability for the Board, election of the Board and auditors, remuneration of the Board and auditors and other issues according to the Swedish Companies Act and the Articles of Association. All shareholders have the right to have matters addressed at the AGM. In order for such matters to be able to be included in the convening notice, the request must be submitted to the company no later than the last six weeks before the Annual General Meeting.

The 2016 AGM authorised the Board to make decisions, for the period until the next AGM on one or more occasions, on increasing the company's share capital by a maximum of SEK 3,750,000 through a new share issue of no more than 600,000 Class B shares and/or convertibles exchangeable to a maximum of 600,000 Class B shares. The objective of the authorisation has been to prepare the company for opportunity of new acquisitions of all or part of other companies. Upon full utilisation of the authorisation, this would correspond to around 9 per cent of the total number of the total number of shares.

In 2016, the company decided to carry out a share-based incentive programme for senior employees in the Group. No decisions on new share issues have been made during the year.

## Nomination Committee

At the 2016 AGM, it was resolved that the Nomination Committee would consist of at least four and at most six members of whom one shall be the Chairman of the Board. The other members shall

be appointed by the three largest shareholders in the company by votes as of the end of the month of August and in addition to this by the largest shareholder in terms of the share of capital. If a shareholder refrains from appointing a member, the right to appoint a member transfers to the next following shareholder. The chairman of the Nomination Committee shall be the person who at the formation of the Nomination Committee represents the largest shareholder by votes insofar as the Nomination Committee does not unanimously decide to appoint another. In the appointment of the Nomination Committee, the rules of the Swedish Corporate Governance Code (the Code) shall be observed, 2.2, 2.3 and 2.4, including that no member of company management may be in the Nomination Committee and that Board members shall not form a majority in it, and that a maximum of one included Board member may be dependent in relation to one of the company's major shareholders. A Nomination Committee member shall consider carefully where or not there is a conflict of interest before accepting the assignment.

The Nomination Committee's task for the 2017 AGM is to submit proposals on the election of the Meeting chairperson, the number of Board members and auditors, Board and committee fees and fees for the auditors, election of Board members, propose the Chairman of the Board and the election of auditors. In addition, the Nomination Committee shall submit proposals regarding tasks and principles for the Nomination Committee.

The Nomination Committee shall in the assessment of the Board's evaluation and in its proposal in accordance with 4.1 pay particular attention to the requirement of diversity and breadth in the Board and of striving for an even gender balance.

The Nomination Committee for the 2017 AGM consists of Bo Nilsson, Ulf Runmarker and Thomas Öster who represent the three largest shareholders, Stig-Arne Blom (Chairman of the Board) and Bengt Belfrage as representative for the other shareholders. The Chairman of the Nomination Committee, appointed by the Committee, is Bengt Belfrage.

## Board of Directors

The Board of Directors bears the overall responsibility for the organisation, administration and management of the Elos Medtech Group's operations in accordance with the company's and shareholders' interests. The Board of Directors decides on the Group's overall objectives, strategies and policies and acquisitions, divestments and investments according to the current authorisation and decision procedures for investments and development projects.

Included among its other tasks are to:

- establish requisite guidelines for the company's conduct in society with the aim of ensuring its long-term value creation capacity
- ensure that there are effective systems for follow up and control of the company's operations and the risks to the company that its operations are associated with

- ensure that there is a satisfactory control of the company's compliance to laws and other rules that apply to the company's operations and the company's compliance to internal guidelines.

According to Elos Medtech's Articles of Association, the Board shall consist of a minimum of three and a maximum of ten Board members. During the 2016 financial year, Elos Medtech's Board consisted of seven Board members.

### Work of the Board of Directors

In accordance with the provisions of the Swedish Companies Act, the Board establishes a formal work plan for its work every year including instructions regarding the division of duties within the Board, the division of responsibilities between the Board and the CEO and financial reporting to the Board. During the year, the Board of Directors held six ordinary meetings in addition to the statutory meeting. At these meetings, the Board addressed fixed items for the respective Board meeting, such as the state of business, budget, annual accounts and interim reports. In addition to this, issues regarding investments, structure and organisational changes were addressed.

The Chairman of the Board is responsible for the Board continuously deepening its knowledge of the company and that the Board's work is evaluated annually with the aim of developing the Board's ways of working and efficiency. The Nomination Committee has held personal talks with the respective Board members where the Board's work processes, expertise and composition, including the Board members' background, experience and diversity have been evaluated. The observations have then been presented to the Board. The Chairman is involved in the evaluation of the CEO and other senior executives.

### Board's committee work

Within the Board of Directors, there is a Remuneration Committee and an Audit Committee. The Remuneration Committee discusses and decides on remuneration of the CEO and members of management who report directly to the CEO. Stig-Arne Blom,

Yvonne Mårtensson and Mats Nilsson are members of the Remuneration Committee. The the Remuneration Committee held one meeting since the 2016 AGM.

Audit Committee consisted of Agneta Bengtsson Runmarker, Jeppe Magnusson, and Thomas Öster (all of whom have accounting expertise). During the year, the Committee held one meeting since the 2016 AGM at which the company's auditor participated. In this meeting, issues concerning accounting, acquisitions, internal control and IT security were addressed.

### Remuneration to senior management

At the 2016 Annual General Meeting, guidelines were adopted for remuneration and other conditions of employment for senior management. In addition, information on these guidelines is available on page 19 and on page 32 in Note 2.

### Internal control

The Board is responsible for internal control pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance. The section below describes how the internal control insofar as concerns financial reporting is organised. Elos Medtech's financial reporting follows the laws and rules that apply to companies listed on the Stockholm Stock Exchange and the local rules that apply in each country where operations are conducted. Besides external rules and recommendations, there are internal instructions, directions and systems, as well as an internal role and responsibility distribution that is intended to provide good internal control in the financial reporting.

### Control environment

The base of internal control is comprised of the general control environment with organisation, decision pathways, authority and responsibilities that have been documented and communicated. Some of the most significant components in the control environment are documented in the form of policies, such as the Management Policy, Authorisation and Decision Policy, Finance Policy and principles and manuals on financial reporting and accounting that are distributed continuously to the subsidiaries.

| Name<br>Board Member       | Represents percentage of votes | Attendance of total number of Board meetings | Independent in relation to the company | Independent in relation to major shareholders |
|----------------------------|--------------------------------|--|--|---|
| Agneta Bengtsson Runmarker | 20.0%                          | 7/7  | Yes                                    | No  |
| Anders Birgersson*         |                                | 3/7  | Yes                                    | Yes   |
| Stig-Arne Blom (Chairman)  |                                | 7/7  | Yes                                    | Yes   |
| Jeppe Magnusson            |                                | 7/7  | Yes                                    | Yes   |
| Yvonne Mårtensson          |                                | 6/7  | Yes                                    | Yes   |
| Mats Nilsson               | 16.9 %                         | 7/7  | Yes                                    | No  |
| Mats Nilsson               | 25.3 %                         | 7/7  | Yes                                    | No  |

\* Elected as a new Board member at the 2016 AGM.

Additional information for each of the Board members and for the CEO is presented on the website and on pages 52-53.

### **Risk management**

Elos Medtech has noted the most significant risks in financial reporting that, besides the financial risks, are deemed to be goodwill, inventory and customer accounts. These can lead to misstatements in the financial reporting and/or affect the company's earnings if they are not properly managed. The company identified that there are systems in the Group to ensure that an effective risk management exists. These systems consist of procedures for reporting, follow-up and analyses both at a Group level and a subsidiary level. The financial reporting takes place in a Group-wide reporting system that has pre-defined templates and built-in control functions.

### **Control activities**

The internal control is ensured through both automatic controls in e.g. IT-based systems that handle powers and authorisation rights, and manual controls in the form of e.g. reconciliations and inventories. The detailed financial analyses of results and follow-up against budget and forecasts that are done on a running basis during the year can also be seen as a complement to other controls and provide an overall confirmation of the reporting quality.

### **Information and communication**

Significant accounting principles, manuals, etc. of significance to the financial reporting are continuously updated and communicated to affected staff. For external communication, there is an information policy that ensures that the company lives up to current requirements on correct information to the market.

### **Follow-up**

Accounting staff and management at both the company and Group level analyse the financial reporting at a detailed level on a monthly basis. During the year, accounting staff met twice to go through improvements and changes in the financial statements including follow-up of compliance regarding the Group's policies. The Board continuously evaluates the financial information that the management releases and receives the auditor's reporting of observations made.

### **Internal audit**

The Board is responsible for the company having good internal control, which besides the financial reporting also includes reporting prepared in accordance with law, applicable reporting standards and other requirements on listed companies. The Board of Directors follows up the company's assessment of inter-

nal control through contacts with the company's auditors, among other things. The Board annually evaluates the need for a special audit function (internal auditor), but in consideration of the Group's size and that the reporting to the Board functions satisfactorily, the Board has chosen to currently not have a separate internal auditor, but rather that the work with internal audit of the Group's subsidiaries is managed by the accounting function at the head office.

### **External auditor**

At the 2016 AGM, Öhrlings PricewaterhouseCoopers AB was re-elected as the audit firm until the end of the 2017 AGM with authorised public accountant Bror Frid as the auditor in charge.

The elected auditor participates at the AGM and then describes the audit work and observations made.

### **Ownership structure**

At year-end 2016, Elos Medtech AB's share capital amounted to SEK 37.8 million. The share capital is divided into Class A and Class B shares. Apart from Class A shares each carrying one vote and Class B shares one-tenth of a vote, there is no distinction as regards the rights of the different share class in the company. The Class B share is listed on NASDAQ Stockholm AB while the vote-strong Class A share is not listed.

In total, the share capital is distributed over 6,051,000 shares, of which 1,099,740 are Class A shares and 4,951,260 are Class B shares. In 2016, no Class A shares were converted into Class B shares.

The number of shareholders on 31 December 2016 was 1,689 (1,786). The ten largest shareholders held shares equivalent to 66.3 per cent of the capital and 85.8 per cent of the votes.

The shareholder that directly or indirectly have shareholdings in the company that represent at least one tenth of the votes for all shares in the company are as follows:

|                                     | <b>Class A<br/>shares</b> | <b>Class B<br/>shares</b> | <b>Total</b> | <b>% of<br/>votes</b> |
|-------------------------------------|---------------------------|---------------------------|--------------|-----------------------|
| <b>Öster family incl. companies</b> | 378,826                   | 244,654                   | 623,480      | 25.3                  |
| <b>Runmarker family</b>             | 297,946                   | 201,870                   | 505,816      | 20.0                  |
| <b>Nilsson family</b>               | 260,880                   | 93,517                    | 354,397      | 16.9                  |

More detailed information on the share and ownership structure is available on pages 4-5 in the annual report.

Göteborg, 27 March 2017

Stig-Arne Blom  
Chair of the Board

Agneta Bengtsson Runmarker  
Board Member

Anders Birgersson  
Board Member

Jeppe Magnusson  
Board Member

Yvonne Mårtensson  
Board Member

Mats Nilsson  
Board Member

Thomas Öster  
Board Member

Our auditor's report has been submitted on 27 March 2017  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
Authorised Public Accountant

## Auditor's Report on the Corporate Governance Statement

**To the general meeting of the shareholders in Elos Medtech AB, corporate identity number 556021-9650.**

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2016 [on pages x–y] 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 RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially 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 opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Göteborg

Göteborg, 27 March 2017  
Öhrlings PricewaterhouseCoopers AB

Bror Frid  
Authorised Public Accountant

# Board of Directors and auditor

## Directors



### Stig-Arne Blom

Ulricehamn, born 1948, Master of Engineering.  
Chair of the Board. Director since 2002. Chair of the Board of Pulsen AB and Scandinavian Enviro Systems AB. Director of Handelsbankens Region Väst and Precomp Solutions AB.  
Shareholding in Elos Medtech: 200 Class B shares.



### Agneta Bengtsson Runmarker

Stockholm, born 1960, Bachelor of Law. Director since 2003. Legal Adviser at the Swedish Data Inspection Board. Chair of the Board of AB Westergyllen and its subsidiaries and Director of Investment AB Brunnslöykan and its subsidiaries.  
Shareholding in Elos Medtech: 14,600 Class B shares incl. family.



### Anders Birgersson

Lidköping, born 1958, Master of Science in Mechanical engineering at Chalmers University of Technology. Board member since 2016. President and CEO of VBG Group AB. Board member of VBG Group AB, Christian Berner Tech Trade AB, Sparbanken Lidköping.  
Shareholding in Elos Medtech: No holding.



### Jeppe Magnusson

Lerum, born 1952, Doctor of Technology  
Director since 2012. Partner in ISEA, Industry Senior Advisors.  
Member of the Boards of Premune AB, Swecure AB and Auremune AB.  
Shareholding in Elos Medtech: 2,860 Class B shares.



### Yvonne Mårtensson

Stockholm, born 1953, Master of Science in Industrial Economics at the Institute of Technology at Linköping University.  
Board Member since 2015. Member of the Boards of Arcoma AB, Synthetic MR AB and SwedenBIO.  
Shareholding in Elos Medtech: 3,000 B shares:



### Mats Nilsson

Stockholm, born 1969, biologist, Ph.D. Board Member since 2010. Professor of Molecular Diagnostics at Stockholm University, visiting professor at Uppsala University, and Scientific Director for Science for Life Laboratory. Member of the Boards of Q-linea AB, EMPE Diagnostics AB and ApiRays AB.  
Shareholding in Elos Medtech: 40,500 Class B shares.



### Thomas Öster

Stockholm, born 1963, Master of Science in Electrical Engineering at Chalmers University of Technology, Gothenburg.  
Board member since 2005. Global Sales and Business Management Director, Ericsson AB, Stockholm. Chairman of the Boards of Venova AB and SmooFit AB. Member of the Boards of Forsway Scandinavia AB and Interzon AB.  
Shareholding in Elos Medtech: 68,200 Class B shares incl. family.

## Auditor

### PwC Sweden

Öhrnings PricewaterhouseCoopers AB, Gothenburg

### Auditor in charge

#### Bror Frid

Skövde, born 1957  
Authorised Public Accountant, PwC, Göteborg  
Auditor of the company since 2012.



## Senior management



### **Christian Bergaust**

Torslanda, born 1962,  
Economist. CFO.  
Employed since 2016.  
Shareholding in Elos Medtech:  
30,000 options.

### **Mathias Andersson**

Lidköping, born 1971,  
Engineer. MD, Elos Medtech  
Microplast AB.  
Employed since 2012.  
Shareholding in Elos Medtech:  
16,000 B shares:

### **Søren Olesen**

Gørøse, Denmark, born 1961,  
MD, Elos Medtech Pinol A/S.  
Employed since 1984.  
Shareholding in Elos Medtech:  
180,400 Class B shares  
via companies and  
30,000 options.

### **Jan Wahlström**

Täby, born 1967,  
President and CEO.  
Employed since 2016.  
Shareholding in Elos Medtech:  
63,000 options.

### **Pär Teike**

Tianjin, China, born 1962,  
Bachelor of Economics. MD,  
Elos Medtech Tianjin Co. Ltd.  
Employed since 2016.  
Shareholding in Elos Medtech:  
20,000 options.

### **Jodie Gilmore**

Memphis, USA, born 1971,  
Bachelor of Economics.  
MD, Onyx Medical LLC.  
Employed since 1997.  
Shareholding in Elos Medtech:  
30,000 options

### **Peter Johansson**

Skövde, born 1978,  
Master of Engineering. MD,  
Elos Medtech Timmersdala AB.  
Employed since 2012.  
Shareholding in Elos Medtech:  
30,000 options.

### **Malin Gustavsson**

Lerum, born 1972,  
Bachelor of Economics.  
Marketing Director.  
Employed since 2013.  
Shareholding in Elos Medtech:  
355 Class B shares and  
18,000 options.

### **Lotta Ljungberg**

Helsingborg, born 1966,  
Master of Engineering.  
Group QA/RA Director.  
Employed since 2014.  
Shareholding in Elos Medtech:  
30,000 options.

## Multi-year summary

| Income statements                             |                    | 2016         | 2015*        | 2014**       | 2013***      | 2013         | 2012****     |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net sales                                     | SEK million        | 552.0        | 503.7        | 380.9        | 368.1        | 479.4        | 433.8        |
| Operating profit                              | SEK million        | 42.7         | 30.5         | 33.1         | 27.2         | 48.0         | 18.1         |
| Net financial items                           | SEK million        | -4.8         | -8.0         | -1.3         | -5.7         | -6.4         | -9.5         |
| Profit after financial items                  | SEK million        | 37.9         | 22.5         | 31.8         | 21.5         | 41.6         | 8.6          |
| Taxes   | SEK million        | -11.5        | -6.4         | -8.4         | -4.6         | -9.0         | -0.4         |
| Net profit for the year                       | SEK million        | 26.4         | 16.1         | 23.4         | 16.9         | 32.6         | 8.2          |
| Profit for the year, discontinued operations  | SEK million        | -            | -            | 93.4         | 15.7         | -            | -            |
| <b>Net profit for the year</b>                | <b>SEK million</b> | <b>26.4</b>  | <b>16.1</b>  | <b>116.8</b> | <b>32.6</b>  | <b>32.6</b>  | <b>8.2</b>   |
| Balance sheets                                |                    |              |              |              |              |              |              |
| Fixed assets                                  | SEK million        | 649.3        | 636.9        | 304.5        | 304.0        | 304.0        | 321.8        |
| Receivables and goods in stock                | SEK million        | 199.9        | 204.2        | 177.7        | 195.2        | 195.2        | 193.8        |
| Cash and cash equivalents                     | SEK million        | 38.5         | 40.5         | 125.5        | 31.2         | 31.2         | 23.5         |
| <b>Total assets</b>                           | <b>SEK million</b> | <b>887.7</b> | <b>881.6</b> | <b>607.7</b> | <b>530.4</b> | <b>530.4</b> | <b>539.1</b> |
| Equity  | SEK million        | 366.8        | 330.5        | 338.6        | 232.8        | 232.8        | 201.9        |
| Non-current liabilities                       | SEK million        | 282.2        | 331.2        | 162.7        | 167.2        | 167.2        | 202.6        |
| Current liabilities                           | SEK million        | 238.7        | 219.9        | 106.4        | 130.4        | 130.4        | 134.6        |
| <b>Total equity and liabilities</b>           | <b>SEK million</b> | <b>887.7</b> | <b>881.6</b> | <b>607.7</b> | <b>530.4</b> | <b>530.4</b> | <b>539.1</b> |
| Cash flow                                     |                    |              |              |              |              |              |              |
| Cash flow from operating activities           | SEK million        | 98.3         | 62.9         | 55.3         | 71.6         | 87.3         | 39.5         |
| Cash flow after investments                   | SEK million        | 68.9         | -143.6       | 31.6         | 59.4         | 66.9         | -2.0         |
| Key data                                      |                    |              |              |              |              |              |              |
| Operating margin before depreciation (EBITDA) | %                  | 17.6         | 15.7         | 17.8         | 17.3         | 18.5         | 12.5         |
| Operating margin after depreciation (EBIT)    | %                  | 7.7          | 6.1          | 8.7          | 7.4          | 10.0         | 4.2          |
| Risk bearing capital                          | SEK million        | 396.9        | 353.4        | 361.4        | 258.3        | 258.3        | 228.8        |
| Proportion risk bearing capital               | %                  | 44.7         | 40.0         | 59.2         | 48.7         | 48.7         | 42.4         |
| Equity/assets ratio                           | %                  | 41.3         | 37.5         | 55.7         | 43.9         | 43.9         | 37.5         |
| Return on operating capital                   | %                  | 5.7          | 5.3          | 8.2          | 7.1          | 11.7         | 4.4          |
| Return on equity                              | %                  | 7.6          | 4.8          | 40.9         | 15.0         | 15.0         | 3.9          |
| Interest coverage ratio                       | multiple           | 4.7          | 3.7          | 5.9          | 5.2          | 5.2          | 1.5          |
| Net debt *****                                | SEK million        | 384.8        | 427.3        | 58.0         | 172.6        | 172.6        | 223.8        |
| Debt/equity ratio                             | multiple           | 1.1          | 1.3          | 0.2          | 0.7          | 0.7          | 1.0          |
| Gross investments excl. shares                | SEK million        | 34.6         | 75.8         | 41.0         | 16.5         | 24.7         | 51.2         |
| Average number of employees                   |                    | 509          | 471          | 378          | 376          | 424          | 424          |

\*1 Including acquisition of Onyx Medical which occurred on 23 April 2015.

\*\*1 Income statement, cash flow, EBITDA, EBIT, gross investments and average number of employees refer to continuing operations.

\*\*\*1 Refers to continuing operations, i.e. after divestment of Elos Fixturlaser in 2014.

\*\*\*\*1 Comparative figures for 2012 have been adjusted due to change of accounting principle for pensions according to IAS 19R.

\*\*\*\*\*1 Net debt does not include interest-bearing liabilities.

## Definitions of key data and glossary

**Sales adjusted for exchange rate changes** Sales change adjusted for exchange rate changes compared with the year-before period.

**Organic growth** Sales change adjusted for sales received from acquisitions compared with the year-before period.

**Non-recurring items** Items that are not included in ordinary business transactions and when amounts are of a significant size and thereby have an impact on earnings and key figures.

**Operating profit before non-recurring items** Profit before financial income and expenses and taxes adjusted for non-recurring items.

**Operating profit (EBIT)** Profit before financial income and expenses and taxes.

**Operating margin** Profit/loss before net financial items and tax as a percentage of net sales.

**EBITDA** Operating profit before depreciation/amortisation and impairment losses.

**EBITDA, %** Operating profit before depreciation/amortisation and impairment losses in relation to the operations' net sales.

**Risk-bearing capital** The total of equity, any minority interests and deferred tax liability.

**Share of risk-bearing capital** Risk-bearing capital as a percentage of total assets.

**Equity/assets ratio** Equity including any minority interests as a percentage of total assets.

**Return on operating capital** Operating profit as a percentage of average operating capital.

**Operating capital** Total of intangible and tangible fixed assets and current assets excluding tax assets, less non-interest-bearing liabilities excluding tax liabilities and deferred tax.

**Return on equity** Net profit for the year as a percentage of average equity.

**Interest coverage ratio** Operating profit excluding profit participation in any associated companies plus financial income, divided by financial expenses.

**Net debt** Interest-bearing liabilities and non-interest-bearing financial liabilities less cash and cash equivalents.

**Debt/equity ratio** Net debt in relation to equity.

**Cash and cash equivalents including unutilised bank overdraft facilities** Cash/bank balances less utilised overdraft facilities plus granted overdraft facilities.

**FDA** (Food and Drug Administration) The U.S. food and drug authority.

**GMP** (Good Manufacturing Practice) Regulations that govern manufacturing, including packaging.

**OEM** (Original Equipment Manufacturing) Manufacturing for customers who sell the products under their own brand.

**QSR** (Quality System Regulation) A regulation for quality systems.

**VMI** (Vendor Managed Inventory) Inventory managed by supplier.

# Addresses

## Parent Company

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