

ANNUAL REPORT 2018



*Our world
continues to change
Our passion remains
the same*

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Dental Implant Systems changes its name to Dental as of 2019. Dental Implant Systems is therefore used in the context of 2018 and Dental is used going forward.

Dental products, implant prosthetics, in final inspection.

THE YEAR IN BRIEF

- Net sales for the financial year increased and amounted to SEK 644.7 million (577.9), which corresponds to organic growth of 11.6%. After currency conversions, our growth rate was 8.0%.
- Operating profit before non-recurring items amounted to SEK 47.4 million (42.7). Operating margin before non-recurring items was 7.4% (7.4).
- Profit after net financial items was SEK 28.5 million (26.4), where net financial items were positively affected by exchange rate differences of SEK 0.5 million (–7.2).
- Profit after tax amounted to SEK 20.9 million (22.6), which corresponds to earning per share of SEK 2:76 (3:74).
- The Board of Directors proposes dividends of SEK 1.00 per share for the financial year.

Events during the financial year:

- During the year, we actively communicated our strategic focus on Dental Implant Systems and Orthopedics and designated these as the Group's primary business areas for future growth. The appointment of two Business Directors, who now lead our market strategies, is a significant step in bringing our resources together and achieving a greater response to our global offer. With these two strong global platforms, we have enabled both faster and more efficient growth.
- We have successfully completed a new issue with preferential rights for existing shareholders. The share issue was oversubscribed by 58.3% and brought the company SEK 104.9 million before issue costs.
- The implementation of our "Code of Conduct", where we, with "Care" as our watchword, take clear responsibility for developing a sustainable business with concrete sustainability goals.
- The increase in sales of 13.4% in Q4 shows that the growth journey continues.

Events after the end of the financial year:

- Increased focus on our main business and specialization of products and capacity. In consultation with a customer, Elos Medtech has signed an agreement for the transfer of operations for the assembly and calibration of products in the market for sound and vibration. The transfer will not affect the Group's earnings in 2019.
- As of Q1, 2019, the business will be reported in three business areas; Dental, Orthopedics and Life Science.
- Together with two universities in Denmark we have been awarded DKK 10 million for research on white titanium surface, which is recognition of the high quality of our research and also an opportunity to eventually work out more of our own products.
- We are strengthening our strategic focus area, "Operational Excellence and Continuous Improvements", and have appointed Conny Jakobsson as Operational Excellence Director.

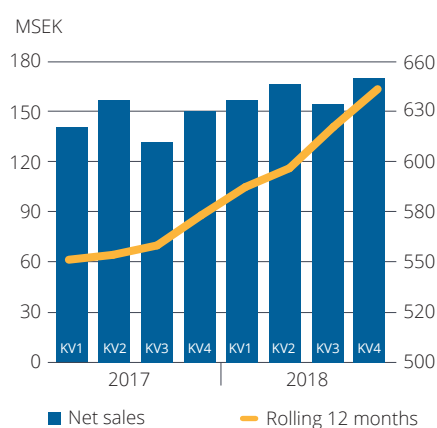
11.6%
The year's growth

Key performance indicators

	2018	2017
Net sales, SEK million	644.7	577.9
Net sales growth, %	11.6	4.7
EBIT before non-recurring items, SEK million	47.4	42.7
EBIT before non-recurring items, %	7.4	7.4
EBIT, SEK million	38.9	42.7
EBIT, %	6.0	7.4
Profit/loss after financial items, SEK million	28.5	26.4
Earnings per share after tax, SEK	2:76	3:74
Equity per share, SEK million	63:02	60:98
Return on equity, %	4.8	6.1
Return on operating capital	5.1	5.8
Cash flow from operating activities, SEK million	66.1	62.1
Dividend ¹⁾ , SEK	1:00	0.00
Share of own products, %	10.2	9.6

1) The Board of Directors proposes to the 2019 Annual General Meeting that SEK 1:00 per share be paid.

Net sales



GLOBAL PARTNER IN DEVELOPMENT & DESIGN AND MANUFACTURING OF MEDICAL DEVICES

Elos Medtech specializes in medical technology and has extensive expertise in development & design, along with contract manufacturing of medical devices. Customers are offered quality, expertise and innovation in a partner-based total solution – Complete Performance™, with increased efficiency, improved profitability and high-quality products as a result.

95 years of experience in the industry

Elos Medtech was founded in 1923 and today, with 572 employees, is an experienced player and a leading partner in the medical technology industry. Our operations are conducted within a number of market segments. In 2018 these have been Dental Implant Systems, Orthopedics, Diagnostics, Hearing Device & Vibration and Other Medical Areas, where the focus is on the two first segments. As of 2019, we will present and report our operations from three business areas; Dental, Orthopedics and Life Science. Life Science includes Diagnostics, Hearing Device and Other Medical Areas.

High competence in selected market segments

We have extensive specialist knowledge in development & design for manufacturing and series production in selected market segments. We specialize in drills, screws, implants, prosthetics, multiple-use syringes, plates and instruments mainly in titanium and stainless steel, as well as various products and components for diagnostics and other disposable items in high-tech plastics. Development & design as well as manufacturing takes place through dedicated competence centers in Sweden, Denmark, the USA and China, where investments are made continuously in technology and expertise for future competitiveness and for continued value creation.

A qualitative overall solution

Elos Medtech's customers consist of industry-leading multinational companies. We offer our customers a qualitative total solution – Complete Performance™ – which includes an unbroken value chain from development and design to prototype, testing, serial production, and logistics. The purpose of the overall solution is to strengthen cooperation with each individual customer, to become a partner – in order to efficiently and profitably design, develop and produce high quality products in medical technology together with the customer.

Based on our experience, we have also built up a business focused on developing, manufacturing and selling our own products within Dental, both as OEM products and under our own brand.

Strong market position

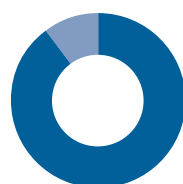
Thanks to many years in the industry, we have built up a strong expertise and a high level of knowledge, which we have developed into our offer – Complete Performance™. This has now led to a strong market position in our selected market segments. Our expertise and knowledge of the design and applications of our products, combined with close cooperation, form the basis for our long-term and value-creating customer relationships.

Elos Medtech was publicly quoted in 1989 and is today listed on the Stockholm Stock Exchange, Nasdaq Small Cap.

ELOS MEDTECH'S MAIN STRENGTHS

- Experienced and focused global development and manufacturing partner in medical technology
- Strong position in the main markets in selected market segments – USA/Europe/Asia
- High quality focus in all areas and all processes
- Product development opportunities and spirit of innovation
- Innovative proprietary dental products
- Efficient organization – short decision paths
- Power to change through strategic divestments and acquisitions
- Strong customer focus and long-term partner relationships
- Complete Performance™ – overall solution for customer

Sales per activity



■ Contract manufacturing, 89.8%
■ Own products, 10.2%

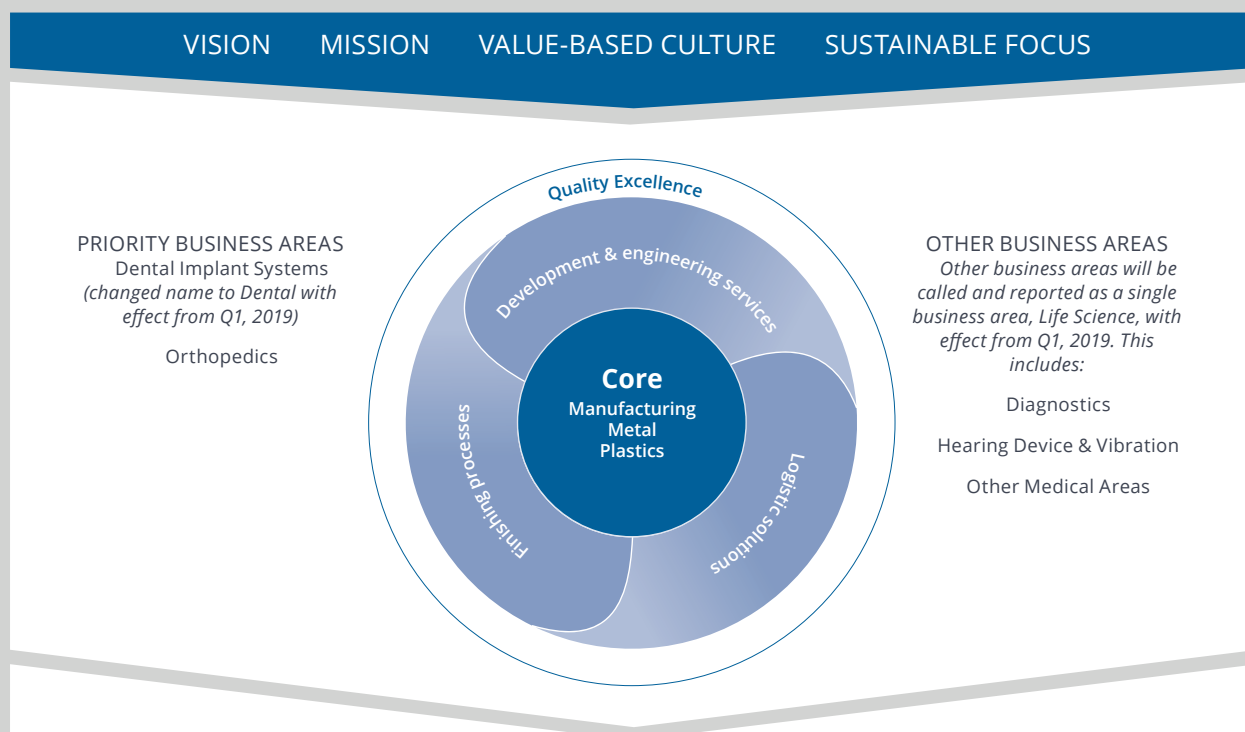
Sales per segment



■ Dental Implant Systems, 32%
■ Diagnostics, 5%
■ Hearing Device & Vibration, 16%
■ Orthopedics, 31%
■ Other Medical Areas, 16%

VALUE-CREATING BUSINESS MODEL

Elos Medtech's business model is based on extensive experience and accumulated expertise in medical technology. Through our total solution – Complete Performance™, we add value for our customers, while also creating value for our stakeholders through a safe and stable workplace, where employees are encouraged in personal development.



VALUE CREATION FOR THE COMPANY AND OUR STAKEHOLDERS

Company

Financial value

- Operating profit before non-recurring items, SEK 47.4 million
- Cash flow from operating activities, SEK 66.1 million

Customer

Overall Solution – Complete Performance

- Increased profitability
- Efficient processes
- High quality products

Shareholders

Shareholder value

- 7.7 percent rise in share price
- Proposed dividend is SEK 1:00
- Direct yield, 1.4 percent

Employees

Employee value

- 129 new employees, of which 36 percent women
- 572 employees, of which 40 percent women
- Healthy and safe workplace
- Occupational health care, health insurance and wellness allowance
- Work-related training, 13 hours on average per employee

Society

Societal value

- Income tax, in addition the company pays taxes and social security contributions for 572 employees
- Customer offering with sustainable focus, such as reduced disposal costs and renewable energy, etc.
- Transformation of medical technology and improved quality of life across the globe
- 10 million patients treated for their illnesses/injuries with products delivered by Elos Medtech

DOUBLE-DIGIT GROWTH IN 2018 – THE GROWTH JOURNEY CONTINUES

I sum up 2018 with pride. With strong organic growth and eight consecutive quarters of growth, we achieved our strategic goal of double-digit growth. We have experienced positive development and are growing in all business areas. Sales amounted to SEK 645 million (578), which corresponds to an increase of 11.6 percent, and we have thereby further consolidated our position as a key partner in the global market for medical technology.



During 2018 we have created a stronger Elos Medtech. We can now offer our customers a broader and better range of products from all the businesses in the company. This is partly to do with the implementation of our "Code of Conduct" where, with "Care" as our watchword, we take clear responsibility for a sustainable business with concrete sustainability goals. Through transformational medical high technology we increase the quality of life for people all over the world. Trust is fundamental in our industry and is something that should permeate our entire business line - we are what we do.

Specialization and strategic focus – Orthopedics and Dental Implant Systems

Growth has been our main focus in 2018. The journey started the previous year with more efficient internal processes to strengthen our position as a key partner both in manufacturing and development of medical technology. The platform that was established then has been the basis for the growth and expansion that we have continued to build on in 2018. In line with our strategy for future growth, we have chosen to focus primarily on

the business areas Orthopedics and Dental Implant Systems which are the engines of our business. We see great potential in these areas and in order to achieve a greater response to our offer we have appointed a business area manager for each area.

The tempo within Orthopedics has been fantastic and annual growth is now at 20 percent. We see a continued high demand that we will be able to meet through our decision to expand and double the production area in Memphis. Within Dental Implant Systems, growth was 2 percent during the year, which was affected by various market factors. Here we have implemented our new strategic plan which entails a clearer focus and improved efficiency. Our goal in the business area is to achieve increased specialization and streamlining towards a clearer niche market in dental implants and prosthetics as well as to establish a larger range of services in product development and design. With this, we believe in continued growth within Dental Implant Systems in line with our long-term goals.

An overall solution for the customer – Complete Performance

Our ambition is to help our customers with a larger entirety and to develop and produce high-quality products in partnerships. We have noticed an increased inflow of enquiries and among our global customers, both within Orthopedics and Diagnostics, we see an increased interest in placing projects exclusively with us and on more than one of our units. A clear confirmation of the value of our global offering. The goal is for all units to specialize in order to be able to offer products that are "best-in-class" and we are convinced that we can develop even faster and more efficiently through focused efforts.

Optimized production processes result in reduced disposal cost

In our ambition of improved profitability, we have continued to work with optimization of the units through our internal method for business development during 2018. The result of this work has

FOCUS 2019

- Continued growth
- Increased profitability
- Partnerships with Orthopedics and Dental customers
- Elos Medtech Cares

been very successful, with improved delivery times and a reduced disposal cost of over 20 percent. Since the disposal cost is a major cost and also a cost that directly affects profits, this is very positive and the goal is a further reduction in coming years. Our Chinese unit has enjoyed the greatest success and it is therefore satisfying that Conny Jakobsson has taken on the role of Operational Excellence Director.

First new share issue ever

In 2018, we completed a successful new share issue. The new share issue with preferential rights for existing shareholders was oversubscribed by 58.3 percent - an acknowledgment that our shareholders have confidence in our continued growth journey. The issue liquidity that provided us with approximately SEK 100 million will be used for organic growth to achieve greater profitability with a focus on the main business.

Sustainable Focus – Elos Medtech Cares

Sustainability is an important part of our business strategy and in early 2018 we published our first sustainability report. During the year, we also implemented our "Code of Conduct" in which we, with Care as a watchword, have developed concrete sustainability goals and focused on three areas of responsibility - Care for our Business, Care for our People and Care for our Responsibility. In line with this, we have, among other things, implemented a program to measure and follow up customer satisfaction and expectations, and conducted an employee survey with both a high response rate and a positive result.

In order to build trust and establish partnerships with our customers, we need to act as a single company with a common goal. In 2018, we have therefore devoted much time to anchoring our vision and values for all employees. This has produced good results and we are today a stronger Elos Medtech than a year ago.

The growth journey continues

The market for medical technology products remains strong and the trend is clearly towards increased consolidation. We also see an increasing interest among our customers to outsource more and focus on their core competencies, a favorable development for us as contract manufacturers. The most important factors in the selection of partners are delivery reliability and quality. This



"During 2018 we have further consolidated our position as a key partner in the global medical technology market."

is in line with Elos Medtech who stand for quality, competence and innovation. The fact that we have also been awarded DKK 10 million for research on white titanium surface together with two universities in Denmark, which is recognition of the high quality of our research and also an opportunity to eventually work out more of our own products.

With a continued strong market in medical technology products and a strategic focus on orthopedics and dental care, I look forward with confidence to a continued positive journey towards increased profitability and growth!

Gothenburg, March 2019

Jan Wahlström
President and CEO

GOALS AND STRATEGY

In the previous year we formulated a new vision and mission for Elos Medtech, in order to give a clearer picture of our way forward. Our strategy is based on an increased focus on selected market segments as well as increased specialization and increased expertise in our competence area. With a stronger offering, it will be easier to achieve the strategic targets of more distinct positioning and continued growth.

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

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

Value-based culture: Our culture is value-based, customer process-oriented and result-driven. Our three values serve as a compass for what we together believe in and guide us continuously in our work and in our behavior.

- **Passionate.** We are committed, we have the will and we are convinced in our aims. With a positive attitude, we drive our development forward and find solutions.
- **Credible.** We are open and honest. We take responsibility for our actions and products and keep our promises.
- **Result-oriented.** By taking the initiative and wanting to win, we reach the goals that create trust and value for patients and customers.

Sustainable focus: We have a sustainable focus and responsibility that extends beyond just delivering high-quality products. We take a long-term approach to economic, social and environmental responsibility for how our operations impact our stakeholders and we define strategic targets to ensure that there is continual improvement in these areas. For more information, please see: elosmedtech.com/whoweare/sustainability.

572

average number of employees

STRATEGIC OBJECTIVES

STRATEGY

Building a leading global group in the market for medical devices

FOCUS AND SPECIALIZATION

- Dental and Orthopedics are prioritized
- Focus our expertise in metal and polymer
- Knowledge center in orthopedics and dental

Strengthen our offering and our expertise

POSITIONING

- Raising expertise in design and development, manufacturing and logistics, with the highest quality assurance

Double digit growth

GROWTH

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

STRATEGIC FOCUS AREA

INNOVATION

- Nurture an innovation culture

"OPERATIONAL EXCELLENCE" AND CONTINUOUS IMPROVEMENTS

- Specialization
- "Best in Class"

MARKET FOCUS AND SALES GROWTH

- Partnership with customers

WORK AS ONE BUSINESS

- Value-based culture
- Create engagement by delegating and involving people

LONG-TERM FINANCIAL TARGETS

	Target	2018
Organic growth, %	>10	11.6
EBIT, %	>13	6.0
Share of own products, %	13	10.2
Sales incl. acquisitions, SEK million	1,000	644.7

SUSTAINABILITY OBJECTIVES

	Target	2018
Customers' expectations and satisfaction	Implement a new measurement and monitoring program	✓
Sustainable investments	Shall constitute at least 5% of the agreed investment budget	✓
Employee survey	Conduct the same survey throughout the Group	✓
Renewable energy	5 percent increase compared to 2017	✓
Disposal cost	Reduce by at least 20 percent year-on-year	✓
Roll-out of code of conduct	All employees must have participated in training and signed the code of conduct	✓

✓ Implemented

MARKET SEGMENTS WITH GLOBAL PRESENCE

Elos Medtech is focused on increasing the degree of specialization and to offer products that are "best-in-class". As part of this work, we have chosen to focus our expertise and investments in selected market segments. With a deep understanding and long experience in these segments, we offer our customers partnerships in development and manufacturing. As part of the strategic specialization and of future growth, we have also chosen to place a greater focus on two of the market segments: Dental Implant Systems (renamed Dental in 2019) and Orthopedics.

In 2018, our business consisted of five market segments, which will be presented and reported in three business areas with effect from the first quarter of 2019; Dental, Orthopedics and Life Science. Life Science includes Diagnostics, Hearing Device and Other Medical Areas.

Dental Implant Systems

Within Dental Implant Systems, we mainly manufacture fixtures (implants), components for implant-borne prosthetics and digital dentistry workflow as well as instruments. Our customers include most major global dental implant companies in the market. In this market segment, Elos Medtech also works with technical partners such as CAD and CAM companies, distributors and milling centers, etc. Elos Medtech also offers its own products in digital implant dentistry and instruments, such as our torque wrench. The digital product range is marketed under the Elos Accurate® brand.

During 2018, sales increased by 2 percent, to SEK 206.7 million, driven partly by higher sales in contract-manufactured products, but also by an increase in sales of Elos Medtech's own products. During the year, a new business area manager, Søren Olesen, was appointed with the task of leading and driving global strategy going forward. Furthermore, the global strategic plan was implemented, with goals of a clearer focus and improved efficiency.

Diagnostics

In Diagnostics, we have focused our manufacturing on automated injection molding of small components in high-tech plastic and packaging in clean rooms. Most of the products are for single use, e.g. caps, hoses, IVF vials and bowls as well as articles for chemical and clinical analyses such as allergy tests, tests for autoimmune diseases, etc. The market segment's customers consist of global market-leading operators in the diagnostic market.

During 2018, sales increased by 15 percent, to SEK 34.8 million, driven by more and more large projects among existing customers, and a global expansion of the offering.

Hearing Device & Vibration

Within Hearing Device & Vibration, we are mainly focused on the manufacture of implants, components and products for advanced technical solutions for measuring and analyzing sound and vibration quality, where customers consist of leading

operators in the market. The implants and components mainly consist of bone anchored hearing implants and components for traditional hearing aids.

In 2018, sales increased by 26 percent, to SEK 102.9 million. 2017 was a turbulent year for the segment, which stabilized in 2018. However, growth is expected to level out. Events after the end of the year are that we have agreed with a customer within vibration to move part of production to the customer, which frees production area for dental production.

Orthopedics

In Orthopedics, the business is focused on the segment of spine, trauma and reconstruction. In Spine, we mainly manufacture screws and implants for surgical treatment of the upper and lower back. Plates, implants, drills, guide pins & wires as well as instruments for surgical treatment of fractures and small joint prostheses are examples of products in trauma. Customers consist mainly of leading international orthopedics companies, with a particularly strong position in trauma.

During 2018, sales increased by 20 percent, to SEK 200.0 million, driven by increased sales to some of the business area's major customers, increased demand in trauma and robot surgery and strong growth within US operations. During the year, Elos Medtech also carried out several refurbishments and investments in new machinery in production facilities, with the goal of increasing the business area's production capacity. In addition, land purchases were made in Memphis and a new construction was initiated, which will lead to a doubling in the production area.

Other Medical Areas

Within Other Medical Areas, the business is dispersed, with manufacturing of products and components for neuro- and heart surgery for example, as well as multiple-use syringes for insulin treatment of diabetes, etc. Within Other Medical Areas there are prerequisites for achieving synergies with Elos Medtech's other business areas. For example, interest among customers has increased in terms of combining the company's expertise in polymeric materials with Elos Medtech's traditional offering of metalworking.

In 2018, sales increased by 2 percent, to SEK 100.3 million, which is slightly lower growth compared to other business areas, and where the biggest contributing factor to this is the high price pressure prevailing in the market.

"10 million patients treated for their illnesses/injuries with products delivered by Elos Medtech"

Dental implants

Prosthetic products for the digital workflow of bridges and crowns on dental implants.



Other medical areas

Parts for multiple-use syringes used for insulin treatment for diabetic patients.



Trauma implants

Plates are manufactured in different sizes and shapes depending on the type and location of the fracture.



HPLC fittings used in chromatography, analytical chemistry, to distinguish different molecules from each other. These products have a vital function in an HPLC system.



Trauma wires

Pins and Wires are temporarily used during surgery for surgical treatment of fractures, e.g. in the foot.



Other medical areas

A technically advanced combination product of polymer and metal, used in cancer treatment.



Screws for upper and lower back for treatment of for example scoliosis. These include monoaxial, polyaxial, cortical screws and similar.



Spine implants

Implants in surgery of the lumbar spine, for example, used in arthrodesis, usually performed with screws and metal grips that fix the vertebrae.



Trauma implants

Surgically implanted implants for wrist surgery.

Surgical drills and orthopedic pins used in fixation of fractures. These are manufactured in different diameters, appearances and lengths.



STRATEGIC FOCUS FOR PROFITABLE GROWTH

As part of an increased specialization and for future growth, Elos Medtech has chosen to strategically focus on – Dental and Orthopedics.

During the end of 2017 and early 2018, two Business Unit Directors were appointed: Jodie Gilmore (Orthopedics) and Søren Olesen (Dental) to further strengthen and lead this focus.

According to the strategy of focus, Elos Medtech will, from the first quarter of 2019, present and report on its operations based on three business areas. The third business area is Life Science.

DENTAL

Dental Implant Systems changes its name to Dental as of 2019. Dental is a strategic focus area for us and we have developed extensive expertise and a strong global product offering, which is highly valuable to our customers. During 2018 we presented a new dental strategy. This is partly a result of the growing interest among dental companies to cooperate with a strategic development and production partner and partly the rapid digital development we see in the industry.

Our goal is to act as a unifying link between the leading dental implant companies and various technical partners, by supplementing the customers' product range with our own digital

products Elos Accurate®, within the Elos Open Digital Solution. The new strategy therefore means a continued partnership with our existing customers, a strengthened customer offering through our proprietary complementary products and an extended collaboration with other technical partners. Our new strategy is part of our focus on increased specialization and to offer "best in class" to our customers. The fact that we have also been awarded DKK 10 million after the end of the period for research on white titanium surface together with two universities in Denmark, which is recognition of the high quality of our research and also an opportunity to eventually work out more of our own products.

"With our dental strategy we want to set new standards for digital dental care and create the optimal digital workflow," says Søren Olesen.



ORTHOPEDICS

Orthopedics is strategically important for Elos Medtech and since the acquisition of Onyx Medical, we have been working on combining two brands and creating a strong platform in this area. Our focused efforts have in recent years given us many new opportunities to meet our customers' needs. We also see an increased demand for drills, pins, wires and screws, which are used both in traditional trauma surgery and in the new growing area of robot surgery. As our customers operate in the global market, it is important that we meet global market requirements, while we maintain local contact and presence in the strategically important US market.

The development we see in the industry is that orthopedic OEMs want/seek to cooperate with suppliers and partners with technical expertise, high capacity and a global presence.

As a result of our strategic focus and of customer demand, we began an expansion of our American plant in 2018. By almost doubling our current production area as well as investing in new equipment and hiring more employees in 2019, we will increase our capacity to meet and supply our customers in the global orthopedic market.

Our Global Business Director for Orthopedics, Jodie Gilmore, was elected Advisory Council Member of the Herff College of Engineering at the University of Memphis in October, which gives a clear signal of our position in orthopedics in the most important market, the USA.



LIFE SCIENCE

The new Life Science business area includes the previous market segments of Diagnostics, Hearing Device & Vibration and Other Medical Areas. Jan Wahlström is acting head of the business area with effect from 2019. Life Science encompasses our offering in both metal processing and injection molding. Within the business area, there are prerequisites to achieve synergies. For

example, interest among customers has increased in terms of combining the company's expertise in polymeric materials with metalworking. Through insert molding we can offer technically advanced combination products of polymer and for example aluminum.

SHARE AND OWNERS

Stock market trading and returns

Elos Medtech's B share has been listed on Nasdaq Stockholm Small Cap since 1989. The A share is not listed. The price of the share varied during the year between SEK 60:80 and 81:60. The market value of the company amounted to SEK 564.8 million (357.7) at the end of the year.

Shareholders

The number of shareholders as of December 31 2018 was 1,670 (1,672). The ten largest shareholders hold shares corresponding to 68.4 percent of the share capital and 84.4 percent of the votes.

Dividend

Elos Medtech's dividend policy is that the dividend shall 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 percent of the profit after tax.

The Board of Directors has proposed to the 2019 Annual General Meeting that a dividend of SEK 1:00 per share be distributed, which corresponds to 39 percent of profit after tax.

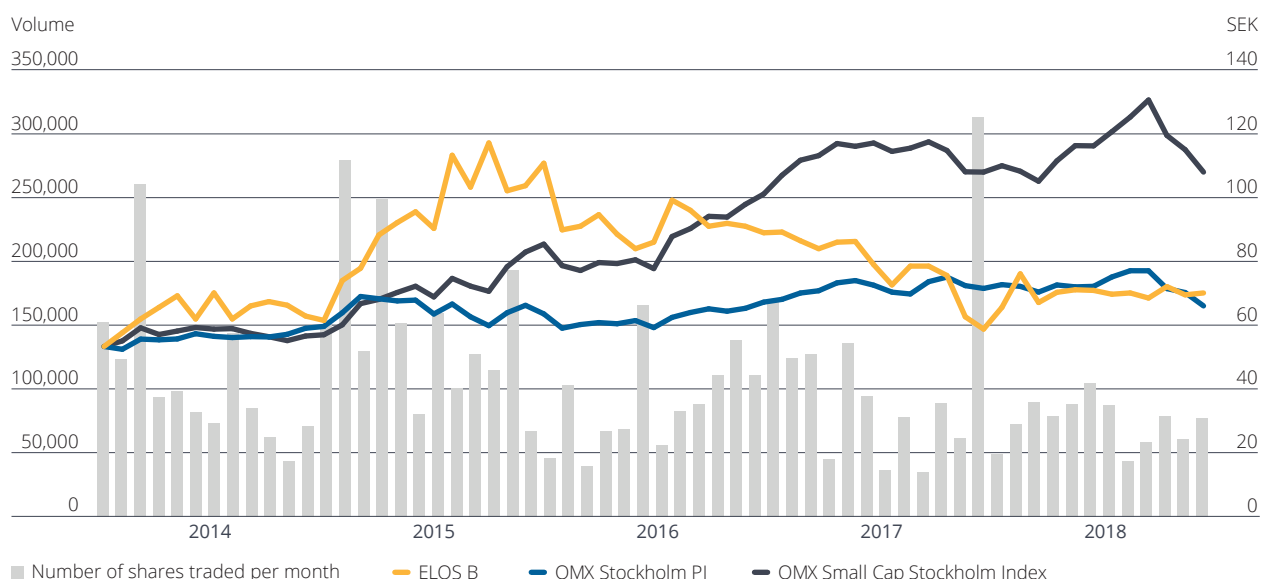
Share capital

At the 2018 year-end, Elos Medtech's share capital amounted to SEK 50.4 million, divided into 1,099,740 A shares and 6,968,260 B shares. Each A share entitles one vote and each class B share to 1/10 vote. All shares carry equal rights to share in the company's assets, earnings and dividends.

No conversion of class A shares to class B shares has taken place during the year within the conversion provision contained in the company's Articles of Association.

No warrants have also been exercised during the year within the incentive program that was decided at the 2016 Annual General Meeting, see Note 29.

Development of the Elos Medtech share for the period January 2014 – December 2018



Shareholder distribution, B shares, 12/31/2018

Number of shares in size classes	Number of share-holders	Number of shares	Proportion of shares, %
1-500	1,018	148,682	1.84
501-1,000	241	174,650	2.16
1,001-2,000	180	267,237	3.31
2,001-5,000	99	311,741	3.86
5,001-10,000	64	463,689	5.75
10,001-20,000	28	399,152	4.95
20,001-50,000	19	601,202	7.78
50,001-100,000	3	224,972	2.79
100,001-	18	4,376,935	67.55
Total	1,670	6,968,260	100.0

Division by share class, 12/31/2018

Share class	Number of shares	Proportion in % of votes	Proportion in % of capital
A	1,099,740	69.0	13.6
B	6,968,260	31.0	86.4
Total	8,068,000	100.0	100.0

New share issue 2018

During Q1 2018, a new share issue was been carried out, which entailed that 2,017,000 new B shares have been issued. Key figures for earnings per share have been recalculated, see note 39.

The largest shareholders in Elos Medtech AB (publ.), 12/31/2018

	A shares	B shares	Total	Proportion of share capital, %	Proportion in % of votes
Öster family incl. company	378,826	436,609	815,435	10.1	23.5
Runmarker family	297,946	218,900	516,846	6.4	17.8
Nilsson Family	260,880	157,508	418,388	5.2	15.4
Kent Molin	136,000	-	136,000	1.7	7.6
Nordea Investment Funds	-	1,202,535	1,202,535	14.9	6.7
Svolder Limited Company	-	924,259	924,259	11.5	5.2
HealthInvest Partners AB	-	391,031	391,031	4.8	2.2
The Molin family	-	263,999	263,999	3.3	1.5
Ulrika Erlandsson	26,088	105,101	131,189	1.6	2.0
Magledal Holding APS	-	240,533	240,533	3.0	1.3
Nordnet Pensionsförsäkring AB	-	213,504	213,504	2.6	1.2
Other	-	2,814,281	2,814,281	34.9	15.6
Total	1,099,740	6,968,260	8,068,000	100.0	100.0

Source: Euroclear AB

Data per share

	2018	2017	2016	2015 ¹⁾	2014 ²⁾
Profit after tax for continuing operations, SEK	2:76	3:74	4:14	2:52	3:66
Profit after tax, total, SEK	2:76	3:74	4:14	2:52	18:28
Dividend ³⁾	1:00	0.00	1.30	1:00	3:00
Equity per share, SEK	63:02	60.98	60.63	54:63	55:96
Share price 31/12, SEK	70:00	60:92	98:50	123:50	68:00
• Direct yield, %	1.4	-	1.3	0.8	4.4
Share price/Equity, %	111.1	106.6	162.5	226.1	121.5
Average number of shares, thousand	7,598	6,051	6,051	6,051	6,051
Number of shares at year-end, thousand	8,068	6,051	6,051	6,051	6,051

1) including acquisition of Onyx Medical that took place on April 23, 2015.

2) Adjusted for the sale of Elos Fixturlaser 2014, which is reported as discontinued operations.

3) The Board of Directors proposes to the Annual General Meeting 2019 that SEK 1:00 per share be paid.

MANAGEMENT REPORT

Elos Medtech AB (publ.), Organization no.: 556021-9650

General information about the business

The Group's operations are fully focused on medical technology. Operations are conducted at facilities in Sweden, Denmark, China and the US with Group-wide functions within market support, production and quality management, risk management, financing and financial control in Gothenburg. The company is a leading partner for developing and manufacturing medical devices and components such as dental and orthopedic implants and instruments. Our customers are primarily medical device companies operating on a global scale in markets for Dental Implant Systems, Orthopedics, Hearing Device & Vibration, Diagnostics and Other Medical Areas.

Segment reporting from 2019

The Group will increase focus on specialization in medical technology in 2019. In this connection, the decision has been taken to report turnover and profitability at the segment level from 2019. The segments determined for reporting are Orthopedics, Dental and Life Science.

Net sales and earnings

The Group's net sales during the year increased to SEK 644.7 million (577.9). Organic growth during the year was 11.6 percent (4.7). Adjusted for changes in exchange rates, the increase amounted to 8.0 percent (4.3). During the year, we have been able to show positive growth in all market segments, but it is primarily the market segments Orthopedics, Diagnostics and Hearing Device & Vibration that account for most of the increase in sales. Operating profit for the year amounted to SEK 47.4 million (42.7), corresponding to an operating margin of 7.4 percent (7.4). Operating profit was charged with non-recurring costs amounting to SEK 8.5 million. The non-recurring costs can be attributed to the write-downs of capitalized product development projects, restructuring in the Group's production unit in Timmersdala and legal costs for the legal dispute in the USA. After non-recurring costs, operating profit amounted to SEK 38.9 million (42.7). The Group's net financial items were positively affected by exchange rate dif-

ferences corresponding to SEK 0.5 million (-7.2) and amounted to SEK -10.4 million (-16.3). Profit after financial items amounted to SEK 28.5 million (26.4). Profit after tax amounted to SEK 20.9 million (22.6), which corresponds to SEK 2:76 (3:74) per share. The Group's comprehensive income amounted to SEK 38.0 million (10.1).

The business

Work on future development and expansion continues. The ambition is to strengthen our global structure and thus our market position within existing markets. For continued growth, it is important to intensify the cultivation of existing, new and potential customers. The continuous work on streamlining, automation and quality development is further pursued with the goal of being a reliable and competitive partner in contract manufacturing for our customers. 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.

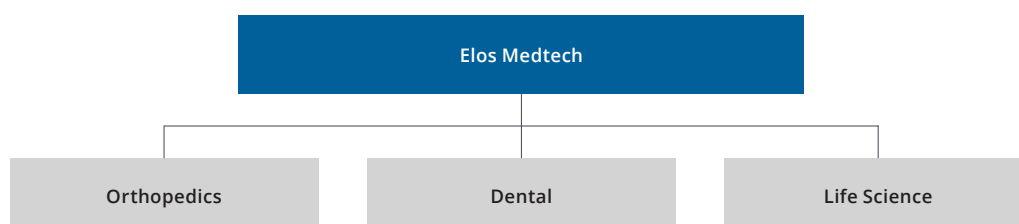
Investments

The Group's investments in buildings, land, machines and equipment amounted to SEK 79.9 million (37.6), which mainly relates to increased machine capacity to meet higher demand, plus some replacement investment. Also, SEK 1.9 million (0.9) was invested in balanced development costs and SEK 3.8 million (4.5) 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 carried out in close collaboration with customers. Costs that can be put under the heading of development costs amounted to SEK 19.3 million (13.8), of which depreciation of balanced development costs amounted to SEK 1.4 million (1.4). The investment for the year in capitalized development costs amounted to SEK 1.9 million (0.9). Total development expenses correspond to 3.0 percent (2.4) of the Group's net sales.

Segment reporting from 2019



Personnel

The Group's average number of employees in 2018 was 572, compared to 527 in the previous year. Information about distribution by country and remuneration to senior management, the Board and other employees may be found in note 2.

New share issue 2018

During the year, Elos Medtech completed a new issue of B shares with preferential rights for existing shareholders. The share issue was oversubscribed by 58.3 percent and provided the company with SEK 104.9 million before issue costs.

In total, 1,989,512 B shares were subscribed for with subscription rights, corresponding to 98.6 percent of the new share issue. In addition, 1,204,683 class B shares without subscription rights were subscribed, corresponding to 59.7 percent of the new share issue. The new share issue comprised a total of 2,017,000 B shares and was thus oversubscribed by 58.3 percent.

Financial position and liquidity

The Group's balance sheet total increased during the year and amounted to SEK 957.3 million (847.5). The Group's equity amounted to SEK 508.5 million (369.0). Shareholders' equity per share, calculated on 8,068,000 shares, amounted to SEK 63:02 (60:98). At the end of the year, own risk capital amounted to SEK 535.8 million (399.8), which corresponds to 56.0 percent (47.2) of total capital. The Group's equity ratio was 53.1 percent (43.5).

The Group's cash flow from operating activities during the financial year amounted to SEK 66.1 million (62.1). Cash flow after investments and divestiture of fixed assets amounted to SEK -13.8 million (24.5). Cash flow during the year was affected by a final payment of SEK 10.0 million for the acquisition of Onyx Medical LLC.

The Group's net debt decreased during the period and amounted to SEK 287.4 million (358.6). Cash and cash equivalents including unutilized bank overdraft facility amounted to SEK 107.1 million (32.9).

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 minimization of operating risk are that:

- Elos Medtech's customers are successful
- we continuously seek, together with the Group's customers, to improve our own and our customers' competitiveness
- the business is run efficiently with regard to income, expenses and tied-up capital
- the operations have the right expertise, inter alia in product development, quality and production processes, and market insight and sales expertise
- production and deliveries to customers are ensured through efficient purchasing processes where the right quality and price of raw materials are in focus
- alternative suppliers are available in the event of fire, natural disasters, government interventions
- internal control is ensured through well-developed internal routines.

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.

Risks related to international operations

Elos Medtech's operations are exposed to risks due to the company's products being marketed in different countries. Thus, the future result can be affected by changes in a country's political or economic conditions.

Regulatory risks

The Group's activities are regulated by a number of different standards and rules. These provide 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 are regular monitoring and audits in the Group's companies. Audits are performed by accredited third-party organizations. Operations are also monitored in many cases by the larger customers, who check compliance with standards and their own requirements.

Political risk

The company is active in a number of countries in various ways and can thereby be influenced by political and economic uncertainty factors in these countries.

Dependency on premises, equipment and staff

The company's operations are conducted in specially adapted premises and are dependent on special equipment and personnel. There is a risk that the company's premises or equipment will be damaged by, for example, fire or theft, which could mean delays and increased costs/lost revenue for the company.

Foreign exchange risk

Elos Medtech is exposed to transaction exposure when sales and purchases are affected by exchange rate fluctuations and translation exposure when translating foreign subsidiaries' income and balance sheets. Negative changes in exchange rates can have a negative impact on the company's earnings and financial position.

Risks linked to the group's financing needs

Elos Medtech is dependent on bank financing. The company's current banking agreement is associated with certain financial commitments that must be fulfilled at each agreed date. Should the company breach these commitments, there is a risk that the lenders will cancel the loans for early payment, which could have a negative impact on the Group's operations, financial position and results.

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 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 description of the group's financial risks and risk management can be found in the section for financial statement comments Note 1 and in note 42.

Environmental impact

At year-end 2018, 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.

Sustainability reporting

Further description of the group's environmental work and environmental impact can be found in the group's Sustainability Report 2018, which is published on the group's website www.elosmedtech.com.

Parent Company

The Parent Company is focused on key management issues and also provides Group-wide support in marketing, manufacturing, quality management, risk management, financing and financial control.

The Parent Company's net sales amounted to SEK 24.6 million (25.0). Profit after financial items amounted to SEK 4.5 million (6.7). The Parent Company's comprehensive income amounted to SEK 3.5 million (3.4).

The share of own risk capital amounted to 81.2 percent (66.6). The equity ratio was 81.2 percent (66.2). The Parent Company's liquid assets including unused credits amounted to SEK 62.8 million (0.8).

Events after the end of the financial year

In collaboration with researchers at Technical University of Denmark (DTU) and the Interdisciplinary Nanoscience Center (iNANO) at Aarhus University, Elos Medtech has started a new development project to create a white surface on titanium. Innovation Fund Denmark has invested DKK 10 million in the research project, which will be concluded in 2022.

In consultation with Bruel & Kjaer, Elos Medtech has signed an agreement for the transfer of operations for the assembly and calibration of products in the market for sound and vibration. In 2018, Elos Medtech has more clearly focused on medical technology, and this transfer is in line with our strategy. The transfer will not affect the Group's earnings in 2019.

Onyx Medical LLC, which is a US subsidiary of Elos Medtech, has become the subject of a lawsuit. In the lawsuit, no specified amount is stated for damages. Elos Medtech considers the lawsuit to be unfounded and will contest the lawsuit in its entirety.

Elos Medtech has appointed Conny Jakobsson, Managing Director of Elos Medtech Tianjin in China, as Operational Excellence Director of Elos Medtech. Elos Medtech is focused on growth and continual improvement of the organization. To achieve our growth targets on both profitability and sales, we have set up a strategic focus area called Operational Excellence

and Continual Improvements. It will involve systematically developing our operations, ensuring higher capacity and improving the competitiveness of our offering to customers. We are now investing even more in this area by appointing Conny Jakobsson as Operational Excellence Director.

Remuneration to senior executives

At the 2018 Annual General Meeting, guidelines were adopted for remuneration and other conditions of employment for senior management. The guidelines cover the Elos Medtech Group management as well as other leading officials. 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 2019 Annual General Meeting resolved that the guidelines for remuneration and other conditions of employment for senior management remain unchanged from 2018.

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, although variable salary, individual pension remuneration and other remuneration may also 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 percent of the fixed salary. The retirement age is 65 years. 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.

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 51–56 in the annual report.

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 1:00 per share be paid for the financial year 2018. According to the proposal, the total share dividend amounts to SEK 8.1 million (0.0).

Disposable earnings do not include amounts due to financial assets and liabilities being valued at fair value. The proposal of the Board for the date of settlement is April 23 2019.

Proposed allocation of profit

The following annual profit is available for disposal:

	SEK thousand
Profit brought forward including share premium reserve	258,308
Comprehensive income for the year	3,466
Total	261,774

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

	SEK thousand
Dividend of SEK 1:00 per share to shareholders	8,068
Carried forward to next year	253,706
Total	261,774

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Note	2018	2017
Net sales	3, 4	644,711	577,915
Cost of goods sold		-466,290	-415,461
Gross profit		178,421	162,454
Selling expenses		-40,226	-37,859
Administrative expenses	6	-80,610	-68,056
Development costs		-19,259	-13,803
Other operating income	8	2,584	3,423
Other operating expenses	9	-2,010	-3,410
Operating profit	2, 4, 7, 10	38,900	42,749
<i>Income from financial investments</i>			
Other interest income and similar profit/loss items	12	821	289
Other interest expenses and similar profit/loss items	13	-11,244	-16,633
Profit after financial items		28,477	26,405
Tax expense	15	-7,540	-3,800
Profit for the year		20,937	22,605
Attributable to Parent Company shareholders		20,937	22,605
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax		20,937	22,605
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses	31	-5,112	-6,637
Tax		1,125	1,460
		-3,987	-5,177
Items that may be reclassified to profit or loss			
Translation differences for the period		21,092	-7,308
Other comprehensive income, net		17,105	-12,485
Comprehensive income for the year		38,042	10,120
Attributable to Parent Company shareholders		38,042	10,120
Earnings per share (SEK) for the year before and after dilution	39	2:76	3:74

CONSOLIDATED BALANCE SHEET

SEK thousand	Note	2018-12-31	2017-12-31
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Capitalized expenditure on development work	16	1,808	5,812
Goodwill	17	253,597	235,085
Other intangible assets	18	23,043	26,080
		278,448	266,977
<i>Property, plant and equipment</i>			
Buildings and land	20	151,468	144,823
Machinery and other technical facilities	21	187,246	152,118
Equipment, tools, fixtures and fittings	22	14,237	17,221
Construction in progress	23	21,055	20,461
		374,006	334,623
<i>Financial fixed assets</i>			
Deferred tax asset	32	2,391	7,317
Non-current receivables		–	376
Other shares and interests		17	17
		2,408	7,710
Total fixed assets		654,862	609,310
Current assets			
<i>Goods in stock etc</i>			
Raw materials and consumables		34,097	35,201
Work in progress		46,983	38,776
Finished products		84,405	68,518
Advance payments to suppliers		119	–
		165,604	142,495
<i>Current receivables</i>			
Accounts receivable	42	77,057	77,530
Current tax assets		2,224	1,160
Other receivables	26	1,934	3,955
Prepaid expenses and accrued income	27	6,637	3,470
		87,852	86,115
Cash and bank balances		48,964	9,620
Total current assets		302,420	238,230
TOTAL ASSETS		957,282	847,540

CONSOLIDATED BALANCE SHEET, CONT.

SEK thousand	Note	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity	28		
Equity attributable to Parents Company's shareholders			
Share capital	29	50,425	37,819
Other capital contributed		145,847	56,836
Reserves		26,229	5,303
Retained earnings		285,977	269,027
Total equity		508,478	368,985
Non-current liabilities			
Provisions for pensions	31	44,677	36,887
Deferred tax liability	32	27,253	30,779
Non-current interest-bearing liabilities	29, 43	222,133	205,805
Total non-current liabilities		294,063	273,471
Current liabilities			
Overdraft facility	33, 38, 42	9,426	48,973
Other interest-bearing liabilities	38, 42	60,138	76,523
Trade accounts payable	42	33,801	31,551
Tax liability		372	2,678
Other liabilities	35	6,570	7,503
Accrued expenses and deferred income	36	44,434	37,856
Total current liabilities		154,741	205,084
TOTAL EQUITY AND LIABILITIES		957,282	847,540

CONSOLIDATED CASH FLOW STATEMENT

SEK thousand	Note	2018	2017
Operating activities			
Profit after financial items		28,477	26,405
Reversed depreciation		56,447	51,290
Adjustment for non-cash items	40	2,824	6,963
		87,748	84,658
Tax paid		-11,833	-2,204
Cash flow from operating activities before changes in working capital		75,915	82,454
<i>Cash flow from working capital changes</i>			
Increase in inventory		-17,838	-10 754
Decrease/Increase in operating receivables		2,776	-19,346
Decrease/Increase in operating liabilities		5,186	9,743
Cash flow from operating activities	40	66,039	62,097
<i>Investing activities</i>			
Investments in fixed assets	40	-79,896	-37,576
Cash flow from investing activities		-79,896	-37,576
<i>Financing activities</i>	41		
New share issue/redemption of warrants		101,447	-113
Change in overdraft facilities		-40,353	9,563
Loans raised		54,294	18,934
Repayment of loans		-62,245	-73,795
Dividend to shareholders		-	-7,866
Cash flow from financing activities		53,143	-53,277
Cash flow for the year		39,286	-28,756
Cash and cash equivalents at beginning of year		9,620	38,496
Exchange rate differences in cash and cash equivalents		58	-120
Cash and cash equivalents at year-end	33, 40	48,964	9,620

PARENT COMPANY'S INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Note	2018	2017
Net sales	3, 5	24,611	25,030
Gross profit		24,611	25,030
<i>Selling expenses</i>	2	-11,120	-10,411
Administrative expenses	2, 6	-26,265	-23,306
Development costs		-	-754
Other operating income	8	110	153
Operating profit	7	-12,664	-9,288
<i>Income from financial investments</i>			
Profit from interests in Group companies	11	-	16,900
Interest income, Group companies		11,703	9,678
Other interest income and similar profit/loss items	12	9,556	8
Other interest expenses and similar profit/loss items	13	-4,125	-10,700
Profit after financial items		4,470	6,598
Appropriations	14	362	-1,763
Tax on profit for the year	15	-1,366	-1,473
Profit for the year	28	3,466	3,362
STATEMENT OF COMPREHENSIVE INCOME			
Profit after tax		3,466	3,362
Other items that affect comprehensive income			
Other comprehensive income, net		-	-
Comprehensive income for the year		3,466	3,362

PARENT COMPANY BALANCE SHEET

SEK thousand	Note	2018-12-31	2017-12-31
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Capitalized expenditure on development work	16	884	861
Other intangible assets	18	2,943	2,810
		3,827	3,671
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	22	661	808
		661	808
<i>Financial fixed assets</i>			
Interests in Group companies	24	222,521	222,521
Receivables from Group companies	24, 42	194,735	162,892
		417,256	385,413
Total fixed assets		421,744	389,892
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		11,156	23,202
Current tax assets		182	360
Other receivables	26	454	404
Prepaid expenses and accrued income	27	1,670	912
		13,462	24,878
Cash and bank balances	42	34,343	746
Total current assets		47,805	25,624
TOTAL ASSETS		469,549	415,516

PARENT COMPANY BALANCE SHEET, CONTD.

SEK thousand	Note	2018-12-31	2017-12-31
EQUITY AND LIABILITIES			
Equity	28		
<i>Restricted equity</i>			
Share capital	29	50,425	37,819
Reserves		58,872	58,872
Fund for development expenses		3,198	2,018
		112,495	98,709
<i>Unrestricted equity</i>			
Share premium reserve		90,321	1,309
Retained earnings		167,987	165,806
Profit for the year		3,466	3,362
		261,774	170,477
Total equity		374,269	269,186
Untaxed reserves	30	7,182	7,543
Provisions			
Provisions for pensions	31	5,452	4,902
Total provisions		5,452	4,902
Non-current liabilities	32	–	–
Non-current interest-bearing liabilities	38, 42	51,386	52,375
Total non-current liabilities		51,386	52,375
Current liabilities			
Overdraft facility	34, 38, 42	11,515	42,511
Other interest-bearing liabilities	38, 42	11,214	20,581
Trade accounts payable	42	1,577	1,423
Tax liability		–	1,477
Liabilities to Group companies		9	10,545
Other liabilities	35	615	663
Accrued expenses and deferred income	36	6,330	4,310
Total current liabilities		31,260	81,510
TOTAL EQUITY AND LIABILITIES		469,549	415,516

PARENT COMPANY CASH FLOW STATEMENT

SEK thousand	Note	2018	2017
Operating activities			
Profit after financial items		4,470	6,598
Reversed depreciation		1,553	1,288
Adjustment for non-cash items	40	1,638	-1,662
		7,661	6,224
Tax paid		-2,665	61
Cash flow from operating activities before changes in working capital		4,996	6,163
<i>Cash flow from working capital changes</i>			
Increase/decrease in operating receivables		4,015	514
Increase/decrease in operating liabilities		-16,312	-1,028
Cash flow from operating activities		-7,301	5,649
<i>Investing activities</i>			
Investments in fixed assets		-1,563	-1,979
Promissory note loan to subsidiary	25	-17,804	-20,727
Cash flow from investing activities		-19,367	-22,706
<i>Financing activities</i>			
New share issue/redemption of warrants		101,617	-113
Change in overdraft facilities		-30,996	16,461
Loans raised		-	3,307
Repayment of loans		-10,356	-21,608
Refunds of promissory note loan to subsidiary	25	-	10,500
Dividend to shareholders		-	-7,866
Cash flow from financing activities		60,265	681
Cash flow for the year		33,732	-16,376
Cash and cash equivalents at beginning of year		746	17,122
Cash and cash equivalents at year-end	33, 40	34,343	746

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	Share capital	Other capital contributed	Reserves	Profit carried forward including profit for the year	Total equity
Equity 2016-12-31	37,819	56,949	12,611	259,465	366,844
Profit for the year				22,605	22,605
Actuarial gains or loss pensions incl. tax				-5,177	-5,177
Actuarial gains or losses pensions inc. tax			-7,308		-7,308
Comprehensive income for the year			-7,308	17,428	10,120
Redemption of warrants		-113			-113
Dividend				-7,866	-7,866
Equity 2017-12-31	37,819	56,836	5,303	269,027	368,985
Profit for the year				20,937	20,937
Actuarial gains or loss pensions incl. tax				-3,987	-3,987
Actuarial gains or losses pensions inc. tax			21,092		21,092
Comprehensive income for the year			21,092	16,950	38,042
New issue	12,606	89,015			101,621
Redemption of warrants		170			170
Dividend					-
Equity 2018-12-31	50,425	145,681	26,395	285,977	508,478

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousand	Share capital	Restricted reserves	Share premium reserve	Unrestricted equity	Total equity
Note 28					
Equity 2016-12-31	37,819	59,656	1,423	174,905	273,803
Profit for the year				3,362	3,362
Comprehensive income for the year				3,362	3,362
Issue of warrants			-113		-113
Allocation to fund for development expenses		1,234		-1,234	-
Dividend				-7,866	-7,866
Equity 2017-12-31	37,819	60,890	1,310	169,167	269,186
Profit for the year				3,466	3,466
Comprehensive income for the year				3,466	3,466
New issue	12,606		89,181		101,787
Allocation to fund for development expenses		1,180		-1,180	-
Redemption of warrants			170		170
Equity 2018-12-31	50,425	62,070	90,321	171,453	374,269

NOTES

Amounts in SEK thousand unless otherwise stated

Note 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 Gothenburg, Sweden. The company's share is listed on the Stockholm Stock Exchange, Nasdaq small cap.

This annual report for the 2018 financial year was signed by the Board of Directors for Elos Medtech AB on March, 29 2019 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 April 23 2019.

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 2018

The following new standards entered into force with effect from the financial year beginning on January 1 2018.

As of January 1 2018, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers are applied.

- **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.
- **IFRS 15 "Revenue from contracts with customers"** regulates how reporting of income is to be undertaken. 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 entered into effect on January 1 2018.

The Group's analysis has found that the implementation of IFRS 9 and IFRS 15 is not expected to have any significant effect on the Group's financial reporting. No transitional effects have thus arisen resulting from the implementation of these accounting standards.

Future changes in accounting principles 2019 and later

- **IFRS 16 Leasing Agreements** entered into force on January 1 2019. The Standard removes the division of leasing agreements into either operational or financial leasing for the lessee, as required by IAS 17, and instead introduces a common model for accounting for all leasing.

In this model the lessee shall report (a) assets and liabilities for all leasing agreements where the leasing period exceeds 12 months, with the exception of assets of low value, and (b) depreciation separately from interest expenses relating to the lease liability on the balance sheet.

Elos Medtech will not apply the standard retroactively. For leases, the company has applied the marginal borrowing rate as a discount rate with respect to the duration of the leasing agreement.

For the transition, the simplified approach will be applied, which means that the value of right-of-use asset equals the lease liability. The exception, whereby short-term leases and assets with a low value are not reported, has also been applied.

When IFRS 16 is applied, the share of leasing fees, which is currently included in the operating expenses in the consolidated income statement, will instead constitute depreciation on assets and interest expense in net financial items. Initially, the standard will have an effect on how the Group reports its operating leases, increasing the balance sheet total and to result in certain changes to KPIs. The company's preliminary estimates show that, at the entry into force of the standard, additional usage rights and related additional financial leasing liabilities will amount to approximately SEK 20 million.

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 percent of the shares' votes or in some other way has controlling 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 acquisition 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 recognized at fair value or at the holding's proportional share of the acquired company's identifiable net assets. Holdings without controlling influence are recognized 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 recognized 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 recognized directly in the income statement.

Intra-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.

The profits and financial position of all group companies that have a functional currency other than the reporting currency are translated into the Group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the foreign currency's functional currency to the Group's reporting currency at the exchange rate prevailing on the balance sheet date. Income and expenses for each of the income statements are translated to SEK at the average rate. Translation Differences arising from currency translation of foreign operations are recognized in other comprehensive income. Accumulated gains and losses are recognized in profit for the year when foreign operations are divested in whole or in part.

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 organization 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 4 for more information on the segment

With effect from 2019, the Company has decided to report on three segments – Orthopedics, Dental and Life Science.

Income

The company's income is based solely on contracts with customers on performance commitments in the form of delivery of goods.

Income from contracts with customers is recognized when the control has been passed on to the buyer and that all performance commitments have been fulfilled. Normally, this occurs on delivery from the factory.

The company's payment terms comprise a normal credit period of 30 days. Information on income by market segment and market area is shown in note 3. The Company's credit exposure is illustrated in note 42.

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.

Depreciation according to plan amounts to the following percentages:

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%
Capitalized expenditure on development work	20–33%

Capitalized expenditure for R&D consists of development costs for producing new products and production processes. The capitalized 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 percent (22.0). See Note 15.

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 31.

Note 1 continuation

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 to which the contribution relates.

Capitalized expenditure on development work

Expenses for the development of our own products are reported as intangible assets in the balance sheet under the heading "Capitalized 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 financial liabilities are reported when the Group becomes a party to the contractual terms of the instrument. The purchase and sale of financial assets is reported on the trade day, the date the Group commits to buy or sell the asset.

A financial asset is removed from the balance sheet when the rights in the contract are realised, expire or the company loses con-

trol of them. A financial liability is removed from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished.

At initial recognition, financial instruments are reported at fair value plus transaction costs directly attributable to the acquisition or issuance of a financial asset or financial liability, for example fees and commissions.

The Group classifies its financial assets and liabilities depending on the purpose for which the financial asset or liability was acquired. The Group's classification is reproduced below. The classification of investments in debt instruments depends on the Group's business model for managing financial assets and the contractual terms for the cash flows of the assets.

Financial assets at amortized cost

Assets held for the purpose of collecting contractual cash flows, where these cash flows constitute only capital amounts and interest are valued at amortized cost. Assets in this category are initially reported at fair value including transaction costs. After the acquisition date, they are reported at amortized cost using the effective interest method. The reported value of these assets is adjusted with any expected credit losses reported (see impairment below). Interest income from these financial assets is reported using the effective interest method and is included in financial income. Assets in this category consist of long-term financial receivables, accounts receivable and other current receivables. They are included in current assets with the exception of items with maturity more than 12 months after the end of the reporting period, which are classified as fixed assets.

Financial assets at fair value through profit or loss

Investments in debt instruments that do not qualify to be recognized at either amortized cost or at fair value through other comprehensive income are valued at fair value through the income statement. Equity instruments where the Group has chosen not to recognize fair value changes through other comprehensive income and derivatives that do not qualify for so-called hedge accounting are also included in this category. A gain or loss on a financial asset (debt instrument) that is recognized at fair value through the income statement and which is not included in a hedging relationship is recognized net in the income statement in the period when the gain or loss arises. This category includes other stocks and shares.

Impairment of financial assets at amortized cost

The Group assesses the future expected credit losses that are linked to assets recognized at amortized cost. The Group reports a credit reserve for such expected loan losses at each reporting date. For accounts receivable, the Group applies the simplified approach for reporting credit reserves, which means that the reserve will correspond to the expected loss over the entire lifetime of the accounts receivable. To measure the expected credit losses, accounts receivable have been grouped based on distributed credit risk properties and overdue days. The Group uses forward-looking variables for expected loan losses. Expected credit losses are reported in the consolidated statement of comprehensive income in the item selling and administration expenses.

Financial liabilities at amortized cost

The Group's financial liabilities are initially reported at fair value, net of transaction costs. Financial liabilities are subsequently recognized at amortized cost using the effective interest method. Long-term liabilities have an expected maturity longer than 1 year, while current liabilities have a maturity of less than 1 year. This category includes liabilities to credit institutions, accounts payable and other current liabilities.

Cash flow hedging

Cash flow hedging is undertaken, in accordance with Group policy, when an operation invests in machines in foreign currency be 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. A hedging relationship with loans in foreign currency is used as a hedging instrument for intra-Group loans in USD; see Note 42. In other respects, there is no hedging of net assets.

The Parent Company's accounting principles

The Parent Company applies RFR 2 Reporting for corporate bodies from the Swedish Financial Reporting Board. 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.

Shares in subsidiaries

Shares in subsidiaries are recognized at cost less any impairment losses. The acquisition value includes acquisition-related costs and any additional considerations.

When there is an indication that interests in subsidiaries decreased in value, the recoverable amount is calculated. If this is lower than the carrying amount, an impairment loss is reported. Impairment losses are reported in the item "Profit from interests in Group companies".

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. The associated tax effect is recognized in the income statement in accordance with IAS 12.

Financial instruments

IFRS 9 is not fully applied in the Parent Company. The Parent Company instead applies the points specified in RFR 2 (IFRS 9 Financial Instruments, bullets 3–10).

The Parent Company's accounting principles are unchanged from the previous year. The transition to IFRS 9 and IFRS 15 has not had any effect on the Parent Company's financial statements.

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. The most important factors are assumptions about the discount rate, inflation rate, expected future salary increases and life expectancy of the persons covered by the pension plan. See Note 31.

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 December 31 2018 are stated in note 17.

Onyx Medical LLC ("Onyx"), which is a US subsidiary of Elos Medtech has become the subject of a lawsuit. The claim does not indicate a specified amount for the damages claimed. Elos Medtech considers the lawsuit to be unfounded and will contest all of the claims in their entirety. Since no specific claim amount has been made and according to Elos Medtech, the lawsuit has no basis, no amount has been set aside in the financial statements.

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 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. 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 42.

Elos Medtech is dependent on bank financing. The company's current banking agreement is associated with certain financial commitments that must be fulfilled at each agreed date. Should the company breach these commitments, there is a risk that the lenders will cancel the loans for early payment, which could have a negative impact on the Group's operations, financial position and results.

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 2.1 million (2.6).

Currency risks

The Elos Medtech Group is active in different markets with different types of currency exposure and currency risk.

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.

Translation exposure exists with regard to the Group's holdings in foreign operations. The Group's equity in foreign currency refers to USD, CNY and DKK. This is an investment in foreign currency which, when converted to SEK, gives rise to a translation risk. The Group has chosen not to hedge currency exposure arising from the net assets of the group's foreign operations. However, this exposure is partly hedged by borrowing in USD.

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 2017 and 2018. The currencies that have the greatest impact on the operating result of a currency change are the Danish krone and the US dollar, where a change of ten percent results in approx. SEK 2.6 million and approx. SEK 1.8 million respectively in currency effects. If the Swedish krona had fallen/risen by 10 percent against the Danish krone, Chinese yuan and US dollar, with all other variables constant during the 2018 financial year, the year's profit before tax would have been approximately SEK 5.0 million lower/higher as a result of foreign currency gains or losses when translating the profit from the subsidiaries. For more information on risk management, please refer to note 42.

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 organizations. 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. The Group reports a credit reserve for expected credit losses at each reporting date based on the expected loss over the entire lifetime of the accounts receivable. 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. The Group therefore reports accounts receivable at amortised cost at initial recognition.

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 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. Based on budget and forecast for 2019, it is forecast that the company will meet the condition for quotient value at the respective measurement time during 2019.

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.

The policy is that liquid assets, including unused overdraft facilities, should amount to 6–12 percent of the Group's net sales. The

outcome for the year amounted to 16.6 percent (5.7). Investment of liquid assets must only occur in bank-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 508.5 million (369.0). 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 percent, depending on the share of capital. The return should exceed 15 percent in the current situation. The return on operating capital should be at least 15 percent. The proportion of risk-bearing capital should be at least 30 percent. The year's outcome on return on equity amounted to 4.8 percent (6.1), return on operating capital amounted to 5.1 percent (5.8) and the proportion of risk-bearing capital amounted to 56.0 percent (47.2).

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 percent of the profit after tax.

Note 2 PERSONNEL AND PERSONNEL COSTS

Average number of employees divided into women and men	2018			2017		
	Men	Women	Total	Men	Women	Total
Group						
Sweden	86	50	136	87	47	134
Denmark	100	72	172	95	62	157
China	65	60	125	68	53	121
USA	94	45	139	80	35	115
	345	227	572	330	197	527
Parent Company						
Sweden	6	7	13	5	8	13

Salaries, other benefits and social security expenses	2018			2017		
	Board of Directors and CEO	Other employees	Total	Board of Directors and CEO	Other employees	Total
Group						
Salaries and other benefits	13,408	242,773	256,181	11,448	207,905	219,353
(of which profit-based salary)	(1,791)	(4,942)	(6,733)	(392)	(3,074)	(3,466)
Social costs	3,998	50,218	54,216	3,312	46,711	50,023
(of which pension costs)	(1,423)	(18,322)	(19,745)	(1,317)	(15,702)	(17,019)
	17,406	292,991	310,397	14,760	254,616	269,376
Parent Company						
Salaries and other benefits	4,446	9,207	13,653	3,619	7,761	11,380
(of which profit-based salary)	(691)	(268)	(959)	(–)	(–)	(–)
Social costs	2,290	4,414	6,704	1,847	5,967	7,814
(of which pension costs)	(775)	(2,356)	(3,131)	(762)	(2,263)	(3,025)
	6,736	13,621	20,357	5,466	13,728	19,194

Salary and other remuneration by country	2018			2017		
	Board of Directors and CEO	Other employees	Total	Board of Directors and CEO	Other employees	Total
Parent Company in Sweden	4,446	9,207	13,653	3,619	7,761	11,380
Subsidiaries in Sweden	2,792	49,857	52,649	1,981	48,106	50,087
Subsidiaries in Denmark	2,443	106,290	108,733	1,942	88,060	90,002
Subsidiaries in China	1,499	17,023	18,522	1,737	13,732	15,469
Subsidiaries in USA	2,086	60,228	62,314	2,169	50,246	52,415
	13,266	242,605	255,871	11,448	207,905	219,353

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 totaled SEK 1,350,000 (1,450,000)

Fee	2018	2017
Yvonne Mårtensson (chair)	400	400
Agneta Bengtsson Runmarker	200	175
Jeppe Magnusson	175	175
Mats Nilsson	175	175
Anders Birgersson	175	175
Jon Risfelt	225	175
Thomas Öster*	–	175
	1,350	1,450

* Left in connection with the 2018 AGM.

Fees refer to Board fees and remuneration for work on audit committees.

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 percent of the fixed salary. The variable remuneration is based on the profit outcome in the Group. Individual pension provisions area limited so that these are favorable to the company in terms of tax deduction.

The present CEO has received salary and other remuneration, including benefits totaling SEK 3,096,000 (2,169,000).

The remuneration for the year includes a profit-based remuneration of SEK 691,000 (0).

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. 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 2018 for the current CEO amounted in total to SEK 775,000 (762,000). 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.

Other senior executives excluding the CEO received salary and other remuneration including car benefits of SEK 12,534,000 in total (10,636,000) in 2018. The year's remuneration includes profit-based salary of SEK 1,368,000 (392,000).

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.

Pension-entitled salary is the basic salary and an average of the previous three years' variable remuneration. The pension insurance paid for 2018 amounted to SEK 1,130,000 (1,118,000).

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 totaling SEK 19,688,000 (18,329,000). The pension costs for these amounted to SEK 1,139,000 (1,024,000).

Members of the Board and senior executives (number of persons)	2018			2017		
	Men	Women	Total	Men	Women	Total
Group						
Board members	4	2	6	5	2	7
CEO and other senior executives	6	2	8	6	3	9
Parent Company						
Board members	4	2	6	5	2	7
CEO and other senior executives	2	1	3	2	2	4

Note 3 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	2018	2017
Dental Implant Systems	206.7	202.0
Diagnostics	34.8	30.2
Hearing Device & Vibration	102.9	81.4
Orthopedics	200.0	166.0
Other Medical Areas	100.3	98.3
Total	644.7	577.9

Sales for 2018 include sales to a single customer of SEK 76.3 million (74.6).

Primary products

Dental Implant Systems: Fixtures (implants), components for implant-borne prosthetics and instruments for dental implant work.

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

Hearing Device & Vibration: Surgically implanted hearing devices and components for traditional hearing aids.

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

Other Medical Areas: 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.

SEK million	2018	2017
Sweden	133.7	125.3
Nordics except Sweden	69.2	54.2
Europe except Nordics	215.0	196.7
North America	139.9	116.8
Asia	85.0	82.3
Other Markets	1.9	2.6
Total	644.7	577.9

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

SEK million	2018	2017
Sweden	5.6	5.4
Nordics except Sweden	12.6	13.5
Asia	2.5	2.3
North America	3.9	3.8
Total	24.6	25.0

Note 4 INFORMATION ABOUT MARKETS

The Group's single operating segment, Medtech, develops, manufactures and sells medical devices and components and services.

For information on the market segment's sales, refer to note 3 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	
	2018	2017	2018	2017
Sweden	203.3	177.9	15.8	14.0
Denmark	278.1	258.4	20.8	10.8
China	87.1	83.1	6.1	3.0
USA	388.8	328.1	37.2	9.8
Total	957.3	847.5	79.9	37.6

Note 5 BUYING AND SELLING BETWEEN GROUP COMPANIES

Of the Parent Company's revenue, SEK 24.6 million (25.0) pertains to income from Group companies. During the year, there has been purchasing from Group companies of SEK 0.6 million (0.2) for IT and marketing services.

Note 6 REMUNERATION OF AUDITORS

Fees and expense reimbursements

SEK million	Group		Parent Company	
	2018	2017	2018	2017
PwC				
Auditing assignment	1,325	1,298	390	370
of which to PwC Sweden	650	1,039	390	370
Auditing activities in addition to assignment	387	319	198	240
of which to PwC Sweden	238	240	198	240
Tax advice	36	–	–	–
of which to PwC Sweden	–	–	–	–
Total	1,748	1,617	588	610
Fees and expense reimbursements to others	57	50	–	–
Group total	1,805	1,667	588	610

Auditing assignments refers to investigation of consolidated accounting, statutory auditing of the Parent Company and subsidiaries, book-keeping 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 2017 and 2018.

Note 7 DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT

Group	Cost of goods sold	Development costs	Selling expenses	Administrative expenses	Total
2018					
Other intangible assets	672	5,707	4,387	1,104	11,870
Capitalized development costs	–	794	234	–	1,028
Buildings	5,891	122	90	639	6,742
Land improvements	78	7	4	5	94
Machinery and other technical facilities	33,414	1	–	–	33,415
Equipment, tools, fixtures and fittings	2,457	–	202	639	3,298
Total	42,512	6,631	4,917	2,387	56,447
2017					
Other intangible assets	319	942	4,538	1,082	6,881
Capitalized development costs	–	1,633	–	–	1,633
Buildings	5,569	117	75	567	6,328
Land improvements	103	6	4	5	118
Machinery and other technical facilities	32,106	–	–	–	32,106
Equipment, tools, fixtures and fittings	2,802	–	241	1,181	4,224
Total	40,899	2,698	4,858	2,835	51,290

Parent Company	Administrative expenses	Total
2018		
Other intangible assets	1,320	1,320
Equipment	232	232
Total	1,552	1,552
2017		
Other intangible assets	1,098	1,098
Equipment	190	190
Total	1,288	1,288

Note 8 OTHER OPERATING INCOME

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Profit from sale of other fixed assets	442	54	103	–
Vendor compensation	962	2,352	–	–
Insurance compensation	–	267	–	–
Foreign currency gains	664	656	7	153
Other	516	94	–	–
Total	2,584	3,423	110	153

Note 9 OTHER OPERATING EXPENSES

SEK million	Group	
	2018	2017
Losses from sale of other fixed assets	–777	–19
Reserve for customer commitment	–4	–2,243
Foreign currency losses	–1,154	–1,127
Other	–75	–21
Total	–2,010	–3,410

Note 10 COST BY TYPE

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

Group	2018	2017
Material inc. subcontractors	111,742	109,708
Remuneration of employees	310,397	269,376
Depreciation	56,447	51,290
Other costs	127,799	104,805
Total	606,385	535,179

Note 11 PROFIT FROM INTERESTS IN GROUP COMPANIES

Parent Company	2018	2017
Group contributions received	–	16,900
Total	–	16,900

Note 12 OTHER INTEREST INCOME AND SIMILAR INCOME ITEMS

	2018	2017
Group		
Interest income	86	126
Exchange rate differences	735	163
Total	821	289
Parent Company		
Interest income	3	8
Exchange rate differences	9,553	–
Total	9,556	8

Note 13 OTHER INTEREST EXPENSES AND SIMILAR INCOME ITEMS

	2018	2017
Group		
Interest expenses	-10 521	-9,287
Exchange rate differences	-204	-6,347
Other	-519	-999
Total	-11,244	-16 633
Parent Company		
Interest expenses	-3,521	-3,704
Exchange rate differences	-22	-6,879
Other	-582	-117
Total	-4,125	-10,700

Note 14 APPROPRIATIONS

Parent Company	2018	2017
Allocation to tax allocation reserve, tax year 2017	–	-1,600
Reversal of tax allocation reserve, tax year 2012	352	–
Allocation to tax allocation reserve, tax year 2018	-285	–
Difference between booked depreciation and depreciation according to plan	295	-163
Total	362	-1,763

Note 15 TAX

Group	2018	2017
Current tax	-8,767	-5,357
Deferred tax referring to deficit deductions	–	13
Deferred tax referring to temporary differences	1,227	1,544
Total tax	-7,540	-3,800

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

Group	2018	2017
Reported profit before tax	28,477	26,405
Tax at the current rate	-6,265	-5,809
Tax effects of:		
Effect of changed tax rate in foreign subsidiaries	–	2,611
Differences in foreign tax rates	-696	-43
Withholding tax	-309	-370
Other	-270	-189
Reported tax expense	-7,540	-3,800

The tax rate in Sweden has been used as the current tax rate for 2018: 22.0 percent (22.0). The Group's average effective tax rate for 2018, 26.5 percent (14.4).

Goodwill of USD 22.9 million arose in connection with the acquisition of Onyx Medical in 2015. 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 USD 400,000 during this period, which also had a positive effect on cash flow.

Parent Company	2018	2017
Current tax in the income statement	-1,067	-1,121
Deferred tax referring to deficit deductions	–	–
Withholding tax	-300	-352
Total	-1,367	-1,473

Parent Company	2018	2017
Reported profit before tax	4,833	6,598
Tax at the current rate	-1,063	-1,452
Tax effects of:		
Non-deductible expenses	-65	-132
Tax-free income	61	388
Withholding tax and other net	-300	-277
Reported tax expense	-1,367	-1,473

Note 16 CAPITALIZED EXPENDITURE ON DEVELOPMENT WORK

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Opening acquisition value	8,956	8,080	876	–
Purchases for the year	238	876	238	876
Reclassification	–5,770	–	–	–
Opening acquisition value	3,424	8,956	1,114	876
Opening depreciation	3,144	1,758	15	–
Reclassification	–2,953	–	–	–
Depreciation for the year	1,425	1,386	215	15
Closing accumulated depreciation according to plan	1,616	3,144	230	15
Reported value at year-end	1,808	5,812	884	861

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

Note 17 GOODWILL

Group	2018	2017
Opening acquisition value	235,085	253,827
Translation difference	18,512	–18,742
Opening acquisition value	253,597	235,085
Reported value at year-end	253,597	235,085

Goodwill, SEK million	2018	2017
Dental Implant Systems	41	39
Orthopedics	206	189
Diagnostics	7	7
Total	254	235

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.

Assumptions

Value in use for net assets attributable to cash generating units within Dental Implant Systems, Orthopedics and Diagnostics has been calculated based on discounted cash flows. The cash flows for the first year are based on a set budget for 2019. The forecast period 2020–2023 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 Orthopedics 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 growth constitutes 6.9 percent in Dental Implant Systems, 18.0 percent in Orthopedics and 9.8 percent in Diagnostics during the forecast period. For periods thereafter, growth corresponding to 2.0 percent has been 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, the discount rate before tax has been set at 8.58 percent (8.46) and after tax at 8.40 percent (8.38).

Note 17 continuation

Sensitivity analysis, SEK million	Dental Implant Systems	Orthopedics	Diagnostics
Carrying amount corresponding to the cash generating unit's net assets	253.2	380.4	74.8
Recoverable amount in excess of carrying amount	441.3	202.7	187.0

Reasonable changes in material assumptions

	Dental Implant Systems	Orthopedics	Diagnostics
Growth rate for years two to five is decreased by 50%.	The change entails no impairment requirement. The value in use decreases by SEK 303.6 million, but still exceeds the carrying amount.	The change entails no impairment requirement. The value in use decreases by SEK 23.5 million, but still exceeds the carrying amount.	The change entails no impairment requirement. The value in use decreases by SEK 110.3 million, but still exceeds the carrying amount.
Discount rate before tax increases by 1%.	The change entails no impairment requirement. The value in use decreases by SEK 95.1 million, but still exceeds the carrying amount.	The change entails no impairment requirement. The value in use decreases by SEK 78.2 million, but still exceeds the carrying amount.	The change entails no impairment requirement. The value in use decreases by SEK 36.3 million, but still exceeds the carrying amount.
EBITDA margin adjusted to average of last two years	The change entails no impairment requirement. Has no significant effect on value in use.	The change entails no impairment requirement. The value in use decreases by SEK 93.0 million, but still exceeds the carrying amount.	The change entails no impairment requirement. Has no significant effect on value in use.

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

Note 18 OTHER INTANGIBLE ASSETS

Group	Group		Parent Company	
	2018	2017	2018	2017
Opening acquisition value	55,112	52,353	10,766	10,172
Purchases for the year	5,372	4,508	1,239	594
Reclassification	-2,662	-	-	-
Translation difference	2,592	-1,749	-	-
Closing acquisition value	60,414	55,112	12,005	10,766
Opening depreciation	29,032	22,585	7,956	6,858
Depreciation for the year	9,096	7,005	1,106	1,098
Sale and decommissioning	-757	-	-	-
Translation difference	-	-558	-	-
Closing accumulated depreciation	37,371	29,032	9,062	7,956
Reported value at year-end	23,043	26,080	2,943	2,810

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

Note 19 OPERATIONAL LEASING AGREEMENTS

The Group's expenses for operational leasing agreements in 2018 amounted to SEK 3,759,000 (3,664,000). 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	
	2018	2017
Year 1	3,576	3,283
Year 2	1,961	2,410
Year 3	1,500	1,907
Year 4	924	268
After year 4	194	132
Total	8,155	8,000

Note 20 BUILDINGS AND LAND

Buildings	Group	
	2018	2017
Opening acquisition value	195,158	194,125
Purchases for the year	2,596	206
Reclassification	2,116	3,010
Translation difference	6,498	-2,183
Opening acquisition value	206,368	195,158
Opening depreciation	62,913	56,392
Depreciation for the year	6,573	6,329
Translation difference	1,694	192
Closing accumulated depreciation	71,180	62,913
Reported value at year-end	135,188	132,245

Land improvements	Group	
	2018	2017
Opening acquisition value	1,795	1,772
Purchases for the year	140	-
Reclassification	35	-
Translation difference	-	23
Opening acquisition value	1,970	1,795
Opening depreciation	740	619
Translation difference	6	3
Depreciation for the year	130	118
Closing accumulated depreciation	876	740
Reported value at year-end	1,094	1,055

Land	Group	
	2018	2017
Opening acquisition value	11,523	12,199
Purchases for the year	2,898	-
Reclassification	-	-
Translation difference	765	-676
Opening acquisition value	15,186	11,523
Reported value at year-end	15,186	11,523
Reported value at year-end, buildings and land	151,468	144,823

Note 21 PLANT AND MACHINERY

Machines, etc.	Group	
	2018	2017
Opening acquisition value	436,784	435,032
Purchases for the year	45,160	8,677
Reclassification	16,997	5,958
Sale and decommissioning	8,132	-6,830
Translation difference	15,222	-6,053
Opening acquisition value	506,031	436,784
Opening depreciation	284,666	257,914
Depreciation for the year	33,043	34,372
Sale and decommissioning	-6,982	-7,495
Translation difference	8,058	-125
Closing accumulated depreciation	318,785	284,666
Reported value at year-end	187,246	152,118
Leasing objects included in book value above at	36,315	28,561

Of the year's investments, SEK 15.5 million (11.2) 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 38.5 million (31.5). The present value of these amounts to SEK 35.1 million (28.8). See note 34.

Note 22 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Equipment, etc.	Group		Parent Company	
	2018	2017	2018	2017
Opening acquisition value	61,186	60,247	2,006	1,497
Purchases for the year	2,396	517	86	509
Reclassification	-3,544	2,992	-	-
Sale and decommissioning	-1,216	-2,131	-	-
Translation difference	873	-439	-	-
Closing acquisition value	59,695	61,186	2,092	2,006
Opening depreciation	43,965	42,541	1,198	1,008
Depreciation for the year	2,080	2,079	233	190
Sale and decommissioning	-1,165	-418	-	-
Translation difference	578	-237	-	-
Closing accumulated depreciation	45,458	43,965	1,431	1,198
Reported value at year-end	14,237	17,221	661	808
Leasing objects included in book value above at	1,029	2,155	-	-

The leasing objects consist mainly of cars, and the year's acquisitions amount to SEK 0.0 million (0.3). The total minimum leasing charges amount to SEK 1.2 million (2.7). The present value of these amounts to SEK 1.1 million (2.5).

Note 23 CONSTRUCTION IN PROGRESS

	Group	
	2018	2017
Construction in progress		
Opening acquisition value	20,461	8,407
Purchases for the year	23,438	22,792
Reclassification	-23,708	-11,960
Sale and decommissioning	-	-
Translation difference	864	1,222
Opening acquisition value	21,055	20,461
Reported value at year-end	21,055	20,461

Note 24 INTERESTS IN GROUP COMPANIES

Parent Company	2018	2017
Opening acquisition value	222,521	222,521
Acquired operations	-	-
Opening acquisition value	222,521	222,521
Opening impairment	-	-
Closing accumulated impairment	-	-
Reported value at year-end	222,521	222,521

Subsidiary	Sub/Subsidiary	Share of votes	Number of votes	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%		-
Total				222,521

Information about the subsidiaries' organization number and headquarters:

Subsidiary	Sub/Subsidiary	Corp. ID number	Headquarters
Elos Medtech Pinol A/S		13746184	Hilleröd, Danmark
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	Göteborg
AB Westment		556245-0089	Göteborg
	Elos Medical AB	556193-2913	Göteborg
	EM Group AB	556259-0215	Göteborg

Note 25 RECEIVABLES FROM GROUP COMPANIES

	Parent Company	
	2018	2017
Long-term loan to Elos Medtech U.S. Holdings, refers to financing of acquisition	186,426	154,509
Long-term loan to Elos Medtech Tianjin, refers to financing of the Group's net investment in subsidiary	7,708	7,781
Other	601	601
Total	194,735	162,891

Note 26 OTHER RECEIVABLES

	Group		Parent Company	
	2018	2017	2018	2017
Promissory note	-	735	-	-
Value added tax	182	2,143	181	400
Other	1,752	1,077	273	4
Total	1,934	3,955	454	404

Note 27 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2018	2017	2018	2017
Prepaid expenses	5,104	3,116	1,493	748
Other	1,533	353	177	164
Total	6,637	3,469	1,670	912

Note 28 EQUITY

Group

Reserves include translation differences as below:

Translation differences net assets for-eign currency

	2018	2017
Opening accumulated translation differences	11,129	18,437
Translation differences for the year	21,092	-7,308
Closing accumulated translation differences	32,221	11,129

Exchange rate differences from hedging net investment in foreign operations

Opening accumulated exchange rate differences	-5,826	-5,826
Exchange rate difference for the year	-	-
Closing accumulated exchange rate differences	-5,826	-5,826
Total closing accumulated translation and exchange rate differences	26,395	5,303

Parent Company dividend

The Board of Directors proposed to the Annual General Meeting that a dividend for the 2018 financial year be paid in an amount of SEK 1.00 per share.

Note 29 SHARE CAPITAL

2018 rights issue

In the first quarter of 2018, a new share issue was implemented entailing that 2,017,000 number of new class B shares have been issued. Elos Medtech AB has successfully completed a new issue with preferential rights for existing shareholders. The share issue was oversubscribed by 58.3 percent and brought the company SEK 104.9 million before issue costs. During the year, no Class A shares were converted into Class B shares.

On December 31 2018, the share capital consisted of 8,068,000 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 voice)	6,968,260
Total number	8,068,000

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.

2016 Warrants program

At the 2016 Annual General Meeting, it was resolved to introduce a share-based incentive program for senior executives. The subscription price is set at SEK 147 and can be exercised between October 1 and December 31 2019. Elos Medtech's warrants issued to senior executives and other key employees have been recalculated in accordance with the current subscription terms in connection with the new share issue. The recalculation resulted in 251,500 issued warrants giving the right to subscribe 271,620 (251,500) at the subscription price of SEK 136.32 (147.00) per share during the period October 1 to December 31 2019. After redemption in 2018, 201,000 warrants remain at December 31 2018 with the right to subscribe for 217,080 shares.

Considering the company's share price, there is no dilution effect as of December 31 2018.

Key figures for earnings per share have been recalculated. See note 39.

Note 30 UNTAXED RESERVES

Parent Company	2018	2017
Accumulated over-depreciation	1,352	1,646
Tax allocation reserve, tax year 2012	-	352
Tax allocation reserve, tax year 2013	2,890	2,890
Tax allocation reserve, tax year 2016	1,055	1,055
Tax allocation reserve, tax year 2017	1,600	1,600
Tax allocation reserve, tax year 2018	285	-
Total	7,182	7,543

Note 31 PROVISIONS FOR PENSIONS

	Group		Parent Company	
	2018	2017	2018	2017
Provision for FPG/PRI pensions including payroll tax	44,677	36,887	5,452	4,902
Total	44,677	36,887	5,452	4,902

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

Group	2018	2017
Discount rate	2.55%	2.75%
Annual pay increase	3.25%	3.25%
Annual increase in income base amount	3.25%	3.25%
Annual inflation	2.00%	1.90%
Attrition rate	5.00	5.00

The discount rate has been determined for 2018 as for 2017 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 2018, the duration was 24 years (24).

Note 31 continuation

Sensitivity analysis

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

Refers to the pension obligation excluding payroll tax.

Discount rate +/- 0.5%:	2.05%	2.55%	3.05%
The obligation's present value at the end of the period	44,686	39,833	35,657
Pay increase +/- 0.5%:	2.75%	3.25%	3.75%
The obligation's present value at the end of the period	38,604	39,833	41,209
Inflation +/- 0.5%:	1.50%	2.00%	2.50%
The obligation's present value at the end of the period	36,500	39,833	43,613
Life expectancy +/- 0.5%:	-1 year	DUS 14	1 year
The obligation's present value at the end of the period	38,262	39,833	41,408

Specification of change of pension liability in the Group:

	2018	2017
The obligation's present value at the beginning of the period	33,182	26,329
Benefits earned during the period	2,225	1,326
Pension payments	-664	-645
Interest	976	831
Actuarial gains (-) and losses (+)	4,114	5,341
The obligation's present value at the end of the period	39,833	33,182
Payroll tax	4,844	3,705
Book value	44,677	36,887

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	2018	2017
Costs for service current year	3,609	3,069
Interest expenses	976	831
Actuarial gains (-) and losses (+)	5,112	6,637
Total costs for defined benefit plans	9,697	10,537
Costs for defined contribution plans	15,710	13,950
Sum total pension costs	25,407	24,487

Estimated charges for payment to pension plans in 2018 are expected to amount to approximately SEK 701,000 (654,000).

Note 32 DEFERRED TAX ASSET/LIABILITY

	Group	
	2018	2017
Deferred tax asset		
Tax-loss carry-forwards	11,869	3,960
Temporary differences fixed assets	2,391	3,142
Provisions for pensions	5,460	4,175
Other	5,259	2,517
Total	24,979	13,794
Offsettable receivables	22,588	6,477
Recognized deferred tax liability	2,391	7,317
Deferred tax liability		
Temporary differences intangible assets	7,547	4,258
Temporary differences fixed assets	35,355	26,307
Temporary differences current assets	4,819	4,414
Untaxed reserves	2,120	2,277
Total	49,841	37,256
Offsettable receivables	22,588	6,477
Recognized deferred tax liability	27,253	30,779
Net	-24,862	-23,462

Loss carry-forwards that are the basis for deferred tax assets are not limited in time.

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 30).

	Group	
	2018	2017
Changes in deferred tax		
Opening Balance	-23,462	-26,505
Change in P/L	-1,478	1,557
Change in OCI	1,125	1,460
Translation difference	-1,047	26
Closing balance	-24,862	-23,462

Note 33 OVERDRAFT FACILITY**Group**

The overdraft facility extended amounts to SEK 67.5 million (72.2), of which the unused amount is SEK 58.1 million (23.2).

Parent Company

The overdraft facility extended amounts to SEK 40.0 million (40.0), of which the unused amount is SEK 40.0 million (11.1).

Note 34 INTEREST-BEARING LIABILITIES

	Group	
	2018	2017
Non-current liabilities		
Loan liabilities	197,404	185,574
Liabilities on finance leases	24,729	20,231
Total	222,133	205,805
	Group	
	2018	2017
Current liabilities		
Loan liabilities	54,093	67,931
Overdraft facility	9,426	48,973
Liabilities on finance leases	6,045	8,592
Total	69,564	125,496

Of the Group's loan liabilities, the amount falling due in more than 5 years is SEK 51.2 million (45.3). The corresponding amount for the Parent Company is SEK 0.0 million (0.0).

Finance leasing agreements

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

	Group	
	2018	2017
Year 1	9,244	14,038
Year 2	9,047	9,909
Year 3	7,126	9,009
Year 4	3,374	6,775
Year 5	2,710	2,006
After year 5	2,841	470
	34,342	42,207

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

Note 35 OTHER LIABILITIES

	Group		Parent Company	
	2018	2017	2018	2017
Value added tax	1,940	1,753	–	–
Withholding tax	1,963	2,054	342	375
Holiday liabilities, not paid out	691	1,701	–	–
Other	1,976	1,995	273	288
Total	6,570	7,503	615	663

Note 36 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2018	2017	2018	2017
Holiday and salary liabilities	25,351	24,599	1,639	1,268
Social expenses	6,350	7,277	1,789	1,505
Other accrued expenses	1,007	763	623	431
Other Items	11,726	5,217	2,279	1,106
Total	44,434	37,856	6,330	4,310

Note 37 PLEDGED ASSETS

	Group		Parent Company	
	2018	2017	2018	2017
For liabilities to credit institutions inc. overdraft facilities				
Property mortgages	151,249	146,703	–	–
Floating charges	43,799	43,188	6,200	6,200
Leasing objects	32,840	26,668	–	–
Machines with ownership rights reservations	85,255	64,747	–	–
Inventory with ownership reservation	20,373	13,130	–	–
Accounts receivable	20,884	16,375	–	–
Other pledged assets	5,644	1,840	–	–
Total	360,044	312,651	6,200	6,200

Note 38 CONTINGENT LIABILITIES

	Group		Parent Company	
	2018	2017	2018	2017
Guarantees for subsidiaries	–	–	64,921	95,973
Other contingent liabilities	397	358	109	98
Total	397	358	65,030	96,071

Information on the Group's pension commitments can be found in notes 2 and 31.

Note 39 EARNINGS PER SHARE

The earnings per share have been calculated by dividing the profit for the year attributable to Parent Company shareholders, SEK 20,937,000 (22,605,000), by the average number of outstanding shares, which is 7,598,000 (6,051,000). The number of shares at the end of the period was 8,068,000 (6,051,000). Earnings per share before and after dilution were calculated at SEK 2.76 (3.74).

Note 40 CASH FLOW

Adjustments for non-cash items:

	Group		Parent Company	
	2018	2017	2018	2017
Provisions	2,678	8,130	–550	569
Exchange rate differences	–565	–2,261	–9,553	–3,723
Profit on sold fixed assets	711	–	–103	–
Impairment of financial fixed assets	–	1,094	–	–
Other	–	–	11,844	–
Total	2,824	6,963	1,638	–3,154

Information about paid interest:

	Group		Parent Company	
	2018	2017	2018	2017
Interest paid during the year	10,275	8,891	3,275	3,520
Interest received during the year	4,951	118	4,868	1,454

During the year, the Parent Company received interest from subsidiaries amounting to SEK 4,865,000 (1,454,000). Liquid assets in the cash flow analysis consist of cash and bank balances. Of total investments of SEK 79.9 million (37.6), SEK 15.5 million (11.2) is loan financed.

Note 41 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Cash flow			Non-cash flows			CB 2018
	OB 2018	Amortization	Borrowing	Recalculation of pension liabilities	New leasing agreements	Exchange rate differences	
Group 2018							
Non-current interest-bearing provisions for pensions	36,887	–664		8,454			44,677
Overdraft facility	48,973	–40,353				806	9,426
Non-current interest-bearing liabilities							
of which leasing liabilities	20,231		3,453			1,045	24,729
of which loan liabilities	185,574	–30,477	40,369			1,938	197,404
Current interest-bearing liabilities							
of which leasing liabilities	8,592	–17,266	10,472			4,247	6,045
of which loan liabilities	67,931	–13,838					54,093
Total liabilities	368,188	–102,598	54,294	8,454		8,036	336,374
Cash and bank balances	–9,620						–48,964
Net debt	358,568	–102,598	54,294	8,454		8,036	287,410

Note 41 continuation

Group 2017	Cash flow			Non-cash flows				CB 2017
	OB 2017	Amortization	Borrowing	Recalculation of pension liabilities	New leasing agreements	Exchange rate differences	Reclassification	
Non-current interest-bearing provisions for pensions	28,757	-645		8,775				36,887
Overdraft facility	40,316		9,563			-906		48,973
Non-current interest-bearing liabilities								
of which leasing liabilities	25,857	-5,893			267			20,231
of which loan liabilities	197,448					-11,874		185,574
Current interest-bearing liabilities								
of which leasing liabilities	9,979	-1,387						8,592
of which loan liabilities	78,100	-34,073	18,934			-4,678	9,648	67,931
Non-interest-bearing financial liabilities	42,820	-31,797				-1,375	-9,648	
Total liabilities	423,277	-73,795	28,497	8,775	267	-18,833		368,188
Cash and bank balances	-38,496							-9,620
Net debt	384,781	-73,795	28,497	8,775	267	-18,833		358,568

Note 42 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 used 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. There have been no transfers between the various valuation categories in 2018 or 2017.

Management determines the classification of financial instruments according to IFRS 9 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. All the amounts stated below correspond to book value in the Group.

Cash and cash equivalents

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 49.0 million (9.6) for the Group and SEK 34.3 million (0.8) 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 77.1 million (65.8) and in the Parent Company to SEK 0 million (0). Book value is judged to correspond to fair value. Maximum exposure to credit risk as of the balance sheet date is the reported value below. The Group holds no security for current receivables.

Age distribution of accounts receivable	Group	
	2018	2017
Receivables not yet due	64,919	61,797
Receivables that fell due 1–30 days before	10,409	13,960
Receivables that fell due 31–60 days before	1,409	971
Receivables that fell due 61–90 days before	278	514
Receivables that fell due > 91 days before	221	451
Total that has fallen due	12,317	15,896
Reserved accounts receivable	-179	-165
Total accounts receivable	77,057	77,528

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 as of the balance sheet date amount to DKK 125.5 million (110.9), USD 21.8 million (19.4) and CNY 40.2 million (37.2). If a sensitivity analysis of the translation exposure in equity is made, a weakening of SEK by 10 percent against USD/DKK and CNY would result in a translation gain in equity of just over SEK 42 million. In the event of a strengthening of SEK by 10 percent against other currencies, the corresponding negative translation effect arises. In net assets in USD, the Parent Company's receivable is included in subsidiaries, see below.

Financial hedging of foreign currency

The Parent Company took a USD loan of USD 6.9 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. The Parent Company's promissory note from the subsidiary Elos Medtech U.S Holdings Inc. is classified as an additional investment in the subsidiary. The part of intra-Group receivables that are not covered by financial hedging has been deemed to constitute an expanded investment in the subsidiary and translation differences are recognized in other comprehensive income in the consolidated financial statements.

Note 42 continuation

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 correspond to book value in the Group. 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.

Conversion from foreign currency to SEK has been undertaken 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 facility

The Group has two (three) different overdraft facilities with a total credit of SEK 67.5 million (72.2). At year-end, the unused amount was SEK 58.1 million (23.2). 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 258.8 million (263.4). The loans consist of loans against traditional security such as mortgage deeds and company mortgages, repayment contracts and leasing agreements.

Payments including calculated interest payments per year	Group		Parent Company	
	2018	2017	2018	2017
Conditional purchase price that falls due in year 1	–	9,648	–	–
Loans that fall due in year 1	43,773	47,112	14,838	23,677
Loans that fall due in year 2	43,394	55,873	14,490	22,772
Loans that fall due in year 3	43,621	42,164	13,762	22,026
Loans that fall due in year 4	29,932	24,169	13,036	11,028
Loans that fall due in year 5	26,930	10,894	12,319	76
Loans that fall due after year 5	53,573	47,516	–	–
Total	241,223	237,376	68,445	79,579

Of the total loans including interest payments, SEK 68.9 million (62.7) are in SEK, SEK 56.4 million (26.3) are in DKK, SEK 154.5 million (131.9) are in USD, and SEK 6.0 million (6.8) are in EUR.

All loans from credit institutions in SEK, EUR and DKK have variable interest rates. Of the loans in USD, SEK 85.2 million (91.0) is at variable interest rate and SEK 48.0 million (27.8) is at fixed rate. The average interest rate on the Group's total loan liabilities is 5.1 percent (3.0). See also note 34.

Note 43 RELATED PARTY TRANSACTIONS

During the reporting period, the company has had one transaction with members of senior management. The transaction consists of a final payment of SEK 10.0 million for the additional purchase price associated with the acquisition of Onyx Medical LLC. See also note 2.

Note 44 EVENTS AFTER THE BALANCE SHEET DATE

In collaboration with researchers at Technical University of Denmark (DTU) and the Interdisciplinary Nanoscience Center (iNANO) at Aarhus University, Elos Medtech has started a new development project to create a white surface on titanium. Innovation Fund Denmark has invested DKK 10 million in the research project, which will be concluded in 2022.

In consultation with Bruel&Kjær, Elos Medtech has signed an agreement for the transfer of operations for the assembly and calibration of products in the market for sound and vibration. The transfer will not affect the Group's earnings in 2019.

In 2018, Elos Medtech has more clearly focused on medical technology, and this transfer is in line with our strategy. Onyx Medical LLC, which is a US subsidiary of Elos Medtech, has become the subject of a lawsuit. In the lawsuit, no specified amount is stated for damages. Elos Medtech considers the lawsuit to be unfounded and will contest the lawsuit in its entirety.

We are strengthening our strategic focus area, "Operational Excellence och and Continuous Improvements", and have appointed Conny Jakobsson as Operational Excellence Director.

Note 45 RECONCILIATION BASIS FOR ALTERNATIVE PERFORMANCE MEASURES

SEK million	Group	
	2018	2017
Organic growth		
Reported net sales	644.7	577.9
Net sales compared to the same period last year	577.9	552.0
Change in net sales	66.8	25.9
Growth,%	11.6	4.7
Net sales from acquired operations	–	–
Adjusted net sales from acquisition effects	644.7	577.9
Organic growth,%	11.6	4.7
Sales adjusted for currency fluctuations		
Currency fluctuations	19.0	1.9
Currency-adjusted net sales of the same period last year	596.9	553.9
Change,%	8.0	4.3

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 Com-

pany. 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 Group.

Gothenburg, March 29 2019

Yvonne Mårtensson
Chair of the Board

Agneta Bengtsson Runmarker
Board Member

Jon Risfelt
Board Member

Mats Nilsson
Board Member

Anders Birgersson
Board Member

Jeppe Magnusson
Board Member

Jan Wahlström
CEO

Our auditor's report was presented on March 29 2019
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorized 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 2018.

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 the Parent Company as of December 31 2018 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 December 31 2018 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report submitted to the Parent Company's and the group's Audit Committee in accordance with the Auditors Ordinance (537/2014) Article 11.

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. This includes that, based on our best knowledge and conviction, no prohibited services as referred to in Article 5.1 (537/2014) of the Auditors Ordinance have been provided to the audited company or, where applicable, its parent undertaking or its controlled companies in the EU.

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 signifi-

cant 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 USA and China we have carried out specified audit procedures supported by local PwC audit team in our global PwC network, 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 Medtech's units in the USA 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**Valuation of goodwill**

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 17.

As of December 31 2018, total goodwill on the balance sheet amounted to SEK 254 million representing approximately 30 per cent of the group's total assets.

The most significant goodwill item, SEK 206 million, is related to the market segment "Orthopedics".

In accordance to IAS 36 an impairment test is made on a yearly basis on assets with indefinite useful lives (goodwill).

The impairment test is based on a calculation of the recoverable value for the operations to which the goodwill items are related. The respective recoverable amount is compared with the carrying amount of the business, including goodwill.

The recoverable amount was determined by management by calculating the company's ability to generate cash flow in the future, where assumptions about growth, EBITDA margin and discount rate are most important.

The valuation of goodwill is a key audit matter in light of the fact that goodwill represents a significant value in the balance sheet and that an impairment test includes factors and circumstances in which management needs to make significant assumptions, estimates and assessments about the future.

How our audit addressed the key audit matter

Our goodwill valuation measures include, but are not limited to, the areas listed below:

- We have assessed the mathematical correctness of the cash flow calculations and a reconciliation of the cash flow projections against the budget adopted by the Board for 2019 and the business plan for the forecast period.
- With the assistance of valuation specialists from PwC, we have evaluated and assessed that the company's valuation model is consistent with accepted valuation techniques.
- We have tested the company's allocation of goodwill to the lowest cash-generating unit for impairment testing.
- We have tested the reasonability of the assumptions that have the greatest effect on impairment testing, which include assumptions for growth rate, EBITDA margin and discount rate.
- We have evaluated whether the company has provided sufficient disclosures have been about the assumptions that, if reasonably possible, could cause impairment of goodwill in the future.

Other information than the annual accounts and consolidated accounts

The printed version of these annual accounts contains other information than the annual accounts and consolidated accounts and is found on pages 1–13 and 51–60. The Board of Directors and the CEO 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 CEO

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 International Financial Reporting Standards (IFRS) as adopted by the EU and the Swedish Annual Accounts Act. The Board of Directors and the CEO 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.

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 ISA 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 the Supervisory Board of Public Accountants (Revisorsnämnden)'s website: [www.revisorsinspektionen.se/revisorns ansvar](http://www.revisorsinspektionen.se/revisorns_ansvar). 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 2018 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 responsibility 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 CEO

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, inter alia, 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,
- 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 the Supervisory Board of Public Accountants (Revisorsnämnden)'s website: [www.revisorsinspektionen.se/revisorns ansvar](http://www.revisorsinspektionen.se/revisorns_ansvar). This description is part of the auditor's report.

Öhrlings PricewaterhouseCoopers AB, 405 32 Gothenburg, was appointed Elos Medtech AB (publ.)'s auditor of the Annual General Meeting on April 24 2018 and has been the company's auditor since April 23 2012.

Gothenburg, March 29 2019

Öhrlings PricewaterhouseCoopers AB

Bror Frid

Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

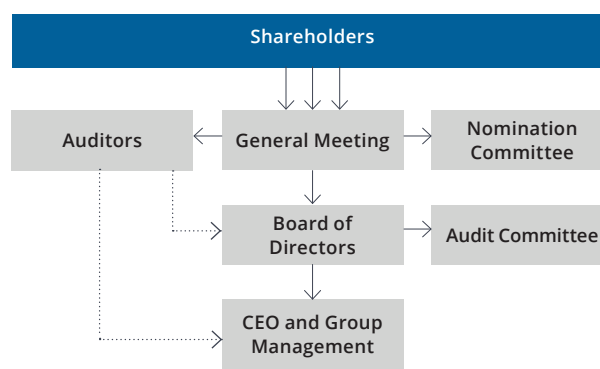
Elos Medtech AB (publ.), Organization no.: 556021-9650

Elos Medtech AB is a Swedish limited company whose Class B share is listed on NASDAQ Stockholm AB Small Cap. 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 work plan. The current Articles of Association are available on the Elos Medtech website, www.elosmedtech.com under the heading IR/Financial info. Elos Medtech applies the Swedish Corporate Governance Code.

The term corporate governance usually refers to the rules and structure that are built up to govern and manage a limited company in an efficient and controlled manner. Governance and control of Elos Medtech is divided between shareholders at the Annual General Meeting, the Board of Directors and the CEO, and is regulated in legislation (including the Companies Act), the company's Articles of Association, Nasdaq Stockholm's rules for issuers and the Swedish Code of Corporate Governance. The code is available at www.bolagsstyrning.se.

In addition to legal control and governance principles, Elos Medtech is also affected by a number of internal control documents such as instructions and the work plan for the CEO and the Board, as well as internal policies and guidelines.

Overall governance structure for Elos Medtech



Shareholders

At year-end 2018, Elos Medtech AB's share capital amounted to SEK 50.4 million. The share capital is divided into Class A and Class B shares. Except that the Class A shares are eligible for one vote and the B share to one tenth of a vote, there is no difference in the different series of shares in the company. The Class B shares are listed on NASDAQ Stockholm AB, while the voting-strong Class A share is not quoted.

In total, the share capital is distributed over 8,068,000 shares, of which 1,099,740 are Class A shares and 6,968,260 are Class B shares. In 2018, no Class A shares were converted into Class B shares.

The number of shareholders on December 31 2018 was 1,670 (1,672). The ten largest shareholders hold shares corresponding to 68.4 percent of the share capital and 84.4 percent of the votes.

The largest shareholders in Elos Medtech AB (publ.), 12/31/2018:

	A shares	B shares	Total	% of share capital	% of votes
Öster family incl. company	378,826	436,609	815,435	10.1	23.5
Runmarker family	297,946	218,900	516,846	6.4	17.8
Nilsson Family	260,880	157,508	418,388	5.2	15.4
Kent Molin and family	136,000	263,999	399,999	5.0	9.1
Nordea Investment Funds	-	1,202,535	1,202,535	14.9	6.7
Svolder Limited Company	-	924,259	924,259	11.5	5.2
HealthInvest Partners AB	-	391,031	391,031	4.8	2.2
Ulrika Erlandsson	26,088	105,101	131,189	1.6	2.0
Magledal Holding APS	-	240,533	240,533	3.0	1.3
Nordnet Pensionsförsäkring AB	-	213,504	213,504	2.6	1.2
Other	-	2,550,282	2,550,282	31.6	15.6
Total	1,099,740	6,968,260	8,068,000	100.0	100.0

Source: Euroclear AB

More detailed information about the share and ownership structure can be found on pages 12–13 of the printed annual report.

Articles of Association

The Articles of Association of Elos Medtech stipulate that the company shall operate primarily within the business areas of medical technology, fine mechanical engineering, industrial electronics, injection molding of thermoplastics and asset management, as well as managing movable and immovable property and operating other compatible activities. The Board of Directors is based in Gothenburg, Sweden. The annual general meeting shall be held in either Lidköping, Skara, Skövde, Gothenburg or Stockholm. The Articles of Association contain provisions on, inter alia, the number of shares, change of ownership of class A shares, number of Board members and auditors and the annual general meeting. The Articles of Association in their entirety are available for download at www.elosmedtech.com.

General Meeting

The shareholders' right to make decisions regarding the company's affairs is exercised at the annual general meeting, which is the highest decision-making body in Elos Medtech. The annual general meeting (AGM) is to be held within six months of the end of the financial year. 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 including allocation of the company's profit, discharge from liability for the Board, election of the Board and auditors, remuneration to the Board and auditors, the composition of the Nomination Committee and other issues according to the Swedish Companies Act and the Articles of Association. Changes to the Articles of Association also require resolutions at the annual general meeting. All shareholders have the right to have matters dealt with at the annual general meeting. In order for such matters to be able to be included in the notice in time, the request must be submitted to the company no later than six weeks before the annual general meeting. Notice of the annual general meeting will be published no earlier than six and no later than four weeks before the meeting. Elos Medtech's Annual General Meeting for 2019 will be held on April 23 2019 in Gothenburg, Sweden.

Annual General Meeting 2018

Elos Medtech's Annual General Meeting took place on April 24 2018 in Gothenburg. At the AGM, 35 shareholders, in person or by proxy, attended. These represented approximately 60 percent of the total votes. The company's Board of Directors, Nomination Committee and auditors were present at the AGM.

The minutes of the AGM were presented on the company's website within one week of the meeting. The material from the meeting, such as summons, minutes and information about the nomination committee can be found on the company's website.

Extraordinary General Meeting

At an extraordinary general meeting on December 15 2017, the meeting authorized the Board, on one or more occasions before

the next annual general meeting, to decide on a rights issue of Class B shares. The issue under the authorization was intended to enable investments. On February 19 2018, the Board decided on a rights issue of 2,017,000 new class B shares. The share issue amounted to approximately SEK 101.5 million in new capital after issue costs.

Nomination Committee

The Nomination Committee's main task is to give the AGM a proposal on the composition of the board, which is then decided by the AGM. The work of the Nomination Committee begins by taking note of the evaluation of the Board's work that the board has done. The Nomination Committee's work then forms discussions to achieve a well-balanced board. The Nomination Committee then nominates members to the Board for the next term and submits proposals to the Board of Directors' and auditors' remuneration and, where applicable, the election of the auditor.

Nomination Committee for the 2019 Annual General Meeting

At the 2018 AGM, it was resolved that the Nomination Committee would consist of at least three and at most five 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 constitute 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. If a member is appointed by a certain owner, the name of the owner shall be indicated. 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 2019 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 2018 AGM consisted of Bo Nilsson, Ulf Runmarker and Thomas Öster who represent the

three largest shareholders, as well as Bengt Belfrage as representative for the largest shareholder in terms of the share of capital. Yvonne Mårtensson (Chairman of the Board) and ULF Hedlundh were called in to the nomination committee. The Chairman of the Nomination Committee, appointed by the Committee, is Yvonne Mårtensson.

Prior to the 2019 annual general meeting, the composition of the Nomination Committee was announced on October 4 in a separate press release in accordance with a decision by Elos Medtech AB's 2018 annual general meeting. The following persons have represented the largest shareholders: Bengt Belfrage on Nordea Fonder's mandate, Svante Nilsson on the Nilsson family's mandate, Ulf Runmarker on the Runmarker family's mandate, Thomas Öster on the Öster family's mandate and ULF Hedlundh on Svalder's mandate. In addition, the Chair of the Board Yvonne Mårtensson has been co-opted to the Nomination Committee. Bengt Belfrage has been Chair of the Nomination Committee.

The Nomination Committee has taken note of the evaluation of the Board's work, as well as assessed and evaluated the Board's competence and composition, including the background and experience of the Board members in relation to the company's strategy and development plans.

The Nomination Committee has had seven meetings before the 2019 meeting. The Nomination Committee's proposal is presented in the notice of the 2019 annual general meeting and is also available on the company's website.

Board of Directors

The Board of Directors bears the overall responsibility for the organization, 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 authorization 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.

The board is appointed by the shareholders at the AGM with a term of office from the AGM until the end of the next AGM. According to Elos Medtech's Articles of Association, the Board shall consist of a minimum of three and a maximum of ten members.

Chairman of the Board

Since 2017, Elos Medtech's Board of Directors has been led by Chair of the Board Yvonne Mårtensson. The Chairman of the Board is appointed by the AGM. The Chair of the Board organizes and directs the work of the board, ensures that the board continuously deepens its knowledge of the company, communicates views from the owners and supports the CEO. The Chair of the Board and the CEO prepare proposals for the agenda for Board meetings. It is the Chair who is responsible for ensuring that the Board's decisions are implemented effectively, and that the work of the Board is evaluated annually and that the Nomination Committee is informed of the results of the evaluation.

The Board's work plan

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.

Evaluation of the Board of Directors and CEO

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. This year's evaluation, a web-based survey, went out to all Board members. The result was presented to the Board and the Nomination Committee.

During the year, the Nomination Committee has communicated with the Board members through a questionnaire 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 Chair is involved in the evaluation of the CEO and other senior executives.

Composition of the Board

During the 2018 fiscal year, Elos Medtech's Board of Directors consisted of seven members until the 2018 Annual General Meeting and thereafter six members.

At the 2018 Annual General Meeting, Yvonne Mårtensson, Agneta Bengtsson Runmarker, Anders Birgersson, Jeppe Magnusson, Mats Nilsson and Jon Risfelt were re-elected. Thomas Öster resigned as a Board member. Yvonne Mårtensson was re-elected as Chair of the Board. A presentation of each member can be found in the annual report on page 57 and on the company's website.

The work of the Board of Directors in 2018

The Board of Directors has been involved in and followed up on the strategy developed by the company's management during the year. This includes, inter alia, a new business-oriented organization with segmentation and designated segment managers. As of Q1 2019, the company will report in the segments of Orthopedics, Dental and Life Science. Elos Medtech is now working as a company facing the market and all five manufacturing units are

included in the company's total production capacity which is important for the company's customers. During the year, in addition to the statutory meeting, the Board held seven ordinary and two extraordinary meetings. Four of the meetings were held in conjunction with the approval of the year-end report and the interim reports. At the meetings, fixed items were processed for each board meeting, such as state of business, budget, annual and interim reports. In addition, issues concerning investments, financing, new share issues, structural and organizational changes have been addressed.

In 2018, three of the meetings were held at the company's units in Görlöse, Memphis and Skara, to give the Board the opportunity to deepen its knowledge of the operations of each unit.

The Board's committee work

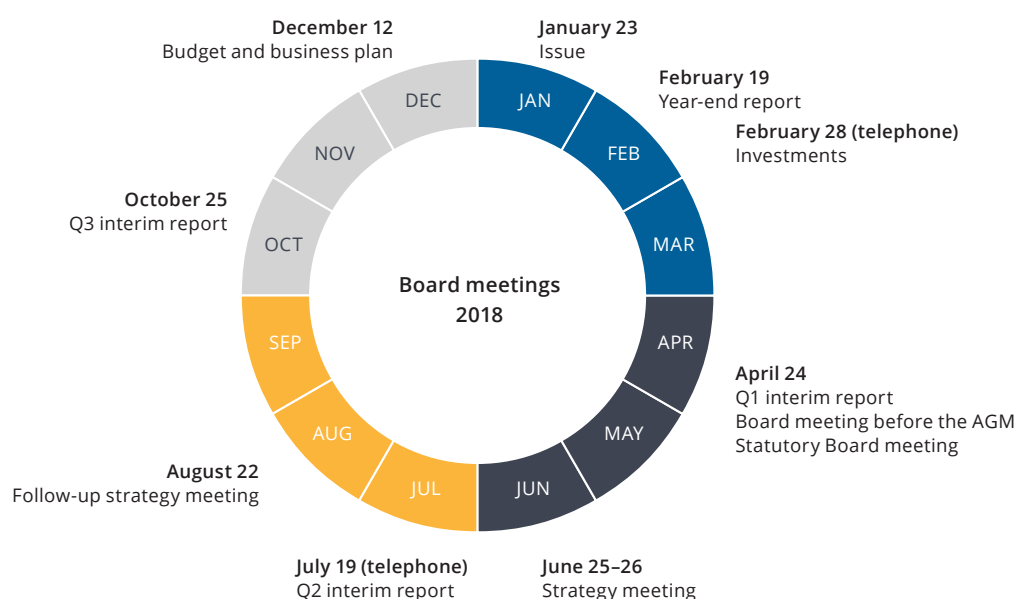
Within the Board of Directors, there is an Audit Committee. Since the AGM 2018, it consists of Agneta Bengtsson Runmarker and Jon Risfelt, chairman. The Chairman of the Board, Yvonne

Mårtensson, is co-opted to the Audit Committee. During the year, the Committee held four meetings since the 2018 AGM. The company's auditor has participated in three of these meetings.

Until the 2018 AGM, the Audit Committee consisted of three members, Agneta Bengtsson Runmarker, Jon Risfelt and Thomas Öster, chairman. The company's auditor and CFO regularly attend meetings. The Audit Committee's work consists of dealing with questions concerning accounting, financing, internal control, risk management and IT security. A summary of the Audit Committee's work and proposals for amendments in order to improve the Group's financial control are presented to the Board for decisions at each subsequent board meeting.

During the autumn of 2018, the Audit Committee, in collaboration with the Nomination Committee, conducted an audit procurement before the 2019 Annual General Meeting.

The Board has chosen not to set up a remuneration committee, but these issues have been handled by the entire Board under the Chair's leadership and following preparation by the Chair.



Board Member	Represents the percentage of votes	Presence of the total number of board meetings	Independent in relation to the company	Independent in relation to major shareholders
Agneta Bengtsson Runmarker	17.8%	10/10	Yes	No
Anders Birgersson		10/10	Yes	Yes
Jeppe Magnusson		10/10	Yes	Yes
Yvonne Mårtensson (chair)		10/10	Yes	Yes
Mats Nilsson	15.4%	10/10	Yes	No
Jon Risfelt		10/10	Yes	Yes
Thomas Öster*	23.5%	4/10	Yes	No

* Resigned as a member at the 2018 AGM

Additional information for each of the Board members and for the CEO can be found on the website and in the annual report on pages 57–58.

Group Management

Group management consists of the CEO and CFO. Group management is focused on key management issues and it also provide Group-wide support in marketing, manufacturing and quality management, risk management, financing and financial control.

Information about the CEO's background and stock and option holdings can be found in the annual report on page 58.

Remuneration to senior executives

At the 2018 Annual General Meeting, guidelines were adopted for remuneration and other conditions of employment for Group management and other senior executives. In addition, information on these guidelines is available in the annual accounts on page 17 and on pages 32–33 in note 2.

Internal control of financial reporting

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 organized. 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 basis of internal control is comprised of the general control environment with organization, 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 Authorization and Decision Policy, Finance Policy and principles and manuals on financial reporting and accounting that are distributed continuously to the subsidiaries.

Historically, the company has primarily been organized on the basis of the local production units, but in 2019 a shift has taken place towards a more cohesive and segment-based organization which has created new requirements for internal control work. This work will continue in coming years.

Risk management

The company has a Group-wide process to identify risks in financial reporting that, besides the financial risks, are deemed to be the valuation of goodwill, inventory and accounts receivable. 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 and the Board is updated on a continuous basis. These systems consist of procedures for reporting, follow-up and analyses both at a Group level and a subsidiary level. 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, for example, IT-based systems that manage permissions and authorization rights, as well as manual controls in the form of, for example, reconciliations and inventories. The continuous and detailed financial analyzes of results and follow-up against budget and forecasts during the year can also be seen as a complement to other controls and provide an overall confirmation of the quality of the reporting.

Information and communication

Significant accounting principles, information and policies, etc. of significance to the financial reporting are updated and communicated to the relevant staff on an ongoing basis. 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 analyze the financial reporting at a detailed level on a monthly basis. The Board continuously evaluates the financial information provided by management and receives the auditor's report regarding 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 for listed companies. The Board follows up the company's assessment of internal control through, inter alia, contacts with the company's auditors. The Board annually evaluates the need for a special audit function (internal auditor), but taking into account the Group's size, the Board has chosen not to have a separate internal auditor at present, but the work on supervisions of the Group's subsidiaries is managed by the accounting function through head office.

External auditor

At the 2018 AGM, Öhrlings PricewaterhouseCoopers AB was re-elected as the audit firm until the end of the 2019 AGM with authorized 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.

Gothenburg, March 29 2019

Yvonne Mårtensson
Chair of the Board

Agneta Bengtsson Runmarker
Board Member

Jon Risfelt
Board Member

Mats Nilsson
Board Member

Anders Birgersson
Board Member

Jeppe Magnusson
Board Member

Jan Wahlström
CEO

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

Assignment and division of responsibility

The Board of Directors is responsible for the corporate governance report for the year 2018 on pages 51–56 and for its preparation in accordance with the Swedish Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 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, second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31, second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg, March 29 2019
Öhrlings PricewaterhouseCoopers AB

Bror Frid
Authorized Public Accountant

BOARD OF DIRECTORS



1. Yvonne Mårtensson

Chair since 2017 and Board member since 2015.

Born: 1953.

Education and work Experience: Master of Science in Industrial Economics

Other assignments: Member of the Boards of Biotage AB, SyntheticMR AB, Xvivo Perfusion AB and 3Brain AG.

Shareholding: 20,000 B shares Independent in relation to the company and company management and the company's major shareholders.

2. Anders Birgersson

Board member since 2016.

Born: 1958.

Education and work experience: Master of Science in Mechanical Engineering. Studies in Business Administration.

Other assignments: Chair of the Board of VBG Group Truck Equipment AB and Mobile Climate Group Holding AB. Board member and CEO of VBG Group AB. Board member of Spar-banken Lidköping AB.

Shareholding: 945 B shares Independent in relation to the company and company management and the company's major shareholders.

3. Jeppe Magnusson

Board member since 2012.

Born: 1952.

Education and work Experience: Doctoral degree in chemical reaction technology Belonged to the management team in SCA Hygiene products and NobelBiocare AG.

Other assignments: Board member of Jeppe Magnusson Consulting AB, Auremune AB, Premune AB and Premune IPR AB. Limited partner in ISEA Sweden KB.

Shareholding: 3,946 B shares. Independent in relation to the company and company management and the company's major shareholders.

4. Mats Nilsson

Board member since 2010.

Born: 1969.

Education and work experience: Doctoral degree in medical genetics. Professor of Molecular Diagnostics at Stockholm University and Scientific Director for Science for Life Laboratory.

Other assignments: Board member of ApiRays AB, Biocyclica Holding AB, CartNA AB, EMPE Diagnostics AB and Q-Linea AB.

Shareholding: 260,880 A shares and 157,508 B shares. Independent in relation to the company and company management and the company's major shareholders.

5. Jon Risfelt

Board member since 2017. Member of the Audit Committee.

Born: 1961.

Education and work experience: Master of Science in Chemical Engineering. Includes President and CEO of Nyman & Schultz, Europolitan and Gambro Renal.

Other assignments: Chair of the Board of Bisnode AB, Bisnode Business Information Group AB, Cabonline group Holding AB and Cab Holding AB. Board member of Bilia AB, Knowit AB and Boule Diagnostics AB.

Shareholding: 1,800 B shares.

Independent in relation to the company and company management and the company's major shareholders.

6. Agneta Bengtsson Runmarker

Board member since 2003. Member of the Audit Committee.

Born: 1960

Education and work experience: Bachelor of Law. Legal adviser at the Data Inspection Board, Utredningssekreterare at ministry, judge at the Administrative Court of Appeal and member of the Europol joint Supervisory Body.

Other assignments: Chair of the Board of AB Westergyllen and Runmarker Fastighets AB.

Board member of Investment AB Brunnslöykan, Runmarker Fastigheter Varberg AB and Fastighets AB Salix.

Shareholding: 297,946 A shares and 218,900 B shares. Independent in relation to the company and company management and the company's major shareholders.

SENIOR MANAGEMENT



1. Jan Wahlström

President and CEO since 2016.
Employed since 2016.

Born: 1967

Education: Degree in market economy at IHM Business School. Studies in chemistry at Uppsala University.

Shareholding: 5,113 B shares and 63,000 warrants.

2. Christian Bergaust

CFO since 2016.
Employed since 2016.

Born: 1962

Education: Studies in economics at the Gothenburg School of Economics.

Shareholding: 330 B shares and 30,000 warrants.

3. Malin Gustavsson

Marketing Director
Employed since 2013.

Born: 1972, Bachelor of Economics.

Shareholding: 473 B shares and 18,000 warrants.

4. Anders Björklund

QA/RA Quality Director
Employed since 2019.

Born: 1975, Master of Engineering

Shareholding: 284 B shares.

5. Mathias Andersson

CEO of Elos Medtech Microplast AB
Employed since 2012.

Born: 1971, Engineer.

Shareholding: 18,000 B shares.

6. Sam Svännel

CEO of Elos Medtech Timmersdala AB

Employed since 2018.

Born: 1961, Technical education

Shareholding: –

7. Søren Olesen

CEO of Elos Medtech Pinol A/S and Business Unit Director Dental

Employed since 1984.

Born: 1961, Economist.

Shareholding: 240,533 B shares and 30,000 warrants.

8. Conny Jakobsson

CEO of Elos Medtech Tianjin Co. Ltd.
Employed since 2017.

Born: 1969, Bachelor of Business Economics

Shareholding: –

9. Jodie Gilmore

CEO of Elos Medtech Onyx
Business Unit Director Orthopedics

Employed since 1997.

Born: 1971, Bachelor of Business Economics.

Shareholding: 30,000 warrants.

MULTI-YEAR SUMMARY

MSEK (unless otherwise stated)	2018	2017	2016	2015*	2014
Income statements					
Net sales	644.7	577.9	552.0	503.7	380.9
Operating profit	38.9	42.7	42.7	30.5	33.1
Net financial items	-11.2	-16.3	-4.8	-8.0	-1.3
Profit after financial items	28.5	26.4	37.9	22.5	31.8
Taxes	-7.5	-3.8	-11.5	-6.4	-8.4
Profit for the year	20.9	22.6	26.4	16.1	23.4
Balance sheets					
Fixed assets	654.9	609.3	649.3	636.9	304.5
Receivables and goods in stock	253.5	228.6	199.9	204.2	177.7
Cash and cash equivalents	48.9	9.6	38.5	40.5	125.5
Total assets	957.3	847.5	887.7	881.6	607.7
Equity	508.5	369.0	366.8	330.5	338.6
Non-current liabilities	294.1	273.4	282.2	331.2	162.7
Current liabilities	154.7	205.1	238.7	219.9	106.4
Total equity and liabilities	957.3	847.5	887.7	881.6	607.7
Cash flow					
Cash flow from operating activities	66.1	62.1	98.3	62.9	55.3
Cash flow after investments	-13.8	24.5	68.9	-143.6	31.6
Key performance indicators					
Operating margin before depreciation (EBITDA), %	15.5	16.3	17.6	15.7	17.8
Operating margin before depreciation (EBIT), %	7.4	7.4	7.7	6.1	8.7
Risk-bearing capital	535.7	399.8	396.9	353.4	361.4
Proportion of risk-bearing capital, %	56.0	47.2	44.7	40.0	59.2
Equity/assets ratio, %	53.1	43.5	41.3	37.5	55.7
Return on operating capital	7.1	5.8	5.7	5.3	8.2
Return on equity, %	4.8	6.1	7.6	4.8	40.9
Interest coverage ratio, multiple	3.2	2.6	4.7	3.7	5.9
Net debt	287.4	358.6	384.8	427.3	58.0
Debt/equity ratio, multiple	0.6	1.0	1.1	1.3	0.2
Gross investments excl. shares	79.9	37.6	34.6	75.8	41.0
Average number of employees	572	527	509	471	378

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

DEFINITIONS OF KEY DATA AND GLOSSARY

Definitions of key data and glossary Alternative Performance Measures are financial measures of the company's earnings trend, financial position and cash flow that are not defined in IFRS. These key performance indicators are intended to serve as important supplementary performance indicators of the Group's earnings and position and the purpose is to provide a better understanding of the business. Alternative Performance Measures that are presented in the annual report should not be regarded as a replacement to terms and concepts in accordance with IFRS, but instead as a supplement. These key performance indicators do not need to be comparable with similar performance indicators used by other companies. The reconciliation basis for calculating some of these performance indicators is provided in note 45 of this report.

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 same period the previous year.

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 (EBIT) before non-recurring items Profit before financial income and expenses and taxes adjusted for non-recurring items.

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

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

EBITDA before non-recurring items Operating profit before depreciation/amortization adjusted for non-recurring items.

EBITDA Operating profit before depreciation/amortisation and impairment losses.

EBITDA, percent Operating profit before depreciation/amortization 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 balance sheet total.

Equity/assets 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 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 unutilized bank overdraft facilities Cash/bank balances less utilized 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

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FINANCIAL INFORMATION

The Annual General Meeting 2019 was held on April 23 2019
The interim report for January-March 2019 was published on April 23 2019
The interim report for April-June 2019 will be published on July 18 2019.
The interim report for July-September 2019 will be published on October 24 2019.



Solberg
Printing: Göteborgstryckeriet
Photo: Cecilia Hallin, Johan Hörnrestam, and others.

