

# CORPORATE GOVERNANCE REPORT

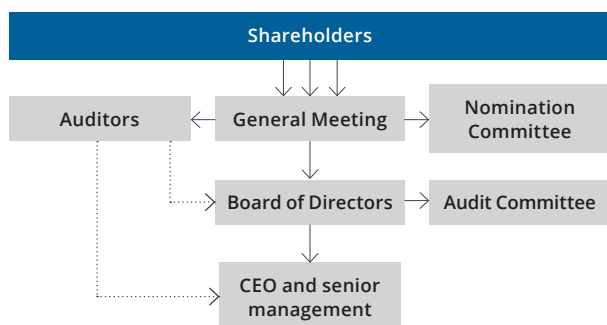
Elos Medtech AB (publ.), Organization no.: 556021-9650

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](http://www.elosmedtech.com) under the heading Investor Relations/Financial information. 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 Corporate Governance Code. The code is available at [www.bolagsstyrning.se](http://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 2019, 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 2019, no Class A shares were converted into Class B shares.

The number of shareholders on December 31 2019 was 2,008 (1,670). The ten largest shareholders hold shares corresponding to 57.5 percent of the capital and 80.9 percent of the voting rights. More detailed information about the share and ownership structure can be found on pages 12–13 of the 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 and injection molding of thermoplastics. The company shall also engage in asset management, manage movable and immovable property, and engage in related 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 full text of the Articles of Association is available on the company's website.

## 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 2020 will be held in Gothenburg, Sweden on April 21 2020.

## Annual General Meeting 2019

Elos Medtech's Annual General Meeting 2019 was held in Gothenburg, Sweden on April 23. At the AGM, 35 shareholders, in person or by proxy, attended. These represented approximately 82 per-

cent of the total voting rights. 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.

### **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. After that, the Nomination Committee's work consists of discussions aimed at achieving 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 2020 Annual General Meeting***

At the 2019 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 voting rights 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 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 2020 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.

Prior to the 2020 AGM, the Nomination Committee had the following composition, as announced on September 27: Thomas Öster, appointed by the Öster family, Ulf Runmarker, appointed by the Runmarker family, Bo Nilsson, appointed by the Nilsson family, Bengt Belfrage, appointed by Nordea Fonder, and Ulf Hedlundh, appointed by Svolder AB. The Chairman of the Board, Yvonne Mårtensson, is a co-opted member of the Nomination Committee. The Chairman of the Nomination Committee, appointed by the Committee, is Bengt Belfrage.

In a press release issued on December 11 it was announced that the composition of the Nomination Committee had changed after the Runmarker family sold its A shares to Svolder AB. Ulf Runmarker stepped down from the Nomination Committee, after which the following persons have represented the largest shareholders: Thomas Öster, Bo Nilsson, Bengt Belfrage and Ulf Hedlundh.

In addition, the Chairman of the Board Yvonne Mårtensson has been a co-opted member of the Nomination Committee. Bengt Belfrage is Chairman 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 five meetings before the 2020 meeting. The Nomination Committee's proposal is presented in the notice of the 2020 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.

Other duties of the Board include:

- 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 Chairman of the Board Yvonne Mårtensson. The Chairman of the Board is appointed by the AGM. The Chairman 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 is supports the CEO. The Chairman of the Board and the CEO prepare proposals for the agenda for Board meetings. It is the Chairman 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 annual evaluation of the Board took the form of a discussion and focused on further improvements to the work of the Board and on the Directors' knowledge about the company. The results were presented to the Nomination Committee by the Chairman of the Board.

During the year, the Nomination Committee has communicated with the Board members through interviews where the Board's work processes, expertise and composition, including the Board members' background, experience and diversity have been evaluated. The observations have then been presented to the Board. The Chairman is involved in the evaluation of the CEO and other senior executives.

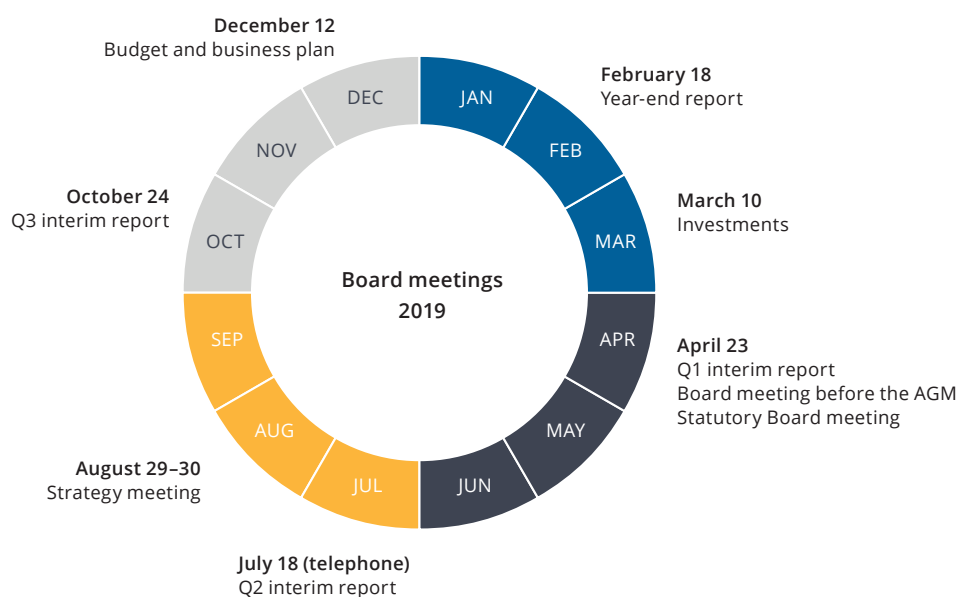
### Composition of the Board

In 2019, Elos Medtech's Board of Directors consisted of six members. At the 2019 AGM, Yvonne Mårtensson, Anders Birgersson, Jeppe Magnusson and Jon Risfelt were re-elected to the Board. Agneta Bengtsson Runmarker and Mats Nilsson resigned from the Board while Hanna Ernestam Wilkman and Claes Hansson were elected as new Board members. Yvonne Mårtensson was re-elected as Chairman of the Board. A presentation of each member can be found in the annual report on page 60 and on the company's website.

### The work of the Board of Directors in 2019

During the year, the Board monitored the strategy which management has been implementing since last year. This includes a new business-oriented organization that is divided into business areas with designated heads of business area. In addition, the company also appointed an Operational Excellence Director. From the first quarter of 2019, the company presented financial information in the business areas, Orthopedics, Dental and Life Science. Elos Medtech is now working as a single 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, and to spread production across additional units. 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, and structural and organizational changes have been addressed.

In 2019, two of the meetings were held at the company's units in Timmersdala and Skara, to give the Board the opportunity to deepen its knowledge of the operations of each unit.



Board Member	Elected	Resigned	Attendance out of total number of board meetings	Audit Committee	Independent of the company	Independent of major shareholders
Agneta Bengtsson Runmarker	2003	2019	4/10	Member	Yes	No
Anders Birgersson	2016		10/10		Yes	Yes
Jeppe Magnusson	2012		10/10		Yes	Yes
Yvonne Mårtensson (Chairman)	2017		10/10		Yes	Yes
Mats Nilsson	2010	2019	4/10		Yes	No
Jon Risfelt	2017		10/10	Chairman	Yes	Yes
Hanna Ernestam Wilkman	2019		6/10		Yes	Yes
Claes Hansson	2019		6/10	Member	Yes	Yes

Additional information for each of the Board members and for the CEO can be found on the company's website and in the annual report on pages 60–61.

**The Board's committee work**

Within the Board of Directors, there is an Audit Committee. Since the AGM 2019, it has consisted of Claes Hansson 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 2019 AGM. The company's auditor participated in all meetings.

Up to the 2019 AGM, the Audit Committee consisted of Agneta Bengtsson Runmarker and Jon Risfelt, 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. In 2019, the Audit Committee put significant efforts into procuring audit services in close collaboration with the Nomination Committee, which led to a proposal to the 2019 AGM for a change of audit firm. 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.

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

**CEO and other senior executives**

The terms of reference for the CEO are determined by the Board of Directors. The division of responsibilities between the Board and CEO are specified in the terms of reference. The CEO is tasked with executing the decisions of the Board and is in charge of day-to-day administration and operations. The CEO is also tasked with ensuring compliance with objectives, policies and strategic plans which the Board has adopted for the company. He or she is required to keep the Chairman of the Board updated on the company's performance and to present, in preparation for Board meetings, such information in his or her reporting as may be required to enable the Board to fulfill its duties and responsibilities. The reporting to the Board is based on the company's adopted reporting plan, financial planning and instructions issued by the Board.

The company's senior management team consists of the CEO and CFO, who are members of the company's administrative, management and control bodies. In addition to senior management, the CEO has appointed a further seven individuals who form part of the group other senior executives. For a more detailed presentation, including the information about the CEO specified in Section 10.2 of the Code, see page 61.

**Remuneration to senior executives**

At the 2019 Annual General Meeting, guidelines were adopted for remuneration and other conditions of employment for senior management and other senior executives. In addition, information on these guidelines is available in the annual accounts on page 18 and on pages 34–35 in Note 2.

**Internal control of financial reporting**

The Board is responsible for internal control pursuant to the Swedish Companies Act and the Swedish Corporate Governance

Code. The section below describes how the internal control insofar as concerns financial reporting is organized. The company'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 for internal control is the overall control environment consisting of an organizational structure, instructions, policies such as authorization, decision-making and financial policies, reporting, and guidelines on responsibilities and authority. The Board has appointed an Audit Committee, which is viewed as a drafting body for matters relating to the company's financial reporting, risk management and related areas.

The results of the committee's work in the form of observations, recommendations and proposals for decisions and measures are reported to the Board on an ongoing basis. Insofar as they refer to financial reporting, Elos Medtech's material and governing documents in the form of policies, guidelines and manuals are kept up to date and communicated to the companies in the Group via relevant channels.

**Risk management**

The company's risk management in respect of financial reporting is aimed at identifying and assessing significant risks affecting the financial reporting of the Group's companies and business areas. The identified risks are managed through control structures and monitoring based on assessments of outcomes against adopted objectives or in relation to established standards, for example on measurement of goodwill, inventories and other material assets. Financial reporting takes place in a Group-wide reporting system that has pre-defined templates and built-in control functions. The Board is updated continuously on the company's financial risks.

**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. The CEO and CFO also hold regular meetings with the management teams of the Group's subsidiaries.

**Monitoring of financial information**

The Board submits and is responsible for the company's financial reports. The CEO and CFO inform the Board on a monthly basis on the company's progress, results and financial position. 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 of monitoring of internal control is managed by the accounting function through head office.

**External auditor**

At the 2019 AGM, KPMG were reappointed as the audit firm until the end of the 2020 AGM with authorized public accountant Johan Kratz as the auditor in charge.

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

**Violations of regulations**

In the past year, no violations of the regulations of the stock exchange at which the company's shares are admitted for trading or of good stock market practice occurred under a decision

of the disciplinary committee of the stock exchange or a ruling of the Swedish Securities Council.

**External information and communication**

All communications must be made in accordance with the listing agreement for listed companies in Sweden. The financial information is designed to give shareholders and other stakeholders a comprehensive and clear picture of the company, its operations, strategy and financial performance. The Group's annual report and interim reports are approved by the Board of Directors. All financial reports are published on the company's website at the same time as they are distributed to the media and Nasdaq Stockholm.

The company's information disclosure is regulated in an information policy which states that financial information may only be disclosed by the President, the Group's CFO and the Group's Marketing Director. The company observes two-week 'quiet periods' prior to the publication of annual or interim reports. In case of a leak of price-sensitive information or in connection with special events that could affect the valuation of the company, the company is required to inform Nasdaq Stockholm and then issue a press release containing the information concerned.

The Board of Directors and the CEO affirm that the annual report has been prepared in accordance with generally accepted accounting policies, gives a true and fair view of the Parent Company's financial position and performance, and that the Directors' Report gives a fair overview of the development of the Parent Company's operations, financial position and performance and, additionally, describes the significant risks and uncertainty factors faced by the Parent Company. The Board and CEO also con-

firm 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 Directors' 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 31 2020

Yvonne Mårtensson  
Chairman of the Board

Hanna Ernestam Wilkman  
Board Member

Jon Risfelt  
Board Member

Claes Hansson  
Board Member

Anders Birgersson  
Board Member

Jeppe Magnusson  
Board Member

Jan Wahlström  
CEO

Our auditor's report was presented on March 31 2019  
KPMG

Johan Kratz  
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 2019 with the exception of the corporate governance report on pages 51–55. The company's annual accounts and consolidated accounts are included on pages 14–50 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31 2019 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 2019 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. Our opinion does not cover the corporate governance report on pages 51–55. The Directors' Report is consistent with the other parts of the annual report and consolidated accounts.

We therefore recommend that the shareholders' meeting adopt the Parent Company and consolidated income statements and balance sheets.

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 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.

### Other disclosures

The audit of the annual accounts and consolidated accounts for 2018 was conducted by another auditor, who submitted an audit report dated March 29 2019 with unmodified opinions in Report on the annual accounts and consolidated accounts.

### 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.

### Valuation of goodwill

See Note 17 and the accounting policies on pages 30–34 of the annual report and consolidated accounts for detailed disclosures and a description of the area.

#### Description of the area

At December 31 2019, the Group reported goodwill of SEK 262 million, representing 25 percent of total assets. The majority of the balance sheet item, SEK 213 million, is attributable to the Orthopedics business area. Annually or more frequently, goodwill is subject to an impairment test, which is both complex and involves a significant degree of judgment by the Group's management. An impairment test needs to be carried out for each of the cash-generating units, which in the Group are the same as its three business areas. The impairment tests must be conducted in accordance with the applicable regulations and using a certain technique in with management is required to make forward-looking statements about the internal and external circumstances and plans of the businesses. Examples of such judgments include future cash inflows and outflows, which require assumptions about factors such as future market conditions and thus indirectly about expected actions of competitors. Another critical assumption concerns the discount rate that should be used to take account of the fact that estimated future cash inflows are subject to risk and therefore worth less than cash and cash equivalents that are immediately available to the Group.

#### How the area has been addressed in the audit

We inspected the impairment tests that have been carried out to assess whether they were prepared in accordance with the prescribed technique. We also assessed the reasonableness of the Group's assumptions about future cash inflows and outflows and the assumed discount rate by studying and evaluating management's written documentation and plans. We also interviewed management and compared assessments of future cash inflows and outflows from previous years with actual outcomes. In our work we paid particular attention to Orthopedics and the carrying amount of goodwill of SEK 213 million reported for this business area. We engaged our own valuation specialists to verify the reasonableness of the discount rates used, which also involved assessing economic and industry-specific forecasts, where relevant. Another key element of our work was to assess how changes to the Group's assumptions can affect the valuation, which involved performing and studying the Group's sensitivity analysis for the valuation. We also checked the completeness of the disclosures in the annual report and assessed whether they agree with the assumptions applied by the Group in its impairment tests and whether the information is sufficiently comprehensive to enable an understanding of management's judgments.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts, which is found on pages 1–13 and 56–63. 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 CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the 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 CEO 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 CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Board of Directors is tasked with monitoring, without prejudice to the other responsibilities and duties of the Board, the financial reporting of the company.

### 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.

As part of our audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout our audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board and CEO.
- conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the dis-

closures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that gives a true and fair view.

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinion.

We are required to inform the Board of Directors of, among other matters, the planned scope, focus and timing of the audit. We are also required to communicate significant audit findings, including any significant deficiencies in internal control that we identified.

We are also required to provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks of material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless laws, regulations or administrative provisions preclude disclosure about the matter.

### 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 CEO of Elos Medtech AB (publ) for the year 2019 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 Directors' Report and that the members of the Board of Directors and the CEO 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 CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill 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 CEO in any material respect:

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

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

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

As part of our audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout our audit. Our examination of the management and the proposed appropriation of the company's profit or loss is based primarily on our audit of the financial statements. We exercise professional judgment to decide which additional audit procedures to carry out

based on risk and materiality. This means that we focus our examination on such procedures, areas and circumstances that are material to the business and where deviations and violations would be particularly significant for the company's situation. We review and test the decisions that have been made, the bases for these decisions, the measures taken and other circumstances that are relevant to our opinion on release from liability. As a basis for our opinion on the Board of Directors' proposed appropriation of the company's profit or loss, we examined the Board of Directors' reasoned opinion and a selection of evidence for this in order to determine whether the proposal is consistent with the Companies Act.

#### **The auditor's review of the corporate governance report**

The Board of Directors is responsible for the corporate governance report on pages 51–55 and for its preparation in accordance with the Swedish Annual Accounts Act.

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.

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 other sections of the consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 11908, SE-404 39, Gothenburg, were appointed as auditors of Elos Medtech AB (publ.) by the Annual General Meeting on April 23 2019. KPMG AB or auditors working for KPMG AB have been the company's auditors since 2019.

Gothenburg, March 31 2020  
KPMG AB

Johan Kratz  
Authorized Public Accountant