

ANNUAL REPORT 2019



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

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Automated process in Denmark.

THE YEAR IN BRIEF

- Net sales for the financial year increased and amounted to SEK 689.4 (644.7) million, which corresponds to growth of 6.9 percent. After currency conversions, our growth rate was 2.8 percent.
- The operating profit for the year was SEK 65.3 (38.9) million, corresponding to an operating margin of 9.5 (6.0) percent.
- The profit after net financial items was SEK 50.6 (28.5) million, where net financial items were positively affected by exchange rate differences of SEK 0.7 (0.5) million.
- Profit after tax amounted to SEK 38.5 (20.9) million, which corresponds to earnings per share of SEK 4.77 (2.76).
- The Board of Directors proposes a dividend of SEK 1.50 per share for the financial year.

Continued margin improvements and a focus on operational excellence

Several consecutive quarters of improved profitability have indicated our strategic choices on specialization and efficiencies. We are continuing our growth journey with a focus on efficiencies through operational excellence and increased profitability.

New customer contracts

We signed several contracts with new customers in contract manufacturing, both in Orthopedics and Dental and in our polymer business in Life Science. We also concluded several new contracts with leading distributors for sales of Elos Accurate® in the US and European dental implant markets.

Increased production capacity

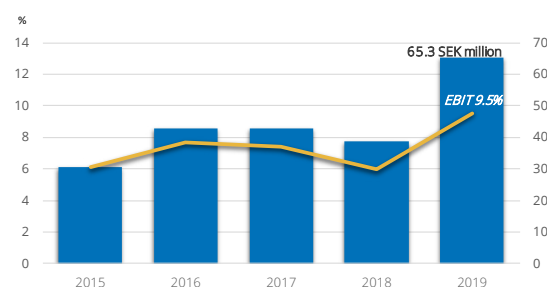
The expansion of our Memphis site was completed in October. The increased production capacity will enable us to meet the growing needs of our global orthopedics customers. The decision to expand the production site in Skara in 2020 was prompted by strong demand for our polymer products.

Key performance indicators

	2019	2018
Net sales, SEK million	689.4	644.7
Growth, %	6.9	11.6
EBITDA, SEK million	125.6	95.3
EBITDA, %	18.2	14.8
EBIT, SEK million	65.3	38.9
EBIT, %	9.5	6.0
Profit after financial items, SEK million	50.6	28.5
Profit after tax, SEK million	38.5	20.9
Earnings per share before and after dilution, SEK	4.77	2.76
Equity per share, SEK million	66.92	63.02
Return on equity, %	7.3	4.8
Return on operating capital	7.8	5.1
Equity/assets ratio, %	52.2	53.1
Cash flow from operating activities, SEK million	102.4	66.1
Dividend ¹⁾ , SEK	1.50	1.00

1) The Board of Directors proposes to the Annual General Meeting 2020 that SEK 1.50 per share be paid.

Operating profit



68%
increase in
operating profit

ELOS MEDTECH 1

GLOBAL PARTNER IN DEVELOPMENT & DESIGN AND MANUFACTURING OF TECHNICAL MEDICAL DEVICES

Elos Medtech specializes in medical technology and has extensive expertise in development and 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.

96 years of experience in the industry

Elos Medtech was founded in 1923 and today, with 566 employees, is an experienced player and a leading partner in the medical technology industry. We operate in three business areas: Dental, Orthopedics and Life Science. Life Science covers the diagnostics, hearing and diabetes markets as well as other medical areas.

High competence in selected markets

We have extensive specialist knowledge in development and design and series production in selected markets. 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 and 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 mainly 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

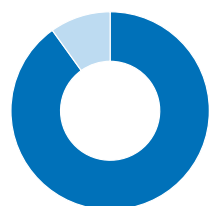
Thanks to many years in the industry, we have specialized our manufacturing and built up a strong expertise and a high level of knowledge, which we have developed into our offer – Complete Performance™. This has now led to a strong market position in chosen product groups within our business. Our expertise 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 product groups – 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

Net sales
by activity



Production space
by country



■ Contract manufacturing, 90.1%
■ Own products, 9.9%

■ Denmark, 25%
■ Sweden, 30%
■ USA, 23%
■ China, 22%

VALUE-CREATING BUSINESS MODEL

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



THE BEST OPERATING PROFIT IN THE HISTORY OF THE GROUP

As our goal is to increase our profitability, it is particularly satisfying to report the best operating profit in the history of the Group for 2019. Net sales amounted to SEK 689.4 (644.7) million, which is an increase of 6.9 percent and marks the third consecutive year of stable growth. Going from EBIT of SEK 32 million to SEK 64 million in 18 months doesn't happen by itself; it is the result of constant improvements at all levels. And I am very proud to be able to say that each and every employee contributed to this achievement.



Operational excellence for increased profitability

In line with our operational excellence focus, we worked methodically during the year on specialization and improvements both organizationally and in our production. The aim is to do things in the right way and this includes good leadership and a clear structure as well as continuous efforts to improve processes and optimize synergies between our manufacturing sites. Our focused efforts have improved our efficiency and delivery accuracy. Together, these factors contributed strongly to our improved profitability.

Global positioning and major initiatives in all business areas

We have started an exciting journey that involves comprehensive changes to take Elos Medtech to the next level. Our offering as a specialised partner has been very well received by the market, and in 2019 we strengthened our position as a global contract manufacturer in medical technology.

We are making big investments in our three business areas – Orthopedics, Life Science and Dental – with the ambition of systematically developing our business and increasing the competi-

tiveness of our partner offer to existing and potential customers.

Orthopedics has expanded rapidly over the past year, growing by 15 percent. The trend in orthopedics and especially in robotic surgery remains strong and several new projects have been initiated. The expansion of our Memphis site was completed during the year, resulting in a doubling of our production space. The start of major projects often results in slightly slower production and some set-up time initially. This is temporary but has a direct impact on earnings. We are pleased that we have been able to deliver profitable growth during the period of construction and expected, prior to the coronavirus outbreak, to be fully operational with positive sales growth in the second half of 2020. The outlook will of course be affected by the current situation.

Market demand for our contract manufacturing services in Life Science is strong and our polymer business in the business area is growing at a steady pace. To meet this demand, we have initiated an expansion of our Skara site to build new production space. The first sod was turned in late 2019 and the expansion is expected to be completed in early 2021.

Dental grew by 8 percent in 2019, driven mainly by our contract manufacturing business, and we estimate that we grew faster than the market. We are continuing our efforts with a strong focus on developing our own products in digital dentistry and on building a clear brand as an OEM and CDMO partner.

Global expansion of Elos Accurate®

Our dental product strategy, which centers on simplifying the digital workflow for dentists and dental technicians, is very much in tune with the times. In 2019, we entered into several agreements with distributors across the world. In late 2019, we received 510(k) clearance from the US Food and Drug Administration for market placement of Elos Accurate®.

With Elos Accurate Hybrid Base, we now have a complete offering in our digital product portfolio in the US. The North American market is a very important market and is estimated to account for around 35 percent of the total global market for dental implants.

FOCUS IN 2020

- Continued growth
- Increased profitability
- Partnerships with customers
- Elos Medtech Cares



"Through our global specialization strategy, we have increased our competitiveness, which enabled us to win several new projects in 2019."

This is of course a very positive development for our Dental business area, which will now be able to fully market its products in the American market and thus further consolidate its position.

Elos Medtech Cares

– Value-based culture and sustainability at all stages

With "care" as our watchword, we are working strategically to achieve concrete sustainability goals in our three main areas – Care for our Business, Care for our People and Care for our Responsibility. Taking a sustainability perspective at all stages is a given for us, and apart from delivering high-quality products we are taking long-term economic, social and environmental responsibility for how our business affects our stakeholders.

Our operational excellence focus and efforts to reduce scrap costs continue to bear fruit. We achieved our annual target, which has a direct positive impact on earnings. We have also succeeded in cutting energy use and are now looking at how we can use renewable energy to a greater extent where possible. Our sustainability management activities in China took a step forward in 2019. A new water purification system that allows us to recycle the water used in our production became fully operational in the first half of the year. This has enabled us to reduce water consumption from our production in China by over 50 percent. This is a very positive result that has also reduced our costs.

During the year, we continued our efforts to build support for our vision and core values internally. This is a cultural journey that will continue in 2020 as we give priority to our single most important resource – our employees. We are proud of the dedication of our employees and hope that taking this inclusive approach will further strengthen our team spirit and make us an even better employer, and thus build a stronger and more profitable Elos Medtech. Together we are stronger, and this makes a difference for the Group as a whole. By creating global teams that bring together people with different skills and experience, we are taking active steps to collaborate and identify synergies across boundaries.

The ongoing outbreak of Covid-19

The spread of the Covid-19 virus has become a global concern since we reported our assessment of the impact in our year-end report on February 18.

Early in the year, our production site in China was shut down completely, which of course had an impact on our business but above all on the lives of our employees. Operations have now resumed but the shutdown means that we are starting the year with slightly lower sales and earnings.

We are monitoring developments on the three continents where we operate on a daily basis to ensure that we make well informed decisions. We have introduced even stricter hygiene and safety procedures as well as new restrictions and recommendations at all factories. Given what we know today about the duration and extent of the outbreak from authorities, customers and subcontractors, it is not at the time of writing possible to estimate the overall potential impact on the company.

Our highest priority is to ensure the health and safety of our employees while taking a flexible approach to meet reduced as well as increased needs resulting from the changes taking place in healthcare.

Complete Performance™

– targeting continued improvements in profitability

Based on our vision, we are now aiming to further improve our profitability in a fast changing world. Transforming medical technology and improving quality of life across the globe are at the heart of what we do. Millions of patients worldwide are being treated with products delivered by us. This is a considerable number of people that we through our specialization and contract manufacturing are able to help – we are a part of a bigger whole, which is both humbling and a great source of pride for us.

We will continue to place a strong emphasis on efficiency improvements and specialization, which will strengthen our integral solution – Complete Performance™ – through which we add value for our partners.

Having posted the best earnings to date, we are entering the new decade in a strong position and with great confidence.

Gothenburg, March 2020

Jan Wahlström
President and CEO

GOALS AND STRATEGY

Our strategy is based on an increased focus on selected markets as well as an increased degree of specialization and increased expertise in our competence areas. With a stronger offering, it will be easier to achieve the strategic targets of more distinct positioning and continued profitable growth.

Vision: To transform medical technology and improve quality of life worldwide.

Mission: In partnership with our customers, we provide sustainable, innovative products and supply solutions for the global medical technology 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.

VISION

To transform medical technology and improve quality of life worldwide.

STRATEGIC OBJECTIVES

STRATEGY

Building a leading global group in the market for medical devices

FOCUS AND SPECIALIZATION

- Specialization in selected product groups in our Dental, Orthopedics and Life Science business areas.
- 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

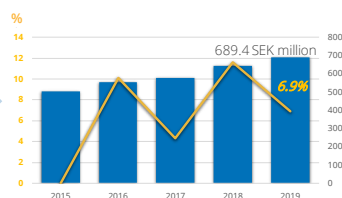
- Partnership with customers

WORK AS ONE BUSINESS

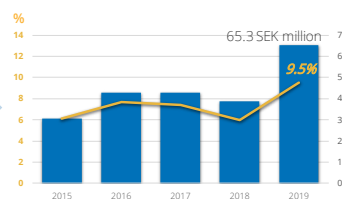
- Value-based culture
- Create engagement by delegating and involving people

LONG-TERM FINANCIAL TARGETS

Long-term organic growth
>10%



Long-term EBIT
>13%



	Targets	2019
Share of own products, %	>13	9.9
Net sales incl. acquisitions, SEK million	1,000	689.4

SUSTAINABILITY OBJECTIVES

	Targets	2019
Code of Conduct for suppliers	Inform all critical suppliers about our Code of Conduct	✓
Sustainable investments	Shall constitute at least five percent of the agreed investment budget	✓
Employee survey	Raise response rate to 80 percent	✓
International exchange of skills	Up to ten employees will be given an opportunity to work for at least one month at one of our sites/countries	✓
Renewable energy	Explore opportunities to reduce energy use in relative terms and raise awareness about and use of renewable energy	✓
Scrap cost	Reduce the scrap cost to less than five percent	✓

✓ Implemented

THREE BUSINESS AREAS WITH A STRATEGIC FOCUS

Elos Medtech is focused on increasing the degree of specialization and to offer products that are "best-in-class". As part of this effort, we have chosen to focus our expertise and our investments in three business areas – Dental, Orthopedics and Life Science – in order to develop our offering close to the customer.

With a deep understanding and long experience in our business areas, we offer our customers partnerships in development and manufacturing.

NET SALES AND KEY PERFORMANCE INDICATORS

SEK million		Jan-Dec 2019	Jan-Dec 2018	Growth Jan-Dec 2019
Net sales by segment	Share of sales			
Dental	32.5%	223.9	206.7	8.3%
Orthopedics	33.3%	229.6	200.0	14.8%
Life Science	34.2%	235.9	238.0	-0.9%
Total net sales	100%	689.4	644.7	6.9%

There are no sales between the business areas.

SEK million	EBITDA Jan-Dec 2019	EBITDA, % Jan-Dec 2019	EBIT Jan-Dec 2019	EBIT, % Jan-Dec 2019
Key performance indicators				
Dental	41.6	18.6%	22.2	9.9%
Orthopedics	39.3	17.1%	17.4	7.6%
Life Science	50.6	21.4%	31.6	13.4%
Unallocated Group income and expenses	-5.9		-5.9	
Total	125.6	18.2%	65.3	9.5%

Visite du site de

Dental implants

Prosthetic products for traditional and digital production of bridges and crowns.



Life Science

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.



Life Science

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.



SPECIALIZATION FOR PROFITABLE GROWTH

DENTAL

In Dental, we are a strategic development and production partner and have built up extensive expertise as well as a strong global product offering. We mainly manufacture implants (fixtures), components for implant-borne prosthetics and instruments for leading companies in the dental implant market. The strategy is to build a strong brand as a value-creating partner by participating in the customer's development projects at an early stage. Our goal is also to act as unifying link between the implant companies and various technical partners by supplementing the customers' product ranges with our own products in digital dentistry and instruments.

The dental market welcomes our expanding offering as a strategic contract manufacturer and development and OEM partner. The result is that we achieved growth rate 8 percent in 2019, (2) and we estimate that we grew faster than the market. We generated total net sales of SEK 223.9 (206.7) million. Sales of proprietary products increased and amounted to SEK 68 million. Sales of Elos Accurate®, our digital products, saw continued solid growth. We also received three new 510(k) clearances from the US regulator.

Strengthening our collaboration with strategic customers

We have expanded our customer base while also strengthening our collaboration with strategic customers as we now have more products under development and have taken new products to the series production stage. Using new machinery and through

increased automation, we have also streamlined our operations to improve profitability at several of our sites. Our investments in technological development and our focus on automation have optimized product quality, which is one of our biggest competitive advantages. The long-term goal is specialization and efficiencies through increased coordination among our global sites.

Global expansion of Elos Accurate®

Over the year, we entered into several distribution agreements with leading companies in the industry, including Nobel Biocare, in the European, Japanese and North American markets. Our strategy going forward is to expand globally in the digital dentistry market with local players as well as global implant companies. In 2020, we will have a strong focus on the US market in order to achieve our long-term goals. Our strategy is to continue to develop more own-brand products and to register our existing products in new geographic markets.


New patent and new research projects

In line with our plans to develop more proprietary products, we received approval for a patent in the US and Europe in 2019. The patent covers a drilling system that is used during implant surgery, leading to greater precision that requires fewer instruments. Together with our partners, we are looking at future research and development projects with the aim of working together to develop new products.

"Did you know that we achieved new business in robotic surgery?"



Own product - Elos Accurate® Hybrid Base with prosthetic screw



“Did you know that demand for automated injection molding is growing rapidly; that’s why we are expanding our production site in Skara?”

ORTHOPEDICS

We are a recognized and experienced sourcing partner in spine, trauma and reconstruction. In spine, we are specialised in manufacturing screws and implants for treatment of spinal cord injuries. Our specialization in trauma covers plates, implants, drills, instruments, guide pins and wires used in surgical procedures for fractures. Our global strategy centered on specialization at each production site and a strong common brand creates a more attractive offering for our customers. Customers consist mainly of leading international orthopedics companies, with a particularly strong market position in trauma.

The level of activity in Orthopedics was very high in 2019 as net sales increased to SEK 229.6 (200.0) million. In line with our strategic goals, we have continued to significantly outpace the market. Our growth rate of 15 percent (20) is a result of growing demand as well as new product launches by customers. The strong growth was driven by existing customers in trauma, extremities and robotic surgery.

Building a strong common brand

An important strategic objective for Elos Medtech, as a global value-creating partner, is to build an attractive common brand from Elos Medtech and Onyx Medical. Since our acquisition of Onyx Medical, we have been working to establish a clear platform to meet a growing demand from customers for technical expertise and capacity as well as a global presence. The result of our increased customer value is that we have received several new customers in spine and a new local customer, Microport, in the Chinese orthopedics market.

New business in robotic surgery – a growing market trend

Our focused efforts have in recent years given us many new opportunities to meet our customers’ needs and take a clear market position in our product groups. In line with our specialization goals, we are also seeing growing demand from our key customers for drills, pins, wires and screws, which are used in both traditional trauma surgery and in robotic surgery. As a result of our clear positioning, we signed new deals in 2019 for the manufacture of new products in robotic surgery.

Expanding in the North American market

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. Our Memphis site was expanded and new machinery was commissioned at all our sites in the business area. We continued our efforts to improve processes and update production flows for increased efficiency and profitability.

LIFE SCIENCE

Our Life Science business area includes the previous market segments of Diagnostics, Hearing Device & Vibration and Other Medical Areas. There is a growing interest in the business area for the company’s technically advanced expertise in combining polymers and metals such as aluminum. The business area’s customers are leading global players in their respective markets and the strategy is to be a partner to world-leading customers. Another focus area is to increase the customer base in injection molding.

Market demand for products from the Life Science business area increased in 2019. The business area reported negative growth of 1 percent for the year, however, which was expected in view of the strategic phasing-out of Brüel & Kjær. Net sales totalled SEK 235.9 (238.0) million. A growing order intake from existing and new customers contributed strongly to earnings, especially at our sites in Skara and China.

A strong partner offer in polymers

Our partner offer in injection molding of polymer materials consists of a high level of expertise in the technical design phase, efficient, highly automated production, and automated clean-room packaging. We are specialised in small, advanced single-use products, such as IVF vials and dishes, products for chemical and clinical analyses such as allergy tests, tests for autoimmune diseases, and components for neurosurgery and heart surgery.

Growing demand for automated injection molding

We have decided to expand our Skara site to meet the rising demand. The expansion project will be ongoing throughout 2020 with commissioning scheduled for the first quarter of 2021. Going forward, our focus will be on digitization, we are also exploring the possibility of adding new machining processes to become a more complete supplier for our customers.

Changes in the customer portfolio for metal processing

Our specialized metal processing expertise in the business area is centered on bone-anchored hearing implants, components for traditional hearing aids and multiple-use syringes for insulin treatment of diabetes.

We have a clearer focus on medical technology, and in consultation with Brüel & Kjær we entered into an agreement at the beginning of the year for the transfer of monitoring and calibration of vibration products. The phasing-out project was initiated immediately and was concluded in April, which had an impact on net sales and thus also on the business area’s growth rate for the year.

SHARE AND OWNERS

Stock market trading and returns

Elos Medtech's B shares have been listed on Nasdaq Stockholm Small Cap since 1989. The A share is not listed. The share price varied over the year, from SEK 66.0 to 112.0, and ended the year with a 52 percent gain. The market value of the company amounted to SEK 859.2 (564.8) million at the end of the year.

Shareholders

The number of shareholders as at 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.

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.

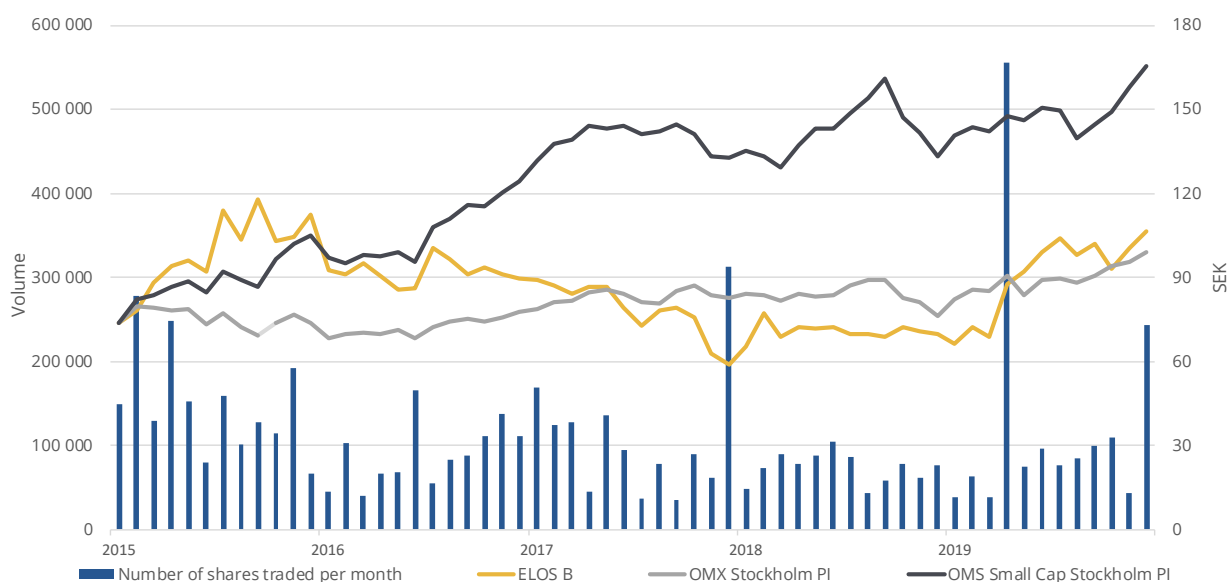
The Board of Directors has proposed to the 2020 Annual General Meeting that a dividend of SEK 1.50 per share be distributed, which corresponds to 31 percent of profit after tax.

Share capital

At the 2019 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.

Development of the Elos Medtech share for the period January 2015 – December 2019



Shareholder distribution, B shares, December 31 2019

Number of shares by size class	Number of shareholders	Number of shares	Proportion of shares, %
1-500	1,415	180,439	2.24
501-1,000	223	163,524	2.03
1,001-2,000	150	222,798	2.76
2,001-5,000	94	286,257	3.55
5,001-10,000	61	433,968	5.38
10,001-20,000	29	402,222	4.99
20,001-50,000	16	493,840	6.44
50,001-100,000	6	487,105	6.04
100,001-	14	4,298,357	66.58
Total	2,008	6,968,260	100.0

Source: Euroclear AB

Breakdown by share class, Dec 31 2019

Share class	Number of shares	Proportion in % of voting rights	Proportion in % of capital
A	1,099,740	61.2	13.6
B	6,968,260	38.8	86.4
Total	8,068,000	100.0	100.0

Largest shareholders of Elos Medtech AB (publ.), Dec 31 2019

	A shares	B shares	Total	Proportion of share capital, %	Proportion of voting rights, %
Öster family incl. company	378,826	426,257	805,083	10.0%	23.4
Svolder Limited Company	297,946	961,000	1,258,946	15.6%	21.9
Nilsson Family	260,880	154,702	415,582	5.2%	15.4
Molin family	136,000	263,899	399,899	5.0%	9.1
Nordea Investment Funds	-	1,329,949	1,329,949	16.5%	7.4
LINC AB	-	517,526	517,526	6.4%	2.9
Ulrika Erlandsson	26,088	85,101	111,189	1.4%	1.9
Magledal Holding APS	-	240,533	240,533	3.0%	1.3
Runmarker family	-	218,900	218,900	2.7%	1.2
Eccenovo AB	-	200,000	200,000	2.5%	1.1
Lannebo Fonder	-	169,676	169,676	2.1%	0.9
Other	-	2,400,717	2,400,717	29.8%	13.5
Total	1,099,740	6,968,260	8,068,000	100.0%	100.0

Source: Euroclear AB

Data per share

	2019	2018	2017	2016	2015 ¹⁾
Profit after tax, total, SEK	4.77	2.76	3.74	4.14	2.52
Dividend (2019 proposed, SEK 1.50)	1.50	1.00	0.00	1.30	1.00
Equity per share, SEK	66.92	63.02	60.98	60.63	54.63
Share price 31/12, SEK	106.5	70.00	60.92	98.50	123.50
Direct yield, %	1.4	1.4	0.0	1.3	0.8
Share price/Equity, %	159.1	111.1	106.6	162.5	226.1
Average number of shares, thousand	8,068	7,598	6,051	6,051	6,051
Number of shares at year-end, thousand	8,068	8,068	6,051	6,051	6,051

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

MANAGEMENT REPORT

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

General information about the business

The Group's operations are 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. The company's customers mainly comprise medical technology companies with international operations in the Dental, Orthopedics and Life Science markets.

Net sales and earnings

The Group's net sales during the year increased to SEK 689.4 (644.7) million. Growth during the year was 6.9 (11.6) percent. Adjusted for exchange rate changes, the increase amounted to 2.8 (8.0) percent. Our Dental and Orthopedics business areas grew during the year while Life Science contracted slightly.

Operating profit for the year was SEK 65.3 (38.9) million, corresponding to an operating margin of 9.5 (6.0) percent. At Group level, net financial items were positively affected by exchange rate differences corresponding to SEK 0.7 (0.5) million and totaled SEK -14.7 (-10.4) million. The profit after financial items was SEK 50.6 (28.5) million. Profit after tax amounted to SEK 38.5 (20.9) million, which corresponds to SEK 4.77 (2.76) per share. The Group's comprehensive income amounted to SEK 39.5 (38.0) million.

The business

We continued our efforts to ensure continued expansion, partly by expanding our Memphis site and partly by investing in new machinery. In December, we also begun our second building expansion at our Skara site. It is expected to be completed in early 2021. These investments will enable continued growth, and our ambition is to strengthen our global structure and market position in our existing markets. Continued growth requires continued sales and marketing of our products to existing, new and potential customers.

During the year, we signed several contracts with new customers in contract manufacturing, both in Dental and Orthopedics and in our polymer business in Life Science. We also entered into several new distributor agreements for Elos Accurate® in the US and European dental implant markets. The continuous work on operation excellence, automation and quality development is further pursued with the goal of being a competitive and reliable partner in contract manufacturing for our customers.

Investments

The Group's investments in buildings, land, machines and equipment amounted to SEK 101 (80) million, which mainly relates to increased machine capacity to meet higher demand and a building aimed at doubling the production space at our Memphis plant. Of the total investment, SEK 1.3 (1.9) million refers to capitalized development costs and SEK 4.1 (3.8) million to other intangible assets.

Research and development

There are continuous development work in the companies within the Group, which is a natural part of the business. 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 17.2 (19.3) million, of which amortization of capitalized development costs amounted to SEK 1.7 (1.4) million. The investment for the year in capitalized development costs amounted to SEK 1.3 (1.9) million. Total development expenses correspond to 2.7 (3.3) percent of the Group's net sales.

Personnel

The Group's average number of employees in 2019 was 566, compared to 572 the previous year, which is a decrease of 1 percent. Information about distribution by country and remuneration of senior executives, the Board and other employees, see Note 2.

Financial position and liquidity

The Group's balance sheet total increased during the year and amounted to SEK 1,034.8 (957.3) million. The Group's equity was SEK 539.9 (508.5) million. Equity per share, calculated on 8,068,000 shares, amounted to SEK 66.92 (63.02). At the end of the quarter, own risk-bearing capital was SEK 565.4 (535.8) million, which corresponds to 54.6 (56.0) percent of total capital. The Group's equity ratio was 52.2 (53.1) percent.

The Group's cash flow from operating activities during the financial year amounted to SEK 102.4 (66.1) million. Cash flow after investments and divestiture of fixed assets amounted to SEK 5.3 (-13.8) million.

The Group's net debt increased during the year, to SEK 331.5 (287.4) million. Cash and cash equivalents including unutilized bank overdraft facility amounted to SEK 122.2 (107.1) million.

Risks

Risk is a natural part of business and enterprise. The Group can influence some of the identified risks while others are beyond the control of the Group.

The Group's risks are divided into five categories:

	Definitions	Management
<i>Long term</i>		
Strategic risks	Affect the Group's long-term ability to create value.	Strategic risks are managed through strategies and strategic plans that are presented to senior management and adopted by the Board.
<i>Short term</i>		
Operating risks	Risks that can affect the Group's ability to increase value and that are important for its day-to-day operations.	Operational risk is managed through tactical and operational business decisions at all levels and by all employees.
Regulatory risks	Risks that can affect the Group's ability to protect its value from threats to its financial and organizational position and reputation.	Risks related to compliance with laws and regulations that are managed through tactical and operational business decisions at all levels and by all employees.
Sustainability risks	Risks that can affect the Group's ability to comply with sustainable business, social responsibility and human rights requirements.	Sustainability risks are managed through a general risk analysis that includes control measures covering the areas of the environment, labour, human rights and corruption.
Financial risks	Risks that can affect the Group's ability to increase and protect its value. Management of these risks can increase and protect the company's financial position.	Financial risks are managed through tactical and operational business decisions made in accordance with the adopted financial policies and frameworks.

The Group works continuously on risk management, monitoring and reporting them. To broaden the Group's understanding of important risks and necessary measures, the risks are grouped based on materiality. The following summary shows a selection of Elos Medtech's key risks and the approach to managing these risks. The Group may of course also be affected by other changes in the external environment.

Strategic risks

For a global group, the management of political, economic and social trends is essential to its ability to create value in the short and long term.

Political uncertainty

As the Group operates in several countries around the world, political and economic instability can affect its ability to develop, manufacture and sell its products. A trend towards a more protectionist world could affect the Group both in terms of raw material purchases as well as product sales. Elos Medtech continuously monitors political developments in the countries in which it operates and closely follows political changes such as Brexit and changes to free trade agreements.

In the industry Elos Medtech operates, there is a clear trend towards national protectionism and stronger demand for local production. To reduce the effect of this trend, the Group currently has production on the three largest continents in terms of market size.

Competition

The medical technology industry and its subcontractors are exposed to tough competition. Elos Medtech has several global competitors. The Group's competitors include both contract manufacturers and OEM companies with their own production. Some of the Group's competitors are multinational companies with significantly greater financial resources. Elos Medtech seeks to maintain the necessary competitiveness by offering high-value products and services. Together with our customers, we are working continuously to develop and streamline the development, quality, production and distribution processes within the Group.

Ability to manage growth

In a capital-intensive industry, the Group's growth goal places great demands on the Board and management and on the Group's operational and financial capacity. The intensifying consolidation trend in the industry can have consequences on Elos Medtech's ability to follow this development trend with regard to the Group's financial position. As its workforce and operations expand Elos Medtech needs to implement efficient planning, production and management processes in order to successfully implement the Group's business plan and ensure financial stability also during expansionary phases through good liquidity planning and clear communication with the relevant stakeholders.

Operating risks

Governance of tactical and operational business decisions is important to attain a high level of customer satisfaction, being an attractive employer and achieving a high level of profitability. Operational risks can affect the Group's ability to increase its value, and knowledge about such risks is therefore important for the Group's day-to-day operations.

Customer dependence

The Group's revenue is generated largely from a limited number of customers. These customers are global and in most cases use contract manufacturers such as Elos Medtech to supplement their own production. This means that the loss of a major customer could have a material negative impact on the Group's sales and profitability. There is also a risk that existing customers will use in-house production to a greater extent. To minimize this risk, Elos Medtech works continuously with its customers to improve its own and the customer's competitiveness. Elos Medtech devotes significant resources to market surveys and customer follow-ups to ensure that it remains up to date on the customers' needs.

Production capacity

Elos Medtech conducts operations at production sites in Sweden, Denmark, China and the United States with a focus on selected segments of the global medical technology market. Growing demand is positive for the Group as a whole, but can lead to capacity constraints at individual sites. Demand for Elos Medtech's products depends partly on the Group's ability to manufacture products in compliance with regulatory requirements and in a cost-effective manner that meets the customer's needs. For new products, Elos Medtech needs to meet quality requirements for which it can be hard to predict the amount of time required to ensure compliance. The Group is also dependent on raw materials and other inputs as well as machinery, energy and water supply to ensure an efficient manufacturing process.

To meet its customers' requirements, the company invests continuously in existing and new product lines in order to maintain its delivery capacity and quality in case of increased demand. An initiative has also been launched to ensure that the Group is able to manufacture the same product at more than one site in order to meet the customers' geographic requirements and to maintain production capacity for continued growth.

Interruptions in the manufacturing process

Damage to production equipment as a result of fires, earthquakes, sabotage and other factors can have a negative impact, in terms of direct damage to property and as well as interruptions in the operations. Indirect impacts from strikes, pandemics and other factors can also have an adverse impact on production. Such damage can make it difficult for the Group to fulfill its delivery obligations to its customers and in the long run cause the customer to reconsider its choice of supplier. Elos Medtech works continuously to identify production risks and implement appropriate measures to prevent identified risks and reduce their impact on the Group as a whole. The Group also has insurance cover for operational interruptions, including earthquakes and damage to property.

Key personnel and employees

The expectations of employees and other stakeholders change over time. If Elos Medtech is unable to meet these expectations, there is a risk that the Group will fail to recruit or retain key personnel and skilled employees to the extent desired. Elos Medtech is dependent on a number of key personnel as well as on a number of individuals with specialist expertise, such as operators of production machines, to ensure its continued growth.

To retain employees, the Elos Medtech Group conducts annual employee surveys aimed at strengthening its employee dialogue, identifying the employees' concerns and building commitment. Elos Medtech also seeks to create a unity of purpose among employees and other stakeholders by communicating a set of values and obligations, as set forth in the company's Code of Conduct. The Code of Conduct is consistent with the Group's sustainable business ambitions and regulatory requirements, and promotes mutual respect and trust within Elos Medtech.

Market risk and pricing

Elos Medtech's sales are affected by demand among the Group's customers, most of which are international medtech companies, and their willingness to invest. The customers' willingness to invest is affected by the general economic climate and by political decisions. As Elos Medtech is a contract manufacturer, the Group's sales can be affected by strategic changes at its customers, such as insourcing and outsourcing of production. There is also a risk related to Elos Medtech's customers arising from delays in the registration of new medical devices as well as product recalls, which can affect Elos Medtech's sales.

The pricing of the Group's production capacity could be negatively affected by a general decline in economic activity and similar factors. An economic downturn could affect buyers of health-care, such as public authorities, insurance companies and hospitals, and result in a reduced willingness to pay for medical devices. In some countries, the pricing of medical devices is determined at the regulatory level, which can make it hard to predict the ultimate market price for a product in a certain market. This in turn can put pressure on Elos Medtech's ability to obtain the desired price for a certain product.

Elos Medtech works closely and continuously with its customers to understand the effect of market developments in order to identify activities for ensuring satisfactory sales and financial performance for the Group.

IT security

The operations of the Group depend on a well functioning IT environment. The Group currently has a decentralized IT environment in which each business is susceptible to disruptions such as outages in essential business systems. There is also a risk of external attacks on the IT environment through viruses, data breaches and information theft.

Measures have been taken to minimize the impact of an outage, such as effective and safe back-up management, and active efforts are made to isolate each production unit to ensure continued operation in response to external threats. The Group works continuously to update processes and technology to manage external attacks on its IT environment and its analyses of existing and new risks and threats.

Regulatory risks

In its business activities, the Elos Medtech Group is required to comply with a number of laws and regulations. Compliance risks can affect the Group's ability to protect its value from threats to its reputation and financial position.

Regulatory requirements for medical devices

The Group's activities are regulated by a number of different standards and rules. These provide guidelines and require that the Group's businesses measure and be prepared to provide evidence of compliance to the relevant regulators. Examples of these include ISO 13485, FDA regulations and the EU Directive. The failure of Elos Medtech to comply with laws and standards and deliver a high standard of quality could lead to legal or regulatory sanctions and damage the customers' trust in Elos Medtech's brand and have a negative impact on the Group's sales and earnings.

To ensure that the Group complies with applicable laws and requirements, reviews and audits are carried out on a regular basis in the Group. 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.

Product liability

The Group is exposed to product liability and warranty claims in the event that the Group's products were to be found defective or otherwise not meet the applicable requirements. Elos Medtech carries out internal and external audits on an ongoing basis to ensure that it is complying with the applicable regulatory requirements and with the Group's internal quality monitoring requirements. No significant claims for damages arising from product liability have been made. An annual insurance review is also carried out to ensure that the Group has appropriate commercial insurance cover for its activities.

Intangible assets

Elos Medtech has patents and patents pending spread across approximately 12 patent families. Elos Medtech's continued success in proprietary products is in varying degrees dependent on patent protection, trademarks and other intellectual property rights. There is a risk that new manufacturing methods or products will be developed by other players that could result in the Group's intellectual property rights being replaced or circumvented. There is also a risk that other players will infringe on the Group's intellectual property rights or that Elos Medtech will infringe or be accused of infringing on intellectual property rights held by a third party. Disputes concerning intellectual property rights are often time-consuming and costly, which could have a negative impact on Elos Medtech's operations, earnings and financial position. To minimize the risk of patent disputes and ensure freedom to operate, we work with external patent attorneys when developing new products.

Sustainability risks

For Elos Medtech, risk analysis, including control measures in the areas of the environment, labour, human rights and corruption, is important for ensuring that the Group is operating in a responsible manner. Sustainability and business ethics are integrated in Elos Medtech's business model. Sustainability risks are described in our sustainability report, which is published on our website.

Financial risks

For Elos Medtech, monitoring and management of financial risks are important for the Group's operational activities and from a compliance perspective. The Group's management of these risks is based on central Group guidelines and policies, which are updated annually. For information on financial risks, please see Note 41 Financial risks and risk management.

Environmental impact

The Group is engaged in operations at five facilities in four countries. The Group's production sites in Sweden, Timmersdala and Skara, are engaged in operations subject to notification requirements under the Swedish Environmental Code. The notification requirement for the Timmersdala site is due to the nature of the operations and refers to engineering industry with surface treatment. For the Skara site, the notification requirement refers to manufacture of more than one metric ton of plastic products per year. The Group's other production sites are subject to similar requirements under national laws in each country. The activities consist mainly of production of precision mechanical products and are comparatively clean, so that production involves very limited emissions to air or water.

Further description of the Group's environmental work and environmental impact can be found in the Group's Sustainability Report 2019, 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 20.8 (24.6) million. The profit after financial items was SEK 5.8 (4.5) million. The Parent Company's comprehensive income amounted to SEK 5.4 (3.5) million.

The share of own risk capital was 78.2 (81.2) percent. The equity ratio was 77.9 (80.9) percent. The Parent Company's cash and cash equivalents including unused credits amounted to SEK 73.5 (62.8) million.

Events after the end of the financial year

After the end of the reporting period, the Covid-19 pandemic has broken out globally. The pandemic has had profound effects for the whole of society and a large number of restrictions have been introduced that can affect Elos Medtech's operations as well as demand for the company's products. The impact on the Group arises primarily from changed customer requirements due to changing healthcare priorities in this acute situation.

At the time of writing, Elos Medtech is unable to make a reasonable assessment of the effects on the company's operations and financial performance. Management and the Board of Directors are continuously monitoring the Group's operations and taking measures to manage as effectively as possible any risks and situations that may arise.

Outlook for 2020

The Group does not make any numerical forecasts but considers the outlook to be uncertain due to the ongoing Covid-19 pandemic. Longer-term, we expect the global market for medical devices to grow in all our business areas and we anticipate good opportunities for growth.

Remuneration to senior executives

At the 2019 Annual General Meeting, guidelines were adopted for remuneration and other conditions of employment for senior executives. The guidelines cover the Elos Medtech senior management as well as other senior executives. 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.

At the 2020 Annual General Meeting it is proposed that the guidelines for remuneration and other conditions of employment for senior executives remain unchanged from 2019. These guidelines are designed to promote the Group's business strategy of building profitable, long-term partnerships and striving for excellence in all its activities. The guidelines are also aimed at promoting the Group's long-term interests and sustainability by providing for competitive market remuneration based on the responsibilities and complexity of the role.

The Group must offer total remuneration at market levels that enables senior executives to be recruited and kept. The remuneration may consist of a fixed salary, variable remuneration, pension benefits and other benefits.

Fixed salary

The fixed salary must consist of a fixed annual cash salary, and should reflect the demands of the position and the way in which it contributes to achieving the Group's goals, as well as, the performance of the executive.

Variable remuneration

Variable remuneration should be based on the achievement of individual goals, which are defined by the Board as regards the CEO, and by the CEO, on the proposal of the Board, as regards other senior executives. Such goals may be linked to earnings, net sales, cash flow and the outcome in the executive's own area of responsibility. The measurement period for variable remuneration criteria should be one year. The period may vary depending on the position and contract and is capped at 50 percent of the fixed salary for the CEO and 40 percent for other senior executives. The criteria contribute to the Group's business strategy, long-term interests and sustainability by linking the factors to variable remuneration.

Pensions and other benefits

Pension and health insurance contributions for the CEO are capped at 30 percent of the fixed annual salary. For other senior executives, pension benefits must be based primarily on a defined contribution plan unless there are existing defined benefit plans. Pension contributions for other senior executives in respect of fixed salary may not exceed 35 percent of the fixed salary. Variable remuneration is pensionable to the extent provided for in collective bargaining agreements. Other benefits may include life insurance, medical care insurance and car benefit. Premiums and other costs attributable to such benefits may not exceed 10 percent of the fixed annual basic salary.

Remuneration of senior executives resident outside Sweden may be adapted as appropriate under mandatory rules or in accordance with local practice, in which case every effort should be made to ensure that such adaptations are consonant with the object of the guidelines.

Termination

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. The CEO's employment contract is terminable on up to twelve months' notice. Severance pay may be paid to senior executives. The sum of the fixed salary during the period of notice and severance pay is capped at 24 months' fixed salary for the executive.

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 51–55 in the annual report.

Dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 1.50 per share be paid for the financial year 2019. According to the proposal, the total share dividend amounts to SEK 12.1 (8.1) million.

Disposable earnings include an amount of SEK -2.9 million that is due to financial assets and liabilities being measured at fair value. The proposal of the Board for the date of settlement is April 23 2020.

Proposed appropriation of retained earnings

The following annual profit is available for disposal:

	SEK thousand
Retained earnings including share premium reserve	253,194
Comprehensive income for the year	5,409
Total	258,603

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 1.50 per share to shareholders	12,102
Carried forward to next year	246,501
Total	258,603

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

SEK thousand	Note	2019	2018
Net sales	3, 4	689,400	644,711
Cost of goods sold		-475,972	-466,290
Gross profit		213,428	178,421
Selling expenses		-39,977	-40,226
Administrative expenses	6	-93,348	-80,610
Development costs		-17,197	-19,259
Other operating income	8	3,325	2,584
Other operating expenses	9	-904	-2,010
Operating profit	2, 4, 7, 10	65,327	38,900
Profit after financial items			
Other interest income and similar income	12	1,227	821
Other interest expense and similar charges	13	-15,944	-11,244
Profit after financial items		50,610	28,477
Tax expense	15	-12,108	-7,540
Profit for the year		38,502	20,937
Attributable to Parent Company shareholders		38,502	20,937
Other comprehensive income			
Items that cannot be reclassified to profit or loss for the period			
Actuarial gains and losses	31	-11,238	-5,112
Tax		2,255	1,125
		-8,983	-3,987
Items that can be reclassified to profit or loss for the period			
Translation differences for the period		9,942	21,092
Other comprehensive income after tax		959	17,105
Comprehensive income for the year		39,461	38,042
Attributable to Parent Company shareholders		39,461	38,042
Earnings per share (SEK) for the year before and after dilution	38	4.77	2.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Capitalized expenditure on development work	16	8,048	1,808
Goodwill	17	262,148	253,597
Other intangible assets	18	13,200	23,043
		283,396	278,448
<i>Property, plant and equipment</i>			
Buildings and land	20	182,964	151,468
Machinery and other technical facilities	21	149,254	187,246
Equipment, tools, fixtures and fittings	22	15,420	14,237
Right-of-use assets	19	57,922	-
Construction in progress	23	38,554	21,055
		444,114	374,006
<i>Financial fixed assets</i>			
Deferred tax asset	32	1,691	2,391
Non-current receivables	42	167	-
Other shares and interests		17	17
		1,875	2,408
Total fixed assets		729,385	654,862
Current assets			
<i>Inventories etc.</i>			
Raw materials and consumables		41,710	34,097
Work in progress		43,006	46,983
Finished products		89,832	84,405
Advance payments to suppliers		43	119
		174,591	165,604
<i>Current receivables</i>			
Trade receivables	41, 42	66,076	77,057
Current tax assets		1,445	2,224
Other receivables	26	2,402	1,934
Prepaid expenses and accrued income	27	5,767	6,637
		75,690	87,852
Cash and bank balances	41, 42	55,172	48,964
Total current assets		305,453	302,420
TOTAL ASSETS		1,034,838	957,282

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK thousand	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity	28		
Equity attributable to Parents Company's shareholders			
Share capital	29	50,425	50,425
Other capital contributed		145,511	145,847
Reserves		36,337	26,229
Retained earnings		307,638	285,977
Total equity		539,911	508,478
Non-current liabilities			
Provisions for pensions	31	58,992	44,677
Deferred tax liability	32	25,515	27,253
Non-current interest-bearing liabilities	33, 40, 41, 42	272,178	222,133
Total non-current liabilities		356,685	294,063
Current liabilities			
Overdraft facility	33, 41	835	9,426
Other interest-bearing liabilities	33, 41, 42	54,655	60,138
Trade payables	42	21,838	33,801
Tax liability		2,764	372
Other liabilities	34, 42	10,845	6,570
Accrued expenses and deferred income	35	47,305	44,434
Total current liabilities		138,242	154,741
TOTAL EQUITY AND LIABILITIES		1,034,838	957,282

CONSOLIDATED CASH FLOW STATEMENT

SEK thousand	Note	2019	2018
Operating activities			
Profit after financial items		-50,610	28,477
Reversal of depreciation and impairments		60,288	56,447
Adjustment for non-cash items	39	3,683	2,824
		114,581	87,748
Tax paid		-11,020	-11,833
Cash flow from operating activities before changes in working capital		103,561	75,915
<i>Cash flow from working capital changes</i>			
Increase in inventories		-6,309	-17,838
Decrease/Increase in operating receivables		-12,993	2,776
Decrease/Increase in operating liabilities		-7,805	5,186
Cash flow from operating activities		102,440	66,039
Investing activities			
Investments in fixed assets		-98,582	-79,896
Purchase of financial fixed assets		-212	-
Sale of fixed assets		1,466	-
Cash flow from investing activities		-97,328	-79,896
Financing activities	40		
Issue of new shares/redemption of warrants		-170	101,447
Change in overdraft facilities		-8,868	-40,353
Loans raised		95,315	54,294
Repayment of loans		-77,295	-62,245
Dividend to shareholders		-8,068	-
Cash flow from financing activities		914	53,143
Cash flow for the year		6,026	39,286
Cash and cash equivalents at beginning of year		48,964	9,620
Exchange rate differences in cash and cash equivalents		182	58
Cash and cash equivalents at year-end	33, 40	55,172	48,964

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousand	Share capital	Other capital contributed	Reserves	Retained earnings including profit for the year	Total equity
Equity 2017-12-31	37,819	56,836	5,303	269,027	368,985
Profit for the year				20,937	20,937
Actuarial gain or loss pensions incl. tax				-3,987	-3,987
Translation differences incl. tax			21,092		21,092
Comprehensive income for the year			21,092	16,950	38,042
Issue of new shares	12,606	89,015			101,621
Repurchase of warrants		-170			-170
Equity 2018-12-31	50,425	145,681	26,395	285,977	508,478
Profit for the year				38,502	38,502
Actuarial gain or loss pensions incl. tax				-8,983	-8,983
Translation differences incl. tax			9,942		9,942
Comprehensive income for the year			9,942	29,519	39,461
Adjustment due to change in corporate tax				190	190
Merger of dormant companies				20	20
Repurchase of warrants		-170			-170
Dividend				-8,068	-8,068
Equity Dec 31 2019	50,425	145,511	36,337	307,638	539,911

PARENT COMPANY INCOME STATEMENT

SEK thousand	Note	2019	2018
Net sales	3.5	20,772	24,611
Gross profit		20,772	24,611
Selling expenses		-7,012	-11,120
Administrative expenses	6	-29,652	-26,265
Other operating income	8	140	110
Operating profit	2, 7	-15,752	-12,664
<i>Profit after financial items</i>			
Profit from interests in Group companies	11	11,000	-
Interest income, Group companies		9,891	11,703
Interest income and similar income	12	4,514	9,556
Other interest expense and similar charges	13	-3,815	-4,125
Profit after financial items		5,838	4,470
Appropriations	14	1,400	362
Tax on profit for the year	15	-1,829	-1,366
Profit for the year	28	5,409	3,466

Profit for the year is equal to comprehensive income for the year.

PARENT COMPANY BALANCE SHEET

SEK thousand	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Fixed assets			
<i>Intangible assets</i>			
Capitalized expenditure on development work	16	662	884
Other intangible assets	18	3,024	2,943
		3,686	3,827
<i>Property, plant and equipment</i>			
Equipment, tools, fixtures and fittings	22	469	661
		469	661
<i>Financial fixed assets</i>			
Interests in Group companies	24	222,421	222,521
Receivables from Group companies	25, 41, 42	208,202	194,735
Non-current receivables		167	-
		430,790	417,256
Total fixed assets		434,945	421,744
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		18,715	11,156
Current tax assets		199	182
Other receivables	26	266	454
Prepaid expenses and accrued income	27	1,261	1,670
		20,441	13,462
Cash and bank balances	41, 42	27,322	34,343
Total current assets		47,763	47,805
TOTAL ASSETS		482,708	469,549

PARENT COMPANY BALANCE SHEET

SEK thousand	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	29	50,425	50,425
Reserves		58,872	58,872
Fund for development expenses		-3,540	3,198
		112,837	112,495
<i>Unrestricted equity</i>			
Share premium reserve		90,151	90,321
Retained earnings		163,063	167,987
Profit for the year		5,409	3,466
		258,623	261,774
Total equity		371,460	374,269
Untaxed reserves	30	5,783	7,182
Provisions			
Provisions for pensions	31	6,403	5,452
Total provisions		6,403	5,452
Non-current liabilities			
Non-current interest-bearing liabilities	36, 37, 41, 42	42,138	51,386
Total non-current liabilities		42,138	51,386
Current liabilities			
Overdraft facility	33, 41	-	11,515
Other interest-bearing liabilities	41, 42	10,482	11,214
Trade payables	41, 42	811	1,577
Liabilities to Group companies		38,195	9
Other liabilities	34	655	615
Accrued expenses and deferred income	35	6,781	6,330
Total current liabilities		56,924	31,260
TOTAL EQUITY AND LIABILITIES		482,708	469,549

PARENT COMPANY CASH FLOW STATEMENT

SEK thousand	Note	2019	2018
Operating activities			
Profit after financial items		5,838	4,470
Reversal of depreciation and amortization		1,975	1,553
Adjustment for non-cash items	39	-14,131	1,638
		-6,318	7,661
Tax paid		-1,631	-2,665
Cash flow from operating activities before changes in working capital		-7,949	4,996
Cash flow from working capital changes			
Increase/decrease in operating receivables		399	4,015
Increase/decrease in operating liabilities		-34	-16,312
Cash flow from operating activities		-7,584	-7,301
Investing activities			
Investments in fixed assets		-1,640	-1,563
Promissory note loan to subsidiary	25	-	-17,804
Cash flow from investing activities		-1,640	-19,367
Financing activities			
New share issue/redemption of warrants		-170	101,617
Change in overdraft facilities		-11,515	-30,996
Repayment of loans		-11,771	-10,356
Change in financial receivables and liabilities, subsidiaries	25	33,727	-
Dividend to shareholders		-8,068	-
Cash flow from financing activities		2,203	60,265
Cash flow for the year		-7,021	33,597
Cash and cash equivalents at beginning of year		34,343	746
Cash and cash equivalents at year-end		27,322	34,343

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK thousand	Share capital	Restricted reserves	Share premium reserve	Unrestricted equity	Total equity
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
Issue of new shares	12,606		89,181		101,787
Allocation to fund for development expenses		1,180		-1,180	-
Repurchase of warrants			-170		-170
Equity 2018-12-31	50,425	62,070	90,321	171,453	374,269
Profit for the year				5,409	5,409
Comprehensive income for the year				5,409	5,409
Merger of dormant companies				20	20
Allocation to fund for development expenses		342		-342	-
Repurchase of warrants			-170		-170
Dividend				-8,068	-8,068
Equity Dec 31 2019	50,425	62,412	90,151	168,472	371,460

NOTES

Amounts in SEK thousand unless otherwise stated

Note 1 ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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 shares are listed on the Stockholm Stock Exchange, Nasdaq small cap.

This annual report for the financial year 2019 was signed by the Board of Directors and Chief Executive Officer of Elos Medtech AB on March 31 2020 and was approved for publication by the Board of Directors and CEO 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 21 2020.

Accounting policies

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.

Amended accounting policies as a result of new or amended IFRS *New accounting standard – IFRS 16*

The Group has applied IFRS 16 Leases from January 1 2019. As a result, the Group has changed its accounting policies for leases, as described in the following. The Group has elected to apply the modified retrospective approach for the transition, which means, for example, that the comparative year has not been restated in accordance with IFRS 16.

Leases where the Group is a lessee

Previously, the Group classified leases as operating or finance leases based on whether the lease transferred the significant risks and rewards of ownership of the underlying asset for the Group. Operating leases were not recognized as assets and liabilities in the Consolidated statement of financial position but lease payments/rental expense was recognized on a straight-line basis over the term of the lease. Under IFRS 16, the Group now recognizes right-of-use assets and lease liabilities for most leases, including leases that were previously classified as operating leases in the Consolidated statement of financial position, while recognizing depreciation and finance charge in the Consolidated statement of profit or loss and other comprehensive income. Exceptions have been made for leases with a remaining lease term not exceeding 12 months and for low-value leases (< SEK 50,000).

Leases previously classified as operating leases under IAS 17

Upon transition, the Group's lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application, January 1 2019. The right-of-use asset was measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

The Group has elected to apply the following reliefs for previous operating leases on the transition to IFRS 16:

- Applied a single discount rate for a portfolio of leases with similar characteristics.
- Adjusted the right-of-use asset by an amount recognized as a provision for operating leases that were loss-making contracts immediately before the date of initial application as an alternative to performing an impairment review.
- Right-of-use assets and lease liabilities have not been recognized for leases with a remaining lease term of 12 months or less from the transition date (short-term leases).
- Excluded initial direct costs from the measurement of the right-of-use asset on the date of initial application.
- Made a retrospective assessment, in determining the lease term, of whether the contract contains an option to extend or terminate the lease.

Leases previously classified as finance leases

The adoption of IFRS 16 has not resulted in any significant difference for the Group's previous finance leases.

Effect on the financial statements

On the transition to IFRS 16, the Group recognized right-of-use assets of kSEK 19,840 and lease liabilities of kSEK 19,420, of which kSEK 4,990 referred to short-term leases. Prepaid expenses decreased by kSEK 425.

In measuring the lease liability, the Group's lease payments were discounted at the incremental borrowing rate at January 1 2019. The weighted average interest rate used is approximately 4 percent.

Amended IFRS and IFRICs

Other than IFRS 16, amendments to IFRS standards have not had a notable impact on the consolidated financial statements.

Consolidated financial reporting

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

The consolidated financial statements comprise the Parent Company and all subsidiaries, which are all companies in which Elos Medtech owns more than 50 percent of voting rights of the shares, or otherwise exercises control. The financial reports for the Parent Company and subsidiaries that are included in the consolidated financial statements refer to the same period and are prepared according to the accounting policies 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 consists 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 measured 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 policies for subsidiaries have been amended to ensure a consistent application of the Group's policies.

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 on translation of foreign operations are recognized in other comprehensive income and accumulated in reserves in equity. On the sale of a foreign operation, the accumulated translation differences attributable to the operation are realized and reclassified from the reserve in equity to profit or loss.

Functional currency and reporting currency

The Parent Company's functional currency is the Swedish krona, which is also the reporting currency for the Parent Company and Group. The financial statements are therefore presented in Swedish kronor.

Transactions in foreign currency

Monetary assets and liabilities in foreign currency are translated into the functional currency at the closing rate. Exchange rate differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities at historical cost are translated at the transaction date exchange rate.

Operating segments

An operating segment is a component of the Group that engages in business from which it may earn revenues and incur expenses, for which separate financial information is available. Operating segments

are accounted for in a way that is consistent with the internal reports submitted to the Group's chief operating decision maker.

The Group's operations are organized so that senior management monitors the operating profits generated by the various operating segments and decides on the allocation of resources. The Group's operating segments are Dental, Orthopedics and Life Science. See Note 4 for more information on the segment

Income

The company's income is based solely on contracts with customers on performance obligations 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 obligations have been fulfilled. Normally, this occurs on delivery from the production site.

The company's payment terms comprise of 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 41.

Tax

Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit or loss, except when the underlying transaction is recognized in other comprehensive income or in equity, in which case the associated tax effect is recognized in other comprehensive income or in equity.

Current tax is tax payable or refundable in respect of the current year based on the tax rates enacted or substantively enacted at the balance sheet date. Adjustment of current tax relating to previous periods also belongs here.

Deferred tax is calculated using the balance sheet liability method based on temporary differences between carrying amounts and tax bases of assets and liabilities. Deferred tax is calculated based on how the temporary differences are expected to be realized or settled and by applying the tax rates and rules enacted or announced at the balance sheet date. Temporary differences are not taken into account in differences attributable to consolidated goodwill and shares in Group companies. In the consolidated financial statements, 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 21.4 (22.0) percent. See Note 15.

Remuneration of employees

Short-term benefits

Short-term employee benefits are not discounted and are recognized as an expense when the related services are rendered. A provision for expected bonus payments is recognized when the Group has a legal or constructive obligation to make such payments in consequence of receiving the specified services from the employees and the amount of the provision can be reliably determined.

For more information, see Note 2.

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

Note 1 cont.

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 measured at the present value of anticipated future payments using a discount rate, which corresponds to the rate stated in Note 31.

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.

Termination benefits

A liability is recognized when there is a present obligation.

Intangible assets

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 the carrying amount. Any impairment is reported in the income statement.

Capitalized expenditure on development work

Expenses for the development of our own products are reported as intangible assets in the Statement of financial position 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.

Other intangible assets

Other intangible assets refer mainly to patents and development of software, and are tested for impairment annually or more frequently.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for use in the business. Borrowing costs directly attributable to the construction of 'qualifying assets', assets which take a substantial period of time to get ready for their intended use, are included in cost.

Gains or losses on the sale or disposal of property, plant and equipment consist of the difference between the consideration paid and the carrying amount less any direct selling expenses. The income and expense item is recognized as other operating income/expenses.

Depreciation and amortization

Scheduled depreciation is calculated on the asset's cost. Previous appreciation has been calculated into the asset's cost. Depreciation rates are based on the asset's estimated useful lifetime. Leased assets are depreciated over the estimated useful life or over the contractual lease term, if shorter.

Scheduled depreciation amounts to the following percentages:

Scheduled depreciation amounts to the following percentages:

Buildings	2–10%
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%

Elos Medtech applies component depreciation. In component depreciation, a large item of equipment is, if necessary, divided into different components with different useful lives and therefore different depreciable lives.

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 makes an assessment of each asset's, group of assets' or cash-generating unit's recoverable amount when there are indications of impairment of an asset. If the book value is higher than the recoverable amount, impairment to the recoverable amount is performed. The recoverable amount is the higher of net realizable value and value in use.

Leases

Policies applied from January 2019

When a contract is entered into the Group determines whether the contract is or contains a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the start of the lease or on reassessment of a lease with multiple components – lease and non-lease components – the Group allocates the consideration in the contract to each component based on the stand-alone price. Where it is not possible to separate the components, they are accounted for as a single lease component.

Leases in which the Group is a lessee

The Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which is the initial measurement of the lease liability plus lease payments made at or before the commencement date and any initial indirect costs. The right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the asset and the end of the lease term, which for the Group is normally the end of the lease term.

Where the cost of the right-of-use asset reflects the Group exercising an option to purchase the underlying asset, the asset is depreciated to the end of the useful life.

The lease liability – which is separated into a current and non-current portion – is initially measured at the present value of the remaining lease payments over the expected lease term. The lease term is the non-cancellable period plus additional periods in the contract if it is

considered reasonably certain at the commencement date that the options to use these will be exercised. Lease payments are discounted at the Group's incremental borrowing rate, which reflects the Group's credit risk. The incremental borrowing rate is broken down by maturities depending on the durations of the leases. The lease liability is measured as the present value of the following payments over the estimated lease term:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate initially measured using the index or the rate as at the commencement date
- any residual value guarantees expected to be paid
- the exercise price of a purchase option which the Group is reasonably certain to exercise and
- payments of penalties for terminating the lease if the estimated lease term reflects the Group exercising an option to terminate the lease.

The liability is increased by the interest expense for each period and reduced by the lease payments. The interest expense is calculated as the amount of the liability multiplied by the discount rate. The lease liability for commercial premises of the Group for which the rent is indexed is calculated based on the rent at the end of each reporting period. At this date, the liability is adjusted by the corresponding adjustment of the carrying amount of the right-of-use asset. In the same way, the value of the liability and asset is adjusted in connection with reassessments of the lease term.

This is done after the final termination date in the previously estimated lease term for commercial leases or when significant events occur or circumstances materially change in a way that is beyond the control of the Group and that affects the existing assessment of the lease term.

For leases with a term of 12 months or less or with an underlying asset of low value, less than SEK 50,000, no right-of-use asset and lease liability are recognized. Lease payments for such leases are expensed on a straight-line basis over the lease term. This applies also to variable lease payments.

For impairment testing, see the heading Impairment. In the statement of cash flows, lease payments are split between interest paid in cash flow from operating activities and repayment of lease liability in financing activities.

Policies applied until December 31 2018

Leases are accounted for in the Group according to IAS 17 Leases.

Leases are classified in the consolidated financial statements as either finance or operating leases. In a finance lease, 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 an operating lease. Briefly, in finance lease means 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 consolidated statement of financial position. In the income statement, scheduled depreciation of the asset is reported according to the company's depreciation principles. The part of lease that refers to interest is reported as a financial cost in the income statement, while the rest of the lease reduces book liability. In brief, in an operating lease no asset or corresponding liabilities item is entered in the balance sheet by the lessee.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is calculated by applying the first in, first out method (FIFO) and includes information obtained in connection with the acquisition of the inventories and bringing them to their current location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to complete and sell. The risk of obsolescence is taken into account. For manufactured products and work in progress, cost includes a reasonable portion of indirect manufacturing costs. Normal capacity utilization is taken into account in the valuation.

Provisions

A provision differs from other liabilities in that there is a degree of uncertainty about the date of payment or the amount required for settling the provision. A provision is recognized in the statement of financial position when the Group has an existing legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the amount required to settle the obligation. When the outflow of resources is expected to occur very far in the future, the expected future cash flows are discounted and the provision is measured at present value.

Contingent liabilities

Disclosures on contingent liabilities are made when there is a possible obligation arising from past events and whose existence will be confirmed by one or more uncertain future events, or when there is an obligation which is not recognized as a liability or provision because it is unlikely that an outflow of resources will be required or because the amount of the obligation cannot be measured with sufficient reliability.

Earnings per share

The calculation of earnings per share is based on the consolidated profit for the year attributable to the shareholders of the Parent Company and the weighted average number of outstanding shares during the year. In calculating earnings per share after dilution, earnings and the average number of shares are adjusted to take account of potential dilutive effects related to the number of outstanding shares resulting, for example, from outstanding warrants. At December 31 2019, there were no potential dilutive effects.

Critical accounting matters, estimates and judgments

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 judgments as of the balance sheet date have special significance to the valuation of the assets and liabilities in the statement of financial position.

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 value in use 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 judgments made as at December 31 2019 are stated in Note 17.

For Financial risks and risk management and Financial instruments, see Notes 41 and 42.

Statement of cash flows

The statement of cash flows is prepared using the indirect method. The reported cash flow only includes transactions resulting in cash inflows and outflows. Consolidated cash and cash equivalents comprise cash and bank deposits.

The Parent Company's accounting policies

The Parent Company annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board.

Note 1 continuation

The recommendations for listed companies issued by the Swedish Financial Reporting Board are also applied. Under RFR 2, the Parent Company is required to apply all EU-adopted IFRS and interpretations in the annual accounts of the legal entity insofar as this is possible under the Annual Accounts Act and the Pension Obligations Vesting Act, and with regard to the relationship between accounting and taxation. The recommendation specifies the exceptions and amendments to IFRS that must be applied.

Changed accounting policies

Unless otherwise indicated below, the Parent Company accounting policies in 2019 have changed in accordance with what is indicated above for the Group.

Differences between the Parent Company and Group accounting policies are described in the following.

Classification of formats

The Parent Company applies IAS 1 in respect of the presentation of comprehensive income.

Employee benefits/defined benefit plans Paid pension premiums and changes in reported pension liabilities for FPG/PRI are reported on an ongoing basis as a pension cost.

Shares in subsidiaries

Shares in subsidiaries are recognized at cost less any impairment losses. Cost 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 recognized. Impairment losses are reported in the item "Profit from interests in Group companies".

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, pages 3–10).

Leased assets

The Parent Company does not apply IFRS 16, in accordance with the exemption allowed under RFR 2. Lease payments made as lessee are expensed on a straight-line basis over the lease term as in previous years and have thus not been accounted for as right-of-use assets and lease liabilities in the balance sheet.

Taxes

In the Parent Company, untaxed reserves are recognized in the balance sheet without a breakdown into equity and deferred tax liability, unlike in the Group. Similarly, in the Parent Company income statement no portion of appropriations is allocated to deferred tax expense.

Group contributions

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.

Note 2 EMPLOYEES AND PERSONNEL COSTS

Average number of employees divided into women and men	2019			2018		
	Men	Women	Total	Men	Women	Total
Group						
Sweden	97	40	137	86	50	136
Denmark	103	64	167	100	72	172
China	63	57	120	65	60	125
USA	87	55	142	94	45	139
	350	216	566	345	227	572
Parent Company						
Sweden	5	5	10	6	7	13

Salaries, other benefits and social security expenses	2019			2018		
	Board of Directors and CEO	Other employees	Total	Board of Directors and CEO	Other employees	Total
Group						
Salaries and other benefits	14,419	251,944	266,363	13,408	242,773	256,181
(of which profit-based salary)	(2,246)	(5,848)	(8,094)	(1,791)	(4,942)	(6,733)
Social costs	4,946	48,047	52,993	3,998	50,218	54,216
(of which pension costs)	(1,752)	(19,800)	(21,552)	(1,423)	(18,322)	(19,745)
	19,365	299,991	319,356	17,406	292,991	310,397
Parent company						
Salaries and other benefits	4,568	8,174	12,742	4,446	9,207	13,653
(of which profit-based salary)	(686)	(598)	(1,284)	(691)	(268)	(959)
Social costs	(2,869)	4,613	7,482	2,290	4,414	6,704
(of which pension costs)	(1,014)	(2,459)	(3,473)	(775)	(2,356)	(3,131)
	7,437	12,787	20,224	6,736	13,621	20,357

Salary and other remuneration by country	2019			2018		
	Board of Directors and CEO	Other employees	Total	Board of Directors and CEO	Other employees	Total
Parent Company in Sweden	4,568	8,174	12,742	4,446	9,207	13,653
Subsidiaries in Sweden	2,847	50,340	53,187	2,792	49,857	52,649
Subsidiaries in Denmark	2,378	108,078	110,456	2,443	106,290	108,733
Subsidiaries in China	1,996	17,928	19,924	1,499	17,023	18,522
Subsidiaries in USA	2,630	67,424	70,054	2,086	60,228	62,314
	14,419	251,944	266,363	13,266	242,605	255,871

Remuneration of the Board

Reasons for the principles for setting salaries and other remuneration of senior executives appear in the corporate governance report. Fees according to the decision of the Annual General Meeting were paid to the Chairman and members of the Board and totaled SEK 1,375,000 (1,350,000).

Fee	2019	2018
Yvonne Mårtensson (Chairman)	400	400
Jeppe Magnusson	175	175
Anders Birgersson	175	175
Jon Risfelt	235	225
Hanna Ernestam Wilkman	175	-
Claes Hansson	215	-
Agneta Bengtsson Runmarker*	-	200
Mats Nilsson*	-	175
	1,375	1,350

* Left in connection with the 2019 AGM.

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

Remuneration and other benefits of senior executives

Remuneration of senior executives, which refer to the CEO, CFO, Marketing Director, Group QA Director and CEOs of subsidiaries, comprises basic salary, other benefits, variable remuneration and pension. Guidelines for remuneration and other conditions of employment for senior executives are presented in the Directors' Report, page 18.

The present CEO has received salary and other remuneration, including benefits totaling kSEK 3,301 (3,096). The remuneration for the year includes a profit-based remuneration of kSEK 686 (691).

The retirement age for the CEO is 65. The pension cost for the CEO is therefore mainly contribution-based and amounts to 29 percent of the CEO's fixed salary plus additional contributions for occupational Group life insurance and supplemental occupational injury insurance.

The pension is defined contribution. The pension premium paid in 2019 for the current CEO amounted in total to kSEK 1,014 (775). 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 pay.

Other senior executives excluding the CEO received salary and other remuneration including car benefits of kSEK 14,315 in total (12,534) in 2019. The year's remuneration includes profit-based salary of kSEK 2,137 (1,368). The retirement age for other persons in senior management is 60–70 years. No warrants were exercised during the year within the incentive program that was decided at the 2016 Annual General Meeting and expired on December 31 2019.

Other managers in subsidiaries, consisting of members of the subsidiaries' management groups excluding those included among senior executives above, a total of 26 persons (26), received salary and other remuneration including car benefits totaling kSEK 24,830 (19,688). The pension costs for these amounted to kSEK 2,203 (1,139).

Members of the Board and senior executives (number of persons)	2019			2018		
	Men	Women	Total	Men	Women	Total
Group						
Board members	4	2	6	4	2	6
CEO and other senior executives	6	3	9	6	2	8
Parent company						
Board members	4	2	6	4	2	6
CEO and other senior executives	2	2	4	2	1	3

Note 3 NET SALES AND TOTAL ASSETS BY GEOGRAPHIC MARKET

Net sales by geographic market The table below shows the distribution of consolidated net sales by market area, regardless of where the product was manufactured.

SEK million	2019	2018
Sweden	142.9	133.7
Nordics excl. Sweden	50.1	69.2
Europe excl. Nordics	242.7	215.0
North America	150.4	139.9
Asia	100.5	85.0
Other Markets	2.8	1.9
Total	689.4	644.7

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

SEK million	2019	2018
Sweden	5.6	5.6
Nordics excl. Sweden	7.1	12.6
Asia	2.5	2.5
North America	5.6	3.9
Total	20.8	24.6

Total assets and investments by geographic area The table below shows the carrying amount of assets and investments by geographical area of where the assets are located.

SEK million	Assets		Investments	
	2019	2018	2019	2018
Sweden	201.6	203.3	20.5	15.8
Denmark	290.7	278.1	15.0	20.8
China	93.2	87.1	3.5	6.1
USA	449.3	388.8	62.1	37.2
Total	1,034.8	957.3	101.1	79.9

Note 4 SEGMENTS

Dental

In Dental, we are a strategic development and production partner and have developed extensive expertise as well as a strong global product offering. We mainly manufacture implants (fixtures), components for implant-borne prosthetics and instruments for leading companies in the dental implant market. Our goal is also to act as unifying link between the implant companies and various technical partners by supplementing the customers' product ranges with our own products in digital dental care and instruments.

Orthopedics

In Orthopedics, we are a sourcing partner in spine, trauma and reconstruction. In spine, we are specialised in manufacturing screws and implants for treatment of spinal cord injuries. Our specialization in trauma covers plates, implants, drills, instruments, guide pins and wires used in surgical procedures for fractures. Our global strategy centered on specialization at each production site and a strong common brand creates a more attractive offering for our customers. Customers consist mainly of leading international orthopedics companies, with a particularly strong market position in trauma.

Life Science

In Life Science, there is a growing interest in the company's technically advanced expertise in combining polymers and metals. The customers are leading global players in their respective markets. In polymers, we are specialised in small, advanced consumable products, such as IVF vials and dishes, products for chemical and clinical analyses such as allergy tests, tests for autoimmune diseases, and components for neurosurgery and heart surgery. In metal processing, we are specialised in bone-anchored hearing implants, components for traditional hearing aids and multiple-use syringes for insulin treatment of diabetes.

Net sales and profitability by market segment

The table below shows a breakdown by market segment, regardless of where the product was manufactured.

Net sales by segment

SEK million	2019	2018
Dental	223.9	206.7
Orthopedics	229.6	200.0
Life Science	235.9	238.0
Total	689.4	644.7

Operating profit by segment

SEK million	2019	2019
Dental	22.2	9.9%
Orthopedics	17.4	7.6%
Life Science	31.6	13.4%
Unallocated Group income and expenses	-5.9	
Total	65.3	9.5%

Note 5 BUYING AND SELLING BETWEEN GROUP COMPANIES

Of the Parent Company's revenue, SEK 20.8 (24.6) million pertains to income from Group companies. During the year, there has been purchasing from Group companies of SEK 0.1 (0.6) million for IT and marketing services.

Note 6 REMUNERATION TO AUDITORS

Fees and expense reimbursements

SEK million	Group		Parent Company	
	2019	2018	2019	2018
KPMG	1,430	0	410	0
Audit engagement	1,296	-	410	-
Other services	134	-	-	-
Tax advice	-	-	-	-
PwC	616	888	600	588
Audit engagement	268	650	252	390
Other audit services	348	238	348	198
Tax advice	-	-	-	-
Other companies	947	1,089	-	-
Audit engagement	558	732	-	-
Tax advice	303	300	-	-
Other services	86	57	-	-
Total	2,993	1,977	1,010	588

Auditing engagement refers to investigation of consolidated accounting, statutory auditing of the Parent Company and subsidiaries, bookkeeping and the Board's and CEO's management, as well as consultancy and other contributions deriving from investigation considerations. Everything else is other assignments. KPMG were appointed as the Group's auditors for financial year 2019. KPMG replaced PwC.

Note 7 DEPRECIATION ACCORDING TO PLAN AND IMPAIRMENT

Group	Cost of goods sold	Development costs	Selling expenses	Administrative expenses	Total
2019					
Other intangible assets	514	878	4,997	1,436	7,825
Capitalized development costs	222	1,469	-	-	1,691
Buildings	5,791	190	206	970	7,157
Land improvements	282	2	-	53	337
Machinery and other technical facilities	28,984	-	-	-	28,984
Equipment, tools, fixtures and fittings	1,453	106	89	1,339	2,987
Right-of-use assets	9,015	-	1,135	1,157	11,307
Total	46,261	2,645	6,427	4,955	60,288
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

Parent company	Cost of goods sold	Development costs	Selling expenses	Administrative expenses	Total
2019					
Other intangible assets	223	-	171	1,356	1,750
Equipment	-	-	50	176	226
Total	223	-	221	1,532	1,976

Parent company	Cost of goods sold	Development costs	Selling expenses	Administrative expenses	Total
2018					
Other intangible assets	215	-	92	1,013	1,320
Equipment	-	-	73	159	232
Total	215	-	165	1,172	1,552

Note 8 OTHER OPERATING INCOME

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Gain on sale of fixed assets	909	442	125	103
Vendor compensation	786	962	-	-
Public grants received	725	322	-	-
Foreign exchange gains	458	664	15	7
Commission income	429	-	-	-
Other	18	194	-	-
Total	3,325	2,584	140	110

Note 9 OTHER OPERATING EXPENSES

SEK million	Group	
	2019	2018
Loss on sale of fixed assets	155	777
Reserve for customer commitment	-	4
Foreign exchange losses	722	1,154
Other	27	75
Total	904	2,010

Note 10 COSTS BY TYPE

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

Group	2019	2018
Material incl. subcontractors	94,162	111,742
Remuneration of employees	319,356	310,397
Depreciation	60,288	56,447
Other costs	152,688	127,799
Total	626,494	606,385

Note 11 PROFIT FROM INTERESTS IN GROUP COMPANIES

Parent company	2019	2018
Group contributions received	11,000	-
Total	11,000	-

Note 12 OTHER INTEREST INCOME AND SIMILAR INCOME ITEMS

	2019	2018
Group		
Interest income	87	86
Exchange rate differences	1,140	735
Total	1,227	821
Parent company		
Interest income	3	3
Exchange rate differences	4,511	9,553
Total	4,514	9,556

Note 13 OTHER INTEREST EXPENSE AND SIMILAR CHARGES

	2019	2018
Group		
Interest expenses	12,435	8,105
Revaluation derivatives	2,857	2,416
Exchange rate differences	422	204
Other	230	519
Total	15,944	11,244
Parent company		
Interest expenses	3,483	3,521
Exchange rate differences	-	22
Other	332	582
Total	3,815	4,125

Note 14 APPROPRIATIONS

Parent company	2019	2018
Reversal of tax allocation reserve, tax year 2012	-	352
Allocation to tax allocation reserve, tax year 2018	-	-285
Reversal of tax allocation reserve, tax year 2013	2,891	-
Allocation to tax allocation reserve, tax year 2019	-2,515	-
Difference between recognized depreciation and scheduled depreciation	1,024	295
Total	1,400	362

Note 15 TAX

Group	2019	2018
Current tax	-12,865	-8,767
Deferred tax referring to temporary differences	757	1,227
Total tax	-12,108	-7,540

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

Group	2019	2018
Reported profit before tax	-50,610	28,477
Tax at the current rate	-10,831	-6,265
Tax effects of:		
Effect of changed tax rate attributable to untaxed reserves	204	-
Differences in foreign tax rates	-916	-696
Withholding tax	-235	-309
Other	-330	-270
Reported tax expense	-12,108	-7,540

Note 15 cont.

The tax rate in Sweden has been used as the current tax rate for 2019: 21.4 (22.0) percent. The Group's average effective tax rate in 2019 with comparative year was 23.9 (26.5) percent.

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	2019	2018
Current tax in the income statement	-1,614	-1,066
Tax attributable to the previous year	20	-
Withholding tax	-235	-300
Total	-1,829	-1,366

Parent company	2019	2018
Reported profit before tax	5,838	4,833
Tax at the current rate	-1,249	-1,063
Tax effects of:		
Non-deductible expenses	-91	-65
Tax-free income	20	61
Withholding tax	-235	-309
Other	-274	10
Reported tax expense	-1,829	-1,366

Note 16 CAPITALIZED EXPENDITURE ON DEVELOPMENT WORK

SEK million	Group		Parent Company	
	2019	2018	2019	2018
Opening cost	3,424	8,956	1,114	876
Purchases for the year	-	238	-	238
Reclassification	10,489	-5,770	-	-
Translation differences	118	-	-	-
Closing cost	14,031	3,424	1,114	1,114
Opening depreciation	1,616	3,144	230	15
Depreciation for the year	1,691	1,425	222	215
Reclassification	2,652	2,953	-	-
Translation differences	24	-	-	-
Closing accumulated scheduled depreciation	5,983	1,616	452	230
Carrying amount at year-end	8,048	1,808	662	884

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

Note 17 GOODWILL

Group	2019	2018
Opening cost	253,597	235,085
Translation difference	8,551	18,512
Closing cost	262,148	253,597
Carrying amount at year-end	262,148	253,597

Goodwill	2019	2018
Dental	41,642	41,021
Orthopedics	213,483	205,553
Life Science	7,023	7,023
Total	262,148	253,597

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, Orthopedics and Life Science has been calculated based on discounted cash flows. The cash flows for the first year are based on a set budget for 2020. The forecast period 2021–2024 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. 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. The present value of the forecast cash flow has been calculated using a pre-tax discount rate of 8.3 (8.4) percent. The discount rate was determined by calculating a weighted cost of equity and debt. In 2019 as well as 2018, the estimated recoverable amount for Elos Medtech exceeded the carrying amount, which means that no impairment was identified.

Alternative calculations were made by changing the discount rate by one percentage point, reducing the growth rate for years two to five by 50 percent and the EBITDA margin to the average for the last two years. A change in any of these assumptions would, individually, not result in any impairment of the recognized goodwill attributable to the three segments.

Sensitivity analysis, SEK million

	Dental	Orthopedics	Life Science
Carrying amount corresponding to the cash-generating unit's net assets	270	429	70
Recoverable amount in excess of carrying amount	316	161	197

Note 18 OTHER INTANGIBLE ASSETS

Group	Group		Parent Company	
	2019	2018	2019	2018
Opening acquisition value	60,414	55,112	12,005	10,766
Purchases for the year	5,386	5,372	1,607	1,239
Reclassification	-10,489	-	-	-
Sales and disposals	-	-2,662	-	-
Translation difference	1,100	2,592	-	-
Opening acquisition value	56,411	60,414	13,612	12,005
Opening depreciation	37,371	29,032	9,062	7,956
Depreciation for the year	7,825	9,096	1,526	1,106
Reclassification	-2,652	-	-	-
Sales and disposals	-	-757	-	-
Translation difference	668	-	-	-
Closing accumulated depreciation	43,211	37,371	10,588	9,062
Reported value at year-end	13,200	23,043	3,024	2,943

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 RIGHT-OF-USE ASSETS

Information on the effect of the transition to IFRS 16 on the Group's leases is provided in Note 1 Accounting policies, estimates and judgments.

The carrying amounts of assets under finance leases are attributable to the following types of assets:

Right-of-use assets

Cost	Premises	Vehicles	Machinery	Other	Total
Cost at December 31 2018	-	2,488	57,319	-	59,807
Adjustment of additional right-of-use assets (IFRS 16)	13,094	3,202	-	3,547	19,843
Adjusted opening balance January 1 2019	13,094	5,690	57,319	3,547	79,650
Investments for the year	1,103	1,168	9,059	278	11,608
Disposals for the year	-	-1,136	-	-	-1,136
Reclassifications	-	-	-4,069	-	-4,069
Translation differences	-	26	1,091	44	1,161
Cost at December 31 2019	14,197	5,748	63,400	3,869	87,214
Accumulated depreciation					
Accumulated depreciation at December 31 2018	-	-1,439	-21,003	-	-22,442
Depreciation for the year	-2,387	-1,348	-6,639	-933	-11,307
Disposals for the year	-	957	-	-	957
Reclassifications	-	-	-4,069	-	-4,069
Translation differences	-	27	-596	-	-569
Accumulated depreciation at December 31 2019	-2,387	-1,803	-24,169	-933	-29,292
Carrying amount at December 31 2019	11,810	3,945	39,231	2,936	57,922

Note 19 cont.

Recognized in income statement	2019
Depreciation of right-of-use assets	-11,307
Low-value lease payments	-373
Short-term lease payments	-105
Variable lease payments (refers mainly to property tax)	-67
Recognized in operating profit	-11,852
Interest on lease liabilities	-805
Recognized in net financial items	-805

Lease of premises

For rental agreements, the company has applied the marginal lending rate as the discount rate, taking into consideration the duration of the lease.

Vehicle leases and other leases

The Group leases cars under three-year leases with an option to extend. Other than these, the Group has leases mainly for IT equipment such as servers and photocopiers with lease terms of three to five years.

Finance leases

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

	Group	
	2019	2018
2019	-	9,244
2020	14,123	9,047
2021	12,600	7,126
2022	8,744	3,374
2023	6,705	2,710
2024 and later	8,707	2,841
	50,879	34,342

The leased machinery consists mainly of lathes, milling machines and similar machines at Elos Medtech Pinol A/S.

Operating leases 2018 (IAS 17)

The Group's expense for operating leases in 2018 amounted to kSEK 3,759. The operating leases consist mostly of leases for premises, primarily Elos Medtech Tianjin's facility in China. There are no significant variable charges in the amount. The breakdown of the Group's lease commitments at December 31 2018 was as follows:

	Group
Charges that fall due	2018
2019	3,576
2020	1,961
2021	1,500
2022	924
2023 and later	194
Total	8,155

Note 20 BUILDINGS AND LAND

	Group	
Buildings	2019	2018
Opening acquisition value	206,368	195,158
Purchases for the year	20,999	2,596
Reclassification	579	2,116
Translation difference	2,911	6,498
Opening acquisition value	230,857	206,368
Opening depreciation	71,180	62,913
Depreciation for the year	7,157	6,573
Translation difference	735	1,694
Closing accumulated depreciation	79,072	71,180
Reported value at year-end	151,785	135,188

	Group	
Land improvements	2019	2018
Opening acquisition value	1,970	1,795
Purchases for the year	14,861	140
Reclassification	-63	35
Translation difference	16	-
Opening acquisition value	16,784	1,970
Opening depreciation	876	740
Translation difference	40	6
Depreciation for the year	337	130
Closing accumulated depreciation	1,253	876
Reported value at year-end	15,531	1,094

	Group	
Land	2019	2018
Opening acquisition value	15,186	11,523
Purchases for the year	-	2,898
Translation difference	462	765
Opening acquisition value	15,648	15,186
Reported value at year-end	15,648	15,186
Carrying amount at year-end, buildings and land	182,964	151,468

Note 21 PLANT AND MACHINERY

Machines, etc.	Group	
	2019	2018
Opening acquisition value	506,031	436,784
Purchases for the year	9,170	45,160
Reclassification	-37,324	16,997
Sale and decommissioning	-6,776	8,132
Translation difference	7,689	15,222
Opening acquisition value	478,790	506,031
Opening depreciation	318,785	284,666
Depreciation for the year	28,984	33,043
Reclassification	-16,934	-
Sale and decommissioning	-5,481	-6,982
Translation difference	4,182	8,058
Closing accumulated depreciation	329,536	318,785
Reported value at year-end	149,254	187,246

Note 22 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

Equipment, etc.	Group		Parent Company	
	2019	2018	2019	2018
Opening acquisition value	59,695	61,186	2,092	2,006
Purchases for the year	1,863	2,396	33	86
Reclassification	1,121	-3,544	-	-
Sale and decommissioning	-2,474	-1,216	-	-
Translation difference	480	873	-	-
Opening acquisition value	60,685	59,695	2,125	2,092
Opening depreciation	45,458	43,965	1,431	1,198
Depreciation for the year	2,987	2,080	225	233
Reclassification	-1,439	-	-	-
Sales and disposals	-1,942	-1,165	-	-
Translation difference	201	578	-	-
Closing accumulated depreciation	45,265	45,458	1,656	1,431
Reported value at year-end	15,420	14,237	469	661

Note 23 CONSTRUCTION IN PROGRESS

Construction in progress	Group	
	2019	2018
Opening acquisition value	21,055	20,461
Purchases for the year	37,037	23,438
Reclassification	-20,050	-23,708
Translation difference	512	864
Opening acquisition value	38,554	21,055
Reported value at year-end	38,554	21,055

Note 24 INTERESTS IN GROUP COMPANIES

Parent company	2019	2018
Opening acquisition value	222,521	222,521
Merged operations	-100	-
Opening acquisition value	222,421	222,521
Reported value at year-end	222,421	222,521

Subsidiary	Second-tier subsidiary	Voting interest	Number of voting rights	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 Skara 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
Total				222,421

* In early 2020, Elos Medtech Skara AB changed its name from Elos Medtech Microplast AB.

Information about the subsidiaries' organization number and headquarters:

Subsidiary	Second-tier subsidiary	Corp. ID number	Headquarters
Elos Medtech Pinol A/S		13746184	Hillerød, Denmark
Elos Medtech Tianjin Co. Ltd.		91120111697431125P	Tianjin, China
Elos Medtech Timmersdala AB		556055-1201	Skövde
	TioTec AB	556443-5153	Skövde
Elos Medtech Skara 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	Gothenburg

* In early 2020, Elos Medtech Skara AB changed its name from Elos Medtech Microplast AB.

Note 25 RECEIVABLES FROM GROUP COMPANIES

	Parent company	
	2019	2018
Long-term loan to Elos Medtech U.S. Holdings, refers to financing of acquisition	203,069	186,426
Long-term loan to Elos Medtech Tianjin	5,133	7,708
Other	-	601
Total	208,202	194,735

Note 26 OTHER RECEIVABLES

	Group		Parent company	
	2019	2018	2019	2018
Promissory note	315	-	-	-
Value added tax	1,093	182	266	181
Other	994	1,752	-	273
Total	2,402	1,934	266	454

Note 27 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent company	
	2019	2018	2019	2018
Prepaid rent	272	296	272	296
Prepaid licenses and IT expenses	1,230	1,011	-	-
Prepaid pension payments	182	177	182	177
Accrued income	401	-	-	-
Other prepaid expenses	3,682	5,153	807	1,197
Total	5,767	6,637	1,261	1,670

Note 28 EQUITY

Reserves include translation differences as below:

	Group	
	2019	2018
Translation differences net assets foreign currency		
Opening accumulated translation differences	32,221	11,129
Translation differences for the year	9,942	21,092
Closing accumulated translation differences	42,163	32,221
Exchange rate differences from net investment hedge in foreign operation		
Opening accumulated exchange rate differences	-5,826	-5,826
Closing accumulated exchange rate differences	-5,826	-5,826
Total closing accumulated translation and exchange rate differences	36,337	26,395

Note 29 SHARE CAPITAL

During the year, no Class A shares were converted into Class B shares. On December 31 2019, the share capital consisted of 8,068,000 shares with a quotient 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.

Note 30 UNTAXED RESERVES

	Parent company	
	2019	2018
Accumulated over-depreciation	328	1,352
Tax allocation reserve, tax year 2013	-	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	285
Tax allocation reserve, tax year 2019	2,515	-
Total	5,783	7,182

Note 31 PROVISIONS FOR PENSIONS

	Group	
	2019	2018
Provision for FPG/PRI pensions including payroll tax	58,816	44,677
Other pension provision	176	-
Total	58,992	44,677

	Parent company	
	2019	2018
Provision for pensions	6,227	5,452
Other provision	176	-
Total	6,403	5,452

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

Group	2019	2018
Discount rate	1.70%	2.55%
Annual pay increase	3.25%	3.25%
Annual increase in income base amount	3.25%	3.25%
Annual inflation	1.80%	2.00%
Attrition rate	5.00	5.00

Note 31 cont.

The discount rate has been determined for 2019 as for 2018 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 2019, the duration was 24 (23) years.

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%:	1.20%	1.70%	2.20%
The obligation's present value at the end of the period	58,144	51,647	46,066
Pay increase +/- 0.5%:	2.75%	3.25%	3.75%
The obligation's present value at the end of the period	50,014	51,647	53,597
Inflation +/- 0.5%:	1.30%	1.80%	2.30%
The obligation's present value at the end of the period	47,268	51,647	56,614
Life expectancy +/- 0.5%:	-1 year	DUS 14	1 year
The obligation's present value at the end of the period	49,486	51,647	53,824

Specification of change of pension liability in the Group:

	2019	2018
The obligation's present value at the beginning of the period	39,833	33,182
Benefits earned during the period	2,392	2,225
Pension payments	-697	-664
Interest	1,075	976
Actuarial gains (-) and losses (+)	9,044	4,114
The obligation's present value at the end of the period	51,647	39,833
Payroll tax	7,169	4,844
Book value	58,816	44,677

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	2019	2018
Costs for service current year	3,289	3,609
Interest expenses	1,075	976
Actuarial gains (-) and losses (+)	11,238	5,112
Total costs for defined benefit plans	15,602	9,697
Costs for defined contribution plans	18,263	15,710
Sum total pension costs	33,865	25,407

Estimated charges for payment to pension plans in 2020 are expected to amount to approximately SEK 705,000 (701,000).

Note 32 DEFERRED TAX ASSET/LIABILITY

	Group	
Deferred tax asset	2019	2018
Tax-loss carry-forwards	11,298	11,869
Temporary differences property, plant and equipment	1,691	2,391
Provisions for pensions	7,858	5,460
Leases in accordance with IFRS 16	122	-
Other	9,084	5,259
Total	30,053	24,979
Offsettable receivables	-28,362	-22,588
Recognized deferred tax liability	1,691	2,391
Deferred tax liability		
Temporary differences intangible assets	10,476	7,547
Temporary differences property, plant and equipment	36,026	35,355
Temporary differences current assets	5,217	4,819
Untaxed reserves	2,158	2,120
Total	53,877	49,841
Offsettable receivables	-28,362	-22,588
Recognized deferred tax liability	25,515	27,253
Net	-23,824	-24,862

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.

	Group	
Changes in deferred tax	2019	2018
Opening balance	-24,862	-23,462
Change in P/L	-323	-1,478
Change in OCI	2,255	1,125
Translation difference	-894	-1,047
Closing balance	-23,824	-24,862

Note 33 INTEREST-BEARING LIABILITIES

Non-current liabilities	Group	
	2019	2018
Loan liabilities	235,421	197,404
Liabilities on finance leases	36,757	24,729
Total	272,178	222,133

Current liabilities	Group	
	2019	2018
Loan liabilities	40,532	54,093
Overdraft facility	835	9,426
Liabilities on finance leases	14,123	6,045
Total	55,490	69,564

Of the Group's loan liabilities, the amount falling due in more than 5 years is SEK 97.0 (51.2) million. The corresponding amount for the Parent Company is SEK 0.0 (0.0) million.

At year-end, the Group's loans from credit institutions amounted to SEK 267.8 (260.6) million. The loans consist of loans against traditional collateral such as mortgage deeds and floating charges.

Overdraft facility

Group

The Group has two (two) different overdraft facilities with a total available credit of SEK 67.9 (67.5) million, of which SEK 67.1 (58.1) is undrawn. The interest rates on the overdraft facilities are variable.

Parent company

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

Note 34 OTHER LIABILITIES

	Group		Parent company	
	2019	2018	2019	2018
Value added tax	1,758	1,940	-	-
Withholding tax	1,380	1,963	375	342
Holiday liabilities, not paid out	437	691	-	-
Pension, actual not paid	518	559	-	-
Derivatives	4,780	-	-	-
Other	1,972	1,417	280	273
Total	10,845	6,570	655	615

Note 35 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent company	
	2019	2018	2019	2018
Accrued salaries including vacation pay liability	27,449	25,351	1,836	1,639
Accrued social security contributions	8,548	6,350	1,580	1,789
Other accrued expenses	932	1,007	501	623
Other accrued expenses	8,376	11,726	2,864	2,279
Prepaid income	2,000	-	-	-
Total	47,305	44,434	6,781	6,330

Note 36 PLEDGED ASSETS

For liabilities to credit institutions incl. overdraft facilities	Group		Parent Company	
	2019	2018	2019	2018
Property mortgages	173,052	151,249	-	-
Floating charges	44,038	43,799	6,200	6,200
Finance lease asset	45,769	32,840	-	-
Machines with ownership rights reservations	102,516	85,255	-	-
Inventory with ownership reservation	25,501	20,373	-	-
Trade receivables	18,550	20,884	-	-
Other pledged assets	226	5,644	-	-
Total	409,652	360,044	6,200	6,200

Note 37 CONTINGENT LIABILITIES

	Group		Parent company	
	2019	2018	2019	2018
Guarantees for subsidiaries	-	-	57,215	64,921
Pension obligations incl. FPG-PRI	609	397	292	109
Total	609	397	57,507	65,030

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

Note 38 EARNINGS PER SHARE

The earnings per share have been calculated by dividing the profit for the year attributable to Parent Company shareholders, kSEK 38,502 (20,937), by the average number of outstanding shares, which is 8,068,000 (7,598,000). The number of shares at the end of the period was 8,068,000 (8,068,000). Earnings per share before and after dilution were calculated at SEK 4.77 (2.76).

Note 39 CASH FLOW

Adjustment for non-cash items

	Group		Parent company	
	2019	2018	2019	2018
Provisions	2,380	2,678	-776	-550
Exchange rate differences	-1,140	-565	-4,492	-9,553
Profit on sold fixed assets	-226	711	125	-103
Revaluation of derivatives	2,859	-	-	-
Interest not received	-	-	-9,879	-
Other	-190	-	891	11,844
Total	3,683	2,824	-14,131	1,638

Disclosure on interest paid

	Group		Parent company	
	2019	2018	2019	2018
Interest paid during the year	12,508	10,275	3,707	3,275
Interest received during the year	87	4,951	-	4,868

Cash and cash equivalents in the statement of cash flows consist of cash and bank balances.
Of total investments of SEK 98.6 (79.9) million, SEK 95.3 (15.5) million is loan-financed.

Note 40 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	OB 2019	Cash flow		Non-cash flows						CB 2019
		Amortization	New borrowings	Restatement pension liability	OB IFRS 16 effect	New leases	Exchange rate differences	Revaluation derivatives	Reclassification	
Group 2019										
Non-current interest-bearing provisions for pensions	44,677	-697	-	15,012	-	-	-	-	-	58,992
Overdraft facility	9,426	-8,868	-	-	-	-	277	-	-	835
Non-current interest-bearing liabilities										
of which leasing liabilities	24,729	-6,534	565	-	14,850	2,445	702	-	-	36,757
of which loan liabilities	197,404	-10,623	36,134	-	-	-	4,003	-1,923	10,426	235,421
Current interest-bearing liabilities										
of which leasing liabilities	6,045	-6,045	8,947	-	4,990	-	186	-	-	14,123
of which loan liabilities	54,093	-54,093	49,669	-	-	-	1,289	-	-10,426	40,532
Total liabilities	336,374	-86,860	95,315	15,012	19,840	2,445	6,457	-1,923	-	386,659
Cash and bank balances	-48,964									-55,172
Net debt	287,410	-86,860	95,315	15,012	19,840	2,445	6,457	-1,923	-	331,487

Note 40 cont.

Group 2018	Cash flow			Non-cash flows				CB 2018
	OB 2018	Amortization	New borrowings	Restatement pension liability	New leases	Exchange rate differences	Reclassification	
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 lease 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 lease 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 FINANCIAL RISKS AND RISK MANAGEMENT

Through its operations, Elos Medtech is exposed to various types of financial risk. Financial risks refer to fluctuations in Elos Medtech's earnings and cash flow due to changes in exchange rates, interest rates, and refinancing and credit risks. The company's financial policy for management of financial risks has been formulated by the Board and forms a framework of guidelines and rules for the company's financing activities. Financial risks that Elos Medtech is exposed to are specified below.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. Interest rate risk can refer to changes in fair value, price risk, and to changes in cash flows, cash flow risk. A significant factor affecting interest rate risk is the fixed-rate term. As around 75 percent of the Group's loans are variable-rate loans, changes in interest rates quickly have an impact on earnings and cash flow. At year-end 2019, the average fixed-rate term for the Group's external borrowings was approximately 15 months. A change in interest rates of 1 percentage point would affect net profit by approximately SEK 2.7 (2.6) million.

Exposure to price risk due to changes in interest rates refers to financial assets and liabilities with specified fixed-rate terms. In 2019, Elos Medtech has only one financial liability for which a fixed interest rate had been obtained through an interest rate swap. This liability accounts for 5 percent of total interest-bearing financial liabilities. For 2020, Elos Medtech has entered into another interest rate swap agreement under which a further 11 percent of the Group's variable-rate liabilities are converted into fixed-rate liabilities. In the accounts, hedge accounting is not applied for this type of derivatives.

Currency risk

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 arises from the translation of assets and liabilities of foreign subsidiaries to the Parent Company's functional currency.

Translation exposure

Currency	2019		2018	
	Amount SEK million	%	Amount SEK million	%
USD	199	44	195	46
DKK	196	43	173	41
CNY	60	13	53	13

The Group's exposure regarding net assets abroad is comprised of Elos Medtech Pinol A/S, Elos Medtech Tianjin Co. Ltd and the Elos Medtech U.S Holdings. Inc. Group. A hedging relationship with loans in foreign currency is used as a hedging instrument for some intra-Group loans in USD. In other respects, there is no hedging of net assets.

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 45 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.

Flow exposure

Changes in exchange rates can affect the competitiveness of the Group or of its customers and can thereby have an indirect impact on the Group's net sales and earnings. 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 2018 and 2019.

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 2.7 (2.6) million and approx. SEK 1.6 (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 2019 financial year, the year's profit before tax would have been approximately SEK 5.2 (5.0) million lower/higher as a result of foreign currency gains or losses when translating the profit from the subsidiaries.

Credit risk

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 predominately well established companies or organizations. An individual credit assessment is

Note 41 cont.

made of all customers who receive credit. Payment terms differ from customer to customer and are included in sales agreements. Trade 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 trade 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 trade receivables is low in all markets in which the Group is active. The Group therefore recognizes trade receivables at amortized cost on initial recognition and does not expect any losses due to non-payment by counterparties other than the estimated provision for credit losses, as presented below.

Age distribution of trade receivables	Group	
	2019	2018
Receivables not yet due	55,082	64,919
Receivables that fell due 1-30 days before	9,596	10,409
Receivables that fell due 31-60 days before	1,239	1,409
Receivables that fell due 61-90 days before	130	278
Receivables that fell due > 91 days before	553	221
Total that has fallen due	11,518	12,317
Reserved trade receivables	-524	-179
Total trade receivables	66,076	77,057

The other categories of current receivables – Prepaid expenses and accrued income and Other receivables – do not include any assets considered to be materially impaired or exposed to a significant risk of future loss. The same applies to the category Other non-current receivables. The maximum exposure to credit risk at the balance sheet date is the fair value for each category of receivables referred to above. For all these categories of receivables, fair value is considered to approximate the carrying amount.

Liquidity risk

Liquidity risk is the risk that the company will fail to meet its payment obligations as a result of insufficient liquidity and/or difficulties in obtaining credit from external lenders. 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. Elos Medtech is financed mainly through bank financing agreements. The Group is currently dependent on bank loans for its operations and its ability to extend, expand and/or roll over its loans in the future (refinancing risk).

Management closely monitors rolling forecasts for the Group's liquidity, which consists of unused loan commitments and cash and cash equivalents compared with expected cash flows. The policy is that cash and cash equivalents, including unused overdraft facilities, should amount to at least 10 percent of the Group's net sales. The outcome for the year amounted to 18 (17) percent. Investment of cash and cash equivalents must only occur in bank-related instruments. The Group uses a number of banks and has a number of available overdraft facilities.

The Group has entered into an agreement on loan commitments of SEK 250 (200) million. The agreement was extended in December 2019 and runs until December 2022. At year-end, the undrawn portion was SEK 250 million. During the year, loans were also raised by the Group's US subsidiary to finance the expansion of a production site and production capacity.

In connection with the Group's long-term financing, the Parent Company has entered in to an agreement on covenants with the Group's banks. The covenants relate to minimum ratios of consolidated EBITDA to consolidated net debt and capital adequacy, and lim-

its on investments. Based on budget and forecast for 2020, it is forecast that the company will meet the condition for quotient value at the respective measurement time during 2020. Based on the assessment that the loan covenants will be able to be met, interest-bearing liabilities have been classified into current and non-current components.

Covenants

Under the covenants for its main loan facilities, the Group is required to meet the following financial covenants:

- A minimum capital ratio of 30 percent
- A maximum ratio of net senior debt to EBITDA of 3.5.

Maturity structure of financial liabilities

The existing loans consist of loans against traditional security such as mortgage deeds and company mortgages, repayment contracts and leases. The following tables show payments for financial liabilities at the balance sheet date including estimated annual payments of interest.

Payments in 2019	Total amount	Due in year 1	Due in year 2	Due in years 3-5	Due after more than 5 years
SEK loans	76,158	12,710	9,893	30,357	23,198
DKK loans	57,477	15,734	12,570	20,145	9,029
EUR loans	6,197	125	125	5,947	-
USD loans	216,341	33,993	31,904	76,485	73,959
CNY loans	1,433	-	1,433	-	-
Total	357,606	62,562	55,925	132,933	106,186

Payments in 2018	Total amount	Due in year 1	Due in year 2	Due in years 3-5	Due after more than 5 years
SEK loans	69,945	10,787	13,022	19,661	26,475
DKK loans	56,536	13,214	12,808	19,071	11,443
EUR loans	5,977	129	114	5,734	-
USD loans	173,870	34,061	28,767	69,364	41,678
CNY loans	-	-	-	-	-
Total	306,328	58,191	54,711	113,830	79,596

All loans from credit institutions in SEK, EUR and DKK have variable interest rates. Of the loans in USD, SEK 120.6 (85.2) million is at variable interest rate and SEK 66.5 (48.0) million is at fixed rate. Of the variable-rate portion, SEK 37.3 million will convert to fixed-rate loans through an interest rate swap in 2020. The average interest rate on the Group's total loan liabilities is 3.8 (2.9) percent.

Note 42 FINANCIAL INSTRUMENTS

A financial asset or liability is recognized at the trade date when the Group becomes party to a contractual relationship. Financial assets are derecognized when the right to receive cash flows from the instrument expires. Financial liabilities are derecognized when the obligation arising from the agreement has been fulfilled or otherwise been extinguished. Financial assets and liabilities are offset in the accounts only when there is a legally enforceable right to set off the recognized amounts or to realize the asset and settle the liability simultaneously. The Group classifies its financial assets and liabilities based on the purpose for which the financial asset or liability was acquired. The Group's classification is reproduced below.

Classification of financial instruments

According to IFRS 13, financial instruments 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 2019 or 2018. 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 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 carrying amount 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 with short maturities are not discounted.

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.

Financial assets at fair value through other comprehensive income

The Parent Company took a USD loan of USD 5.6 (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.

Financial liabilities at amortized cost

The Group's financial liabilities are initially measured at fair value. The Group's financial liabilities comprise trade payables, overdraft facilities and loans from credit institutions. All amounts under financial liabilities are equal to the carrying amounts in the consolidated financial statements and have been calculated in accordance with Level 2 of the fair value hierarchy in IFRS 13. 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. Long-term liabilities have an expected maturity longer than 1 year, while current liabilities have a maturity of less than 1 year.

Fair value measurement

The following methods and assumptions have been used to determine the fair value of the Group's financial instruments.

Financial instruments at fair value

Interest rate swaps

For interest rate swaps, fair value is determined based on market prices. If such prices are not available, fair value is determined by discounting the difference between the contractual interest rate and the interest rate that can be obtained at the balance sheet date for the remaining contract term. Any premiums paid for the swap contract are recognized as interest over the term of the contract.

For its property loans in the US, the Group swaps its variable interest rate for a fixed rate through interest rate swaps. These interest rate swaps are recognized at fair value in accordance with this method. Unrealized gains and losses arising from fluctuations in the fair values of the financial instruments are recognized in net financial items in the consolidated income statement. As Elos Medtech intends to hold these derivatives to maturity, mark-to-market accounting of the derivatives over time will not affect earnings or cash flow.

Outstanding derivative instruments

	Nominal amount	Currency	Maturity	Fixed rate
Interest rate derivatives	1,825,024	USD	Apr 25 2025	4.15%
Interest rate derivatives	4,000,000	USD	Apr 25 2020 - Apr 25 2030	5.84%

Revaluation of derivatives in operating profit

	2019	2018
Interest expenses	2,857	2,416
Total	2,857	2,416

Financial instruments not measured at fair value

Interest-bearing liabilities and finance lease liabilities

Fair value approximates the carrying amount, as the interest rate on the outstanding liabilities is variable.

Trade receivables and trade payables

For trade receivables and trade payables with a remaining maturity of less than one year, the carrying amount is considered to approximate fair value.

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 trade receivables, 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 trade receivable. To measure the expected credit losses, trade receivables 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. At December 31 2019, the provision for credit losses was kSEK 524 (179), or 0.8 (0.2) percent of the Group's outstanding trade receivables.

Note 43 CAPITAL MANAGEMENT

Risk management

The Group's goal in respect of capital structure is to secure its ability to continue its operations with a view to continuing to generate a return for the shareholders and other stakeholders, and to maintain an optimal capital structure in order to keep the costs of capital down. To maintain, or adjust, its capital structure, the Group may change the dividend that is paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce its liabilities.

Note 43 cont.

The Group assesses its capital based on net debt divided by total equity. Under the Group's financial policy, this measure may not exceed 50 percent while net debt may not exceed three times EBITDA. To safeguard the cash flow, the majority of the Group's financing must be long-term.

Key performance indicators

	2019	2018
Total assets	1,034.8	957.3
Total equity	539.9	508.5
Net debt	331.5	287.4
EBITDA	125.6	95.3
Debt/equity ratio, times	0.6	0.6
Net debt/EBITDA	2.6	3.0
Share of long-term financing	83.3	78.7

The Group also measures return on equity, which should exceed the risk-free long-term interest rate by 5–10 percent, depending on the share of capital. The return should exceed 8.3 percent in the current situation. The return on equity for the year was 7.3 (4.8) percent.

Proposed appropriation of retained earnings

The Annual General Meeting is asked to decide on the appropriation of the following earnings:

	SEK thousand
Retained earnings including share premium reserve	253,194
Comprehensive income for the year	5,409
Total	258,603

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 1.50 per share to shareholders	12,102
Carried forward to next year	246,501
Total	258,603

Dividend

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.

	2019	2018
The dividend for the financial year 2018 was SEK 1 (2017: SEK 0)		
Dividend A shares	1,099.7	-
Dividend B shares	6,968.3	-
Total	8,068.0	

The Board of Directors has proposed to the 2020 Annual General Meeting that a dividend of SEK 1.50 per share be distributed, which corresponds to 31.4 percent of profit after tax. This dividend has not been recognized as a liability as at December 31 2019 but is expected to be paid from retained earnings on April 28 2020.

Note 44 RELATED PARTY TRANSACTIONS

The company had no transactions with related parties in 2019. In 2018, a related party transaction with a senior executive was made. 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.

Note 45 EVENTS AFTER THE BALANCE SHEET DATE

After the end of the reporting period, the Covid-19 pandemic has broken out globally. The pandemic has had profound effects for the whole of society and a large number of restrictions have been introduced that can affect Elos Medtech's operations as well as demand for the company's products. The impact on the Group arises primarily from changed customer requirements due to changing healthcare priorities in this acute situation.

At the time of writing, Elos Medtech is unable to make a reasonable assessment of the effects on the company's operations and financial performance. Management and the Board of Directors are continuously monitoring the Group's operations and taking measures to manage as effectively as possible any risks and situations that may arise.

Note 46 RECONCILIATION BASIS FOR ALTERNATIVE PERFORMANCE MEASURES

SEK million	Group	
Organic growth	2019	2018
Reported net sales	689.4	644.7
Net sales compared to the same period last year	644.7	577.9
Change in net sales	44.7	66.8
Growth,%	6.9	11.6
Net sales from acquired operations	-	-
Adjusted net sales from acquisition effects	689.4	644.7
Organic growth,%	6.9	11.6
Net sales adjusted for exchange rate changes		
Exchange rate changes	25.9	19.0
Currency-adjusted net sales of the same period last year	670.6	596.9
Change,%	2.8	8.0
EBITDA		
Reported operating profit	65.3	38.9
Depreciation and impairment	60.3	56.4
EBITDA	125.6	95.3

CORPORATE GOVERNANCE REPORT

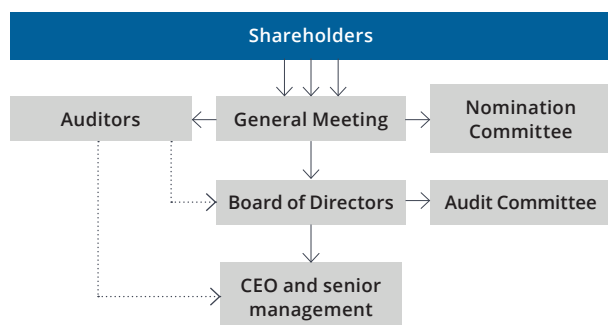
Elos Medtech AB (publ.), Organization no.: 556021-9650

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 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. 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.

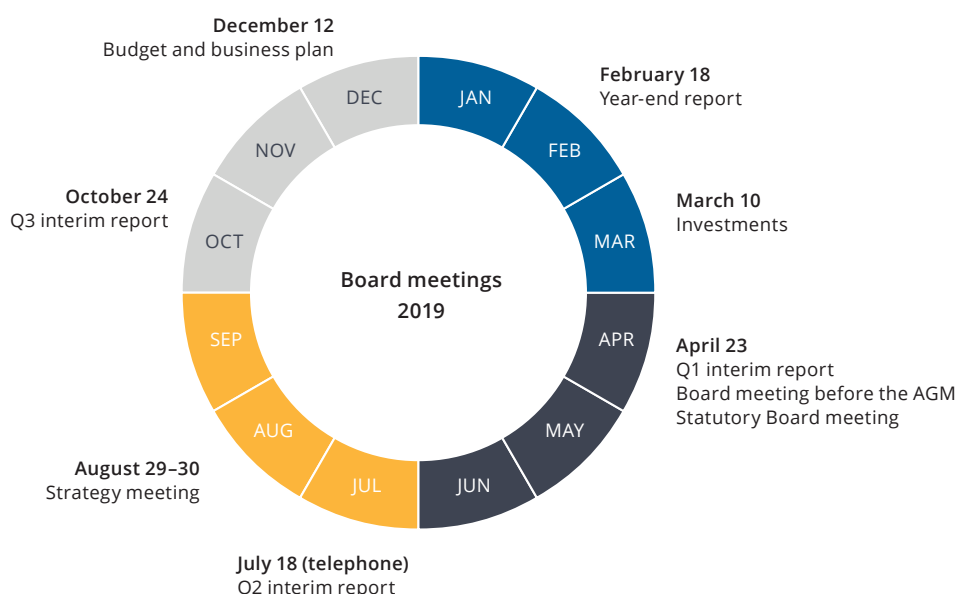
Composition of the Board

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

BOARD OF DIRECTORS



1. Yvonne Mårtensson
Chairman since 2017 and Board member since 2015.
Born: 1953.
Education and work Experience: Master of Science in Industrial Economics
Other assignments: Board member of Xvivo Perfusion AB.
Shareholding: 20,000 B shares
Independent of 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: Chairman 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 Sparbanken Lidköping AB.
Shareholding: 945 B shares
Independent of 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 Member of the management team at SCA Hygiene Products and Nobel Biocare AG.
Other assignments: Board member of Jeppe Magnusson Consulting AB, Auremune AB, Premune AB and Premune IPR AB. Partner of the limited partnership ISEA Sweden KB.
Shareholding: 3,946 B shares.
Independent in relation to the company and company management and the company's major shareholders.

4. Hanna Ernestam Wilkman
Board member since 2019.
Born: 1967.
Education and work experience: Master of Business Administration from Henley Business School. President and CEO of Stille AB.
Other assignments: -
Shareholding: -
Independent of 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: Chairman of Cabonline Group Holding AB and Cab Holding AB. Board member of Bilia AB, Knowit AB and Boule Diagnostics AB.
Shareholding: 2,930 B shares.
Independent of the company and company management and the company's major shareholders.

6. Claes Hansson
Board member since 2019. Member of the Audit Committee.
Born: 1957.
Education and work experience: M.Sc. in Economics and Business. President and CEO of Götenehus Group AB 2006–2019.
Other assignments: Chairman of Götenehus Group AB, Erik Hemberg Fastighets AB and the Swedish Federation of Wood and Furniture Industry (TMF). Board member of the Confederation of Swedish Enterprise, Arbio AB, Trähusstaden Sverige AB, Jalokin AB and Ferrocon AB.
Shareholding: 900 B shares.
Independent of 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.

2. Ewa Linsäter

CFO since 2019.
Employed since 2019.
Born: 1970
Education: MBA at Linköping University.
Shareholding: 2,144 B shares.

3. Malin Gustavsson

Marketing Director
Employed since 2013.
Born: 1972, Bachelor of Economics.
Shareholding: 473 B shares.

4. Anders Björklund

QA/RA Quality Director
Employed since 2019.
Born: 1975, Master of Engineering
Shareholding: 100 B shares.

5. Mathias Andersson

CEO of Elos Medtech Skara AB
Employed since 2012.
Born: 1971, Engineer.
Shareholding: –

6. Sam Svännel

CEO of Elos Medtech Timmersdala AB
Employed since 2018.
Born: 1961, Technical training
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.

8. Conny Jakobsson

CEO of Elos Medtech Tianjin Co. Ltd.
Employed since 2017.
Born: 1969, B.Sc. in Business Studies.
Shareholding: –

9. Jodie Gilmore

CEO of Elos Medtech Onyx Business Unit Director Orthopedics
Employed since 1997.
Born: 1971, Bachelor of Economics.
Shareholding: –

MULTI-YEAR SUMMARY

MSEK (unless otherwise stated)	2019	2018	2017	2016	2015*
Income statements					
Net sales	689.4	644.7	577.9	552.0	503.7
Operating profit	65.3	38.9	42.7	42.7	30.5
Net financial items	-14.7	-10.4	-16.3	-4.8	-8.0
Profit after financial items	50.6	28.5	26.4	37.9	22.5
Taxes	-12.1	-7.5	-3.8	-11.5	-6.4
Profit for the year	38.5	20.9	22.6	26.4	16.1
Balance sheets					
Fixed assets	729.4	654.9	609.3	649.3	636.9
Receivables and inventories	250.3	253.5	228.6	199.9	204.2
Cash and cash equivalents	55.2	48.9	9.6	38.5	40.5
Total assets	1,034.8	957.3	847.5	887.7	881.6
Equity	539.9	508.5	369.0	366.8	330.5
Non-current liabilities	356.7	294.1	273.4	282.2	331.2
Current liabilities	138.2	154.7	205.1	238.7	219.9
Total equity and liabilities	1,034.8	957.3	847.5	887.7	881.6
Cash flow					
Cash flow from operating activities	102.4	66.1	62.1	98.3	62.9
Cash flow after investments	5.3	-13.8	24.5	68.9	-143.6
Key performance indicators					
EBITDA margin, %	18.2	14.8	16.3	17.6	15.7
EBIT margin, %	9.5	6.0	7.4	7.7	6.1
Own risk capital	565.4	535.8	399.8	396.9	353.4
Proportion of risk-bearing capital, %	54.6	56.0	47.2	44.7	40.0
Equity/assets ratio, %	52.2	53.1	43.5	41.3	37.5
Return on operating capital	7.8	5.1	5.8	5.7	5.3
Return on equity, %	7.3	4.8	6.1	7.6	4.8
Interest coverage ratio, multiple	4.2	3.5	2.6	4.7	3.7
Net debt	331.5	287.4	358.6	384.8	427.3
Debt/equity ratio, multiple	0.6	0.6	1.0	1.1	1.3
Gross investments excl. shares	101.0	79.9	37.6	34.6	75.8
Average number of employees	566	572	527	509	471

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

DEFINITIONS OF KEY PERFORMANCE MEASURES AND GLOSSARY

Definitions of key performance measures 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 performance measures 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 performance measures do not need to be comparable with similar performance indicators used by other companies. The reconciliation basis for calculating some of these performance measures is provided in Note 46 of this report.

Net sales adjusted for exchange rate changes Change in net sales adjusted for exchange rate changes compared with the year-before period.

Organic growth Change in net sales adjusted for sales received from acquisitions compared with same period the previous year.

EBITDA Operating profit before depreciation/amortization 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 assets and property, plant and equipment 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.

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

VMI (Vendor Managed Inventory) Inventory managed by supplier.

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FINANCIAL INFORMATION

The Annual General Meeting 2020 will be held in Gothenburg, Sweden on April 21 2020
The interim report for January–March 2020 will be published on May 5 2020
The interim report for April–June 2020 will be published on July 16 2020
The interim report for July–September 2020 will be published on October 20 2020



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