

Elos Medtech Annual Report 2020

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Annual Report 2020

Highlights of 2020

- Net sales for the financial year decreased and amounted to SEK 580.0 (689.4) million, which is a decrease of 15.9 percent. After currency conversions, the decrease was 14.5 percent.
- The operating profit for the year amounted to SEK 63.6 (65.3) million, corresponding to an operating margin of 11.0 (9.5) percent.
- The profit after financial items amounted to SEK 43.2 (50.6) million, where net financial items were negatively affected by exchange rate differences of SEK -5.2 (0.7) million.
- Profit after tax amounted to SEK 36.0 (38.5) million, which corresponds to earnings per share of SEK 4.47 (4.77).
- Cash flow from operating activities was SEK 125.6 (102.4) million, amounting to SEK 69.3 (5.1) million after investments.
- The Board of Directors proposes a dividend of SEK 1.50 (0.00) per share for the financial year.

Managing Covid-19

We have been affected by the pandemic but managed to ensure continued deliveries to our customers as well as a safe workplace for our employees during the year. By taking resolute action at all our sites, we were able to contain the infection, which was essential to our ability to deliver what our customers needed.

Continuous development of competitiveness in production

Through our focus on operational excellence and inspired by lean thinking, we worked week in week out to identify and implement improvements in our processes and work methods. Experience and knowledge were successfully shared and discussed in our global production team. These efforts yielded good results also in 2020 in the form of margin improvements.

New customers and businesses in all business areas

We secured new business and customers in all business areas during the year. The extension of our Skara site is underway. Together with the earlier reconstruction of our Memphis site this will give us ample capacity to meet the increasing demand in areas such as robotic-assisted surgery and diagnostics.

Elos Accurate® sees strong growth

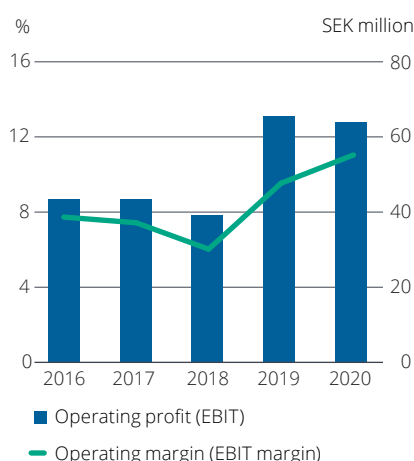
Our proprietary dental products in the digital workflow saw very strong sales in 2020, despite the total standstill in the dental implant market in the second quarter. The year started with the signing of a new partnership agreement with Nobel Biocare. Early in the year, we received market clearance from the US FDA to start marketing our digital offering Elos Accurate Hybrid Base in the US.

Key performance indicators

	2020	2019
Net sales, SEK million	580.0	689.4
Growth, %	-15.9	6.9
Operating profit before depreciation and amortization (EBITDA), SEK million	123.6	125.6
Operating profit before depreciation and amortization (EBITDA), %	21.3	18.2
Operating profit (EBIT), SEK million	63.6	65.3
Operating profit (EBIT), %	11.0	9.5
Profit after financial items, SEK million	43.2	50.6
Profit after tax, SEK million	36.0	38.5
Earnings per share before and after dilution, SEK	4.47	4.77
Equity per share, SEK million	66.97	66.92
Return on equity, %	6.7	7.3
Return on operating capital, %	7.6	7.8
Equity ratio, %	53.9	52.2
Cash flow from operating activities, SEK million	125.6	102.4
Dividend, SEK ¹⁾	1.50	0.00

¹⁾ The Board of Directors proposes to the Annual General Meeting 2021 that SEK 1.50 per share be paid.

Operating profit



Global partner in development & design and manufacturing of technical medical devices

Elos Medtech is a global company specializing in medical technology. We have extensive expertise in the development, design and contract manufacturing of medical devices. Our customers are offered quality, competence and innovation through partnerships and the result is increased efficiency, improved profitability and high-quality products.

97 years of experience in the industry

Elos Medtech was founded in 1923 and today, with 522 employees, is a leading 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 segments

Elos Medtech has extensive specialist knowledge in development and design and series production in clearly defined segments. We specialize in products such as drills, screws, implants, prosthetics, plates and instruments, primarily in titanium and stainless steel. We also manufacture parts for reusable metal syringes as well as injection-molded products and components for diagnostics and other disposable products in high-tech plastics. Development, design and manufacturing take place at our centers of excellence in Sweden, Denmark, the US and China, where we continuously invest in technology and expertise to improve our competitiveness and our ability to create value for our partners.

A qualitative overall solution

Elos Medtech's customers consist primarily of industry-leading multinational companies. We offer them 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 total solution is to strengthen our partnership with each individual customer, so that together we can develop and produce high-quality products efficiently and profitably. Based on our experience as a contract manufacturer, we have also built up a business focused on developing, manufacturing and selling proprietary products in Dental, both as OEM products and under our own brand.

Strong market position

By specializing our manufacturing, we have been able to build expertise that has now given us a strong market position in selected product groups in our business areas. The combination of expertise and a close collaboration with our customers is the basis for our long-term, 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 and 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 partnerships
- Complete Performance™ – overall solution for the customer

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 create added value for our customers as well as a safe and stable workplace where our employees are encouraged to grow and develop, thus creating value for all our stakeholders.

Dental implants and prosthetic products for digital production of bridges and crowns.



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



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



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



Pins and Wires are temporarily used during surgery for stabilization of fractures, for example in the foot.



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

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.



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



Bone-anchored implants for wrist surgery.



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



Together we take responsibility - it gives great results

2020 was a different and tough year, which presented major challenges that Elos Medtech was able to handle in a good way with regard to results, customer relationships and how we took care of our staff.

Our cash flow was strong and earnings were on a par with 2019, which was the best year in the company's history. As sales were down significantly on 2019, this means that our margins have continuously improved. Our efforts to develop our business through our strategic focus area Operational Excellence have continued and produced good results.

We are proud to be able to deliver high margins despite the low production volumes. We were able to increase our operating margin from 9 percent to 11 percent, which is a great achievement.

"It is a great privilege to be able to contribute to the manufacture of products that have enabled our customer to help people who have been seriously ill with Covid-19 and needed intensive care"

operating area on a computer screen, thus improving the precision and therefore also the safety of the operation. It is also possible to perform more operations per day.

Our US business specializes in the manufacture of pins and drills used in robotic surgery. To meet our customers' needs in this growing market, we have invested in expanded production capacity to maintain our world-leading position. By the end of 2020 we had won several new businesses in this area, on which we will begin to deliver immediately in early 2021.

Successful handling of the pandemic

The year was of course marked by the pandemic. A few of our employees fell ill, but on the whole we were able to handle the pandemic successfully, partly by acting quickly and decisively in terms of furloughing staff and temporarily curtailing operations. Our cash flow for the year was very strong, partly due to the support payments we received and partly because we took a very restrictive approach to investments and costs. Management agreed to forego salary increases and bonuses and the Board agreed to a freeze on Directors' fees.

The government support we received differed significantly among the countries in which we operate. In Sweden and Denmark we received furlough support and in China we were granted tax subsidies. In the US we took part in the PPP program, which is designed to support businesses that choose not to lay off employees during the pandemic.

Increased demand in robotic-assisted surgery

We had a high level of activity at the beginning of 2020 due to an extensive project in our Orthopedics business area. The project covered a large number of new products in our area of specialist expertise, but when more than a hundred new products are introduced this generally leads to weaker results during the introduction period and profitability for 2020 as a whole in the business area was therefore lower than we would have liked.

A clear trend in orthopedics is the growth of robotic-assisted surgery – all major orthopedic companies are investing large sums in robotic-assisted surgery systems. We received several orders in robotic surgery in 2020, mostly for products used in the most standardized operations, such as hip and knee joint operations. The advantage is that the robot is remotely controlled by a surgeon who is able to view an enlargement of the

Life Science – polymer outperforms

In Life Science, we have two main focus areas, which had different development patterns in 2020. One is our polymer business, which saw a mixed performance. While some customers reduced their orders significantly due to the postponement or cancellation of treatments, demand from other customers was exceptionally strong. One customer whose needs increased strongly is Getinge. We produced components for their ventilators – a business that increased sixfold during the year. It is a great privilege to be able to contribute to the manufacture of products that have enabled our customer to help people who have been seriously ill with Covid-19 and needed intensive care.

Our second focus area is metal processing of bone-anchored hearing implants, reusable syringes for insulin, etc. Our Chinese operations were hit by the pandemic at an early stage but have been stable since then. Sales of bone-anchored hearing implants were down due to the cancellation of many operations. During the pandemic this type of operation has had a lower priority as tens of thousands of operations were put on hold in Sweden alone in 2020. A major global healthcare deficit has been built up that will need to be managed over the coming years.

The first stage of the extension of our Skara site was completed in December 2020, when the office space and a new warehouse were taken into use. The production area will be completed in the second quarter of 2021. The entire new production area will be built as an ISO Class 8 cleanroom. In cases where customers have previously required cleanroom production, we have solved this by building cleanroom cells around the production equipment. A growing number of customers are demanding a higher standard of air quality, for example, in the production of medical devices, and we are meeting this demand by extending our Skara site.



Continued global expansion in Dental

Dental was the business area that was hardest hit by the pandemic in the second quarter. Most private dental clinics paused their operations as societies closed down, which resulted in a sharp decline in demand from customers for our proprietary dental products as well as contract-manufactured products. After the summer, the dental clinics reopened and our sales performance in the third and fourth quarters was better than in 2019. For the year as a whole, the decrease in sales was not that big. Most of the 200 staff furloughed at Elos Medtech worked in our dental business.

During the year, we also received market clearance from the US FDA to market Elos Accurate® Hybrid Base, our digital product portfolio in dental implants that we have previously only been able to sell in Europe. Early in the year, we also signed a new partnership agreement with Nobel Biocare, under which they will market our products under our brand in addition to their own products. Thanks to this agreement, our proprietary products performed very strongly during the year and we gained market acceptance in a way that we had not before. We are now preparing to sell the products more widely also in other parts of the world. Many implant companies see China, which has so far been dominated by domestic and Korean suppliers, as the next important market.

There is still a strong focus on the digital workflow and interest in our Elos Accurate products has been strong. We see great potential in the US and Chinese markets. We want to target these markets chiefly in collaboration with the large implant companies. We are building better support functions to meet our customers' needs.

Trends and long-term financial goals

The benefits of Elos Medtech operating across several continents and in several medical device business areas have become even more evident both in terms of growth and profitability during the pandemic.

In the years 2017 to 2019, our average growth rate was just under ten percent, in line with our long-term growth target of ten percent. 2020 was very different. Due to the pandemic, we redoubled our focus on being responsive and having an even closer dialogue with our customers in order to be able to adapt and reorganize our business in response to changing conditions. Thanks to these intensified efforts, we are able to enter 2021 in a stable position and with strengthened customer relationships, and thus continue our growth journey.

The outsourcing trend in medical device remains strong. The multinational medtech companies want to outsource more and more production to subcontractors. For Elos Medtech, this is especially evident in Orthopedics and in our polymer business. There are reports showing that if the orthopedic market grows by five percent, the outsourcing market would grow slightly more.

"Thanks to partnership agreements, our proprietary products performed very strongly in 2020 and we gained market acceptance"

Our second goal is to achieve long-term profitability with an operating margin of 13 percent. After a continued intense focus on specialization, efficiencies and operational excellence, and on ensuring that we get paid for what we do, we have increased our operating profit from 7 percent to 11 percent. The regional government support we have received due to the pandemic has also had a positive impact. As the government support were wound down we still managed to increase our profitability, as was particularly evident in the final quarter.

Thanks to double-digit growth in sales of our proprietary dental products in 2020, we have now reached our long-term goal of a 13 percent share of proprietary products in total sales. It is clear that dental care is undergoing a transformation and that digital workflows are the future. Achieving a goal is a confirmation that our focus over the past several years has been the right one. Now we need to continue to develop the successful concept that we have built and set new goals.

Elos Medtech Cares and sustainability

A couple of years ago, we reoriented our sustainability management activities based on what our most important stakeholders expect of us. We wanted to increase transparency about how our business affects the world in which we operate and describe what we are doing to help reduce the global environmental footprint. For the past three years, we have chosen to report and communicate how our sustainability management activities are conducted and developed in a separate report in order to increase awareness both internally and externally.

Our customers have noticed and appreciated our sustainability work and the number of customer dialogues on this subject has increased. We are also seeing that our efforts are helping to increase confidence in us as a supplier. A responsible attitude is also something that is increasingly valued by today's and tomorrow's employees.

During a year like this when our focus was on dealing with a pandemic, it was natural to continue to operate on the basis of our core values and our responsibilities in our three CARE areas. There was an even stronger emphasis on dialogue and communication with regard to measures and updates regarding customers and deliveries and not least on ensuring the health and safety of our employees.

As of this year, we are choosing to further emphasize our responsibility by integrating our sustainability report in this annual report. We believe that this will give our stakeholders a more comprehensive and clear picture of us as a responsible company and credible employer.

Challenging opportunities

One challenge in early 2021 is that we are in the second wave of the pandemic and may be heading into a third wave. This could lead to further lockdowns and put further heavy pressure on hospitals, leading to canceled operations and a further increase in the healthcare deficit. Vaccine availability and the rate of vaccination are probably crucial to stopping the pandemic.



We also face our own challenges, the biggest of which is linked to the rapid expansion and growth of our orthopedics business. We need to hire more employees and further increase productivity to be able to deliver products at the rate required by our customers.

A third challenge is to establish a strong long-term foothold for our proprietary dental products, not just in Europe but also in the United States and eventually in China.

As a contract manufacturer, we work for a number of large multinational companies. The trend is toward increased outsourcing, which is positive, but it will involve fewer and larger contract manufacturers. Our challenge is to capture a larger share of the outsourcing market. We are becoming increasingly dependent on a small number of customers and risk being considered small ourselves. We simply have to keep growing as a company. Competition is intensifying, and our way of facing up to it is to become increasingly specialized.

A big thank you to all those involved

I am proud of the tremendous efforts put in by our employees during the year, despite the stress caused by the pandemic. Thanks to a constant and continuous effort to identify and propose improvements in our processes, we are improving our prospects of being our customers' supplier of choice. I am also delighted to note that our corporate culture has been strengthened and that we have genuinely become one company, with a shared set of values at all our production sites.

Gothenburg, March 2021

Jan Wahlström
President and CEO

Elos Medtech's strategic framework

Our strategic framework is divided into three sections: overall strategy, strategic goals and strategic focus areas.



Strategy

Elos Medtech's long-term strategy is to strengthen our offering in contract manufacturing and proprietary medical devices and develop our competence in our areas of expertise in order to remain a leading global Group in our markets.

The heart of our strategy is our mission. Through CARE and by ensuring the highest quality in everything we do, we build profitable and long-term partnerships with medical device companies in order to help people live rich and active lives.

The key to our success is in the actions we take to achieve our goals. We act based on our strategy and our mission by placing a strong emphasis on our core values, integrating sustainability at all levels and developing our strategic focus areas.



Strategic objectives

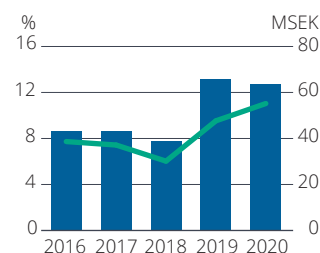
Our strategic goals are to ensure long-term, sustainable growth with improved profitability. We will achieve our long-term growth goal through a combination of organic growth and acquisitions.

Long-term financial goals

	Result 2020
Achieve long-term annual growth of over 10 percent for the Group	-15.9%
Achieve long-term profitability through an operating margin of over 13 percent	11.0%
Achieve a share of proprietary products of over 13 percent	13.4%
Net sales including acquisitions of SEK 1,000 million	SEK 580 million

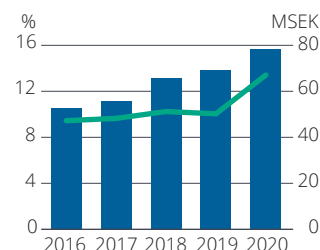
Long-term EBIT

>13%
2020: 11.0%



Share of proprietary products

>13%
2020: 13.4%



We take a long-term approach to economic, social and environmental responsibility for how our operations impact our stakeholders and we define annual sustainability targets to ensure that there is continual improvement in these areas.

Sustainability goals 2020

	Result 2020
Improve the evaluation of our critical suppliers and their sustainability management activities	✓
Ensure that sustainable investments account for at least 5 percent of agreed investments and strive to reduce our environmental footprint through these investments	✓
Increase the response rate in our employee survey to 80 percent	✓
Raise awareness of sustainability through internal campaigns about how to live more sustainably	✓
Where it is not possible to use renewable energy, we will offset our carbon footprint through certificates. The goal is for all sites to come down to or fall below Scandinavian levels.	✓
Reduce the scrap cost to less than 2.8 percent by the end of 2020	✓
Report water use regularly in areas with declared water shortages and formulate a reduction target for water use	✓

✓ Implemented



Strategic focus areas

In working toward achieving our vision and delivering on our long-term strategy and goals, we have analyzed the Group's common strengths as well as external factors. Based on this analysis, we have created a common, sustainable strategy based on five strategic focus areas that we see as important for our success.

For each strategic focus area, we have clear action plans and ambitions for what we want to achieve over the next five years. The five strategic focus areas are complemented by three sustainability management areas: Elos Medtech Cares.

Focus areas

- > INNOVATION
- > MARKET FOCUS & SALES GROWTH
- > OPERATIONAL EXCELLENCE & CONTINUOUS IMPROVEMENTS
- > SPECIALIZATION
- > WORKING AS ONE COMPANY

Elos Medtech CARES

- > CARE FOR OUR BUSINESS
- > CARE FOR OUR PEOPLE
- > CARE FOR OUR RESPONSIBILITIES

Read more about our five focus areas on pages 10–11
Read more about Elos Medtech CARES on pages 12–19



Five focus areas

To deliver results in line with our long-term strategy, we have prioritized five focus areas to strengthen our offering and develop our expertise. Every year, interim goals and activities are defined in each area that apply to the Group as a whole.

> INNOVATION

1

Foster an innovation culture

AT ELOS MEDTECH, WE TAKE a structured approach to optimizing the organization's innovative power. We monitor technological developments and work closely with our customers to understand their needs. By constantly questioning and improving how we work, we create sustainable solutions, technologies and business models for the future. Our ambition in innovation is to refine our processes, enter into more partnership agreements and develop more patents and products.

GOAL

Through innovation, we will strengthen our offering and our expertise and continuously increase the share of proprietary products and services.

RESULTS 2020

Automation is a constant focus area at all Elos Medtech sites as we work to improve and stabilize our processes to become more efficient. Automation and digitization are at the top of our agenda and we completed several automation projects during the year.

> MARKET FOCUS & SALES GROWTH



Customer focus and value-creating partnerships

WE WORK IN CLOSE COLLABORATION with our customers. We listen and strive to understand not only the needs that our customers have today but also their future needs. We view complaints as valuable information and it is through dialogue with our customers that we develop our expertise. Every day, Elos Medtech strives to deliver added value beyond our customers' expectations. In addition to the Group's growth goals, our ambition is to improve the customer experience and improve our partnership score in each business area.

GOAL

Exceed market growth in selected segments through customer-focused business development.

RESULTS 2020

Since launching our global sales organizations in each business area, we have differentiated our offering with successful concepts tailored to the specific needs of each business area's customers. This has led to new customer agreements in contract manufacturing as well as proprietary products and has also enabled us to expand geographically. Our annual customer survey, which is conducted in all markets, confirms the positive trend.

> OPERATIONAL EXCELLENCE & CONTINUOUS IMPROVEMENTS

3

Create world-class manufacturing – focus on continuous improvement

IT IS OF THE UTMOST IMPORTANCE that we continuously and systematically develop our own production processes and thus strengthen Elos Medtech as a contract manufacturer. As a global team, we create the conditions for sustainable growth by identifying, evaluating, sharing and implementing measures that create synergies and improve margins in the Group.

GOAL

Our long-term goals are to cut lead times throughout the flow, maintain the highest quality and increase both productivity and delivery accuracy.

RESULTS 2020

During the year, we worked continuously on improving our processes and became more 'lean' by reducing waste from production, which has led to increased efficiency and productivity. We drew up a plan for the entire Group with the same definitions, KPIs and targets for all our production units, and we shared knowledge and experience in our global production team.

Best-in-class by ensuring that we have the necessary skills and technical expertise

OUR SPECIALIZATION STRATEGY is aimed at improving our business model by being best-in-class in what we offer as a development and manufacturing partner. Our approach is based on identifying and analyzing those factors that have the greatest potential to improve our future competitiveness. The strategy includes identifying skills sets for each site and business area from three perspectives: products, processes and market segments.

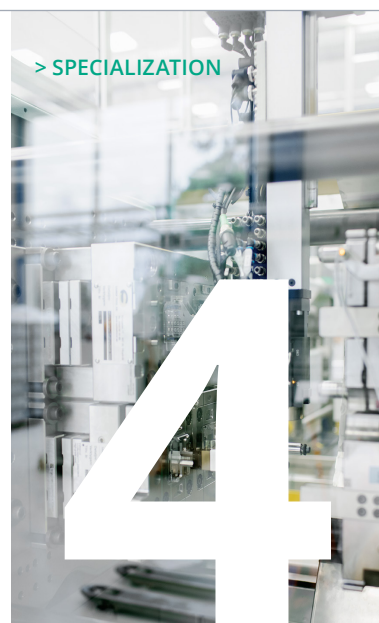
GOAL

Increase our degree of specialization in selected markets over the long term in order to deliver solutions and products that are best in class and of exceptional quality.

RESULTS 2020

As a specialized partner, we won several new deals in 2020. These included several orders for robotic-assisted surgery and diagnostics products. Our investment in Skara is another example of how we are implementing our specialization strategy to meet the increasing demand for cleanroom production.

> SPECIALIZATION



> WORKING AS ONE COMPANY

5

Build engagement through participation

BASED ON A VALUE-BASED CORPORATE CULTURE WITH CARE AS A GUIDING PRINCIPLE, we operate in our three sustainability areas. Working in global teams consisting of employees with different experiences and expertise, we create synergies within the Group.

A common strategic online tool enables us to build commitment among employees to work toward realizing our strategic priorities. We break down long-term goals into clear activities that are followed up at weekly meetings. This is how we change behaviors and at the same time build a common corporate culture in a workplace that promotes personal development and innovation.

GOALS

Operate as 'one' company based on team spirit and a value-based culture. Create commitment and involvement. Attract, develop and retain employees.

RESULTS 2020

Several of this year's initiatives relate to common work methods used throughout the Group, such as the introduction of common quality and CRM systems. We have initiated a team effort in Operational Excellence and automation and have developed our common IT security. All sites are now named Elos Medtech followed by the city.

Elos Medtech cares

As a global CDMO company, Elos Medtech has a responsibility that goes beyond just delivering high-quality medical devices. Our goal is to promote a more sustainable development of medical technology and improve the lives of millions of patients. We take long-term financial, social and environmental responsibility for how our business affects our stakeholders.

Like all companies seeking long-term growth and earnings, our challenge is to optimize our social and environmental commitment in parallel. From this perspective, we have built our sustainability strategy as part of the Group's overall strategy and mission.

We believe that customer-focused business development and an ethical approach to our business relationships help us build a sustainable organization. Job satisfaction, commitment and motivation increase when our employees work proactively and contribute to improvements.

Three sustainability areas

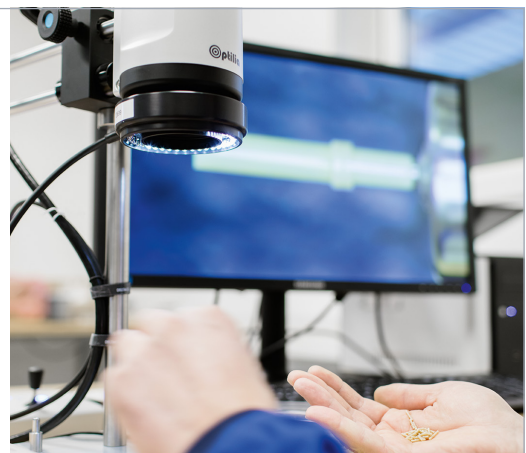
Elos Medtech has identified three areas as critical success factors for our sustainability agenda. In these areas, we define goals to ensure that we make continuous improvements.

The guiding principles for our sustainability management activities are described in what we at Elos Medtech call CARE areas. This is where our business has the greatest impact and it is also here that we have the greatest opportunity to improve the health and quality of life for millions of patients.

Care for our Business

Our focus is on delivering medical device and services of the right quality, at the right time and at the right price. We aim to offer our customers innovative, sustainable and efficient solutions and to be a first-class partner.

Read more on page 14



Care for our People

Our employees are our greatest strength. Committed employees do that extra something, are more creative and learn more and faster. That's why it is important for our success to provide all our employees with a safe work environment that encourages personal and professional development.

Read more on page 16



Care for our Responsibilities

We operate in many places around the world and our employees represent a diversity of cultures and backgrounds. With this comes great responsibility for the company, both locally and globally. We strive to make a positive contribution to the communities in which we operate and aim to minimize our environmental impact.

Read more on page 18



Care for our business

The heart of our business is a desire to ensure customer satisfaction and product performance while investing in sustainable solutions. We and our partners are guided by the same mission: to help people live rich, active and meaningful lives.

Elos Medtech has the right knowledge and expertise, which means that we can develop and manufacture the best production solutions and products in partnership with our customers.

Customer satisfaction

Close and long-term relationships with our business partners are central to our business model and are both a strategic focus area and a goal. Our collaboration with our customers and other partners has been of great importance for Elos Medtech's growth and success over the decades. Development and technical expertise in our specialist areas, coupled with high product quality and customer support, is crucial to our customers' overall view of their partnership with us. The results of the 2020 survey show that our customers have a very positive image of our delivery and their collaboration with us. Elos Medtech is described as a valued partner that works actively to improve the customer experience and improve overall customer satisfaction.

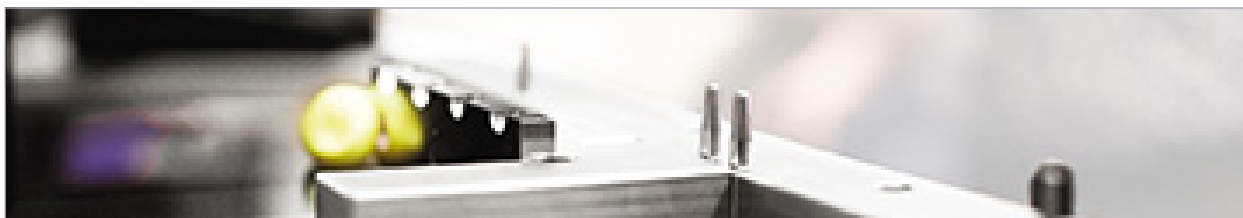
Elos Medtech collaborates fully with its customers to meet their challenges in an effective manner. Customer satisfaction surveys are conducted annually and assist us in our efforts to ensure that we are perceived as a valued strategic partner. Customer satisfaction is analyzed and key account managers are responsible for initiating improvements that lead to more satisfied customers and an improved customer experience.

Another much appreciated quality is our responsiveness and ability to react quickly to changes and find solutions, as this allows our customers to optimize their supply chains. A further key aspect of a successful partnership is the value we contribute in the form of expertise in design for series production and high quality in the processes. Our experience and expert skills in design and development, which are driven by our collaborative approach, shorten product development times and the time to market launch.

Sustainable investments

Our goal is to allocate more than five percent of our investments to projects and initiatives that reduce our environmental impact. Through a clear goal, we want to create awareness of our environmental impact in connection with decisions. This type of investment must have a clear purpose, such as to reduce energy and water use or to reduce carbon dioxide emissions.

In 2020, we mainly continued to invest in new machinery for our expanded production site in Memphis in the United States and in expanding our Skara site, for example by installing heat exchangers. We have continuously replaced old equipment with new, more sustainable technology for lighting and air compression, as an example. The majority of our investments can be considered sustainable as they contribute to improved resource efficiency.



Mobilized production in response to the pandemic

As the pandemic spread rapidly around the world, so did the need for advanced ventilators for treatment of Covid patients in intensive care units.

Getinge, with whom we worked closely for more than 20 years, saw a sharp increase in demand from hospitals looking to increase the number of ventilators several-fold. We are part of their supply chain of vital components, and when we were asked to increase production several-fold we of course rolled up our sleeves and got to work.

We managed to increase production at our highly automated production site in Skara, but due to the significant need we also enlisted the help of our sites in Gørlose, Denmark and Timmersdala, Sweden, including the transfer of staff, to ensure that we were able to help Getinge fulfill its important task.



Care for our people

The commitment and determination of our employees are crucial to giving us a competitive advantage. We aim to offer an attractive and safe workplace.

Our corporate culture is based on three strong, shared core values: passionate, trustworthy and results-oriented. These values guide us in our daily work and create unity at our global sites.

A healthy and safe workplace

Our employees need to feel safe and respected in all situations at their workplace. Our goal is to be accident-free, i.e. to have no accidents that lead to absence from work. Nevertheless, injuries do occur and the most common causes are related to heavy lifting, repetitive work, handling of machines and slip and fall accidents. Our employees have access to occupational health care or health and wellness insurance.

In response to the pandemic, we have reviewed all our procedures for reducing the spread of infection and creating a safe workplace for our employees while at the same time delivering vital medical technology products to our customers.

In addition to monitoring developments and following the applicable rules in Sweden, Denmark, China and the United States, we have also introduced stricter hygiene and safety procedures. These include face mask requirements, limiting the

number of physical meetings and the number of participants at these as well as social distancing and zoning measures at the workplace and in lunchrooms.

We have also taken a number of measures to ensure that all our services and solutions remain available to our customers in the medtech industry, even in situations where activities are restricted by the authorities. In both China and the US, the authorities have categorized our workplaces as high-priority and we have been granted permission to continue operating.

Employee influence

All our employees need to have good opportunities to grow and develop, regardless of gender and cultural background. Personal development plans are reviewed annually and results are linked to individual goals to ensure career development. On average, each employee undergoes approximately 10 hours of task-specific training per year as well as taking part in internal and external courses. Due to the fact that our Scandinavian employees were furloughed during parts of the year, the overall number of training hours decreased slightly.





Successful handling of the pandemic

The coronavirus became an official concern in China just before the Chinese New Year. We had already planned to close our site in Tianjin for the festivities, but the government restrictions meant that the site remained closed for a few extra weeks.

Thanks to a team effort from our employees in Tianjin, we received permission from the local government in mid-February to restart production, initially at 50 percent capacity and then gradually at higher capacity. Today we are happy to announce that all our employees have a safe workplace and are back at work.

In addition to the preventive measures imposed by the Chinese authorities, we have introduced additional precautionary measures, such as:

- Checking the temperature of each employee twice a day
- Restrictions on visitors entering the factory
- All factory workers are required to wear face masks

Partly due to good planning and foresight, and partly due to an incredible team effort, our deliveries have not been affected by the disruptions. Calm and vigilance coupled with an unwavering focus on the safety of our employees and their families have been crucial during this time.

Cherishing human values

In 2020, we reflected on our core values and what we stand for as a workplace for our employees. This is due to the events that took place in one of our markets during the spring – the Black Lives Matter riots.

In 2020, racism was at the heart of public debate in the United States. In late June, after two weeks marked by demonstrations by the Black Lives movement, Jodie Gilmore, at the time the Managing Director of our Memphis site, wrote a personal letter to the entire Elos Medtech family.

“It is more important than ever to reflect on our human values. It makes me proud to work for a company whose core values intrinsically align so well with my personal values”:

- **We are passionate.**
We celebrate our global diversity and our differences. We denounce racism of any kind and will fight for our belief that equity and justice should be universal.
- **We are trustworthy.**
We will stand up for what is right and protect others. We will not stand idly by.
- **We are result-oriented.**
We will look inward and reflect.
We will listen and be open to uncomfortable but important conversations.
We will actively seek to be part of the solution and never part of the problem.

“It is more important than ever to reflect on our human values. It makes me proud to work for a company whose core values intrinsically align so well with my personal values”

Care for our responsibilities

Our third Care area is about ethics, how we live up to our commitments and our impact on the environment. Our employees' commitment and willingness to take responsibility are essential to the success of our business.

Our production technology includes polymer injection molding and various types of metal processing such as grinding, turning and milling. From a lifecycle perspective, most of our production has a very limited environmental impact. Our ambition is to constantly identify areas for improvement and define goals.

Energy and water

Reducing the climate impact of the business is a long-term commitment. We systematically collect data on energy use to identify areas for improvement. Renewable energy sources normally account for more than 60 percent of our energy use and our goal is to increase this share. The result for 2020 was less than 60 percent, which was due to the fact that two of our Scandinavian sites reduced their production rate and therefore also their energy use as a result of the pandemic. China and the US therefore accounted for a larger share of our total energy use.

All sites are connected to municipal treatment plants via the sewage system. A small part of the process water is contaminated by metal residues and oil. This is treated as contaminated waste and disposed of by certified waste service providers. One of our goals for 2020 was to achieve a better overview of our water use, especially in areas where there is a shortage of water.

Waste management

Our goal is to minimize production waste. As this waste affects our financial results as well as the environment, it is an important sustainability goal. Some of the waste is scrap, which comes mainly from discarded units. All core raw materials, metals and plastics are sorted for recycling. Examples of other recycled, non-hazardous waste include cardboard, paper, wood and plastic.

In 2020, we reduced our waste significantly. The expansion of our Memphis site in the previous year generated construction waste. The completion of the expansion and the negative impact of the pandemic on demand for production are two factors behind the reduction in waste.

We work continuously to improve our internal solutions for

29%

Reduction in carbon dioxide emissions

recycling supporting production materials such as oil and water. We have engaged certified service providers for suitable disposal, incineration, landfill and recycling services.

Greenhouse gases

The majority of Elos Medtech's greenhouse gas emissions come from energy use, transport of raw materials and finished products and employee travel. We collect data on business trips and on how our employees commute to work in order to identify more efficient and sustainable means and modes of

transport. Greenhouse gas intensity is an aspect that we measure every year and in 2020 the ratio decreased. In 2020, we also worked to offset our carbon footprint in 2019 through CO₂ removal certificates. The purchased certificates offset around 90 percent of our CO₂ footprint for 2019. Similar certificates for 2020 will be purchased retroactively in 2021.

Compliance

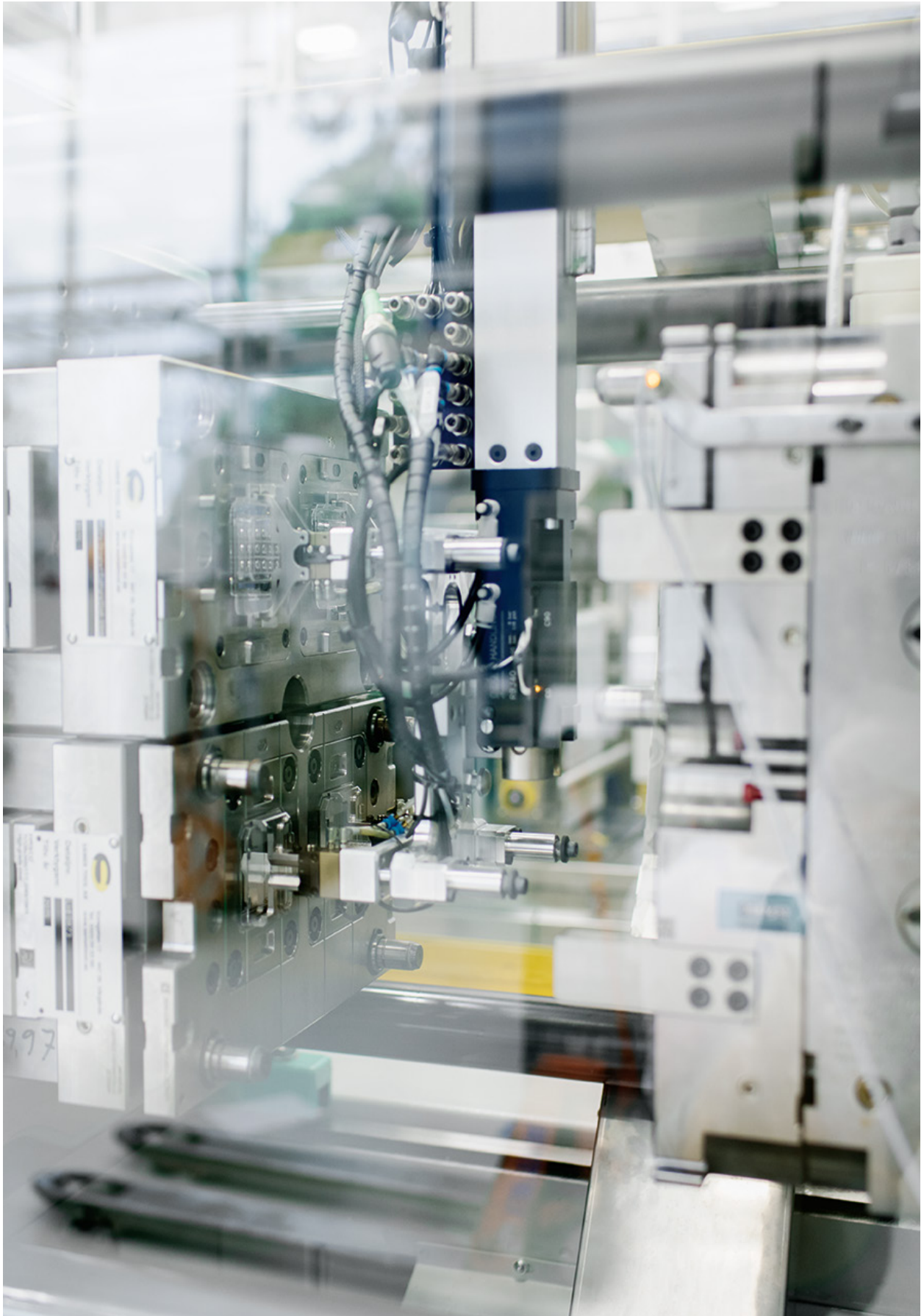
Our employees undergo regular compliance training regarding medical devices and environmental management. Employees are encouraged to report all suspected compliance failures regarding values, policies and business ethics to their line manager, local management team or our secure and independent whistleblower function.

Our quality management systems comply with standards and regulations for medical devices. All our sites are inspected annually by an external inspection body, or notified body, for compliance with applicable standards.

Community involvement

We are increasing our community involvement by offering apprenticeships and participating in student fairs. The goal is to generate interest in our industry and to inspire students to apply for jobs with us after graduating.

In Denmark, we have been running apprenticeship programs for many years. This type of collaboration makes it easier for Elos Medtech to attract apprentices while also making training in automation technology and precision technology much more interesting.



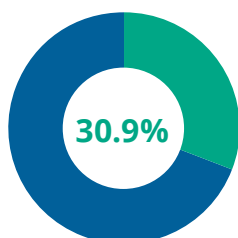
Three business areas

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.

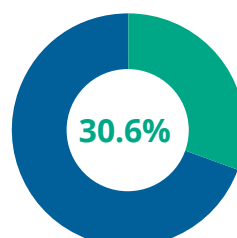
With a deep understanding and long experience in our business areas, we offer our customers partnerships in development and manufacturing.

Orthopedics

Net sales

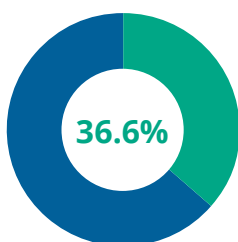


Operating profit

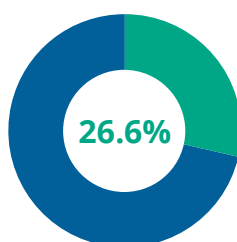


Dental

Net sales

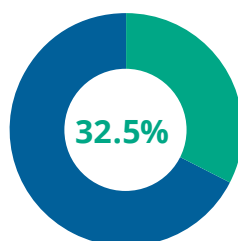


Operating profit

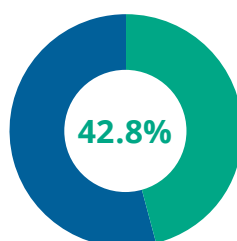


Life Science

Net sales



Operating profit



Orthopedics

Our business is focused on the market segments spine, trauma and reconstruction. In spine, we are specialized in manufacturing screws and implants for treatment of spinal 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 site and our packaging as one brand create a more attractive offering for our customers. Customers consist mainly of leading international orthopedics companies, with a particularly strong market position in trauma.

The Orthopedics business area has been affected by customers postponing product launches until 2021 due to the pandemic. Net sales decreased to SEK 179.5 (229.6) million. Despite the decline in sales, profitability increased and the operating margin was 11.7 (7.6) percent. New orders in robotic-assisted surgery necessitated strong recruitment activity toward the end of the year and efforts to increase machine capacity.

Delayed product launches

The pandemic prompted many of our customers to postpone planned product launches. Added to delays in production, this had an impact on sales and earnings in the first half of the year. In the second half, demand recovered and the delayed product launches took place at the end of the year.

The US makes up nearly two thirds of the global market for orthopedics, which means that the US healthcare system has a major impact on global growth. We noted that toward the end of the year doctors and private clinics were motivated to return to pre-pandemic levels of elective surgery.

As a result of Covid-19, our Memphis site, where we manufacture trauma products, was classified as an essential industry by local as well as federal authorities.

“Focused investment and dedicated efforts have helped to increase interest from leading global orthopedic companies”

Investments to meet increased demand in robotic surgery

In recent years, Elos Medtech has developed a strong product offering in orthopedics through specialization and investments in the company's core competencies.

Demand for robotic-assisted surgery products increased significantly during the year despite the pandemic. We are well established in this segment with several strategic global customers. In a few years' time, we expect robotic surgery products to account for around half of Orthopedics' sales. This is

expected to result in increased annual sales of approximately SEK 100 million already in 2021. This will require investments of around SEK 70 million in machinery, personnel and other equipment over a three-year period, primarily at our US site.

Strengthening the business area

Jodie Gilmore, Managing Director of Elos Medtech Memphis, moved on to a role focusing on growth and strategic business development. This strengthened the business area, enabling it to achieve above-market growth by developing a more global perspective. In the fall, responsibility for the Memphis site was handed to Tim Turner, who officially took over the role of Managing Director on January 1, 2021.



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 proprietary products in digital dentistry and instruments.

The dental market declined sharply as the pandemic evolved into a global concern in the spring. After the summer, the clinics reopened and the number of patients increased. The market recovered very strongly in the fall. We ended the year on a strong note, which resulted in a decline of just -5.1 (8) percent for 2020 as a whole. Net sales totaled SEK 212.4 (223.9) million. Despite the circumstances, our proprietary products performed very strongly and net sales increased by 12.7 percent to SEK 77.7 million.

Global expansion of Elos Accurate®

The strong growth of proprietary products is driven by the product portfolio sold under the Elos Accurate® brand. During the year, the US Food and Drug Administration (FDA) gave us clearance to market our application the Elos Accurate Hybrid Base product portfolio in the US market. The launch was planned for the summer, but was delayed due to the pandemic. Despite the ongoing pandemic, the US market has reacted positively to our digital offering.

Elos Accurate is a portfolio of digital workflow products and is used for single crowns and bridges on dental implants. The trend in the dental implant market is moving away from traditional casting technology towards milled individual prosthetics, which is creating an increased need for open workflows in digital dentistry. The digital workflow requires a digital library with a wide

variety of products that the dentist and dental technician can choose from when constructing a crown or bridge. A major update of our Elos Library was implemented to the latest software in Dental Wings, which is a trademark of the Straumann Group. The update opens up a wider range of applications for dentists and dental technicians.

Positioning of partner offering

During the year, we worked intensively to ensure that our offering and solutions as a partner in product development, contract manufacturing and OEM products is as clear as possible. The value for the customer is multifaceted. Broadly speaking, our positioning means that we want to create insight and be perceived as a value-creating partner based on our unique and combined expertise in product development, design for series production and large series production. Our partner solution is based on helping and guiding our customers to cut the time from product design to launch in a cost-effective way.

Based on the past year's work on our partner solution, we have developed a digital concept that proved extremely timely in view of the global travel and visitor restrictions that apply during the pandemic. The web concept is built based on different customers' needs regarding information, training and sales. The concept, which is aimed at our partners and end customers, was launched in August and has been well received.



Life Science

The Life Science business area focuses on the diagnostics, hearing implants and insulin syringes market segments. There is a growing interest in the business area for the company's advanced technical expertise in combining polymers and metals such as aluminum. The strategy is to continue 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 varied sharply depending on the market segment. Net sales in the business area contracted 20.3 percent in 2020 to SEK 188.1 (235.9) million. The order intake from polymer customers increased while sales of hearing implants dropped temporarily.

Differing impacts on customers from the pandemic

Life Science is a business area that encompasses a wide range of markets, some of which, such as bone-anchored hearing implants and diagnostics, were affected strongly by the pandemic. In the first quarter, sales of hearing implants plummeted 50 percent as these operations were assigned a lower priority due to Covid-19. The pandemic also forced our site in China to shut down for a few weeks in February. Despite this, the year was marked by stable demand, a high level of activity and increased productivity.

Stable increase in demand in polymer

Our polymer business grew at a robust pace during the year. Elos Medtech in Skara received inquiries and orders for tools as well as series production. Our injection molding offering was

"By manufacturing in a cleanroom environment, we develop our business, offering and brand in the polymer market"

expanded to include the installation of ventilator components, which required recruiting more staff for the new product line. The injection-molded components we deliver for Getinge's ventilators have a limited impact on the business area's sales but are crucial for a critical treatment.

During the year, we gained two new customers in our polymer business. One of these is SpinChip Diagnostics A/S, with which we signed a long-term partnership agreement. SpinChip Diagnostics has developed a new high-tech platform for near-patient

blood analysis in several different clinical application areas.

The first stage of the expansion of Elos Medtech's Skara site was completed in the fourth quarter. The expansion has doubled the existing production area. As our customers operate in the global market, it is important that we meet global market requirements. Due to the increased demand for cleanroom production, it was decided to build the entire new production area to ISO class 8 cleanroom standards. The new production hall is scheduled to go live in June 2021.



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 shares are not listed. The price of the share varied during the year between SEK 60.4 and SEK 119.0. The market value of the company amounted to SEK 752.6 (742.1) million at the end of the year.

Shareholders

The number of shareholders as at December 31 2020 was 2,485 (2,008). The ten largest shareholders hold shares corresponding to 66.1 percent of the capital and 84.9 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.

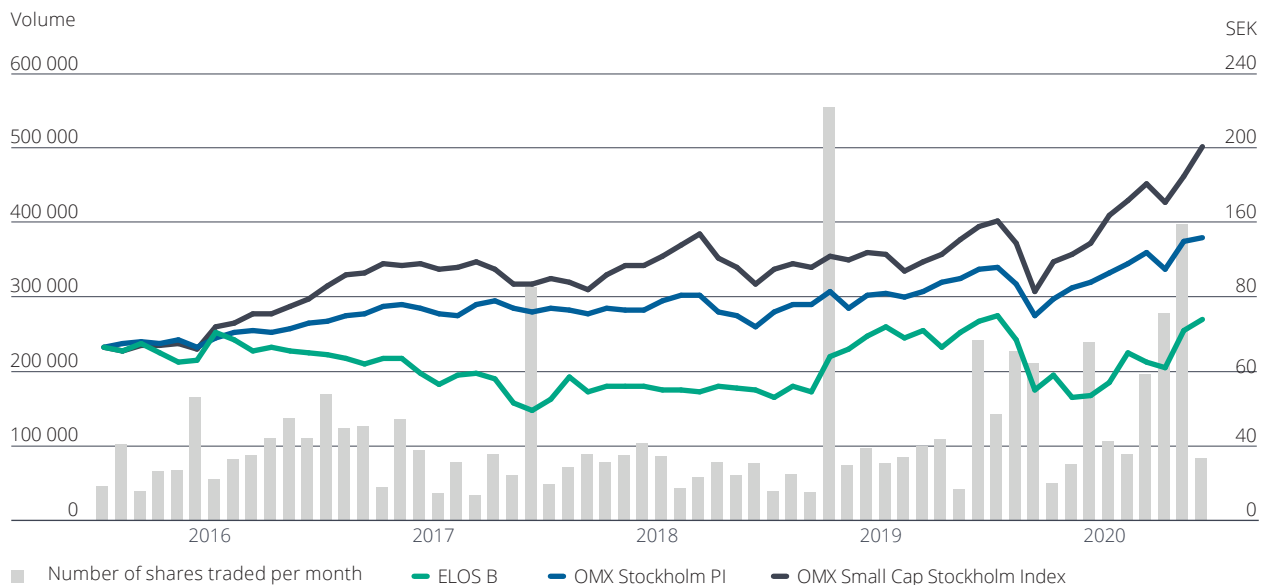
The Board of Directors has proposed to the 2021 Annual General Meeting that a dividend of SEK 1.50 per share be distributed, which corresponds to 33.6 percent of profit after tax.

Share capital

At year-end 2020, 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 2016–December 2020



Shareholder distribution, B shares, December 31 2020

Number of shares in size classes	Number of share-holders	Number of shares	Proportion of shares, %
1-500	1,866	203,422	2.52
501-1,000	251	183,867	2.28
1,001-2,000	147	222,235	2.75
2,001-5,000	100	314,125	3.89
5,001-10,000	55	387,992	4.81
10,001-20,000	26	351,504	4.36
20,001-50,000	16	461,915	6.05
50,001-100,000	7	515,340	6.39
100,001 -	17	4,327,860	66.95
Total	2,485	6,968,260	100.0

Breakdown by share class, December 31 2020

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.), December 31 2020

	A shares	B shares	Total	Proportion of share capital, %	Proportion of voting rights, %
Öster family incl. company	378,826	443,702	822,528	10.2	23.5
Svolder Aktiebolag	297,946	947,946	1,245,892	15.4	21.9
Nilsson Family	260,880	201,010	461,890	5.7	15.6
Molin family	136,000	261,599	397,599	4.9	9.1
Nordea Investment Funds	0	1,252,254	1,252,254	15.5	7.0
LINC AB	0	367,526	367,526	4.6	2.0
Ulrika Erlandsson	26,088	85,101	111,189	1.4	1.9
Lannebo Fonder	0	278,456	278,456	3.5	1.6
Magledal Holding APS	0	240,533	240,533	3.0	1.3
Cliens Kapitalförvaltning AB	0	158,858	158,858	2.0	0.9
Fondita Nordic Micro Cap Investment	0	151,775	151,775	1.9	0.8
Other	0	2,579,500	2,579,500	32.0	14.3
Total	1,099,740	6,968,260	8,068,000	100.0	100.0

Source: Euroclear AB

Data per share

	2020	2019	2018	2017	2016
Profit after tax, total, SEK	4.46	4.77	2.76	3.74	4.14
Dividend (2020 proposed, SEK 1.50)	1.50	0.00	1.00	0.00	1.30
Equity per share, SEK	66.97	66.92	63.02	60.98	60.63
Share price Dec 31, SEK	108	106.5	70.00	60.92	98.50
Yield, %	1.4	0.0	1.4	0.0	1.3
Share price/Equity, %	161.3	159.1	111.1	106.6	162.5
Average number of shares, thousand	8,068	8,068	7,598	6,051	6,051
Number of shares at year-end, thousand	8,068	8,068	8,068	6,051	6,051

Management Report

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

Business and organization

General information about the business

The Group's operations are focused on medical device. 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 device companies with international operations in the Dental, Orthopedics and Life Science markets.

Events during the year

Covid-19

Covid-19 had a significant impact on our global environment in 2020. The year was very volatile with a challenging first half followed by a robust recovery in the second half. Elos Medtech's operations in China were affected at an early stage of the pandemic, which enabled the Group to quickly implement measures and manage the challenges throughout the entire Group, both operationally and in terms of personnel. In the second quarter, the Group was forced to furlough 200 people at its Timmersdala and Gørlose sites due to a lack of demand. In the US, Elos Medtech received support under the People Protection Program, which enabled the company to cope with the postponement of projects and customer deliveries without having to lay off employees. Ensuring safe working conditions for our employees with regard to Covid-19 is an ongoing effort, although everyone is now back working full-time at all sites and the company concluded the year on a strong financial note. For further information, see the section Risks and risk management on page 29.

Contract manufacturing

In 2020, contract-manufactured products in the three business areas Dental, Orthopedics and Life Science accounted for 87 percent of the company's net sales.

During the year, Elos Medtech entered into several contract manufacturing agreements with existing and new customers in Dental and Orthopedics as well as for the polymer business in Life Science. Elos Medtech has continued its efforts to create efficiencies, automate production and improve quality at Group level despite the ongoing pandemic. This will enable the company to secure its position as a trustworthy and competitive partner in contract manufacturing.

Proprietary products

Sales of proprietary products have increased year after year and now account for 13.4 percent of total consolidated net sales. Products in the Elos Accurate® digital flow saw the strongest

growth in 2020. The launch of Elos Accurate® in the US and other markets continued during the year, and the company is seeing positive demand for products in its digital dental flow. Proprietary products performed strongly in the second half of the year and grew 12.7 (2.6) percent in 2020 as a whole.

Investments

The expansion of the company's Skara site proceeded to plan and is expected to be taken into use in summer 2021. It was decided to build the new production area as a cleanroom, which has already given us a couple of new customers in Life Science.

During the last quarter, a strategic decision was made to expand the company's investments in the production of robotic-assisted surgery devices in Orthopedics. This investment will total approx. SEK 70 million over the next three years and began in December.

The Group's total investments in buildings, land, machinery and equipment totaled SEK 56.5 (98.6) million and mainly relate to increased production area at the Skara site as well as increased machine capacity to meet the growing demand in robotic-assisted surgery. Of the total investment, SEK 0.2 (0.0) million refers to capitalized development costs and SEK 4.8 (5.4) million to other intangible assets.

Research and development

Continuous development take place in the Group's companies and is a natural part of the activities. Development work is often carried out in close collaboration with customers. Costs that can be put under the heading of development costs amounted to SEK 15.6 (17.2) million, of which amortization of capitalized development costs amounted to SEK 2.1 (1.7) million. The investment for the year in capitalized development costs amounted to SEK 0.2 (0.0) million. Total development costs correspond to 2.9 (2.7) percent of consolidated net sales.

Outlook for 2021

The spread of the virus in waves and the vaccination rate remain difficult to assess and it is therefore not possible to predict for how long the pandemic may affect the company.

However, the Group sees no changes in the underlying market as a result of the ongoing pandemic and the investments made during the year will enable continued growth. The ambition to strengthen Elos Medtech's global structure and thus our market position in our existing markets remains. Enabling further growth, however, will require continuous processing of existing, new and potential customers – activities that have been partly impeded during the pandemic.

Personnel

The health and safety of our employees has been more important than ever during the pandemic. Locally, a wide range of mea-

asures have been taken to ensure that employees feel safe in their workplaces and to minimize the risk of infection.

Elos Medtech's employees have shown great flexibility and have taken a solution-oriented approach. Already strict hygiene and safety procedures have been further tightened through additional recommendations and restrictions. Status updates are communicated in the Group on a regular basis.

The Group's average number of employees in 2020 was 522, compared to 566 in the previous year, which is a decrease of 7.8 percent. Information about distribution by country and remuneration of senior executives, the Board and other employees may be found in Note 2.

Financial performance

Net sales and earnings

The Group's net sales during the year decreased to SEK 580.0 (689.4) million. Growth for the year was -15.9 (6.9) percent. Adjusted for exchange rate changes, the contraction was -14.5 (2.8) percent. Our Dental and Orthopedics business areas grew during the year while Life Science contracted slightly.

Operating profit for the year amounted to SEK 63.6 (65.3) million, corresponding to an operating margin of 11.0 (9.5) percent. Operating profit has been positively affected by the SEK 45 million received in government support and subsidies due to Covid-19. The Group's net financial items were negatively affected by exchange rate differences of SEK -5.2 (0.7) million and amounted to SEK -20.4 (-14.7) million.

The profit after financial items amounted to SEK 43.2 (50.6) million. Profit after tax amounted to SEK 36.0 (38.5) million, which corresponds to SEK 4.47 (4.77) per share. The Group's comprehensive income amounted to SEK 0.1 (39.5) million.

Financial position and liquidity

The Group's balance sheet total decreased during the year and amounted to SEK 1,022.0 (1 034.8) million. The Group's equity amounted to SEK 540.3 (539.9) million. Shareholders' equity per share, calculated on 8,068,000 shares, amounted to SEK 66.97 (66.92). At the end of the year, risk-bearing capital was SEK 560.0 (565.4) million, which corresponds to 55.9 (54.6) percent of total capital. The Group's equity ratio was 53.9 (52.2) percent.

The Group's net debt decreased during the year, to SEK 248.4 (331.5) million. Cash and cash equivalents including unutilized bank overdraft facility amounted to SEK 155.5 (122.2) million.

Cash flow

The Group's cash flow from operating activities during the financial year amounted to SEK 125.6 (102.4) million. Cash flow after investments and divestiture of fixed assets amounted to SEK 69.3 (5.1) million.

Other

Environmental impact

The Group is engaged in operations at five sites 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.

A further description of the Group's environmental work and environmental impact can be found in the Group's section on sustainability on pages 18, 66-67 and 70 of this report.

Parent Company

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

The Parent Company's net sales amounted to SEK 19.9 (20.8) million. The profit after financial items amounted to SEK 11.4 (5.8) million.

The Parent Company's comprehensive income amounted to SEK 13.5 (5.4) million.

The percentage of risk-bearing capital was 81.0 (78.2) percent. The equity ratio was 80.9 (77.9) percent. The Parent Company's cash and cash equivalents including unused credits amounted to SEK 63.9 (67.3) million.

Events after the end of the financial year

No events after the balance sheet date have occurred that materially affect the assessment of the financial information contained in this report.

Remuneration of senior executives

At the 2020 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. Due to the ongoing pandemic, the management team waived their bonuses for 2020.

The guidelines are designed to promote the Group's business strategy of building profitable, long-term partnerships and striving for excellence in all its activities. They are also aimed at pro-

moting 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, on the one hand, the demands of the position and the way in which it contributes to achieving the Group's goals, and on the other, 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 aforesaid factors to variable remuneration.

Pensions and other benefits

Pension and health insurance contributions for the CEO are capped at 29 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 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 71–75 in the annual report.

Holding of treasury shares

Elos Medtech has no treasury shares.

Share distribution

The total number of shares at December 31, 2020 was 8,068,000, of which 1,099,740 were class A shares and 6,968,260 class B shares. There was no change in the number of A or B shares during the year.

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 2020. According to the proposal, the total share dividend amounts to SEK 12.1 (0) million. This equates to a payout of 33.6 percent of earnings after tax and is within the payout ratio range of 30–50 percent defined in the dividend policy. Disposable earnings include an amount of SEK –3.3 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 May 5 2021.

Proposed appropriation of retained earnings

The following annual profit is available for disposal:

	SEK thousand
Retained earnings including share premium reserve	256,809
Profit for the year	13,493
Total	270,302

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	258,200
Total	270,302

Risks and risk management

Risks

Elos Medtech is a global company that offers contract manufacturing of medical devices and proprietary products to many leading medical technology companies. Elos Medtech is exposed to a number of risks that can affect the company's performance and brand. The company therefore evaluates, assesses and manages risks associated with its operations in order to remain a credible and sustainable company with good profitability over time.

Risk is a natural part of business and enterprise. The company can influence some of the company's identified risks while others are beyond its control. Through effective risk management, the company takes preventive measures to minimize risks and mitigate any negative effects if the identified risks were to materialize.

Risk management process

Elos Medtech's risk management program is an essential part of the company's strategic planning. The goal of the risk management program is to have a proactive and structured strategy for managing negative outcomes and identifying potential risks that may be hidden in a particular situation. Elos Medtech's Board of Directors determines the Group's strategic direction based on recommendations from the company's management. Responsibility for the long-term and overall management of risks is assigned in accordance with the company's delegation of authority policy, by the Board to the CEO and by the CEO to business area directors and site managers. This means that most of Elos Medtech's operational risks are managed at local level.

Relevant risks and potential control measures are evaluated on an ongoing basis to ensure that any risks that occur are managed in an appropriate manner. These areas are managed in accordance with established procedures, in business reviews and at management team meetings. Identified risks are classified according to the probability that they will occur and their consequences for Elos Medtech as a company. Adopted measures are followed up and evaluated through Elos Medtech's internal control system. This year, we once again reviewed the risks associated with sustainability and concluded that no significant changes occurred in 2020 despite the pandemic and its consequences.

Covid-19

In 2020, Covid-19 evolved into a global concern with a significant impact on society as a whole. We do not know how long this impact will be. The pandemic has had, and may again have, a negative impact on Elos Medtech depending on how it continues to spread through the world.

Elos Medtech realized early on that the outbreak would have a financial impact on the company throughout 2020. Sales fell sharply in the second quarter but the impact was offset by grants and support. From a sustainability perspective, the primary focus has been on the Group's employees. The company has taken a host of measures to minimize the risk of infection and ensure that employees feel safe. Already strict hygiene and safety procedures have been further tightened through additional recommendations and restrictions and status updates are communicated in the Group on a regular basis.

If the virus outbreak is prolonged or exacerbated, Elos Medtech could once again be impacted by for example:

- the cancellation of medical procedures and operations due to resources being directed to respond to Covid-19
- serious financial difficulties among strategic suppliers
- a shortage of materials and inputs from suppliers directly or indirectly affected by the pandemic
- further disruptions in financial markets leading to a deeper global economic downturn and reduced demand for some of Elos Medtech's products.

The above list is not exhaustive. Each of the above events, or a combination of them, could again have a negative impact Elos Medtech's operations, financial results and shareholder value.

The Group's risks are divided into five categories:

	Definitions	Management
Long term		
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.
Short term		
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, labor, 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 and monitoring and reporting this. 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 Group's 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 changes to free trade agreements.

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

Competition

The medical device industry and its subcontractors are exposed to tough competition. Elos Medtech has several global competitors. The Group's competitors include both contract manufacturers and medical device 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.

Pandemics and other global disasters

Global disasters such as pandemics or other natural disasters can lead to disruptions in the global economy in which Elos Medtech operates. This could have a negative impact on demand for Elos Medtech's products and service offerings and, depending on the nature of the disaster, could also lead to a shutdown of production due to a shortage of inputs and/or employees able to work. Taken together, this would have a negative impact on Elos Medtech's operations, financial results and liquidity.

In 2020, in the midst of the pandemic, Elos Medtech ensured continued production by introducing strict hygiene and safety procedures in order to increase the safety of employees and reduce the spread of infection. The option of remote working also helped to ensure that operations could continue. To ensure its financial stability, the Group has applied for most of the support offered by national governments and introduced strict cost control in all areas of the Group. While Elos Medtech has not been adversely affected due to a lack of inputs during the pandemic, potential future shortages can be mitigated by having more suppliers for critical components.

Operating risks

Governance of tactical and operational business decisions is important for attaining 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 start to manufacture products in-house 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, risk management 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, including a number of individuals with specialist expertise, such as operators of production machines, to ensure its continued growth.

To retain employees, the 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 is consistent with the Group's sustainable business ambitions and regulatory requirements, and promotes mutual respect and trust within Elos Medtech. The need for training is determined at the annual employee performance reviews. Elos Medtech recruits both internally and externally to encourage internal mobility. The company uses targeted measures to strengthen Elos Medtech as a brand and thereby attract young workers and individuals with critical skills.

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.

To reduce the risk of a negative trend in prices, Elos Medtech seeks to manage human resources and capacity changes while continuously improving its production processes. Elos Medtech works closely and continuously with its customers to understand the effect of market developments and 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 site 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. A failure to comply with these regulations could 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. Based on the materiality assessment, Elos Medtech has identified four areas that have the greatest sustainability risks linked to the company's business.

Environment

Elos Medtech's environmental risks are related to material selection, material use/disposal of raw materials, generation of wastewater, energy use and greenhouse gas emissions from transport. All sites comply with applicable environmental protection laws. Environmental issues and environmental risks are taken into account in all the Group's business decisions, from new product design and development to manufacturing and distribution. The environmental impact assessment has been completed and identified.

Employees

Risks to employee health and safety are primarily related to the work environment at Elos Medtech's sites. The Group's preventive health and safety measures are implemented through a systematic approach. Risks and causes of incidents and accidents are identified, and appropriate measures are taken through technical improvements and training. All operational units have formal safety committees covering all employees. Regular safety inspections and training in safety and fire prevention measures are carried out at all sites. Motivated and competent employees are crucial to Elos Medtech's ability to achieve its goals and Elos Medtech therefore considers this a risk. The Group regularly arranges training and annual employee evaluations to unleash the potential of our employees.

Human rights

The risk of human rights violations in the Group's companies can damage the Group's reputation as well as its business operations.

All activities have been evaluated in terms of human rights, taking into account policies, procedures and results. Regular business reviews are conducted with each site by the CEO and CFO, who physically visit the company's sites several times a year and monitor procedures, ensuring that aspects of human rights and results are followed up accordingly.

Social aspects

Risks related to social aspects vary from one site to another, as do the underlying factors. Internal audits of financial matters (salaries, employee benefits, etc.), as well as social matters (working conditions, crisis preparedness, etc.) are carried out at regular intervals.

Diversity is a key competitive advantage in the global environment in which the Group operates. Elos Medtech's goal is to establish a business with a strong pool of expertise and experience, creating an organization that develops the company towards its strategic goals. Elos Medtech's Code of Conduct describes how diversity is managed.

Anti-corruption

There are no known cases of corruption or bribery in 2020. Assessments of risks related to corruption and anti-competitive behavior are carried out every year. The risk assessment carried out in 2020 did not point to any significant risks of corruption or anti-competitive behavior. Elos Medtech therefore considers that corruption is not currently a significant sustainability aspect.

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 42 Financial risks and risk management.



Consolidated income statement and statement of comprehensive income

SEK thousand	Note	2020	2019
Net sales	3, 4	580,000	689,400
Cost of goods sold	7	-392,178	-475,972
Gross profit		187,822	213,428
Selling expenses	7	-28,761	-39,977
Administrative expenses	6, 7	-80,202	-93,348
Development costs	7	-15,572	-17,197
Other operating income	9	2,021	3,325
Other operating expenses	10	-1,691	-904
Operating profit	2, 4, 8, 11	63,617	65,327
Financial income	13	366	1,227
Financial expenses	14	-20,723	-15,944
Profit after financial items		43,260	50,610
Tax expense	16	-7,228	-12,108
Profit for the year		36,032	38,502
Attributable to Parent Company shareholders		36,032	38,502
Earnings per share (SEK) for the year before and after dilution	39	4.47	4.77
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the year		36,032	38,502
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains and losses	32	-140	-11,238
Tax		-265	2,255
		-405	-8,983
Items that may be reclassified to profit or loss			
Translation differences for the period		-38,943	10,836
Tax		3,406	-894
		-35,537	9,942
Other comprehensive income, net		-35,942	959
Comprehensive income for the year		90	39,461
Attributable to Parent Company shareholders		90	39,461

Consolidated statement of financial position

SEK thousand	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenditure on development work	17	7,680	8,048
Goodwill	18	234,869	262,148
Other intangible assets	19	11,206	13,200
		253,755	283,396
<i>Tangible fixed assets</i>			
Buildings and land	20	173,883	182,964
Machinery and other technical fixed assets	21	144,823	149,254
Equipment, tools, fixtures and fittings	22	12,571	15,420
Right-of-use assets	23	46,048	57,922
Construction in progress	24	34,917	38,554
		412,242	444,114
<i>Financial fixed assets</i>			
Deferred tax asset	33	903	1,691
Non-current receivables		433	167
Other shares and interests		17	17
		1,353	1,875
Total fixed assets		667,350	729,385
Current assets			
<i>Inventories etc.</i>			
Raw materials and consumables		42,375	41,710
Work in progress		43,681	43,006
Finished products		72,070	89,832
Advance payments to suppliers		63	43
		158,189	174,591
<i>Current receivables</i>			
Accounts receivable	42	71,909	66,076
Current tax assets		3,118	1,445
Other current receivables	27	3,878	2,402
Prepaid expenses and accrued income	28	9,138	5,767
		88,043	75,690
Cash and cash equivalents		88,453	55,172
Total current assets		334,685	305,453
TOTAL ASSETS		1,002,035	1,034,838

Consolidated statement of financial position

SEK thousand	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity	29		
Equity attributable to Parent Company's shareholders			
Share capital	30	50,425	50,425
Other capital contributed		145,511	145,511
Reserves		800	36,337
Retained earnings		343,562	307,638
Total equity		540,298	539,911
Non-current liabilities			
Provisions for pensions	32, 41	63,508	58,992
Deferred tax liabilities	33	19,725	25,515
Non-current interest-bearing liabilities	34, 41, 42, 43	222,105	272,178
Total non-current liabilities		305,338	356,685
Current liabilities			
Current interest-bearing liabilities	34, 41, 43	51,279	55,490
Trade payables	43	35,505	21,838
Current tax liabilities		1,914	2,764
Other current liabilities	35	22,468	10,845
Accrued expenses and deferred income	36	45,233	47,305
Total current liabilities		156,399	138,242
TOTAL EQUITY AND LIABILITIES		1,002,035	1,034,838

Consolidated cash flow statement

SEK thousand	Note	2020	2019
Operating activities			
Profit after financial items		43,260	50,610
Reversal of depreciation, amortization and impairment		60,035	60,288
Adjustment for non-cash items	40	11,252	3,683
		114,547	114,581
Tax paid		-10,596	-11,020
Cash flow from operating activities before changes in working capital		103,951	103,561
<i>Cash flow from working capital changes</i>			
Increase in inventories		8,610	-6,309
Decrease/Increase in operating receivables		-15,326	12,993
Decrease/Increase in operating liabilities		28,325	-7,805
Cash flow from operating activities		125,560	102,440
<i>Investing activities</i>			
Investments in fixed assets		-56,530	-98,582
Purchase of financial fixed assets		-266	-212
Sale of fixed assets		511	1,466
Cash flow from investing activities		-56,285	-97,328
<i>Financing activities</i>	41		
Issue of new shares/redemption of warrants		-	-170
Change in overdraft facilities		-841	-8,868
New borrowings		42,931	95,315
Repayment of borrowings		-73,410	-77,295
Dividend to shareholders		-	-8,068
Cash flow from financing activities		-31,320	914
Cash flow for the year		37,955	6,026
Cash and cash equivalents at beginning of year		55,172	48,964
Exchange rate differences in cash and cash equivalents		-4,674	182
Cash and cash equivalents at year-end	41	88,453	55,172

Consolidated statement of changes in equity

SEK thousand	Attributable to Parent Company's shareholders				
	Share capital	Other capital contributed	Reserves	Retained earnings including profit for the year	Total equity
Equity Dec 31 2018	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
Redemption of warrants		170			170
Dividend				-8,068	-8,068
Equity Dec 31 2019	50,425	145,511	36,337	307,638	539,911
Profit for the year				36,032	36,032
Actuarial gain or loss pensions incl. tax				-405	-405
Translation differences incl. tax			-35,537		-35,537
Comprehensive income for the year			-35,537	35,627	90
Adjustment due to change in corporate tax				297	297
Equity Dec 31 2020	50,425	145,511	800	343,562	540,298

Parent Company income statement

SEK thousand	Note	2020	2019
Net sales	3, 5	19,922	20,772
Selling expenses	2	-6,833	-7,012
Administrative expenses	2, 6	-22,259	-29,652
Other operating income	9	201	140
Other operating expenses	10	-236	-
Operating profit	8	-9,205	-15,752
<i>Income from financial investments</i>			
Income from investments in Group companies	12	37,330	11,000
Interest income, Group companies		7,829	9,891
Other interest income and similar income	13	294	4,514
Other interest expense and similar charges	14	-24,844	-3,815
Profit after financial items		11,404	5,838
Appropriations	15	1,639	1,400
Tax on profit for the year	16	450	-1,829
Profit for the year		13,493	5,409

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

Parent Company balance sheet

SEK thousand	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenditure on development work	17	439	662
Other intangible assets	19	3,455	3,024
		3,894	3,686
<i>Tangible fixed assets</i>			
Equipment, tools, fixtures and fittings	21	336	469
		336	469
<i>Financial fixed assets</i>			
Investments in Group companies	25	241,141	222,421
Receivables from Group companies	26, 43	154,754	181,214
Other receivables		1,176	167
		397,071	403,802
Total fixed assets		401,301	407,957
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		51,018	45,702
Current tax assets		1,813	199
Other current receivables	27	409	266
Prepaid expenses and accrued income	28	1,665	1,261
		54,905	47,428
Cash and cash equivalents		23,855	27,322
Total current assets		78,760	74,750
TOTAL ASSETS		480,061	482,707

Parent Company balance sheet

SEK thousand	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	30	50,425	50,425
Reserves		58,872	58,872
Fund for development expenses		5,354	3,540
		114,651	112,837
<i>Unrestricted equity</i>			
Share premium reserve		90,150	90,151
Retained earnings		166,659	163,063
Profit for the year		13,493	5,409
		270,302	258,623
Total equity		384,953	371,460
Untaxed reserves	31	4,144	5,783
Provisions			
Provisions for pensions	32	7,316	6,403
Total provisions		7,316	6,403
Non-current liabilities			
Non-current interest-bearing liabilities	37, 38, 42, 43	25,800	42,138
Total non-current liabilities		25,800	42,138
Current liabilities			
Current interest-bearing liabilities	42, 43	10,236	10,482
Trade payables	43	2,078	811
Liabilities to Group companies		40,110	38,195
Other current liabilities	35	611	655
Accrued expenses and deferred income	36	4,813	6,781
Total current liabilities		57,848	56,924
TOTAL EQUITY AND LIABILITIES		480,061	482,708

Parent Company cash flow statement

SEK thousand	Note	2020	2019
Operating activities			
Profit after financial items		11,404	5,838
Reversal of depreciation and amortization		1,427	1,975
Adjustment for non-cash items	40	12,908	-14,131
		25,739	-6,318
Tax paid		-1,907	-1,631
Cash flow from operating activities before changes in working capital		23,832	-7,949
<i>Cash flow from working capital changes</i>			
Increase/decrease in operating receivables		-545	399
Increase/decrease in operating liabilities		-751	-34
Cash flow from operating activities		22,536	-7,584
<i>Investing activities</i>			
Shareholder contributions to subsidiaries		-18,720	
Investments in fixed assets		-1,502	-1,640
Cash flow from investing activities		-20,222	-1,640
<i>Financing activities</i>			
New share issue/redemption of warrants		-	-170
Change in overdraft facilities		-	-11,515
Repayment of borrowings		-11,550	-11,771
Change in financial receivables, Group companies	26	3,701	-4,701
Change in financial liabilities, Group companies	26	2,068	38,428
Dividend to shareholders		-	-8,068
Cash flow from financing activities		-5,781	2,203
Cash flow for the year		-3,467	-7,021
Cash and cash equivalents at beginning of year		27,322	34,343
Cash and cash equivalents at year-end		23,855	27,322

Parent Company statement of changes in equity

SEK thousand	Share capital	Restricted reserves	Share premium reserve	Unrestricted equity	Total equity
Equity Dec 31 2018	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	0
Redemption of warrants			170		170
Dividend				-8,068	-8,068
Equity Dec 31 2019	50,425	62,412	90,151	168,472	371,460
Profit for the year				13,493	13,493
Comprehensive income for the year				13,493	13,493
Allocation to fund for development expenses		1,814		-1,814	0
Equity Dec 31 2020	50,425	64,226	90,151	180,151	384,953

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 2020 was signed by the Board of Directors and Chief Executive Officer of Elos Medtech AB on March 31 2021 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 the Group in the annual report are subject to adoption at the Annual General Meeting in Elos Medtech AB on May 3 2021.

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 *Amended IFRS*

There are no new IFRS standards approved for application from 2020 onwards. A number of amendments have been made to standards approved for application from 2020. These are not considered to have any significant impact on the consolidated financial statements.

New IFRS that have not yet been applied

New and amended IFRS that will become effective in the next few financial years have not been applied early and are not expected to have any significant impact on the consolidated financial statements.

Consolidated financial reporting

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 acquisition of subsidiaries consists of the fair value of transferred assets, liabilities and issued equity instruments. 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.

Elimination of intercompany transactions

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 principles.

Translation of foreign currency

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 functional currency of the foreign operation 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.

Reporting by segment

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.

Revenue

Elos Medtech's net sales comprise compensation for goods and services sold in the company's three business areas Dental, Orthopedics and Life Science. A breakdown by business area is presented in Note 3. The great majority of Elos Medtech's sales consist of products that clearly represent separate performance obligations. Sales of products are recognized as revenue at the point in time when control of the products is transferred to the customer, which in most cases is considered to occur on delivery from the production site. The warranties provided with Elos Medtech's products are standardized and are therefore not defined as separate performance obligations. The Group also sells services in the form of service linked to products, primarily in the Dental business area, as well as in the form of re-invoicing. Service is largely invoiced on completion and recognized as revenue over the term of the service contracts. Unrecognized service income is recognized as deferred income (contract liabilities) in the balance sheet. Elos Medtech considers that these services are also clearly separate performance obligations. Re-invoicing is recognized as revenue in connection with delivery.

The Group's credit exposure is described in Note 42.

Government grant

Government grant is recognized at fair value when there is reasonable assurance that the grant will be received and that the Group will meet the conditions for the grant. Government grant received as compensation for costs is accrued and recognized in the income statement in the same periods as the costs. The contributions received are recognized in the income statement as a cost reduction of the items covered by the grant.

Government grant related to asset acquisitions is recognized in the balance sheet by reducing the asset's carrying amount by the amount of grant received. For more information on government grant, see Note 7.

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 (21.4) percent. See Note 16.

Employee benefits

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

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

Termination benefits

A liability is recognized when there is a present obligation.

Intangible assets

Goodwill

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.

Capitalized expenditure on development work

Expenses for the development of proprietary 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.

Note 1 cont.

Other intangible assets

Other intangible assets refer mainly to patents and development of software.

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

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:

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%

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 on development work 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 five years.

Impairment

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 carrying amount 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.

Assets with an indefinite useful life, such as goodwill, are tested for impairment annually or more frequently. There is a need for impairment when the recoverable amount for a cash-generating unit (or group of cash-generating units) is less than carrying amount. Any impairment is reported in the income statement.

Leases

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.

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.

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.

Lease payments are discounted using the implicit interest rate in the lease. If it is not possible to determine the implicit interest rate, the Group's incremental borrowing rate is used, which reflects the Group's credit risk. The incremental borrowing rate is broken down by maturities depending on the durations of the leases.

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.

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. 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.

The cost of the inventory may need to be adjusted when the cost exceeds the net realizable value. Net realizable value is defined as selling price less costs to sell.

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.

Financial instruments

Accounting principles for financial instruments are presented in Notes 42 and 43.

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 2020, 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 32.

The value of goodwill is tested at least once a year in relation to any need for impairment. Testing requires an assessment of the 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 2020 are stated in Note 18.

For Financial risks and risk management and Financial instruments, see Notes 42 and 43.

Statement of cash flows

The statement of cash flows is prepared using the indirect method.

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.

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 2020 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.

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 investments in subsidiaries have 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 "Income from investments 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, point 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	2020			2019		
	Men	Women	Total	Men	Women	Total
Group						
Sweden	84	44	128	97	40	137
Denmark	94	58	152	103	64	167
China	51	58	109	63	57	120
USA	85	48	133	87	55	142
	314	208	522	350	216	566
Parent Company						
Sweden	4	7	11	5	5	10

Salaries, other benefits and social security contributions	2020			2019		
	Board of Directors and CEO	Other employees	Total	Board of Directors and CEO	Other employees	Total
Group						
Salaries and other benefits	12,268	222,827	235,095	14,419	251,944	266,363
(of which profit-based salary)	(364)*	(1,881)	(2,245)	(2,246)	(5,848)	(8,094)
social security contributions	3,720	42,847	46,567	4,946	48,047	52,993
(of which pension costs)	(1,907)	(15,414)	(17,321)	(1,752)	(16,441)	(18,193)
	15,988	265,674	281,662	19,365	299,991	319,356
Parent Company						
Salaries and other benefits	3,899	7,896	11,795	4,568	8,174	12,742
(of which profit-based salary)	(0)	(0)	(0)	(686)	(598)	(1,284)
social security contributions	1,998	4,196	6,194	2,869	4,613	7,482
(of which pension costs)	(955)	(1,902)	(2,857)	(1,014)	(2,459)	(3,473)
	5,897	12,092	17,989	7,437	12,787	20,224

* Bonus for 2019, no provisions made in subsidiaries, paid in 2020.

Salary and other remuneration by country	2020			2019		
	Board of Directors and CEO	Other employees	Total	Board of Directors and CEO	Other employees	Total
Parent Company in Sweden	3,899	7,896	11,795	4,568	8,174	12,742
Subsidiaries in Sweden	2,428	44,832	47,260	2,847	50,340	53,187
Subsidiaries in Denmark	2,548	98,942	101,490	2,378	108,078	110,456
Subsidiaries in China	1,508	14,642	16,150	1,996	17,928	19,924
Subsidiaries in USA	1,885	56,515	58,400	2,630	67,424	70,054
	12,268	222,827	235,095	14,419	251,944	266,363

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 (1,375,000).

Fee	2020	2019
Yvonne Mårtensson (Chairman)	400	400
Jeppe Magnusson	175	175
Anders Birgersson	175	175
Jon Risfelt	235	235
Hanna Ernestam Wilkman	175	175
Claes Hansson	215	215
	1,375	1,375

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

Remuneration and other benefits of senior executives

Remuneration of senior management, which consists of CEO, CFO, Marketing Director, Group QA Director and MDs of subsidiaries, comprises basic salary, car benefits, variable remuneration and pension. The variable remuneration may vary depending on position and can represent a maximum of 50 percent of the fixed salary. The variable remuneration is based on the profit outcome in the Group. For 2020, the management team waived their bonuses due to the ongoing pandemic.

The present CEO has received salary and other remuneration, including benefits totaling kSEK 2,531 (3,301). The remuneration for the year includes a profit-based remuneration of kSEK 0 (686).

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 premium paid in 2020 for the current CEO amounted in total to kSEK 707 (705). 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 Group's CEO received salary and other remuneration including car benefits of kSEK 12,452 in total (14,315) in 2020. The year's remuneration includes profit-based salary of kSEK 364 (2,137). The retirement age for other persons in senior management is 60–70 years. Pension-entitled salary is the basic salary and in some cases an average of the previous three years' variable remuneration.

Other managers in subsidiaries, consisting of members of the subsidiaries' management groups excluding those included among senior executives above, a total of 27 persons (26), received salary and other remuneration including car benefits totaling kSEK 21,732 (24,830). The pension costs for these amounted to kSEK 1,675 (1,298).

Members of the Board and senior executives (number of persons)	2020			2019		
	Men	Women	Total	Men	Women	Total
Group						
Board members	4	2	6	4	2	6
CEO and other senior executives	6	3	9	6	3	9
Parent Company						
Board members	4	2	6	4	2	6
CEO and other senior executives	2	2	4	2	2	4

Note 3 Net sales and total assets by geographic market

Net sales by geographic market

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

SEK million	2020	2019
Sweden	127.5	142.9
Nordics excl. Sweden	17.5	50.1
Europe excl. Nordics	220.4	242.7
North America	128.1	150.4
Asia	85.6	100.5
Other markets	0.9	2.8
Total	580.0	689.4

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

SEK million	2020	2019
Sweden	5.3	5.6
Nordics excl. Sweden	7.4	7.1
Asia	2.3	2.5
North America	4.9	5.6
Total	19.9	20.8

Assets and investments by geographical 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	
	2020	2019	2020	2019
Sweden	237.8	201.6	34.5	20.5
Denmark	274.2	290.7	8.3	15.0
China	85.2	93.2	3.5	3.5
USA	404.8	449.3	10.2	62.1
Total	1,002.0	1,034.8	56.5	101.1

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

Net sales by segment

SEK million	2020	2019
Dental	212.4	223.9
Orthopedics	179.5	229.6
Life Science	188.1	235.9
Total	580.0	689.4

Operating profit by segment

SEK million	2020	2019
Dental	18.2	22.2
Orthopedics	21.0	17.4
Life Science	29.3	31.6
Unallocated Group income and expenses	-4.9	-5.9
Total	63.6	65.3

Note 5 Buying and selling between Group companies

Of the Parent Company's revenue, SEK 19.9 (20.8) million pertains to income from Group companies. During the year, there has been purchasing from Group companies of kSEK 0.5 (0.1) for IT and marketing services.

Note 6 Remuneration to auditors

Fees and expense reimbursements

	Group		Parent Company	
	2020	2019	2020	2019
KPMG	1,466	1,430	514	410
Audit engagement	1,325	1,296	464	410
Other services	141	134	50	-
Tax advice	-	-	-	-
PwC	28	616	-	600
Audit engagement	-	268	-	252
Other audit services	28	348	-	348
Tax advice	-	-	-	-
Other companies	644	947	-	-
Audit engagement	472	558	-	-
Tax advice	118	303	-	-
Other services	54	86	-	-
Total	2,138	2,993	514	1,010

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

Note 7 Government grant by function

SEK million	Group		Parent Company	
	2020	2019	2020	2019
Cost of goods sold	35.0	-	-	-
Selling expenses	2.2	-	0.2	-
Administrative expenses	4.3	-	0.2	-
Development costs	1.9	-	-	-
Financial expenses	1.6	-	-	-
Total grant received	45.0	-	0.4	-

Note 8 Depreciation according to plan and impairment

Group	Cost of goods sold	Development costs	Selling expenses	Administrative expenses	Total
2020					
Other intangible assets	319	1,163	1,670	914	4,066
Capitalized development costs	491	1,915	136	62	2,604
Buildings	6,115	204	129	853	7,301
Land improvements	963	10	3	276	1,252
Machinery and other technical fixed assets	31,058	–	–	–	31,058
Equipment, tools, fixtures and fittings	2,653	–	45	717	3,415
Right-of-use assets	7,077	141	710	2,411	10,339
Total	48,676	3,433	2,693	5,233	60,035
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 fixed assets	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

Parent Company	Cost of goods sold	Development costs	Selling expenses	Administrative expenses	Total
2020					
Other intangible assets	–	–	200	1,094	1,294
Equipment	–	–	45	88	133
Total	–	–	245	1,182	1,427

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

Note 9 Other operating income

	Group		Parent Company	
	2020	2019	2020	2019
Gain on sale of fixed assets	176	909	162	125
Vendor compensation	945	786	–	–
Government grant received	–	725	–	–
Foreign exchange gains	768	458	–	15
Commission income	–	429	–	–
Other	132	18	39	–
Total	2,021	3,325	201	140

Note 10 Other operating expenses

	Group		Parent Company	
	2020	2019	2020	2019
Loss on sale of fixed assets	470	155	–	–
Foreign exchange losses	1,190	722	236	–
Other	31	27	–	–
Total	1,691	904	236	–

Note 11 Costs by nature

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

Group	2020	2019
Material incl. subcontractors	152,571	94,162
Employee benefits	281,662	319,356
Depreciation	60,035	60,288
Other costs	22,445	152,688
Total	516,713	626,494

Note 12 Income from investments in Group companies

Parent Company	2020	2019
Dividends from subsidiaries	16,930	–
Group contributions received	20,400	11,000
Total	37,330	11,000

Note 13 Interest income and similar income

Group	2020	2019
Interest income	97	87
Exchange rate differences	269	1,140
Total	366	1,227
Parent Company		
Interest income	–	3
Exchange rate differences	294	4,511
Total	294	4,514

Note 14 Interest expense and similar charges

Group	2020	2019
Interest expenses	10,935	12,435
Revaluation derivatives	3,315	2,857
Exchange rate differences	5,030	422
Other	1,443	230
Total	20,723	15,944
Parent Company		
Interest expenses	2,319	3,483
Exchange rate differences	21,082	–
Other	1,443	332
Total	24,844	3,815

Note 15 Appropriations

Parent Company	2020	2019
Reversal of tax allocation reserve, tax year 2013	–	2,891
Reversal of tax allocation reserve, tax year 2016	1,055	–
Allocation to tax allocation reserve, tax year 2019	–	–2,515
Difference between recognized depreciation and depreciation according to plan	584	1,024
Total	1,639	1,400

Note 16 Tax

Group	2020	2019
Current tax	–8,467	–12,865
Deferred tax referring to temporary differences	1,239	757
Total tax	–7,228	–12,108

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

Group	2020	2019
Reported profit before tax	43,260	50,610
Tax at the current rate	–9,258	–10,831
Tax effects of:		
Effect of changed tax rate attributable to untaxed reserves	301	204
Differences in foreign tax rates	–532	–916
Withholding tax	–293	–235
Tax relating to previous periods	–11	–
Tax effect of received non-taxable government grant	3,517	–
Other	–952	–330
Reported tax expense	–7,228	–12,108

The tax rate in Sweden has been used as the current tax rate for 2020: 21.4 (21.4) percent. The Group's average effective tax rate in 2020 with comparative year was 16.7 (23.9) 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	2020	2019
Current tax in the income statement	743	-1,614
Tax attributable to the previous year	-	20
Withholding tax	-293	-235
Total	450	-1,829

Parent Company	2020	2019
Reported profit before tax	11,404	5,838
Tax at the current rate	-2,440	-1,249
Tax effects of:		
Non-deductible expenses	-110	-91
Non-taxable income	3,623	20
Withholding tax	-293	-235
Other	-330	-274
Reported tax expense	450	-1,829

Note 17 Capitalized expenditure on development work

SEK million	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	14,031	3,424	1,114	1,114
Purchases for the year	213	-	-	-
Reclassification	2,325	10,489	-	-
Sales and disposals	-96	-	-	-
Translation differences	-472	118	-	-
Closing cost	16,001	14,031	1,114	1,114
Opening amortization	5,983	1,616	452	230
Amortization for the year	2,604	1,691	223	222
Reclassification	-	2,652	-	-
Sales and disposals	-64	-	-	-
Translation differences	-202	24	-	-
Closing accumulated scheduled amortization	8,321	5,983	675	452
Carrying amount at year-end	7,680	8,048	439	662

The useful life for capitalized expenditure on development work is assessed to be approximately five years.

Note 18 Goodwill

Group	2020	2019
Opening cost	262,148	253,597
Translation difference	-27,279	8,551
Closing cost	234,869	262,148
Carrying amount at year-end	234,869	262,148

Goodwill, SEK million	2020	2019
Dental	40,221	41,642
Orthopedics	187,625	213,483
Life Science	7,023	7,023
Total	234,869	262,148

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 2021. The forecast period 2022–2025 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 8.7 (8.3) percent. The discount rate was determined by calculating a weighted cost of equity and debt. In 2020 as well as 2019, 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	186	285	163
Recoverable amount in excess of carrying amount	394	292	254

Note 19 Other intangible assets

Group	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	56,411	60,414	13,612	12,005
Purchases for the year	4,750	5,386	1,502	1,607
Reclassification	-2,487	-10,489	-	-
Sales and disposals	-1,055	-	-	-
Translation difference	-2,834	1,100	-	-
Closing cost	54,785	56,411	15,114	13,612
Opening amortization	43,211	37,371	10,588	9,062
Amortization for the year	4,066	7,825	1,071	1,526
Reclassification	-	-2,652	-	-
Sales and disposals	-1,033	-	-	-
Translation difference	-2,665	668	-	-
Closing accumulated amortization	43,579	43,211	11,659	10,588
Carrying amount at year-end	11,206	13,200	3,455	3,024

The balance sheet items include acquired customer relationships valued at SEK 18.2 million in connection with the acquisition of Onyx Medical in 2015, which had been fully amortized at December 31 2020. Investments for the year relate to acquired software and other development of intangible assets.

Note 20 Buildings and land

Buildings	Group	
	2020	2019
Opening cost	230,857	206,368
Purchases for the year	844	20,999
Reclassification	8,492	579
Translation difference	10,828	2,911
Closing cost	229,365	230,857
Opening depreciation	79,072	71,180
Depreciation for the year	7,301	7,157
Translation difference	-2,002	735
Closing accumulated depreciation	84,371	79,072
Carrying amount at year-end	144,994	151,785

Land improvements	Group	
	2020	2019
Opening cost	16,784	1970
Purchases for the year	-	14,861
Reclassification	2,748	-63
Translation difference	-2,216	16
Closing cost	17,316	16,784
Opening depreciation	1,253	876
Depreciation for the year	1,252	337
Reclassification	323	-
Translation difference	-212	40
Closing accumulated depreciation	2,616	1,253
Carrying amount at year-end	14,700	15,531

Land	Group	
	2020	2019
Opening cost	15,648	15,186
Translation difference	-1,459	462
Closing cost	14,189	15,648
Carrying amount at year-end	14,189	15,648

Carrying amount at year-end, buildings and land	173,883	182,964
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Note 21 Machinery and other technical fixed assets

Machines, etc.	Group	
	2020	2019
Opening cost	478,790	506,031
Purchases for the year	1,167	9,170
Reclassification	44,712	-37,324
Sales and disposals	-2,836	-6,776
Translation difference	-27,883	7,689
Closing cost	493,950	478,790
Opening depreciation	329,536	318,785
Depreciation for the year	31,058	28,984
Reclassification	4,813	-16,934
Sales and disposals	-1,386	-5,481
Translation difference	-14,894	4,182
Closing accumulated depreciation	349,127	329,536
Carrying amount at year-end	144,823	149,254

Note 22 Equipment, tools, fixtures and fittings

Equipment, etc.	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	60,685	59,695	2,125	2,092
Purchases for the year	506	1,863	-	33
Reclassification	107	1,121	-	-
Sales and disposals	-1,734	-2,474	-	-
Translation difference	-1,275	480	-	-
Closing cost	58,289	60,685	2,125	2,125
Opening depreciation	45,265	45,458	1,656	1,431
Depreciation for the year	3,415	2,987	133	225
Reclassification	-212	-1,439	-	-
Sales and disposals	-1,729	-1,942	-	-
Translation difference	-1,021	201	-	-
Closing accumulated depreciation	45,718	45,265	1,789	1,656
Carrying amount at year-end	12,571	15,420	336	469

Note 23 Right-of-use assets

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

Group 2020
Right-of-use assets

Cost	Premises	Vehicles	Machinery	Other	Total
Opening cost	14,197	5,748	63,400	3,869	87,214
Investments for the year	–	898	252	838	1,988
Disposals for the year	–	–1,205	–	–	–1,205
Reclassifications	–	–544	–4,936	–544	–4,936
Translation differences	–669	–286	–3,095	–413	–4,463
Closing cost	13,528	4,611	55,621	4,838	78,598
Accumulated depreciation					
Opening depreciation	2,387	1,803	24,169	933	29,292
Depreciation for the year	2,451	1,299	5,408	1,181	10,339
Disposals for the year	–	–530	–	–	–530
Reclassifications	–	–	–4,936	–	–4,936
Translation differences	–291	128	–1,374	–78	–1,620
Closing accumulated depreciation	4,547	2,700	23,267	2,036	32,550
Carrying amount at year-end	8,981	1,911	32,354	2,802	46,048

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

Group 2019
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

Recognized in income statement	2020	2019
Depreciation of right-of-use assets	–10,339	–11,307
Short-term and low-value lease expenses	–1,377	–1,163
Recognized in operating profit	–11,716	–12,470
Interest on lease liabilities	–1,148	–1,416
Recognized in net financial items	–1,148	–1,416

Lease of premises

For rental agreements, the company has applied the incremental borrowing rate as the discount rate, taking into consideration the duration of the lease agreement.

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	
	2020	2019
2020	–	14,123
2021	12,768	12,600
2022	8,793	8,744
2023	7,299	6,705
2024	6,682	6,608
2025 and later	2,134	2,099
	37,676	50,879

Note 24 Construction in progress

	Group	
	2020	2019
Construction in progress		
Opening cost	38,554	21,055
Purchases for the year	47,062	37,037
Reclassification	-50,951	-20,050
Translation difference	252	512
Closing cost	34,917	38,554
Carrying amount at year-end	34,917	38,554

Note 25 Investments in Group companies

Parent Company	2020	2019
Opening cost	222,421	222,521
Merged operations	-	-100
Shareholder contributions to subsidiaries	18,720	-
Closing cost	241,141	222,421
Carrying amount at year-end	241,141	222,421

Subsidiary	Second-tier subsidiary	Corp. ID number	Headquarters	Share of votes	Number of votes	Book value
Elos Medtech Pinol A/S		13746184	Hillerød, Denmark	100%	1,000	70 149
Elos Medtech Tianjin Co. Ltd.		91120111697431125P	Tianjin, China	100%	-	32,571
Elos Medtech Timmersdala AB		556055-1201	Skövde	100%	2,600	32,707
	TioTec AB	556443-5153	Skövde	100%	-	-
Elos Medtech Skara AB		556344-0790	Skara	100%	1,000	35,673
Elos Medtech U.S Holdings Inc.		47-3691218	Memphis, TN, USA	100%	1,000	69,925
	Onyx Medical LLC	62-1445666	Memphis, TN, USA	100%	-	-
Elos AB		556280-2784	Gothenburg	100%	1,000	116
Total						241,141

Note 26 Receivables from Group companies

	Parent Company	
	2020	2019
Long-term loan to Elos Medtech U.S. Holdings, refers to financing of acquisition	154,756	176,081
Long-term loan to Elos Medtech Tianjin	-	5,133
Total	154,756	181,214

Note 27 Other current receivables

	Group		Parent Company	
	2020	2019	2020	2019
Promissory note	90	315	-	-
Value added tax	2,396	1,093	407	266
Other	1,392	994	2	-
Total	3,878	2,402	409	266

Note 28 Prepaid expenses and accrued income

	Group		Parent Company	
	2020	2019	2020	2019
Prepaid rent	272	272	272	272
Prepaid licenses and IT expenses	2,479	1,230	416	-
Prepaid pension payments	176	182	176	182
Accrued income	1,583	401	-	-
Other prepaid expenses	4,628	3,682	801	807
Total	9,138	5,767	1,665	1,261

Note 29 Equity

Reserves include translation differences as below:

Translation differences net assets for- eign currency	Group	
	2020	2019
Opening accumulated translation differences	42,163	32,221
Translation differences for the year	-35,537	9,942
Closing accumulated translation differences	6,626	42,163
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	800	36,337

Note 30 Share capital

On December 31 2020, 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 vote)	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. During the year, no class A shares were converted into class B shares.

Note 31 Untaxed reserves

	Parent Company	
	2020	2019
Accumulated accelerated depreciation	-256	328
Tax allocation reserve, tax year 2016	-	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	2,515
Total	4,144	5,783

Note 32 Provisions for pensions

	Group	
	2020	2019
Provision for FPG/PRI pensions including payroll tax	63,075	58,816
Other pension provision	433	176
Total	63,508	58,992

	Parent Company	
	2020	2019
Provision for pensions	6,883	6,227
Capital insurance	433	176
Total	7,316	6,403

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

Group	2020	2019
Discount rate	1.30%	1.70%
Annual pay increase	2.95%	3.25%
Annual increase in income base amount	2.95%	3.25%
Annual inflation	1.50%	1.80%
Attrition rate	5.00	5.00%

The discount rate has been determined for 2020 as for 2019 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 2020, the duration was 23 (24) 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%:	0.80%	1.30%	1.80%
The obligation's present value at the end of the period	62,410	55,472	49,506
Pay increase +/- 0.5%:	2.45%	2.95%	3.45%
The obligation's present value at the end of the period	53,697	55,472	57,592
Inflation +/- 0.5%:	1.00%	1.50%	2.00%

The obligation's present value at the end of the period	50,790	55,472	60,764
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Life expectancy +/- 0.5%:	-1 year	DUS 14	1 year
The obligation's present value at the end of the period	53,133	55,472	57,831

Specification of change of pension liability in the Group:

	2020	2019
The obligation's present value at the beginning of the period	51,647	39,833
Benefits earned during the period	3,471	2,392
Pension payments	-698	-697
Interest	939	1,075
Actuarial gains (-) and losses (+)	113	9,044

The obligation's present value at the end of the period

	55,472	51,647
Payroll tax	7,603	7,169
Carrying amount	63,075	58,816

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	2020	2019
Costs for service current year	3,789	3,289
Interest expenses	939	1,075
Actuarial gains (-) and losses (+), including payroll tax	140	11,238
Total costs for defined benefit plans	4,868	15,602
Costs for defined contribution plans	13,373	18,263
Sum total pension costs	18,241	33,865

Estimated charges for payment to pension plans in 2021 are expected to amount to approximately SEK 642,000 (705,000).

Note 33 Deferred tax asset/liability

	Group	
	2020	2019
Deferred tax asset		
Tax-loss carry-forwards	22,530	11,298
Temporary differences property, plant and equipment	903	1,691
Provisions for pensions	8,021	7,858
Lease liability	191	122
Interest rate derivatives	1,786	1,248
Other	14,706	7,836
Total	48,137	30,053
Offsettable items	-47,234	-28,362
Recognized deferred tax asset	903	1,691
Deferred tax liability		
Temporary differences intangible assets	19,140	10,476
Temporary differences property, plant and equipment	41,747	36,026
Temporary differences current assets	4,230	5,217
Untaxed reserves	1,842	2,158
Total	66,959	53,877
Offsettable items	-47,234	-28,362
Recognized deferred tax liability	19,725	25,515
Net	-18,822	-23,824

Loss carry-forwards that are the basis for deferred tax assets are not limited in time. Deferred tax liabilities and receivables have been offset where there is a legal right to this. The Parent Company's deferred tax liability is included in the balance sheet item untaxed reserves (see Note 31).

	Group	
	2020	2019
Changes in deferred tax		
Opening balance, net	-23,824	-24,862
Through profit or loss	1,239	-323
Through other comprehensive income	3,141	2,255
Translation difference	622	-894
Closing balance	-18,822	-23,824

Note 34 Interest-bearing liabilities

	Group	
	2020	2019
Non-current liabilities		
Loan liabilities	197,263	235,421
Lease liabilities	24,842	36,757
Total	222,105	272,178
	Group	
	2020	2019
Current liabilities		
Loan liabilities	38,445	40,532
Overdraft facility	-	835
Lease liabilities	12,834	14,123
Total	51 279	55,490

Of the Group's loan liabilities, the amount falling due in more than 5 years is SEK 57.5 (97.0) million. The corresponding amount for the Parent Company is SEK 0.0 (0.0) million.

The Group's loans from credit institutions 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 67.0 (67.9) million, of which SEK 67.0 (67.1) is idle. 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 SEK 40.0 (40.0) million is idle.

Note 35 Other current liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Value added tax	750	1,758	-	-
Withholding tax	10,007	1,380	342	375
Vacation pay liability, actual not paid	5	437	-	-
Pension, actual not paid	959	518	-	-
Derivatives	6,829	4,780	-	-
Other	3,918	1,972	269	280
Total	22,468	10,845	611	655

Note 36 Accrued expenses and deferred income

	Group		Parent Company	
	2020	2019	2020	2019
Accrued salaries including vacation pay liability	25,808	27,449	1,912	1,836
Accrued social security contributions	5,990	8,548	1,157	1,580
Accrued interest	580	932	230	501
Other accrued expenses	11,383	8,376	1,514	2,864
Deferred income	1,472	2,000	–	–
Total	45,233	47,305	4,813	6,781

Note 37 Pledged assets

	Group		Parent Company	
	2020	2019	2020	2019
For liabilities to credit institutions incl. overdraft facilities				
Property mortgages	162,742	173,052	–	–
Floating charges	43,491	44,038	6,200	6,200
Finance lease asset	29,510	45,769	–	–
Machines with ownership rights reservations	77,792	102,516	–	–
Inventory with ownership reservation	34,965	25,501	–	–
Trade receivables	17,524	18,550	–	–
Other pledged assets	4,110	226	–	–
Total	370,134	409,652	6,200	6,200

Note 38 Contingent liabilities

	Group		Parent Company	
	2020	2019	2020	2019
Guarantees for subsidiaries	–	–	79,671	57,215
Pension obligations incl. FPG-PRI	483	609	138	292
Total	483	609	79,809	57,507

Information on the Group's pension commitments can be found in Notes 2 and 32.

Note 39 Earnings per share

Earnings per share have been calculated by dividing the profit for the year attributable to Parent Company shareholders, kSEK 36,032 (38,502), by the average number of outstanding shares, which is 8,068,000 (8,068,000). Earnings per share before and after dilution were calculated at SEK 4.47 (4.77).

Note 40 Cash flow

Adjustment for non-cash items

	Group		Parent Company	
	2020	2019	2020	2019
Provisions	3,678	2,380	–647	–776
Exchange rate differences	3,795	–1,140	21,189	–4,492
Profit on sold fixed assets	–234	–226	162	125
Revaluation of derivatives	3,315	2,859	–	–
Interest not received	–	–	–7,833	–9,879
Other	698	–190	37	891
Total	11,252	3,683	12,908	–14,131

Disclosure on interest paid

	Group		Parent Company	
	2020	2019	2020	2019
Interest paid during the year	11,126	13,118	2,081	3,707
Interest received during the year	112	87	–	–

Cash and cash equivalents in the statement of cash flows consist of cash and bank balances. Of total investments of SEK 56.5 (98.6) million, SEK 42.9 (95.3) million is loan-financed.

Note 41 Reconciliation of liabilities arising from financing activities

Group 2020	OB 2020	Cash flow		Non-cash flows				CB 2020
		Repay-ments	New bor-rowings	Revaluation of pension liabilities	Change in leases	Exchange rate differ-ences	Reclassifi-cation	
Non-current interest-bearing provisions for pensions	58,992	-698		5,214				63,508
Overdraft facility	835	-841				6		0
Non-current interest-bearing liabilities								
– Of which lease liabilities	36,757	-1,041	3,617		-1,308	-230	-12,953	24,842
– Of which loan liabilities	235,421	-17,714	39,314			-18,058	-41,700	197,263
Current interest-bearing liabilities								
– Of which lease liabilities	14,123	-14,123				-119	12,953	12,834
– Of which loan liabilities	40,532	-40,532				-3,255	41,700	38,445
Total liabilities	386,659	-74,949	42,931	5,214	-1,308	-21,656	0	336,892
Cash and cash equivalents	-55,172							-88,453
Net debt	331,487	-74,949	42,931	5,214	-1,308	-21,656	0	248,439

Group 2019	OB 2019	Cash flow		Non-cash flows						CB 2019
		Repay-ments	New bor-rowings	Revaluation of pension liabilities	OB IFRS 16 effect	New leases	Exchange rate differ-ences	Revaluation derivatives	Reclassifi-cation	
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 lease 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 lease 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	0	386,659
Cash and cash equivalents	-48,964									-55,172
Net debt	287,410	-86,860	95,315	15,012	19,840	2,445	6,457	-1,923	0	331,487

Note 42 Financial risks and risk management

Through its operations, Elos Medtech is exposed to various types of financial risks. Financial risks refer to fluctuations in Elos Medtech's earnings and cash flow due to changes in exchange rates, interest rates, 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 approximately 60 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 2020, the average fixed-rate term for the Group's external borrowings was approximately 33 months. A change in interest rates of 1 percentage point would affect net profit by approximately SEK 1.7 (2.7) million.

Exposure to price risk due to changes in interest rates refers to financial assets and liabilities with specified fixed-rate terms. In 2020, Elos Medtech had two financial liabilities for which a fixed interest rate had been obtained through an interest rate swap. These liabilities account for 16 percent of total interest-bearing financial 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	2020		2019	
	Amount SEK mil- lion	%	Amount SEK mil- lion	%
Currency				
USD	192	43	199	44
DKK	186	42	196	43
CNY	65	15	60	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 part of 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 44 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 on subsidiary is included.

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 2019 or 2020.

The currencies that have the greatest impact on the operating result if a currency change are the Danish krone and the US dollar, where a change of ten percent results in approx. SEK 1.8 (2.7) million and approx. SEK 2.3 (1.6) 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 2020 financial year, the year's profit before tax would have been approximately SEK 5.4 (5.2) 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 made of all customers who receive credit. Payment terms differ from customer to customer and are included in the 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	
	2020	2019
Receivables not yet due	60,096	55,082
Receivables that fell due 1–30 days before	10,780	9,596
Receivables that fell due 31–60 days before	680	1,239
Receivables that fell due 61–90 days before	702	130
Receivables that fell due > 91 days before	617	553
Total that has fallen due	12,779	11,518
Reserved trade receivables	–966	–524
Total trade receivables	71,909	66,076

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 facilities 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

Note 42 cont.

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 27 (18) 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.

In December 2019, the Group entered into an agreement on credit facilities of SEK 250 million, which was renegotiated in March due to the pandemic in order to reduce credit fees in connection with the facility. The agreement is for SEK 120 million and runs until December 2022. At year-end, the undrawn portion amounted to SEK 95 million. During the year, loans were also raised by the Group's US subsidiary to finance the expansion of 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 specify a minimum ratio of consolidated EBITDA to consolidated net debt, capital adequacy requirements and limits on investments. Based on budget and forecast for 2021, it is forecast that the company will meet the condition for quotient value at the respective measurement time during 2021. 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.

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 2020	Total amount	Due in year 1	Due in year 2	Due in years 3-5	Due after more than 5 years
SEK loans	84,245	12,153	10,304	42,423	19,365
DKK loans	42,517	12,671	8,069	16,253	5,524
EUR loans	5,721	5,721	0	0	0
USD loans	165,145	32,564	30,429	63,035	39,117
CNY loans	6,263	1,364	1,692	3,207	0
Total	303,890	64,472	50,495	124,918	64,006

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	0
USD loans	216,342	33,993	31,904	76,485	73,959
CNY loans	8,413	1,542	1,433	5,438	0
Total	364,587	94,972	55,925	138,371	75,319

All loans from credit institutions in SEK, EUR and DKK have variable interest rates. Of the loans in USD, SEK 35.8 (120.6) million is at variable interest rate and SEK 105.6 (66.5) million is at fixed rate. The average interest rate on the Group's total loan liabilities is 4.2 (3.8) percent.

Note 43 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 2020 or 2019. 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 maturity dates 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 4.4 (5.6) 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 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 carrying amount 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.

Financial liabilities at fair value through profit or loss

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, market evaluation of the derivatives over time will not affect earnings or cash flow.

Outstanding derivative instruments

	Nominal amount	Currency	Maturity	Fixed rate
Interest rate derivatives	1,513,387	USD	Apr 25 2025	4.15%
Interest rate derivatives	3,887,655	USD	Apr 25 2030	5.84%

Revaluation of derivatives in net financial items

	2020	2019
Revaluation derivatives	3,315	2,857
Total	3,315	2,857

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. The Group's trade receivables and trade payables mainly consist of receivables/liabilities in SEK, CNY, DKK, EUR and USD. The payment terms for trade receivables and trade payables are mostly 30–60 days.

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 credit 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 credit risk attributes and days overdue. The Group uses forward-looking variables for expected credit losses. Expected credit losses are recognized in the consolidated statement of profit or loss and other comprehensive income under selling expenses. At December 31 2020, the provision for credit losses amounted to kSEK 966 (524), or 1.3 (0.8) percent of the Group's outstanding trade receivables. See also Note 42.

Note 44 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.

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

Key performance indicators	2020	2019
Total assets	1,002.0	1,034.8
Total equity	540.3	539.9
Net debt	248.4	331.5
EBITDA	123.6	125.6
Net debt/total capital (%)	24.8	32.0
Debt/equity ratio, multiple	0.5	0.6
Net debt/EBITDA, multiple	2.0	2.6
Share of long-term financing (%)	79.2	83.3

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 be in the range of 7–12 percent in the current situation. The return on equity for the year was 6.7 (7.3) percent.

Note 44 cont.

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	256,809
Profit for the year	13,493
Total	270,302

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	258,200
Total	270,302

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.

	2020	2019
The dividend for the financial year 2019 was SEK 0 (2018: SEK 1)		
Dividend A shares	–	1,099.7
Dividend B shares	–	6,968.3
Total	–	8,068.0

The Board of Directors has proposed to the 2021 Annual General Meeting that a dividend of SEK 1.50 per share be distributed, which corresponds to 33.6 percent of profit after tax. This dividend has not been recognized as a liability as at December 31 2020 but is expected to be paid from retained earnings on May 5 2021.

Note 45 Related party transactions

The company had no transactions with related parties in 2020.

Note 46 Events after the balance sheet date

No events have occurred after the end of the financial year that materially affect the assessment of the financial information contained in this report.

Note 47 Definition and reconciliation to alternative performance measures

SEK million	Group	
Growth	2020	2019
Reported net sales	580.0	689.4
Net sales for the same period last year	689.4	644.7
Change in net sales	–109.4	44.7
Growth, %	–15.9	6.9

Sales adjusted for currency fluctuations

Exchange rate changes	–10.7	25.9
Net sales for the same period in the previous year adjusted for exchange rate changes	678.7	670.6
Growth adjusted for exchange rate changes, %	–14.5	2.8

EBITDA

Reported operating profit	63.6	65.3
Depreciation/amortization and impairment	60.0	60.3
EBITDA	123.6	125.6

Risk-bearing capital

Equity	540.3	539.9
Deferred tax liability	19.7	25.5
Risk-bearing capital	560.0	565.4

Net debt

Non-current interest-bearing provisions for pensions	63.5	59.0
Non-current interest-bearing liabilities	222.1	272.2
Current interest-bearing liabilities	51.3	55.5
Total liabilities	336.9	386.7
Cash and cash equivalents	–88.5	–55.2
Net debt	248.4	331.5

Liquidity reserve

Cash and cash equivalents	88.5	55.2
Utilized bank overdraft facility	–	–0.8
Bank overdraft facilities granted and framework agreements	67.0	67.9
Liquidity reserve	155.5	122.3

For definitions and information on the use of alternative performance measures, see page 83.

Sustaina- bility infor- mation

Elos Medtech AB's sustainability report has been prepared on the basis of the Global Reporting Initiative (GRI) Standards and refers to the 2020 financial year. The report covers production sites and the head office. Previously, the sustainability report for Elos Medtech AB was presented separately but as of 2020 it is included as part of the Annual Report.

Risks related to these issues are described in connection with the information in Elos Medtech AB's general description of risk management on pages 28–32.

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Stakeholder dialogue

By participating in stakeholder dialogues, Elos Medtech aims to create value for its stakeholders.

Elos Medtech engages in dialogue with its stakeholders in order to develop the business and create value for our stakeholders. The purpose is to build long-term relationships, obtain a better understanding of what is important to our stakeholders and continuously improve our sustainability efforts.

Elos Medtech engages in continuous dialogue with key stakeholders to balance and optimize different interests, expectations and wishes. Our most important stakeholders are: employees, customers, the Board of Directors and owners, suppliers, authorities, society at large and schools and universities (future employees).

Stakeholder group	Dialogue	Stakeholder expectations
Employees	Workplace meetings General meeting Employee surveys Performance evaluations Safe workplace coordinating councils (SAM) Management meetings business risk analysis, SWOT	Skills development (training) Customer satisfaction Environmental commitment Leadership – strategy (strategic platform) Ethics and compliance
Board of Directors and owners	Board meetings Employee surveys – interviews Annual General Meeting Assessment of business risk	Sustainability reporting - environmental commitment Strategic platform Policies - Code of Conduct Ethics and compliance Human rights Long-term profitability Customer satisfaction (sustainable customer solutions)
Customers	Business Review Conferences - trade fairs Customer surveys Audits	Product quality and safety Compliance – quality management Business continuity plan Supplier management Product performance and quality Market presence
Suppliers	Audits Questionnaire on qualifications	Business continuity plan Environmental commitment
Society at large	Local initiatives – study visits	Human rights Investments for sustainable solutions Environmental commitment
Schools, universities – future employees	Meetings Networking Study visits – talks University lecturers on local apprenticeships	Sponsorship of local training programs Career opportunities Diversity Sustainability reporting

Materiality analysis

By conducting a materiality analysis, Elos Medtech has defined its most important sustainability issues.

Elos Medtech completed a comprehensive materiality analysis in 2017 to define our most important sustainability aspects and this analysis is revised annually. The materiality analysis is based on conclusions from external and internal dialogues, external trends, Elos Medtech's strategy, SWOT analyses, evaluations of risks and opportunities and sustainability frameworks such as the Global Reporting Initiative and the UN Global Compact.

The materiality analysis comprises eleven significant aspects that are presented below, together with an illustration that shows where in our value chain the impact is made. For each aspect, key performance indicators have been defined that are followed up regularly and used as a basis for information about the company's sustainability management activities.

	Suppliers	Elos Medtech	Customers and consumers
Care for our business			
Customer satisfaction		●	●
Product performance and quality	●	●	●
Investments in sustainable solutions	Can be influenced, for example waste management service providers	●	
Care for our people			
Empower people to make a difference		●	
Safe and healthy workplace		●	
Promote best practices and diversity, including human rights	●	●	
Care for our responsibilities			
Ethics and compliance	●	●	●
Energy management		●	
Emissions of greenhouse gases	●	●	
Water management	●	●	
Waste management	●	●	

Care for our business

MA 1 Customer satisfaction

- The survey and the overall result show that our customers are very satisfied with us and see us as a strategic business partner for achieving their goals
- Customers recognize our high product quality, our expertise in design and technology, and our customer support and responsiveness
- Customers purchasing our proprietary products especially appreciate the high product quality

MA 2 Product performance & quality

Proprietary products	2020	2019
% of sales of proprietary products	13.4%	9.9%

Number of serious incidents	2020	2019
	0	0

MA 3 Investments in sustainable solutions

Investment objectives	2020	2019
% of investment budget allocated to sustainability projects	5%	5%

Outcome investments	2020	2019
% of investment budget allocated to sustainability projects	5.1%	5.4%

MA = Material aspect

Care for our people

MA 4 Employment

Average number of employees	2020	2019
Sweden	128	147
Denmark	152	167
USA	133	142
China	109	120
Group total	522	566

Gender distribution	Women		Men	
	2020	2019	2020	2019
Board of Directors	33%	33%	67%	67%
Senior management	36%	33%	64%	67%
Local management	38%	37%	62%	63%
New employees	20%	34%	80%	66%
Group total	38%	38%	62%	62%

Staff turnover	2020	2019
Number of new hires during the year	42	80
Number of terminations during the year	72	104
Staff turnover	13%	18.2%

MA 5 Employee influence

	2020	2019
% of employees who have participated in company-wide training initiatives	N/A*	80%
% of employees who have had regular performance reviews	66%	64%
Average number of training hours per employee	10.1	13.0

* No company-wide training activities were carried out in 2020.

MA 6 Health and safety at work

The most common causes of injury

2020	2019
Repetitive work	Repetitive work
Handling of tools and machines	Handling of tools and machines
Lifting of heavy machinery	Lifting of heavy machinery
Inhalation of chemicals	Inhalation of chemicals

Absence and illness	2020	2019
Number of days of absence due to injury	237	84
% of sick leave	3.4	1.75

MA 7 Diversity and equal treatment

	2020	2019
% of Chinese management team with domestic background	80%	80%

Employees' length of employment	2020	2019
<5 years	279	285
6–10 years	132	129
11–15 years	42	43
>15 years	87	92

Care for our responsibilities

MA 8 Ethics & compliance

	2020	2019
% of employees who have taken part in compliance training activities	100%	100%
Number of internal audits at subsidiaries	19	19
Number of days with customer audits	12	20

To ensure that we continue to act as a trustworthy and honest company, we emphasize our Ethics & Compliance Helpline, where misconduct and violations of our Code of Conduct and business ethics can be reported. We encourage our employees to report any suspected violations of or non-compliance with Our Way and our business ethics.

MA 9 Environmental standards

Certificates

Subsidiary	Certificates
Elos Medtech Pinol	ISO 13485, ISO 13485 CMDCAS, ISO 9001, ISO 14001, MDSAP
Elos Medtech Timmersdala	ISO 13485, ISO 14001
Elos Medtech Skara	ISO 13485, ISO 14001
Elos Medtech Tianjin	ISO 13485, ISO 14001
Elos Medtech Onyx	ISO 13485

MA 10 Energy and water

Main activities for energy use

2020	2019
Production equipment	Production equipment
Lighting	Lighting
Ventilation	Ventilation
Cooling	Cooling
Heating	Heating
Transport	Transport
Computers & servers	Computers & servers

Energy	2020	2019
% of energy use from renewable sources	53%*	61%
Total energy use (GJ)	43,445	48,356
Energy intensity (GJ/SEKm in sales)	75	70

Water	2020	2019
Total water use (m3)	15,730	15,448

* The Nordic units stood still during parts of the year, due to Covid-19, which meant that our Chinese and US sites accounted for a larger share of energy use, thus also reducing the share of energy use from renewable sources.

MA 11 Greenhouse gases

	2020	2019
CO2 equivalent greenhouse gas emissions (tons)	4,293	6,046
Including CO ₂ removal certificates in China and USA (tons)	376*	–
Greenhouse gas intensity (tons/SEKm in sales)	7.4	8.8

* These will be purchased retroactively for 2020 in 2021.

MA 12 Waste management

	2020	2019
Waste (tons)	125	326*
Recycled waste (tons)	66	93
% of recycled waste **	53%	28.5%

* Adjusted for comparability.

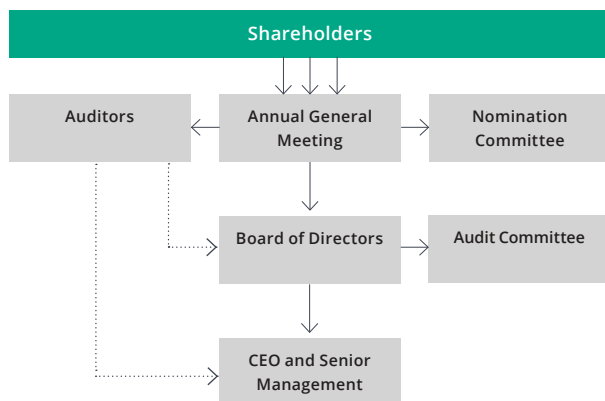
Corporate governance report

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

Elos Medtech AB is a Swedish limited company, based in Gothenburg, whose class B shares are 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 the terms of reference for the Board of Directors. The current Articles of Association are available at Elos Medtech's website. 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.bolagsstyrring.se. In addition to legal control and governance principles, Elos Medtech is also affected by a number of internal control documents such as the formal work plan for the CEO and Board of Directors, as well as internal policies and guidelines.



Shareholders

At year-end 2020, 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.

The total share capital is represented by 8,068,000 shares, of which 1,099,740 are class A shares and 6,968,260 are class B shares. In 2020, no class A shares were converted into class B shares.

The number of shareholders on December 31 2020 was 2,485 (2,008). The ten largest shareholders hold shares corresponding to 66.1 percent of the capital and 84.9 percent of the voting rights. More detailed information about the share and ownership structure can be found on pages 24–25 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, www.elosmedtech.com under the heading Investor Relations/ Financial information.

General shareholders' 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 2021 will be held in Gothenburg, Sweden on May 3 2021. Depending on the continued evolution of the pandemic, this may change.

Annual General Meeting 2020

Elos Medtech's Annual General Meeting 2020 was held in Gothenburg, Sweden on April 21. 15 shareholders attended the

AGM in person while the vast majority attended by proxies due to the ongoing pandemic. These shareholders together represented approximately 71.8 percent of the total number of 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 Annual General Meeting 2021

At the 2020 AGM it was decided that the Nomination Committee should consist of four members. In addition, the Chairman of the Board is a co-opted member. 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 2021 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.

Prior to the 2021 AGM, the Nomination Committee had the following composition, as announced on October 7: Thomas Öster, appointed by the Öster 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 Nomination Committee, is Thomas Öster.

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 2021 meeting. The Nomination Committee's proposal is presented in the notice of the 2021 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 associated with the company's operations.
- 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 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

This annual evaluation of the Board was conducted in the form of a digital questionnaire and focused on continued improvement of the Board's work. 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

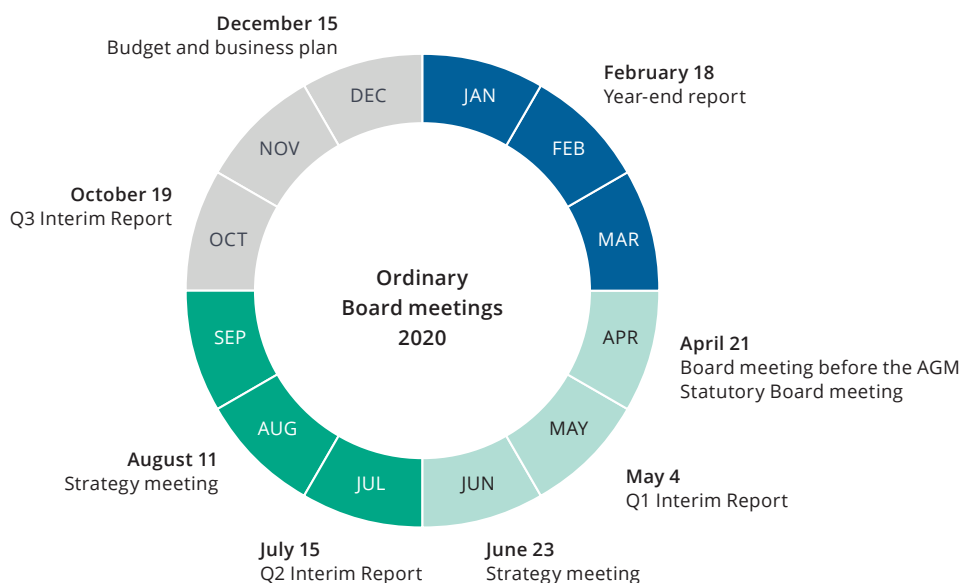
In 2020, Elos Medtech's Board of Directors consisted of six members. At the 2020 AGM Yvonne Mårtensson, Anders Birgersson, Jeppe Magnusson, Jon Risfelt, Hanna Ernestam Wilkman and Claes Hansson were re-elected to the Board. Yvonne Mårtensson was re-elected as Chairman of the Board. A presentation of each member can be found in the annual report on page 80 and on the company's website.

The work of the Board of Directors in 2020

The company's operations and the activities of the Board in 2020 were strongly influenced by the ongoing pandemic. For the Board, this demanded close, week by week monitoring of the company's financial situation as well as a strong focus on future growth and investments. The Board continuously monitors the strategy implemented in the business by the company's management. This includes the business-oriented organization that is divided into business areas with designated heads of business area. Elos Medtech is now working as a company facing the market and all five production sites are included in the company's total production capacity. During the year, the Board evaluated and discussed various business development perspectives, including an acquisition agenda.

During the year, the company appointed a new Managing Director in Memphis, Tim Turner, to succeed Jodie Gilmore. Jodie will now be able to focus entirely on her role as Business Area Manager for Orthopedics. The Board has decided to make further investments in orthopedics to meet demand in the growing area of robotic surgery. In the Life Science business area, the Board has approved an expansion and increased capacity in cleanrooms in Skara.

During the year, in addition to the statutory meeting, the Board held eight ordinary and ten extraordinary meetings as well as two Per Capsulam. The great majority of the extraordinary meetings were due to the ongoing pandemic, which requires more frequent status updates and monitoring of the business. 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. Six of the meetings could be held physically while the other meetings were held online through Teams. Two of the meetings were held at the company's Timmersdala and Skara sites, to give the Board the opportunity to deepen its knowledge of the operations of each site.



Board Member	Elected	Attendance out of total number of Board meetings	Audit Committee	Independent of the company	Independent of major shareholders
Anders Birgersson	2016	20/20		Yes	Yes
Jeppe Magnusson	2012	20/20		Yes	Yes
Yvonne Mårtensson (Chairman 2017)	2015	20/20	Co-opted	Yes	Yes
Jon Risfelt	2017	20/20	Chairman	Yes	Yes
Hanna Ernestam Wilkman	2019	20/20		Yes	Yes
Claes Hansson	2019	20/20	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 80–81.

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. The committee held four meetings during the year, three of which were attended by the company's auditor. The company's CFO prepares matters for consideration by the committee and is a regular participant at the committee's meetings. The Audit Committee's work consists of dealing with questions concerning accounting, financing, internal control, risk management and IT security. A summary of the Audit Committee's work and proposals for amendments in order to improve the Group's financial control are presented to the Board for decisions at each subsequent Board meeting.

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 81.

Remuneration of senior executives

At the 2020 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 pages 27–28 and 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 2020 AGM, KPMG were reappointed as the audit firm until the end of the 2021 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 CEO and by the Group's CFO and 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 confirm that the consolidated financial report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as these have been adopted by the EU and gives a true picture of the Group's position and profit and that the 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.

The annual report also contains the Group and parent company's sustainability report, which has been prepared in accordance with the provisions of the Swedish Annual Accounts Act that relate to sustainability reporting. In the sustainability report, reference is also made to GRI 103: Management Approach 2016. Alongside the GRI standard, we have applied the ISO 26000 standard, which provides guidance and a practical set of tools for measuring and reporting on our social responsibility issues and procedures. ISO 26000 offers guidance and recommendations on how to structure, evaluate and improve an organization's social responsibility activities, including stakeholder relations and social impacts.

Gothenburg, March 31 2021

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 2021
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 the year 2020, except for the corporate governance statement on pages 71–75 and the sustainability report on pages 12–19, 65–70. The annual accounts and consolidated accounts of the company are included on pages 26–64 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 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 opinions do not cover the corporate governance statement on pages 71–75 and sustainability report on pages 12–19, 65–70. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (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 the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

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 disclosure 18 and accounting principles on pages 44–47 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The value of goodwill in the consolidated group accounts per 31 December 2020 is SEK 235 million, which represents 23 percent of total assets. The main part of the balance sheet item, SEK 188 million, is attributable to the business area Orthopedics. Goodwill shall be subject to impairment testing at least annually, a process which is inherently complex and involves significant levels of judgment made by Group Management. An impairment test must be carried out for each cash-generating unit, which correspond to the Group's three business areas. According to current regulations, the prescribed method for carrying out impairment tests involves management making forecasts for how internal as well as external conditions and plans may impact the future of the organisation. Examples of such forecasts include future cash in and outflows, which in turn require assumptions to be made about future market conditions and thereby indirectly also about the future plans of competitors'. Another important assumption to evaluate is which discount rate to use in order to correctly reflect the time value of money of forecast future cash in-flows, which carry a certain level of risk and therefore are less valuable than liquid resources that are readily available to the Group.

Response in the audit

We have inspected the results of the company's impairment tests in order to assess whether they have been carried out in accordance with the prescribed method. Moreover, we have considered the reasonableness of the predicted future cash in- and outflows as well as the discount rate used through evaluation of the client's internal written documentation and forecasts. Our work has also comprised interviews with management and assessment of the accuracy of previous years' cash flow forecasts in relation to actual results. In our work we have a special focus on the business area Orthopedics and the related goodwill amounting to SEK 188 million. We have involved our internal valuation specialists in order to ascertain the reasonableness in the applied discount rates, which includes evaluation of economic and sector-specific forecasts, as appropriate. An important part of our work has also been to evaluate how changes in the assumptions may impact the valuation, which we have achieved by both examining the Group's and conducting our own sensitivity analysis. Furthermore, we have considered the completeness of the notes to the Financial Statements and evaluated whether they are in agreement with the assumptions made in the Group's impairment testing and whether the information provided is sufficiently detailed to understand management's assessment.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–25 and 65–83. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the 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 opinions. 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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 disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also 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 for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes 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 Managing Director of Elos Medtech AB (publ.) for the year 2020 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to 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 Managing Director in any material respect:

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 71–75 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 12–19, 65–70, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is 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 opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 11908, SE-404 39, Gothenburg, was appointed auditor of Elos Medtech AB (publ.) by the general meeting of the shareholders on the 23 April 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Gothenburg, March 31 2021
KPMG AB

Johan Kratz
Authorized Public Accountant

Board of Directors



Yvonne Mårtensson

Chairman since 2017 and Board member since 2015.

Born: 1953.

Education and work experience: -M.Sc. in Industrial Economics.

Other directorships: Board member of Xvivo Perfusion AB, Lyfstone A/S.

Shareholding: 25,000 B shares.

Independent of the company and company management and the company's major shareholders.



Anders Birgersson

Board member since 2016.

Born: 1958.

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

Other directorships: 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.



Jeppe Magnusson

Board member since 2012.

Born: 1952.

Education and work experience: -Ph.D. in Chemical Reaction Engineering. Member of the management team at SCA Hygiene Products and Nobel Biocare AG.

Other directorships: Board member of Jeppe Magnusson Consulting AB, Premune AB and ChainTraced AB. Partner of the limited partnership ISEA Sweden KB.

Shareholding: 3,946 B shares.

Independent of the company and company management and the company's major shareholders.



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 directorships: Chairman of Knowit AB, CAB Group AB and Axentia Group Holding AB. Board member of Bilia AB, Boule Diagnostics AB and Projektengagemang AB.

Shareholding: 3,355 B shares.

Independent of the company and company management and the company's major shareholders.



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 directorships: -

Shareholding: - Independent of the company and company management and the company's major shareholders.



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 directorships: Chairman of Götenehus Group AB, Erik Hemberg Fastighets AB, Asplundsgruppen 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



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: 10,113 B shares.



Ewa Linsäter

Chief Financial Officer since 2019.
Employed since 2019.

Born: 1970

Education: MBA at Linköping University.

Shareholding: 4,144 B shares.



Malin Gustavsson

Marketing Director
Employed since 2013.

Born: 1972, Bachelor of Economics.

Shareholding: 473 B shares.



Anders Björklund

QA/RA Quality Director
Employed since 2019.

Born: 1975, Master of Engineering

Shareholding: 100 B shares.

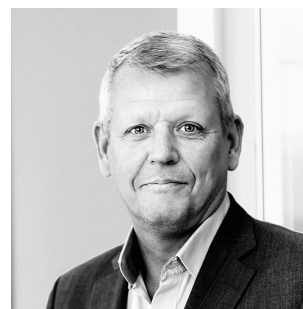


Mathias Andersson

CEO of Elos Medtech Skara AB
Employed since 2012.

Born: 1971, Engineer.

Shareholding: –



Sam Svännel

CEO of Elos Medtech Timmersdala AB
Employed since 2018.

Born: 1961, Technical training

Shareholding: –



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



Conny Jakobsson

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

Born: 1969, file. BA, Business

Shareholding: –



Jodie Gilmore

CEO of Elos Medtech Onyx Business Unit Director Orthopedics
Employed since 1997.

Born: 1971, Bachelor of Economics.

Shareholding: –

Multi-year summary

SEK million (unless otherwise stated)	2020	2019	2018	2017	2016
Income statements					
Net sales	580.0	689.4	644.7	577.9	552.0
Operating profit	63.6	65.3	38.9	42.7	42.7
Net financial items	-20.4	-14.7	-10.4	-16.3	-4.8
Profit after financial items	43.3	50.6	28.5	26.4	37.9
Taxes	-7.2	-12.1	-7.5	-3.8	-11.5
Profit for the year	36.0	38.5	20.9	22.6	26.4
Balance sheets					
Fixed assets	667.4	729.4	654.9	609.3	649.3
Receivables and inventories	246.1	250.3	253.5	228.6	199.9
Cash and cash equivalents	88.5	55.2	48.9	9.6	38.5
Total assets	1,002.0	1,034.8	957.3	847.5	887.7
Equity	540.3	539.9	508.5	369.0	366.8
Non-current liabilities	305.3	356.7	294.1	273.4	282.2
Current liabilities	156.4	138.2	154.7	205.1	238.7
Total equity and liabilities	1,002.0	1,034.8	957.3	847.5	887.7
Cash flow					
Cash flow from operating activities	125.6	102.4	66.1	62.1	98.3
Cash flow after investments	69.3	5.1	-13.8	24.5	68.9
Key performance indicators					
EBITDA margin, %	21.3	18.2	14.8	16.3	17.6
EBIT margin, %	11.0	9.5	6.0	7.4	7.7
Risk-bearing capital	560.0	565.4	535.8	399.8	396.9
Share of risk-bearing capital, %	55.9	54.6	56.0	47.2	44.7
Equity ratio, %	53.9	52.2	53.1	43.5	41.3
Return on operating capital, %	7.6	7.8	5.1	5.8	5.7
Return on equity, %	6.7	7.3	4.8	6.1	7.6
Net debt	248.4	331.5	287.4	358.6	384.8
Debt/equity ratio, multiple	0.5	0.6	0.6	1.0	1.1
Gross investments excl. shares	56.5	98.6	79.9	37.6	34.6
Average number of employees	522	566	572	527	509

Definitions of key performance indicators

The annual report refers to a number of non-IFRS performance measures that are used to help investors as well as management analyze the company's business. The various non-IFRS performance measures used as a supplement to the financial information reported in accordance with IFRS are described below. 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.

Definitions of financial performance measures used in this annual report:

Term	Description	Use of the measure
Total assets	The value of all assets	Relevant for enabling stakeholders to easily follow changes in consolidated total assets
Yield	Dividend in relation to share price at balance sheet date	Relevant for providing a measure of the return generated by an equity investment in the form of dividends
Equity per share	Equity attributable to shareholders parent company's divided by the number of outstanding shares at the end of the period	A measure of the amount of equity that belongs to the shareholders of the parent company
Risk-bearing capital	The total of the reported amount of equity, any minority interests and deferred tax liability	Relevant from a credit point of view, and is one component showing the ability to sustain losses
Share of risk-bearing capital	Risk-bearing capital as a percentage of total assets	Relevant from a credit point of view, shows the ability to sustain losses
Liquidity reserve	Cash and cash equivalents and undrawn bank overdraft facilities at the end of the period	Relevant for assessing the ability to finance future operations as well as variations in the company's cash flow
Net debt	Interest-bearing liabilities and interest-bearing provisions (provisions for pensions) less for cash and cash equivalents	Relevant for assessing the total interest-bearing debt burden
Net sales adjusted for currency translation	Changes in net sales adjusted for changes in exchange rates attributable to translation of subsidiaries compared with the same period last year	Relevant for assessing the change in net sales compared with previous year
Operating capital	Total assets as stated in the balance sheet less non-interest-bearing liabilities, non-interest-bearing provisions, interest-bearing non-current receivables and cash and cash equivalents	Capital tied up in the business
Return on operating capital	Operating profit as a percentage of average operating capital	Relevant for assessing the return on capital tied up in the business
Earnings after tax per share	Profit for the period divided by the average number of shares	Relevant for enabling investors to assess the return on and the valuation of the shares
Operating profit (EBIT)	Operating profit before tax and financial items	Relevant as a measure of the results of the company's operating activities
Operating margin (EBIT %)	Operating profit as a percentage of net sales	Relevant for assessing the proportion of revenue retained as profit from operating activities. Can also be used for comparisons between companies
Operating profit before depreciation and amortization (EBITDA)	Operating profit before scheduled depreciation and amortization, and impairment	Relevant as a measure of the business's ability to generate cash flow before tied up working capital and financial activities
EBITDA margin	Operating profit before scheduled depreciation and amortization, and impairment, as a percentage of net sales for the year	Relevant as a measure of the business's ability to generate cash flow in relation to net sales
Debt/equity ratio	Net debt divided by equity	Relevant for assessing the capital structure, the ratio between equity and debt
Equity ratio	Equity including any minority interests as a percentage of total assets	Relevant as a measure of self-financing, as it shows the proportion of assets financed by equity

Addresses and financial information

Parent Company

Sweden

Elos Medtech AB
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411 04 Gothenburg
info@elosmedtech.com
www.elosmedtech.com

Subsidiaries

Sweden

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532 22 Skara
Visiting address: Hästhagsgatan 2
532 37 Skara
Phone: +46 511 257 00
info.skara@elosmedtech.com
www.elosmedtech.com

Elos Medtech Timmersdala AB
Bäckedalsvägen 5
540 16 Timmersdala
Phone: +46 511 44 06 00
info.timmersdala@elosmedtech.com
www.elosmedtech.com

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www.elosmedtech.com

Financial information

The interim report for January–March 2021 will be published on April 28 2021

The Annual General Meeting 2021 will be held on May 3 2021

The interim report for April–June 2021 will be published on July 16 2021

The interim report for July–September 2021 will be published on October 20 2021

The interim report for October–December 2021 will be published on February 24 2022

This is a translation of the Swedish version of the Annual report 2020. When in doubt, the Swedish wording prevails.



Elos Medtech Annual Report 2020