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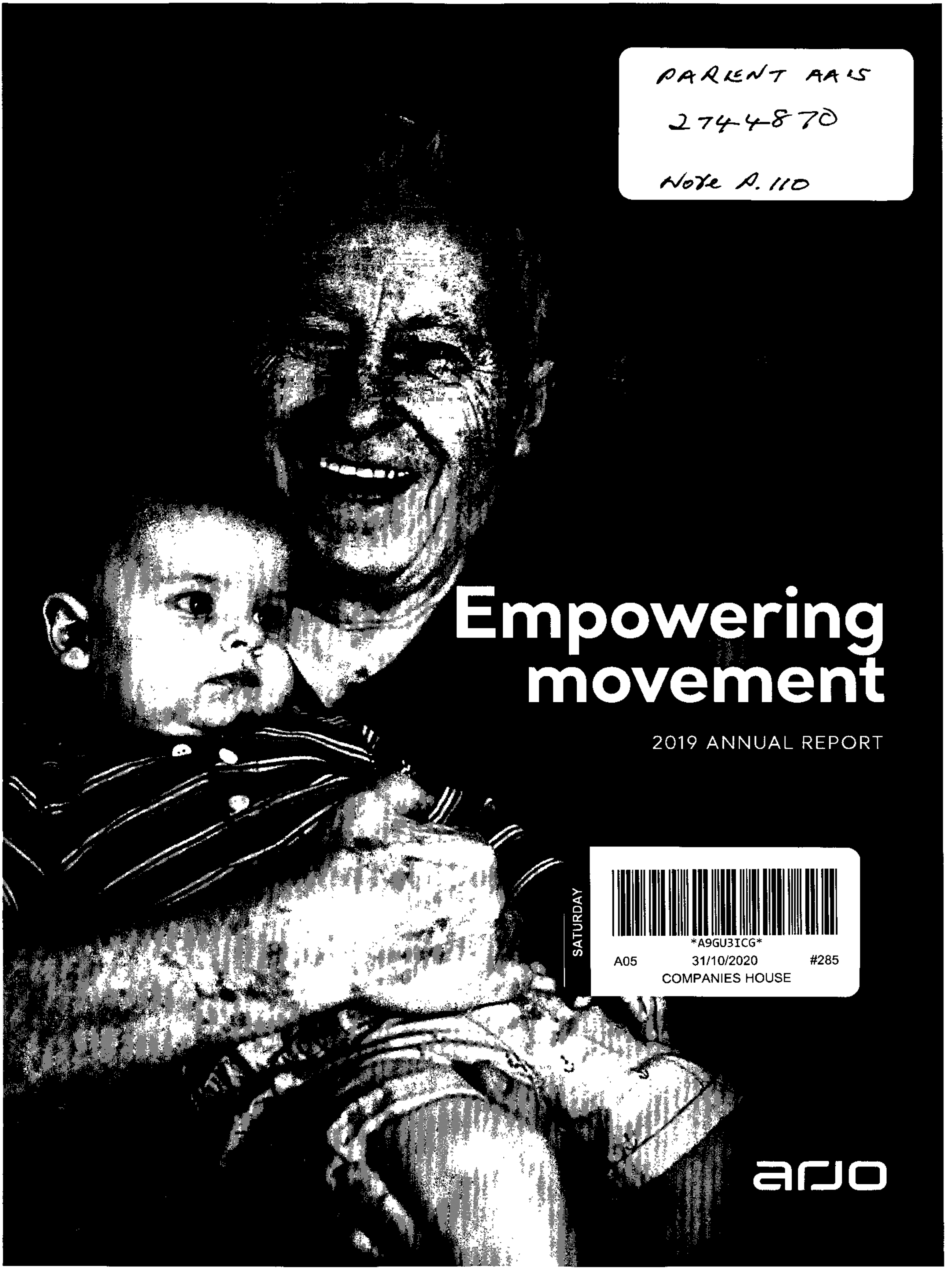


Empowering movement

2019 ANNUAL REPORT

arjo

Contents

The formal Annual Report comprises pages 56–114.
The statutory sustainability report and the sustainability report are presented on pages 34–54.

Empowering movement

The human body is made to move. Research shows that there is a clear link between mobility and people's physical and mental well-being. At Arjo, we believe that high quality of care and positive clinical outcomes begin by maintaining or improving a patient's mobility.

Increasing a patient's mobility during the healthcare process helps decrease unnecessary suffering. This can include loss of muscle strength, blood clots, bedsores, and increased risk of falls, as well as anxiety and depression. By supporting patients maintain their mobility using modern equipment, these complications can be avoided, with improved self-esteem as a result.

For many years, Arjo has worked in close collaboration with care homes and healthcare professionals, providing a unique understanding of the challenges that exist in the healthcare sector. We strive to support healthcare facilities in applying their highest professional skills, enable the development of effective care processes, and provide equipment that improves patient mobility while reducing the risk of work-related injuries. Arjo's approach contributes to improved quality of care and enhanced efficiency, resulting in reduced healthcare costs.

Our offering includes products and solutions for patient transfers, hygiene, disinfection, prevention of pressure injuries and deep vein thrombosis (blood clots) and for diagnostics. We also offer medical beds and various services, such as training in connection with product sales.

>6 000
Employees globally

>100
Number of countries where Arjo sells products and services

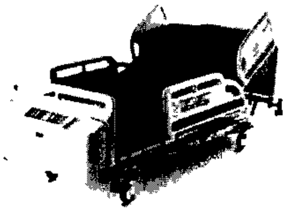
8,925
Net sales, SEK M

2019 in brief

Successful first Capital Markets Day

March

About 50 financial analysts, investors and media representatives participated in Arjo's first Capital Markets Day in Malmö. In addition to an update on the Arjo 2020 business plan, participants gained insight into Arjo's products and solutions, as well as learned more about the growing challenges with dementia – a key focus area for Arjo.



Major medical beds and therapeutic surfaces order in the US

April

Arjo has entered a collaboration with Kindred Healthcare LLC in Louisville, Kentucky, to improve quality of care and patient outcomes, as well as enhance efficiency within Kindred hospitals. The order comprises a delivery of more than 2,300 beds and therapeutic surfaces, as well as training of Kindred's staff. The goal of the partnership is to improve ergonomics, comfort, safety and infection control, and to simplify patient care. The partnership also includes a service agreement for the products.

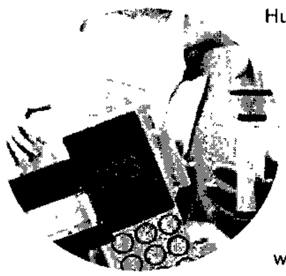
Partnership strengthens Arjo in Asia Pacific

April

Arjo's subsidiary in Australia and New Zealand initiated a partnership with Bruin Biometrics (BBI) to develop a system for pressure injury prevention. The solution comprises a scanner from BBI and includes special beds, therapeutic mattresses, and solutions for patient transfers from Arjo. The partnership is the result of a previously successful collaboration between BBI and Arjo UK and Ireland.

Subsidiary in UK receives innovation award

May



Huntleigh Diagnostics was awarded the prestigious Queen's Award for Enterprise 2019 in the Innovation category for its new series of Digital Handheld Dopplers. The product allows clinicians to clearly see vascular waveforms as well as hear digital audio sounds. Huntleigh is a subsidiary of Arjo and its center in Cardiff, Wales has become an important innovation hub and platform for the Group's VTE and pressure injury solutions.

Arjo participates in key forum on dementia challenges

May

Dementia Forum X 2019 was organized by Swedish Care International at the Royal Palace in Stockholm, with Arjo as one of the partners. Joacim Lindoff, President & CEO, commented on the event:

"Dementia is a large and growing challenge for healthcare and there is currently no cure. Dementia Forum X is an opportunity for us to take part in discussions with leading stakeholders on the global dementia challenge and to create a framework for future dementia care."

Accreditation creates value in dementia care

May

Sara Stedy™, Sara® Flex and Carendo® were accredited for their dementia-friendly product design by the Dementia Service Development Centre (DSDC) at Stirling University, Scotland. DSDC is an international center of knowledge that works to improve the quality of life and safety for people living with dementia, based on research and practice from all over the world.

Investment in US company strengthens offering

July

Arjo has made a significant investment in Silicon Valley-based Atlas Lift Tech. Atlas uses Lift Coaches and an innovative software platform to help healthcare providers drive programs that provide better and safer patient handling and mobility programs. The partnership creates a strong platform that offers a unique, full-coverage solution for the US market. The goal is to reduce injury among healthcare professionals, improve quality of care and to increase customer efficiency.

Arjo Locate™ enhances efficiency at UK hospitals

August

The Arjo Locate™ software helps healthcare staff locate the equipment they need – when they need it. A pilot project is being conducted at the emergency department at Stepping Hill Hospital, near Manchester, to support staff in locating various medical devices.

Arjo introduces WoundExpress™

September

Arjo enters the wound-care market with a patented and groundbreaking treatment of venous leg ulcers. WoundExpress was initially launched in the UK market, with plans for continued expansion. The solution has been EU-certified and work to gain approval for the North American market is in progress. WoundExpress complements the current portfolios within VTE and pressure injury prevention.

Launch of new solution in pressure injury prevention

October

With the launch of the Auralis™ Alternating Pressure System, Arjo strengthens its pressure injury prevention (PIP) portfolio. Auralis is an innovative product developed for patients with limited mobility and sensitive skin, either at high risk of developing pressure injuries or those already having sustained one. Auralis works both when the patient is lying and sitting, and automatically adjusts to a suitable pressure.

MDR audit completed with favorable results

November

Arjo has undergone a successful audit to evaluate whether the company complies with the EU's new regulation for medical devices, MDR (Medical Device Regulation). MDR will enter into force in May 2020 and Arjo is now awaiting certification. MDR was introduced in 2017 and stipulates that medical devices must have more comprehensive clinical information and more stringent controls after they are released on the market.

Production units MDSAP-certified

December

Two of Arjo's factories – in Suzhou, China, and Poznan, Poland – were recommended for certification under the Medical Device Single Audit Program (MDSAP). The MDSAP allows manufacturers of medical devices to receive certification that covers the requirements for the US, Japan, Canada, Australia and Brazil in a single audit. The certification is strategically important for Arjo because it replaces individual routine inspections by the authorities.

2020

Joacim Lindoff, President & CEO

Increased growth and efficiency in focus

Joacim Lindoff, Arjo's President & CEO, describes a 2019 characterized by continued strong organic growth and efficiency measures, together with strategic partnerships and preparations for important new international regulations. At the same time, initiatives to build the future Arjo have begun.

Arjo demonstrated continued success in 2019. Can you describe the most important milestones?
During the year we continued to develop the business and deliver on our Arjo 2020 plan. We have gained traction in the market and reported stable growth in the year, with the Group growing organically by nearly 4%. I see strong commitment among our employees and we are increasing our market share in our largest and most important market, the US, and expanding within emerging markets, such as Asia and Eastern Europe.

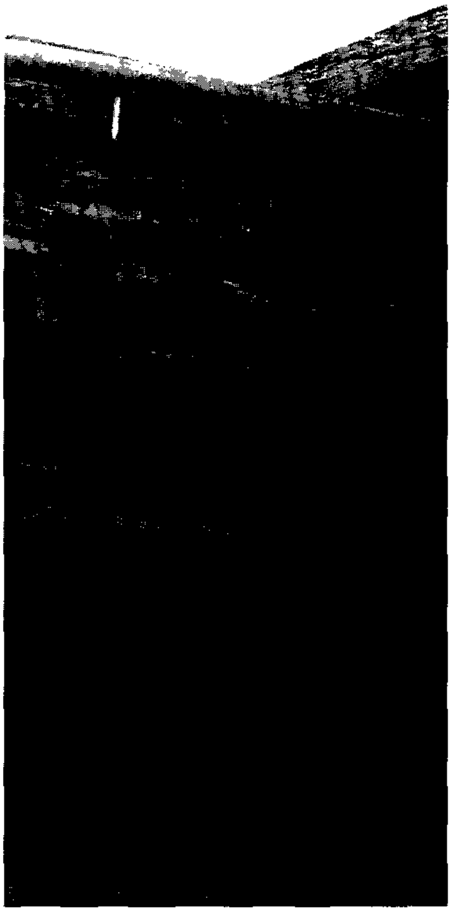
In 2019, we also addressed certain areas of the business in order to improve efficiency. One example is our rental operations, where we turned around the negative trend in the fourth quarter and delivered profitable growth for the first time in a long while.

In short, we delivered another successful year and are entering 2020 with strengthened positions.

Are there any areas in which you want to see improvement?
During the year, we saw several good examples of how we can enhance efficiency in the Group and I see further potential in this area. In 2020, we are continuing to drive initiatives to increase profitability and adapt the business to the prevailing market situation, such as in Europe. Our focus is on continuously implementing and following-up the ongoing activities in a structured manner to meet our goals.

Can you tell us about product launches and other breakthroughs during the year?
We meet and listen to our customers continuously to ensure that our product development is at the forefront and meets their needs.

Two good examples in 2019 were the launches of WoundExpress and Auralis. With WoundExpress, we have entered a new and growing market for the treatment of difficult to heal leg



"We have a high activity level and focus on profitable growth, with efficiency as a top priority."

Joacim Lindoff,
President & CEO

Success factors in 2019

- Continued strong growth in North America and Rest of the World
- Solid results from efficiency initiatives
- Increased offering strengthened by acquisitions and partnerships
- Successful EU MDR audit

ulcers, today costing billions to treat. After the launch in the UK, we plan to introduce WoundExpress in additional markets during 2020. Auralis strengthens our already wide product portfolio for pressure injury prevention, an area in which we have built up extensive knowledge. PAGES 2–3

As the number of elderly people increases, we are seeing more people affected by dementia, an important focus area for us. In May, three of our products were accredited by the world's leading dementia research institute. This shows that our product design is one step ahead of the competition, and that we are working proactively to resolve the challenges facing the healthcare sector, especially within elderly care. PAGE 26

As part of our focus on acquisitions and strategic partnerships, we made a significant investment in the US-based company Atlas Lift Tech in July. Atlas helps healthcare providers improve their patient handling processes. Together, we will drive solutions to reduce injuries among healthcare professionals and increase patient mobility, a foundation in Arjo's daily work. PAGE 30

Is Arjo prepared for the new medical device regulation, EU MDR, which comes into force in 2020?
We are well prepared for the new EU MDR requirements for more comprehensive clinical information and stricter control of medical devices, having begun adapting our business early in the process. After two years of thorough and intensive work, we went through a successful audit in November. Here, the organization, led by our quality team, has delivered an impressive performance. Arjo now has the chance to become one of the first companies to be MDR-certified, which we see as a clear competitive advantage. PAGE 43

How has the recent coronavirus outbreak affected Arjo, and what are you doing to support healthcare?
This is an unprecedented situation and our employees are making great efforts to support healthcare in these challenging times.

We have noted an increased demand for medical beds, therapeutic surfaces and within rental since the outbreak. As expected, we are seeing a decline for product categories that are not directly relevant to Covid-19.

We are monitoring developments closely, and are doing everything we can to continue delivering the necessary products. We have a close dialogue with our suppliers to ensure the continued supply of all integral components, and have increased the production capacity of medical beds to meet the increased demand.

What are your priorities for 2020, and how do you intend to develop the company long-term?
We are entering the final year of our Arjo 2020 plan with a high activity level and focus on profitable growth, with efficiency improvements in the Group and the entire value chain as a top priority. We have good momentum in the sales organization and are continuing to strengthen our market presence in all regions. We are also continuing to invest in product development and increase our focus on acquisitions.

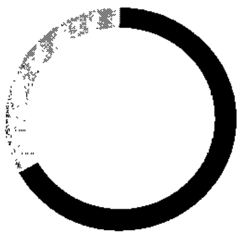
In 2020, we will also initiate several projects focused on reducing our environmental impact, something that our customers are increasingly prioritizing.

In parallel, we have been working on updating our strategy to build the future Arjo. It will strengthen our competitive advantage as a mobility partner to healthcare providers, and thereby continue to contribute to a more efficient and sustainable healthcare.

I am looking forward to a strong 2020, in which I, together with my colleagues, will continue to create value for our customers, shareholders and society.

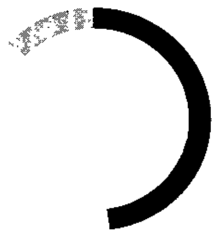
Joacim Lindoff,
President & CEO

Key performance measures and financial targets



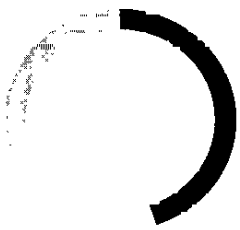
SALES
BY CUSTOMER CATEGORY

- Acute care, 67%
- Long-term care, 33%



SALES
PER GEOGRAPHY

- Western Europe, 48%
- North America, 39%
- Rest of the World, 13%



SALES
PER SERVICE TYPE

- Capital goods, 44%
- Rental, 23%
- Service, 17%
- Disposables, 16%

KEY PERFORMANCE MEASURES

	2019	2018
Net sales, SEK M	8,925	8,217
Organic growth in sales, %	3.9	3.0
EBITDA	1,675	1,180
EBITDA growth, %[1]	12.6	18.4
Adjusted EBITDA,[2]	1,728	1,312
Adjusted EBITDA margin, %	19.4	16.0
Cash conversion, %	74.7	84.0
Equity/assets ratio, %	41.0	41.3
Net profit for the period, SEK M	[illegible]	[illegible]
Earnings per share, SEK[3]	1.48	1.09
Number of shares, thousands	272,370	272,370
Dividend per share, SEK[4]	0.65	0.55

[1] Excluding IFRS 16.
[2] Before exceptional items.
[3] Before and after dilution.
[4] Dividend proposed by the Board of Directors.

ARJO'S FINANCIAL TARGETS 2018-2020

Target: 2-4%
sales growth

Average annual organic sales growth of 2-4%.

↓

Outcome: 3.9%

Net sales increased organically by 3.9% (3.0) in 2019, primarily driven by strong performances in North America and Rest of the World.

Goal: >10%
profitability growth

Average reported EBITDA growth of more than 10% per year.

↓

Outcome: 12.6%*

EBITDA increased by 12.6%, excluding the effect of IFRS 16. The positive trend relates to higher sales and continued good cost control.

*Excluding the effect of IFRS 16

Target: 70%
cash conversion

Cash conversion of more than 70%.

↓

Outcome: 74.7%

For the full-year, cash conversion amounted to 74.7% (84.0), driven by strong growth and continued focus with working capital.

34%

The share of the population in Europe aged 60 and above is expected to increase from about 22% in 2010 to about 34% by 2050*.

*WHO, 2017

Global megatrends drive the market

Arjo is primarily impacted by six megatrends that are becoming increasingly important for global healthcare. This includes demographic changes such as an increasing number of elderly people, digitalization of the complete value chain, transfer of patients from acute care to long-term care, and increasing welfare in emerging markets that demand advanced healthcare. In addition, sustainability, including both environmental and social aspects, is becoming increasingly important.

DEMOGRAPHICS

Growing number of elderly and bariatric patients puts pressure on healthcare

The world's population continues to grow and we are becoming increasingly older. This means that the number of elderly people in the world - and in healthcare - will rise sharply. Another challenge for healthcare providers is the increase in lifestyle-related diseases. Obesity, diabetes, and cardio-vascular diseases will put significant pressure on healthcare. According to the World Health Organization (WHO), the number of obese persons globally has increased threefold since 1975. The number of bariatric persons aged over 20 in the US increased from 22% to 32% between 2000 and 2018*. This also means that the demand for acute and elderly care-related services and products will continue to rise.

GREATER WELFARE IN EMERGING MARKETS

Higher demand for healthcare in emerging markets

When the economic development of emerging markets results in increased prosperity, the demand for advanced healthcare also rises. There is a clear, positive correlation between GDP per capita and the share of GDP spent on healthcare. A growing middle class is generally accompanied by a strong expansion of private and public medical care. The purchasing power in these markets is generally lower than in mature markets, but is offset by the size and growth that is expected to increase in conjunction with economic growth.

DIGITALIZATION

Digital solutions are gaining importance in healthcare

As in the rest of society, digitalization is gaining an increasingly prominent role in healthcare. Digital solutions are becoming an important part of our lives and have a significant impact on healthcare, both as an information source and in decision-making processes. Automation is also increasing in the health-care sector, such as through IT systems for various processes and functions. As a result of these advances, diagnostics can be improved as an increasing number of products is connected to facilitate the collection and processing of data. Digitalization also helps create more proactive care in tune with society's changing demographics.

INCREASED CONSOLIDATION

Larger players increase demands on suppliers

Healthcare has undergone major changes in the past decade, partly as a result of increased consolidation. Today, we are seeing fewer but larger healthcare players in the market, with central procurement departments increasingly controlling purchasing. Among suppliers, this leads to price pressure, and makes it difficult for smaller players to offer the extensive portfolio of products and services that are in demand. Since consolidation can create significant cost and revenue synergies, acquisitions and mergers have become increasingly important in the medical device industry.

CHANGES IN HEALTHCARE

Transition to long-term care

The world's population is growing rapidly and the large proportion of elderly people is increasing pressure on healthcare. Many healthcare providers need to deliver more care using fewer resources. The average total cost of a bed in an acute care unit, such as in a hospital, is often significantly higher compared to a bed in a long-term care facility. To reduce costs, healthcare providers therefore strive to reduce the patients' time spent in acute care units. It is becoming increasingly common for patients who require care over a longer period to be moved to long-term care facilities or home care, where the cost per day and patient is significantly lower.

SUSTAINABILITY

Sustainability is receiving greater focus

Environmental impact, climate changes and companies' social responsibility is increasingly gaining attention, something that all global organizations needs to adjust to. Beyond just talking about it, one must now actively contribute to a sustainable future. At the same time, strategic sustainability efforts must be conducted in a financially sound manner to ensure long-term earning capacity and to strengthen the company's competitiveness. An active sustainability agenda is important in attracting and retaining both customers as well as the competence required to develop the company. Product and patient safety is a fundamental requirement and must permeate medical device businesses.

* CDC, National Center for Health Statistics, USA, 2019

Significant investments in growth

Arjo's Rest of the World region accounts for approximately 13% of the company's net sales. The region grew organically by nearly 12% in 2019, laying a foundation for further growth. Sharnee Farfan, Vice President Marketing, Rest of the World, explains the success factors and the road ahead.

Can you explain some of the factors behind Rest of the World's strong growth in 2019?
"In 2019, we made significant investments in developing our sales organization and distributor networks. Through new and sustainable partnerships, we were able to increase our geographic coverage and enter new, growing segments, as well as introduce new products to the markets. We also focused on leadership training as a key element for building a stable, long-term platform for the region's development. Overall, these initiatives contributed to an organic growth of 11.9% during the year, a sign of strength."

What were the success factors in the various markets?
"We have held a strong position in South Africa for a number of years. In 2019, we increased our ambitions for the region and expanded our presence in Africa. Initiatives included, for example, investments in growth segments such as long-term care.

In Eastern Europe, we conducted a market analysis and developed specific growth strategies for each market. As a result, we have been able to increase our sales activities and secure a comprehensive network of distributors in these markets.

In recent years, we have also invested in building our own sales organizations in Japan, China and Brazil, among other countries. Here, we are seeing a clear increase in activity and sales, and a strengthened brand. In these countries, we are also focusing on sharing our knowledge by organizing clinical workshops and training programs."

What does 2020 and the near future hold for Rest of the World?
"Rest of the World is a diverse region with varying levels of development, which requires varied strategies. In 2020, we will continue to focus on profitable growth and further market expansion, now having set a solid foundation from which to build on. This includes, for example, more investments in our local organizations and a more intense focus on brand-building and training. We are looking forward to a continued strong performance in 2020."

Five focus areas for the future

Arjo's focus is on contributing to better quality of care and enhanced efficiency, further leading to reduced healthcare costs. Our goal is to be a market leader in long-term care, while maintaining our strong position in acute care.

1

Improved customer value

To create customer value, we focus on the unique needs in both acute and long-term care. Through a close dialogue with our customers, significant experience in product development, and strong partnerships, we can offer solutions that contribute to more efficient healthcare, reduced care costs and improved treatment outcomes. We support our customers in meeting current and future demographic challenges, increased regulatory requirements, improved quality and safety for healthcare providers and patients, as well as by enhancing the efficiency of patient flows. In 2019, we launched new products and solutions, entered new partnerships and invested in acquisitions, all in order to strengthen our offering.

2

Strengthened commercial focus

Increased market presence is key to strengthening Arjo's commercial focus on new and existing markets. We have a strong position in acute care and are making investments to increase our presence in long-term care. In addition, we work to optimize our product portfolio and sales processes. In our largest market, the US, we continued to strengthen our market presence and generated solid growth during the year. Investments to build up sales organizations in, for example, Africa and Latin America, yielded favorable results in 2019. Several distributor markets also reported a positive performance, including Africa, Eastern Europe and countries in South-East Asia. The Group grew by nearly 4% in 2019.

3

Increased operational agility

Arjo is working to create an agile organization based on decisions made in close relation to our customers. This allows us to effectively meet their needs and adapt to changes in the market. During the year, several activities were initiated to optimize the Group's resources, mainly in the UK and within our US rental operations. We also strive to always deliver the highest possible quality and safety, and work actively to ensure that we comply with existing regulatory requirements. Arjo successfully passed an audit in 2019 to ensure that we meet the requirements of EU's new Medical Device Regulation (MDR).

4

Grow the business people together

It is the people within the organization who generate and develop the business. We have a long-term agenda to ensure that Arjo has the necessary leadership and skills to meet current and future business needs. This involves succession planning, activities to promote diversity, and various training programs. During the year, Arjo continued to build an organization characterized by equality and diversity. As part of this initiative, Arjo continuously conducts a global talent program with the goal of developing and utilizing employee skills, together with finding solutions and identifying future business challenges and opportunities. We also conduct an annual global employee survey to listen to our employees and continue developing a committed organization.

5

A winning and sustainable corporate culture

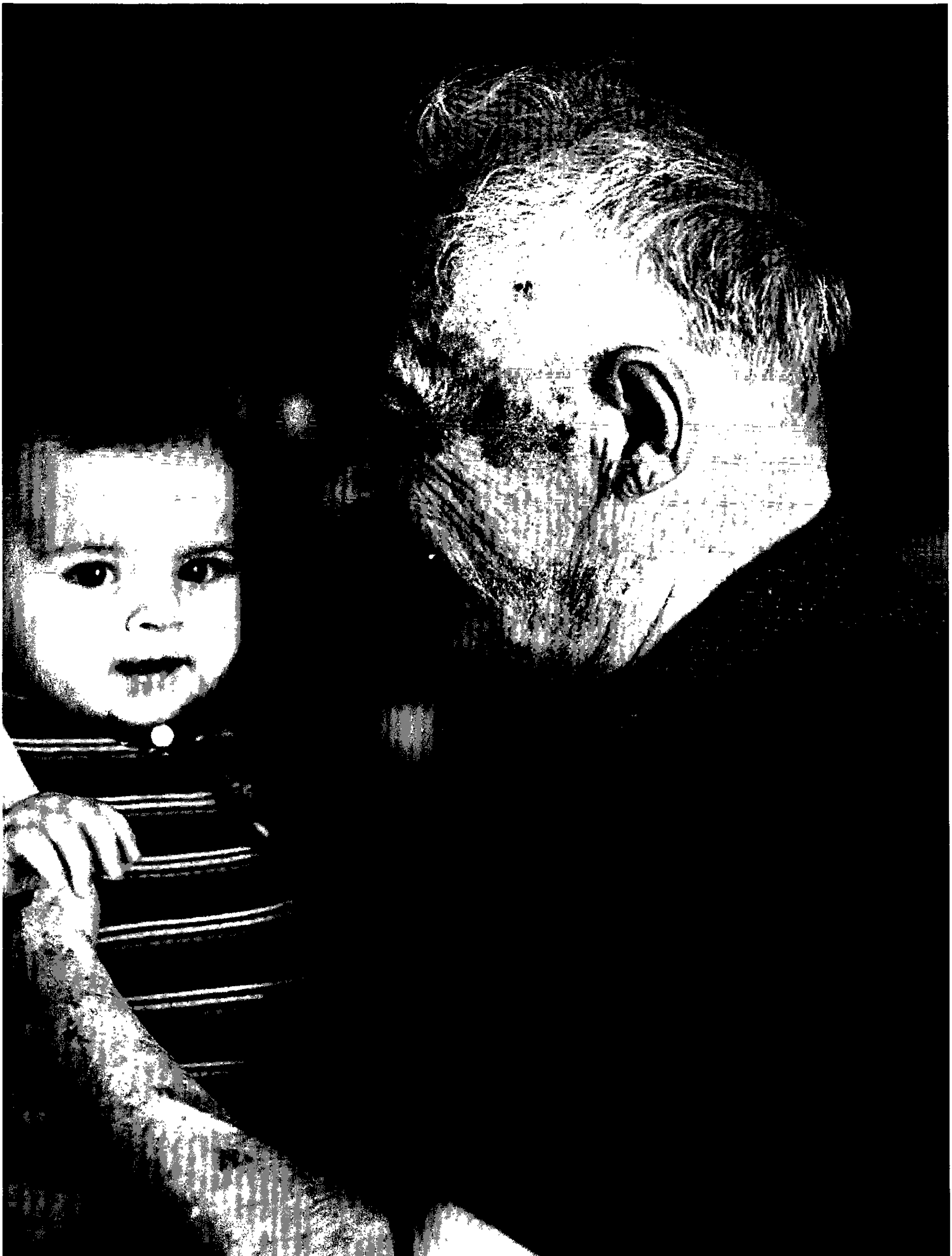
Our objective is to continue our journey of creating a performance driven organization based on Arjo's core values – our Guiding Principles. These were developed in 2019 through a close dialogue within the organization. These values are founded upon our desire to improve the health and well-being of all people, as well as everyones' equal value. In order to enable Arjo achieve a customer-focused, winning and sustainable corporate culture, we promote a high level of involvement, a collaborative spirit, inspiring leadership and focus on solutions that add value. This also involves building a culture of ownership, decision making, and being a team player who works towards the Group's common goals.

Arjo enables mobility

The human body is made to move. At Arjo, we believe that high quality of care and positive clinical outcomes begin by improving patient mobility.

Movement helps patients recover faster. It also increases their independence and sense of dignity during the care process. When staff is given the right conditions for increasing patient mobility, while using the right equipment and care skills, the risk of injury is reduced. Job satisfaction increases and general well-being improves. Moreover, improved clinical outcomes and higher quality of care also enable improved financial outcomes.

With our experience, knowledge and products, we work to contribute to a sustainable healthcare system. Our philosophy – Positive Eight© – is based on each patient's specific needs and creates a positive chain reaction, which benefits everyone in healthcare.



Improved results for all

Arjo has for many years emphasized the importance of mobility throughout the healthcare process. Increased mobility drives a chain reaction of positive results for both the patient, caregiver, and ultimately also the healthcare providers. Arjo's Positive Eight© philosophy illustrates the clear connection between mobility and a patient's physical and mental well-being.

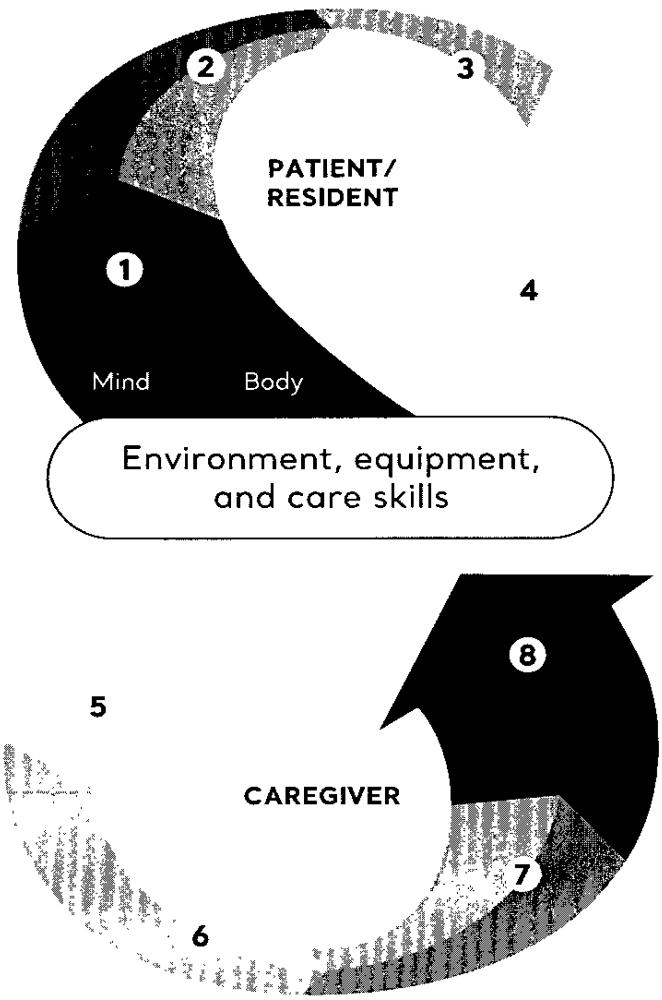
Positive Eight builds on Arjo's experience from many years of close partnerships with healthcare professionals and our customers. The philosophy is based on three crucial factors: the right environment, the right equipment and the right care skills.

When patients receive help to keep or regain their mobility, their independence and self-confidence improves, along with their overall satisfaction and quality of life. Often, this also enables a speedier recovery. A patient's reduced need for help can also lead to less stress and a lower risk of work-related injuries among healthcare professionals. This results in increased productivity, improved work satisfaction and reduced staff turnover. Overall this leads to an increased quality of care and reduction of costs.

Positive Eight is a tool for building strong partnerships with our customers and can be applied to all types of care facilities. The first step lies in understanding the customer's challenges and then identifying their unique needs. With Positive Eight, we demonstrate how focus on mobility can help prevent or reduce the risk of additional complications. Based on this exchange, we can provide solutions that we believe will generate the best results.

Positive Eight©

Arjo's Positive Eight philosophy demonstrates how the right care environment, the right equipment and the right care skills can enable a positive chain reaction that leads to improvements for patients, healthcare professionals and healthcare facilities alike. The first step in the process focuses on stimulating or retaining mobility.



1. **Mobility**
   Stimulating and maintaining mobility
2. **Improved vital functions**
   Stimulating vital bodily functions, such as heart, lungs, circulation, bone and muscle structure
3. **Reduced consequences of immobility**
   Minimizing the risk of costly health complications, both physical and psychological
4. **Quality of life**
   Helping to improve confidence, independence, recovery times and overall quality of life
5. **Reduced need for support**
   More independent residents require less assistance
6. **Reduced injuries and improved efficiency**
   Reducing physical strain and freeing up time
7. **Reduced sick leave, turnover and compensation claims**
   Improved overall well-being and job satisfaction for caregivers
8. **Improved care and financial outcomes**
   All this facilitates better quality of care at less cost to the care facility

Mobility Gallery©

Each patient is different and can have entirely varied needs. This requires different solutions for their respective place of treatment or residence. The Mobility Gallery, an evidence-based assessment tool, has been developed to ensure that patients get support using the right solutions based on their individual needs. Together with Positive Eight, the Mobility Gallery lays the foundation for Arjo's work.

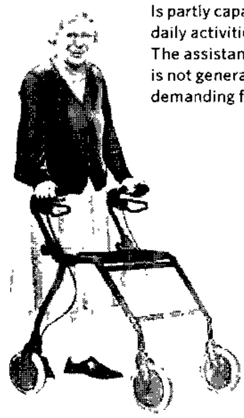
The Mobility Gallery classifies patients based on their level of mobility and groups them into five categories, ranging from completely mobile and independent to entirely bedridden. Stimulating mobility, but also respecting passivity, is crucial to creating high-quality healthcare.

A higher healthcare standard

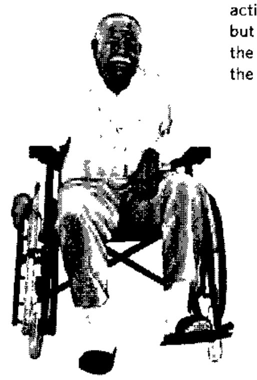
Equipment adapted to the patients' specific requirements also improves the well-being of healthcare professionals. With the right equipment, they can more easily avoid work-related injuries.

In the Mobility Gallery, the five patient types have been assigned names in alphabetical order, from Albert to Emma. This facilitates the dialogue between various stakeholders, from architects and medical device suppliers to healthcare professionals. It helps in developing a higher standard of care based on different stakeholders being able to "speak the same language."

ALBERT
Is able to perform daily activities independently without assistance from another person.



BARBARA
Is partly capable of performing daily activities independently. The assistance she requires is not generally physically demanding for the caregiver.



CARL
Is unable to perform daily activities without assistance, but is able to contribute to the action or perform part of the action independently.

DORIS
Is incapable of performing daily activities independently or actively contributing in any substantial or reliable way.

EMMA
Is incapable of performing daily activities independently or actively contributing to them.

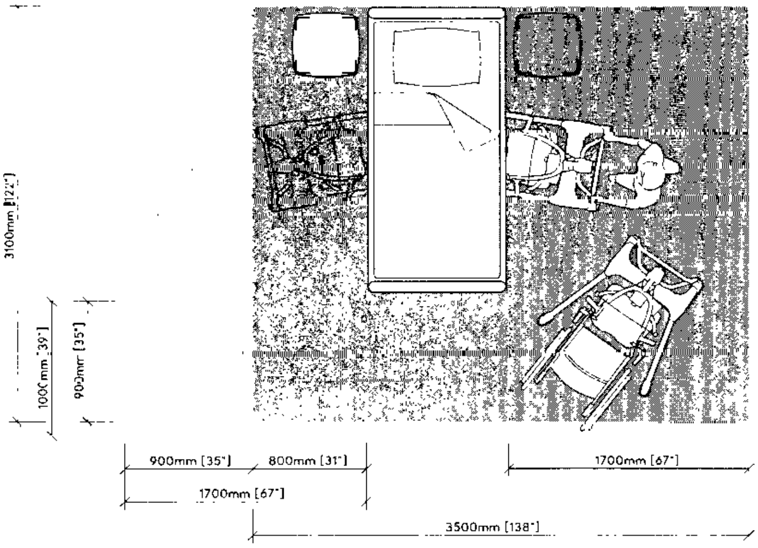
"Mobility is the starting point for all improvement programs"

3 questions to **Hanneke Knibbe**, founder of LOCOmotion Research and Consultancy in Health Care, also involved in designing the Mobility Gallery.

Why is there an increased focus on clinical outcomes?
"Several factors are strengthening the focus on clinical outcomes, including that care providers can improve quality of care. Providers want solutions that decrease the risk of falls, pressure injuries, and other costly complications."

How is this connected to mobility?
"As focus increases on clinical outcomes, mobility becomes a central issue. Early mobility is key, and clinical outcomes become a way of measuring whether things are developing in the right direction. It is now recognized that this is a strong driving force for healthcare staff in changing their behavior. Of course, improved financial results play an important role."

Why is mobilization so important?
"If you consider the research, mobility is always the focal point. The connection to various clinical outcomes is so important because it is here that you start seeing positive effects. As I see it, mobility, especially early mobility, is the starting point for all improvement programs."



An example of the space requirements for a room designed for residents similar to Carl, who depends on help and support in many situations.

Guide for Architects and Planners©

Many sources of injury and complications for patients and healthcare professionals can be eliminated through design before a care facility is built or renovated. With rooms of the right dimension, there is, for example, sufficient space around the beds and for different types of aids. Healthcare professionals avoid making incorrect lifts that jeopardize their own health and potentially cause patient falls.

It is a challenge for architects and planners to meet the physical and mental needs of the patients and healthcare staff, while not exceeding the builder's fixed budget.

Building on solid experience
Arjo's Guide for Architects and Planners was first published in 1996 and offers support in the process of building safe and sustainable care facilities. The most recent edition was published in the spring of 2019, this time as an online version, and comprises approximately 200 drawings. It has been updated in cooperation with occupational therapists and major architectural firms, and meets various global standards. The Mobility Gallery and Positive Eight's focus on sufficient spaces, the right aids and the right work methods, is central to Arjo's Guide for creating purpose-built rooms.

Using illustrations and tables, architects can digitally download information on how much space is required when using various products, depending on the patient's individual needs.

Through extensive expertise, Arjo serves as an active partner in building processes, from building specification to aftermarket, including supporting architects and planners as well as buyers and end customers.

Solutions for healthcare's major challenges

Work-related injuries

Many caregivers are subject to muscular skeletal disorders. In addition to causing suffering for those affected, this subjects healthcare providers to financial burdens. The right equipment and skills can help reduce the problem.

Page 20

Quality of care and quality of life

Healthcare is under pressure from the greater number of elderly people and increasingly complicated care needs. Using the right equipment and skills, staff can free up time and provide person-centered care. In addition, the quality of care is improved and risk of complications reduced.

Page 24

Arjo helps its customers in improving their clinical and financial results. Achieving this involves solutions, services and products that improve safety and efficiency – and that prevent injuries and complications that can be avoided. We always focus on the needs of the individual and thereby contribute to higher quality of care.

Hospital-acquired conditions

Many patients are today affected by serious complications such as blood clots and pressure injuries, which are often avoidable. Many complications can be prevented through solutions for early mobility and patient repositioning.

Page 28

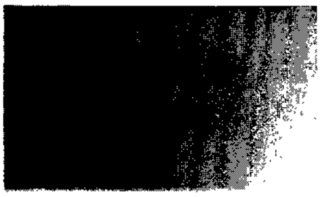
Costs and efficiency

Pressure is increasing on healthcare providers to care for and treat a growing numbers of patients, often with limited resources. With the right expertise, processes and equipment, they can reduce costs and increase efficiency.

Page 30

50-60%

of all care staff globally are affected by muscular skeletal disorders*.



Work-related injuries are a major problem in healthcare

Every year, a large number of people working in the healthcare sector are affected by muscular skeletal disorders. In addition to causing pain to healthcare professionals, patients are at risk of being subject to lower quality care.

Statistically speaking, it is nearly predetermined that healthcare professionals will suffer from muscular skeletal disorders. Healthcare has the highest proportion of work-related injuries of all professional groups (of non-fatal accidents). 50-60%* of all global healthcare professionals are affected by muscular skeletal disorders.

Manual transfers pose risks

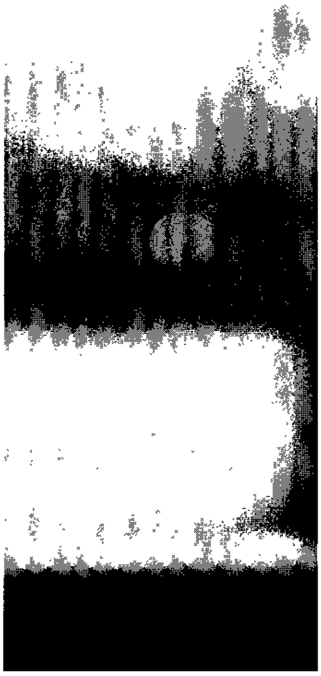
Manual patient transfers are the cause of most injuries. In many countries, there are no guidelines within this area and safety is often under prioritized, both by staff and management. Many of those affected continue to work in the same manner, despite being in pain, until they might be forced to stop working.

When staff who are in pain continue working, there can be a negative impact on the quality of care. This not only applies to staff health and well-being, but may result in an increased risk of falls and other patient injuries.

Many positive effects

Reducing work-related injuries brings many positive results, beyond the direct results for healthcare professionals. When staff is healthy, the safety and quality of care for patients also improves.

In addition, cost of care can be kept down as the need to employ substitutes, train and recruit new staff is reduced. All this while retaining or improving long-term efficiency.



59%

The proportion of injuries in healthcare professionals related to patient transfers such as repositioning, fall prevention and help during treatment.**

*American Nurses Association, Health and Safety Survey, 2011
**Totzkay, D.L., 2018

Extensive knowledge of our customers' growing needs

From our long experience, deep knowledge and holistic view, we help our customers provide effective and safe solutions that can reduce work-related injuries.

In most countries, patient transfers are conducted by two healthcare professionals. While deeply rooted, this is not a sustainable method when, for various reasons, there is a shortage of labor. Arjo has for a long time worked to ensure that safe transfers can be performed by a single caregiver with the right knowledge and equipment.

Our starting point is always in understanding needs of the patient and healthcare professional. We begin with a comprehensive review to understand the bigger picture, based on Positive Eight and the Mobility Gallery.

Knowledge, culture and products crucial

Often, changing work processes that encourage staff to using existing equipment rather than working manually is key. Sometimes the equipment is used, but in the wrong way.

When we have together identified the customer's needs, we begin considering what equipment can best improve efficiency, safety and clinical outcomes. Here, Arjo offers a broad product portfolio.

Our products are easy to use and allow staff, who may be stressed, to lift and transfer patients without the risk of injury. We also support our customers and their staff through information and training to ensure that the devices are used correctly.

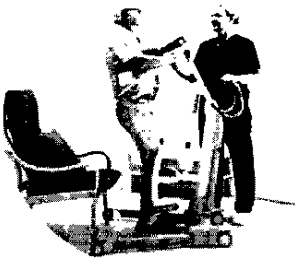
<5Y

Studies show that the return on investment in a safe patient handling program can be less than five years*.

*Mary W. Matz, MSPH, CPE, CSPHP, 2019

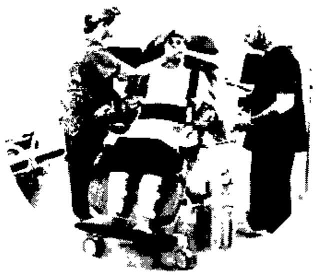
A unique offering with many benefits

Arjo's offering is designed to ensure a simple and smooth care setting that is safe, comfortable and dignified for both patients and caregivers.



Standing and raising aids

Arjo offers a comprehensive range of standing and raising aids for all mobility levels, promoting rehabilitation and encouraging patients to retain their mobility level.



Early mobility

Solutions for early mobility enable patients in intensive care to mobilize early and often, and in a safe and optimal manner. This helps improve care outcomes and maximize healthcare flows.

Solutions for bariatric patients

Arjo's solutions ensure that care facilities are equipped for the increasing challenges of plus size patients, helping deliver safe, cost efficient and dignified care.

"Using the right devices is crucial"

"For years, we have focused on work-related injuries among healthcare professionals. Naturally, this is worthwhile. We now know that the use of aids and devices for lifting and transferring patients not only reduces the risk of staff injuries, but also reduces the risk of injury to patients, while increasing the quality of care. This is a major step forward.

With the growing focus on mobility, it is crucial to use the right devices to transfer and mobilize patients. We know that staff want to focus on the patients and by using the right equipment, they can do just that.

For management, mobilizing patients means that costs are reduced for hospital-acquired conditions and, for example, fall injuries. It also reduces the length of hospital stays and the number of re-admissions. When it becomes clear that the equipment that protects the staff also protects the patients, everyone benefits."

Mary Matz

Expert and long-time consultant for safe patient transfers, and CEO of Patient Care Ergonomic Solutions LLC, USA

Complex needs require new solutions

A growing number of elderly people, combined with more complicated care needs, is putting the healthcare sector under pressure. With the right knowledge and equipment, adapted to the individual, caregivers can deliver high-quality care and meet their financial targets.

With an increasing number of patients and complex care needs, caregivers struggle to keep pace. These challenges apply to both acute and long-term care. Our Positive Eight philosophy and Mobility Gallery sets a solid foundation for both people living with dementia and those requiring early mobility.

The best care results are achieved by having the right equipment in the right place 24 hours per day, based on the residents' individual needs. This ensures dignified and effective care, making transfers and various activities, such as hygiene routines, easier - while enhancing the residents' quality of life.

Person-centered dementia care is best practice

Today, approximately 50 million people worldwide live with dementia, and the condition affects more than 60% of long-term care residents.*

It can be very demanding to care for a person with dementia. The complexity of the condition means that, as it progresses, many people develop responsive behaviors that can create challenging situations and moments of friction in the care environment. These behaviors most commonly include apathy, depression, irritability, agitation or anxiety.

Managing these behaviors can negatively affect both the overall care environment and individual caregivers.

3 of Arjo's products were accredited by Stirling University in 2019 for their dementia-friendly design. **Read more on page 2.**

Person-centered care to minimize moments of friction

The key to improved quality of life for persons living with dementia is setting a foundation for person-centered care. The principles of person-centered care assert the human value of people living with dementia. The approach recognizes the individuality of the resident, their personality and how their experiences influence their actions. It also emphasizes the importance of relationships and interactions with others. We believe that person-centered care is the only way to maintain quality of life, minimize behavioral changes, and create efficiencies for people living with dementia.**

In daily activities, it is important to create and capture positive moments that promote contentment and joy. Arjo's solutions facilitate smoother activities in daily life, enable one-to-one interactions between the resident and caregiver, and support a calm and dignified care environment.

*Alzheimer's Disease International, 2015 **Sloane PD, et al., 2004

Early mobility makes a big difference

Many patients in intensive care units have highly restricted mobility. During long hospital stays, they risk both physical and mental complications. This can, for example, impact the heart and lungs, skin and muscles, and even the brain. In many cases, the time spent in hospital means that it can take several months, or even years, before patients are rehabilitated and return to their normal lives.

The clinical consensus is that mobility protocol should be implemented within 48 hours of mechanic ventilation.* However, their condition can be a major challenge and if staff do not use the equipment available - due to stress or lack of knowledge - safety and efficiency are both jeopardized.

48

The guideline for early mobility of patients is within 48 hours.*

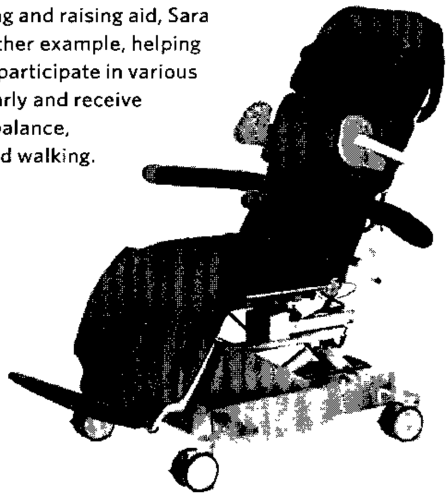
*Morris et al. 2008

Equipment to simplify and create results

Today, Arjo has a unique position in the market to facilitate patient mobility. With our experience and range of products, we can support healthcare professionals in mobilizing critically ill patients in a safe manner.

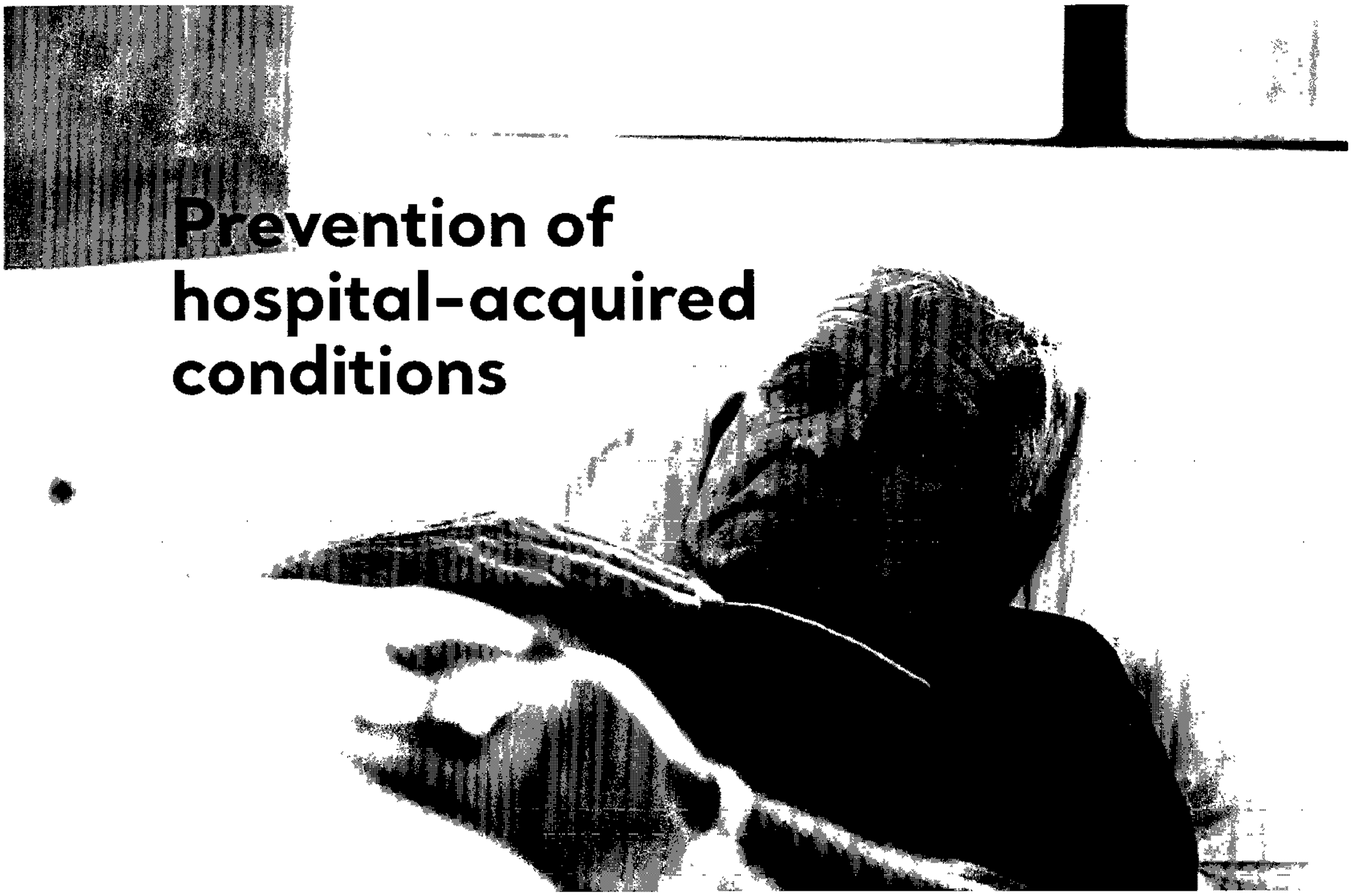
One such example is Sara Combilizer, a multi-function product that enables safe, early and frequent mobilization from bed to a sitting or standing position. The product's extensive positioning options mean that even patients, for whom it was previously regarded unsuitable, can be mobilized safely and more easily by the healthcare professional.

The standing and raising aid, Sara Plus, is another example, helping patients to participate in various activities early and receive training in balance, standing and walking.



"Since the Sara Combilizer was introduced to our unit, it has contributed to the quality of care we deliver by giving us a more consistent approach to rehabilitation."

Elisabeth Jagger - Clinical Lead, Respiratory Physiotherapy, Mid Yorkshire NHS Trust, UK



Prevention of hospital-acquired conditions

Hospital-acquired conditions, such as pressure injuries and venous thromboembolisms (VTE), cause patients enormous suffering and result in large costs for healthcare providers. This is often entirely avoidable.

Pressure injuries are a common problem
Pressure injuries arise when patients are unable to change position or, for example, when layers of skin rub against each other. Poor blood circulation leads to reddening, possible pain and discomfort, and at a later stage, open wounds that can damage muscles and bones.

VTE can be life-threatening
VTE includes blood clots in the deep veins of the leg, deep-vein thrombosis (DVT), and blood clots in the lungs, causing extensive suffering and long hospital stays for those affected. Patients are particularly exposed during long-term immobility, such as after operations. VTE often occurs without warning and can be life-threatening. Each year, about 10 million cases occur globally* and, like pressure injuries, involve considerable annual costs to the healthcare sector.

11
USD billion

The estimated annual cost of pressure-injury treatment in the US**.

x2

VTE results in the death of over twice the number of people suffering from breast cancer, prostate cancer, motor vehicle accidents and AIDS combined***.

60%

The percentage of VTE cases that occur during or shortly after hospitalization, making it the leading preventable cause of hospital death****.

*Jha AK et al., 2013 **Padula WV et al., 2011 ***Cohen AT et al., 2007 ****Jha AK et al., 2013 and Heit Ja et al., 2002

Preventive and effective solutions for growing problems

Arjo has significant experience in helping its customers reduce problems with pressure injuries and VTE. With the right solutions, unnecessary suffering and high costs can be prevented.

Arjo's solutions usually focus on preventing pressure injuries or VTE, but we also offer solutions to manage these types of complications.

Through preventive measures, patients can avoid unnecessary suffering while hospitals can avoid expensive treatments.

Products for pressure injuries

Arjo's primary solutions for pressure injuries include alternating pressure mattress systems, such as the Alpha and Nimbus product series. We also offer other types of mattresses, such as mattress overlays and foam mattresses, to meet all types of patient needs. The range includes special solutions for bariatric patients and ICU patients.

In 2019, Arjo launched the Auralis Alternating Pressure Mattress System. Auralis is designed to minimize the risks and complications of pressure injuries for high acuity patients with limited mobility and compromised skin integrity.

Apart from pressure and friction, microclimate is a key factor for pressure injuries. Microclimate is another word for moisture and temperature conditions on the contact surfaces of the skin. For this, Arjo offers Skin IQ™, a fluid resistant, vapor permeable mattress cover that functions as a protective barrier against bacteria and viruses.

Effective solution for VTE

VTE is today mainly treated using injected medication. However, Arjo recommends that this is combined with other solutions for thromboprophylaxis. This significantly reduces the risk of blood clots.

Arjo's Flowtron IPC pumps and garments jointly comprise a simple and comfortable, therapeutically effective solution that stimulates movement, resulting in blood circulation in the legs' deep veins.

Services that generate results

Arjo's Clinical Consulting services help healthcare facilities optimize their business and improve clinical outcomes.

Many care facilities struggle to find capacity and resources to meet the growing demands in healthcare today. They often find it difficult to see how they can deliver long-term, value-based care while driving a cost-efficient and profitable business.

Comprehensive analysis

Arjo offers Clinical Consulting services to support care facilities in building a sustainable care systems. As partners, our customers can secure considerable benefits and gains through open dialogue and trust. They can prioritize the right equipment and work processes that improve efficiency, safety and clinical outcomes, as well as reduce costs.

The Clinical Consulting service uses evidence-based tools to conduct a comprehensive analysis of the customer's business. By studying the work environment, equipment, patient mobility, as well as guidelines and processes for daily tasks, Arjo's clinical consultants can make comprehensive proposals for improvements.

A proven model for improvements

These services can be adapted to various types of customers, from individual care homes to large hospitals and complete healthcare chains. However, the method is fundamentally the same and involves:

- Analysis
- Implementation
- Follow-up, support and evaluation

The initial analysis is crucial to achieving the end result. The customer's key staff and Arjo's clinical consultants together assess the insights that will serve as the basis for the coming change. Together, a review of the various types of patient transfers and how often they are conducted is performed. One item on the agenda is to see what equipment is available and the condition it is in. It is also important to study how, or even if, the staff use the equipment. Finally, the staff's level of knowledge regarding patient transfers is evaluated.

Here, Arjo uses its evidence-based assessment tool, Mobility Gallery, which together with Positive Eight, emphasizes the importance of the right environment, equipment and care skills.

Guidance and training are key ingredients of each Clinical Consulting program. They help create a long-term positive change that promotes increased efficiency within the business.

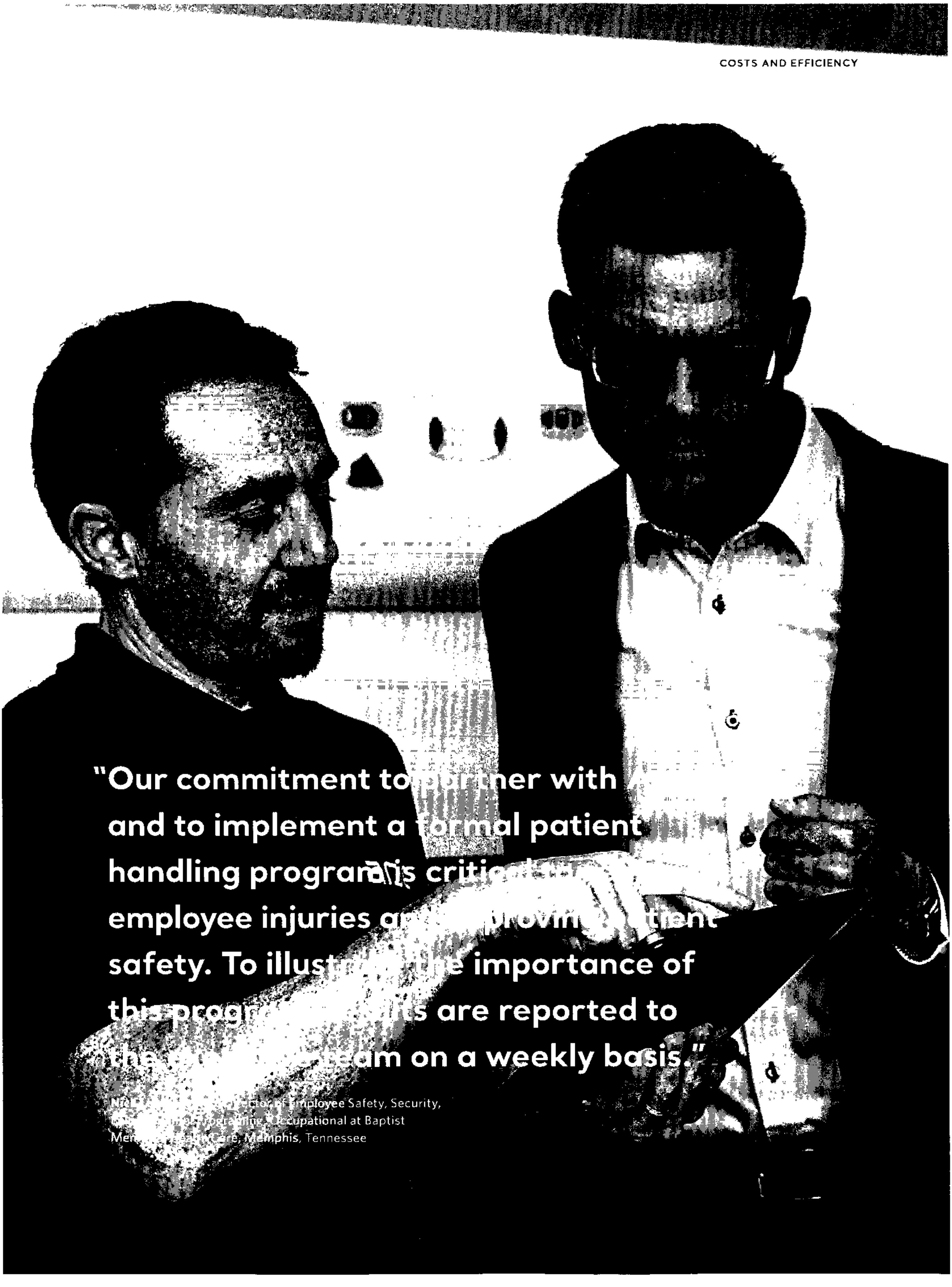
Investment in the future

To increase our competency in this area, Arjo invested in Atlas Lift Tech during 2019. Atlas provides care staff with continuous training and assistance to perform safe patient transfers. The goal is to strengthen staff skills and reduce the number of injuries. Atlas has also developed a software system, LiftTracker, which is integrated into the care facility to help deliver real-time data that tracks and schedules tasks. This partnership sets a strong platform for the continued development of our offering.

*WHO, 2017

Arjo's Clinical Consulting service is based on a model for measureable change:

- **Analysis:** identification of needs and opportunities
- **Implementation:** fostering of an effective business with proven processes and work routines
- **Follow-up, support and evaluation:** continuous improvement work


"Our commitment to partner with [illegible]
and to implement a formal patient
handling program is critic[illegible]
employee injuries a[illegible]proving [illegible]tient
safety. To illust[illegible] the importance of
this progr[illegible]s are reported to
the [illegible] team on a weekly basis."
Ni[illegible] Director of Employee Safety, Security,
[illegible] Occupational at Baptist
Me[illegible] Care, Memphis, Tennessee

A strong position and a broad offering

Patient handling

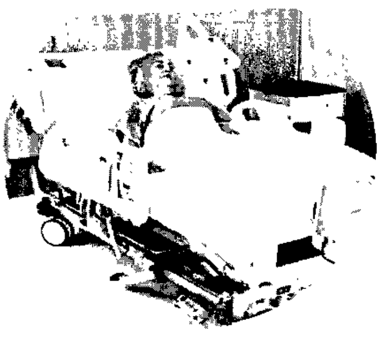
Arjo has a wide range of lifting and transferring solutions that meet the patient or resident's specific needs, while contributing to safe, comfortable and dignified transfers. Included among these are ceiling lifts, standing and raising aids, and slings.

Competitors: Hill-Rom, Guldmann and HandiCare.

Pressure injury prevention

Arjo has a comprehensive range of advanced mattress systems for the prevention of pressure injuries. The range includes alternating therapeutic mattresses and special solutions for bariatric patients.

Competitors: Hill-Rom, Joerns and Stryker.



Medical beds

Arjo offers a broad range of medical beds providing good ergonomics, comfort, safety and ease of use. Arjo's medical beds have technical performance features adapted for a number of different purposes.

Competitors: Hill-Rom, Stryker, Linet and Paramount Beds.

VTE Prevention

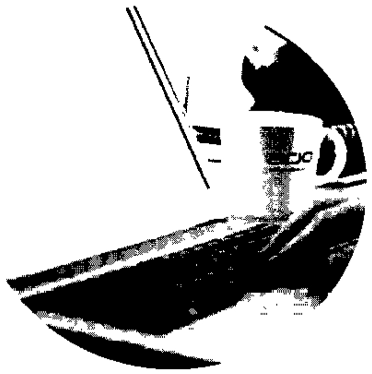
Arjo has a comprehensive range of compression therapy products for the safe and efficient prevention of deep vein thrombosis (VTE/DVT) and treating edema. Pumps and garments are examples of these products.

Competitors: Cardinal, CTC Pirus and DJO.

Hygiene

Arjo's range of shower and bathing products facilitate safe and efficient hygiene procedures and relaxing bathing experiences for patients and residents. Products include bathing systems and shower equipment.

Competitors: Penner, Beka, Lopital and OG Wellness



Diagnostics

Arjo's offering for Diagnostics includes patient and fetus monitors, as well as ultrasound equipment and Doppler equipment for obstetric and cardiac diagnostics, for more precise medical assessments.

Competitors: General Electric and Philips

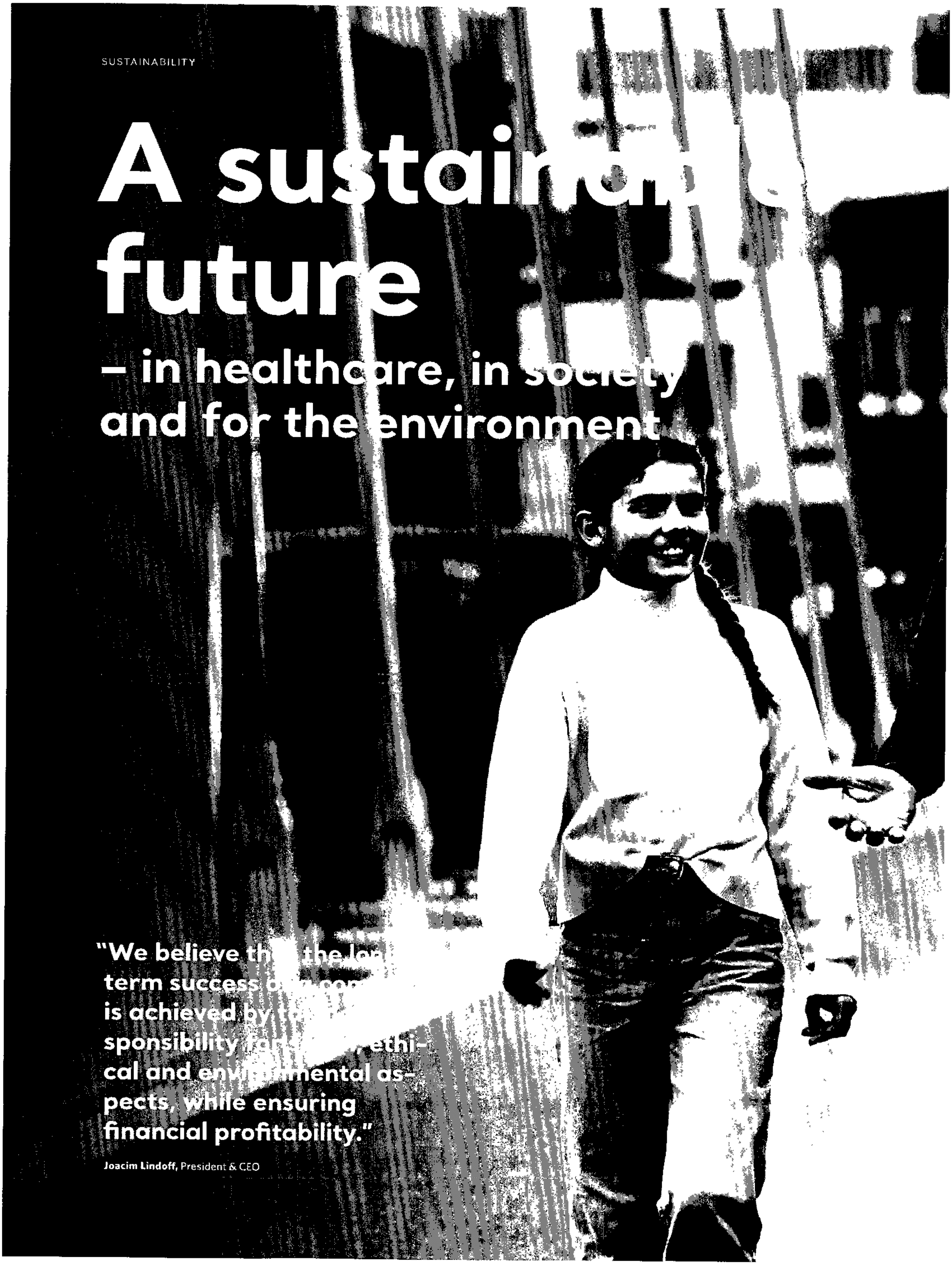
Disinfection

Arjo's disinfection range includes flusher-disinfectors and associated chemicals for safe cleaning and disinfection.

Competitors: Meiko, Steelco and Discher.

Service

Arjo also provides service for capital goods and various solutions, including consultation during purchase and education.



A sustainable future

– in healthcare, in society and for the environment

"We believe that the long-term success of a company is achieved by ta[illegible] responsibility for [illegible], ethical and environmental aspects, while ensuring financial profitability."

Joacim Lindoff, President & CEO

Our ambition is to develop an efficient and sustainable health-care system that contributes to a positive development in society.

Since Arne Johansson established Arjo in 1957, our organization has put people in focus. One of his strongest driving forces was to improve the daily working conditions for healthcare professionals by using ergonomic aids, benefitting their patients as well.

This driving force is still very much alive at Arjo today. As society has developed, Arjo's sustainability efforts have become increasingly important and are now focused on reducing the amount of waste and emissions throughout the value chain. This work also comprises training and skills development within environmental issues, ethical behavior and relevant regulations.

Sustainability activities are primarily driven in four focus areas: environmental impact, quality and regulatory compliance, employees and society, and business ethics.

These areas define what we can influence within the Group and in cooperation with external partners. To ensure that sustainability is always high on the agenda, we have a governance structure that facilitates clear ownership for each focus area. We are also creating a global reporting system to manage the insights gained from our customers and partners.

UN Sustainable Development Goals

Arjo's sustainability work supports the UN Sustainable Development Goals (SDGs) through global and local initiatives. We focus on six of the SDGs, in particular:

Environmental impact

We have a sustainable approach throughout our value chain.
Read more on page 38.

Employees and society

We contribute to strengthening both individuals and society.
Read more on page 44.

Quality and regulatory compliance

We must meet increasingly strict product safety standards. Read more on page 42.

Business ethics

We are committed to the highest ethical standards. Read more on page 48.

Sustainability throughout the value chain

Arjo's focus lies on reducing its environmental footprint and contributing to a sustainable development. Our environmental impact mainly comprises energy and resource consumption, as well as waste management.

We continuously implement improvements in both production and through operational control. The aim is to enhance efficiency in resource utilization and to reduce the impact from energy, raw materials and transportation.

Arjo's environmental management system ensures that our production is conducted in accordance with applicable laws and international regulations. The Group's manufacturing units are certified in accordance with the ISO 14001 standard.

In 2020, we are initiating several activities based on business opportunities to identify new ways of reducing the environmental impact of our products. This includes investments and new partnerships, as well as internal initiatives, that drive the environmental agenda forwards.

UN SDGs: 12. Responsible consumption and production
Through Arjo's four focus areas in sustainability, we ensure sustainable consumption and production in accordance with the UN SDGs. In 2019, we established a sustainable approach throughout our value chain and increased the demands on product safety, with a consistent focus on individuals and society.

Arjo's environmental goals 2019–2021

1 Reduce energy consumption

In production, energy consumption is to be reduced by 5% in MWh/MSEK by 2021, with 2018 as the base year.

2 Reduce CO_2 emissions

Emissions from production are to be reduced by 5% measured in tons of CO_2/MSEK by 2021, with 2018 as the base year.

3 Reduce the amount of hazardous waste

Reduce the amount of hazardous waste by 10% by 2021, with 2018 as the base year.

4 Increase recycling of non-hazardous waste

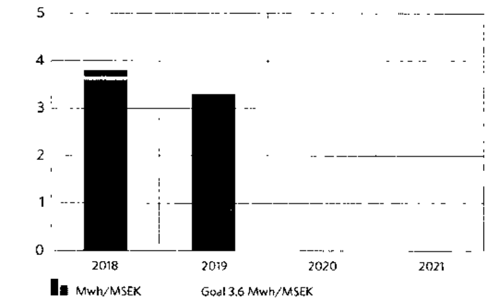
The goal is for 75% of non-hazardous waste to be recycled by 2021, with 2018 as the base year.

Increased share of renewable energy
The ambition is to further reduce CO_2 emissions from operations and to review the possibilities of increasing the amount of renewable energy.

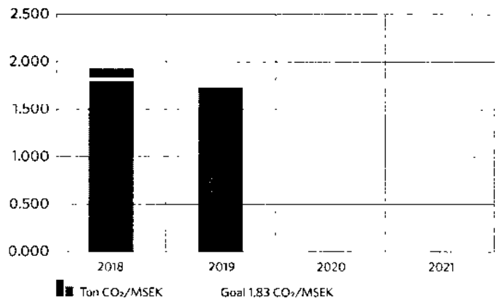
Results of the environmental activities

Arjo works actively to improve production in accordance with the established environmental goals. During the year, Arjo increased its net sales by 3.9%. Nonetheless, energy consumption and CO_2 emissions remained at the same level as in 2018. Hazardous waste comprises less than 1% of Arjo's total waste and was further reduced in 2019. We also increased our recycling during the year. We met all environmental goals for 2019 and the year's results are presented in the graphs below.

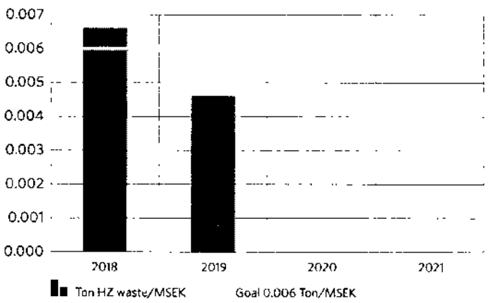
1 Energy consumption



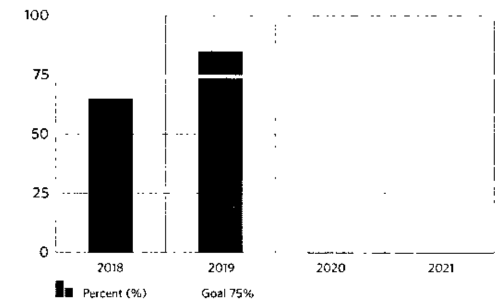
2 CO_2 emissions



3 Hazardous waste



4 Recycling

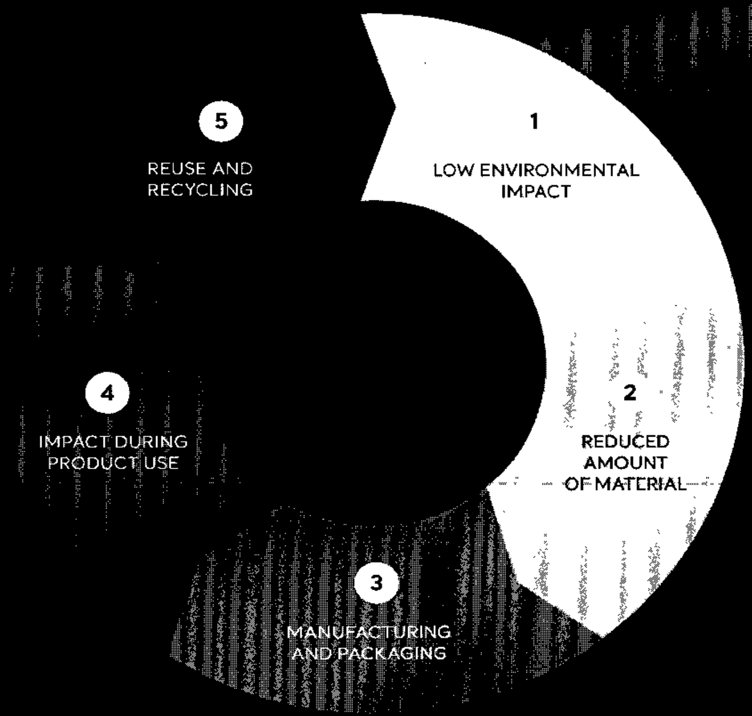


UN SDGs: 13. Climate action
Arjo's initiatives to minimize the company's environmental footprint follow a well-defined agenda. We can contribute to a sustainable future by reducing our energy consumption, CO_2 emissions and waste, and increasing our recycling.

Eco-design in each step

Eco-design is becoming increasingly important at Arjo. We evaluate all materials and components used when designing new products or upgrading existing ones. This work is conducted by Arjo's research and development team, which has deep expertise and extensive technical knowledge related to our operations.

Eco-design at Arjo focuses on five areas:



Reduced environmental impact throughout production

We strive to ensure that our products will be comprised of substances and materials with as little environmental impact as possible. As part of these efforts, we look at the complete life cycle, from production to reuse or recycling.

Sustainable materials

Our production units follow the guidelines of the EU chemicals legislation and regulation of the European Parliament, REACH. An initiative was started in 2019 with the aim of reducing the amount of PVC in our products and will remain in focus in 2020.

Product packaging

Sustainable packaging is an important focus area. We comply with local laws to reduce the amount of plastic in packaging, or utilize recycled plastics where possible.

Our ambition is to reduce the amount of packaging throughout the value chain, which could generate environmental gains. We conduct a continuous dialog with our suppliers regarding the way in which their products are packaged and delivered.

Renewable energy initiative

Arjo's production facilities aim to reduce their environmental impact based on existing equipment and continuously review the possibility of changing to renewable energy.

Our textile plant in Poznan, Poland, has reduced its energy consumption and installed machines that reduce the amount of fabric waste. The plant in Magog, Canada, uses solar energy for heating by way of installed solar panels. This lowers the amount of natural gas consumed and reduces energy consumption.

Reprocessing to support healthcare

In 2018, Arjo acquired the US-based company ReNu Medical, which is specialized in green reprocessing of single use non-invasive medical devices, such as garments to prevent DVT.

Unlike conventional methods of recycling, in which carcinogenic chemicals such as ethylenoxide (EtO) are used, ReNu's process is free of toxins, with no chemical residue or emissions. Instead, a green, water-based high temperature process is used. The process also reduces the exposure of patients and healthcare professionals to hazardous substances. ReNu's method further enables the product to be reused twice as many times as with a traditional recycling process using EtO. This results in a reduction of waste.

Arjo's competence in this area strengthens our offering and creates new business opportunities. Our aim is to develop ReNu's operations in Canada and Australia in 2020.

Stricter regulations result in safer products

At Arjo, we are proud of always putting safety and quality first. To meet the intensified regulatory requirements in the medical device industry, our focus lies on continuously improving our products and processes.

Arjo has established a clear link between business objectives and quality and safety. We prioritize the continued development of safe, effective care with high quality, and work continuously to improve our products and processes.

Our Group-wide Quality & Regulatory Compliance department (QRC) ensures that the organization lives up to its high quality goals.

Our units undergo regular inspections to validate that we are compliant with relevant regulations. Our quality management system is certified in accordance with the internationally recognized ISO 9001:2015 and ISO 13485:2016 standards.

"Quality and safety are business enablers, and a continued priority for us. This goes hand-in-hand with the demands made by the industry."

Katarzyna Bobrow, EVP Quality & Regulatory Compliance

Increased regulations in a global market

To achieve our high demands on quality and safety, we need to comply with all relevant regulations and conduct continuous, comprehensive improvements.

Arjo's priority lies in ensuring that we comply with all local and regional regulations in the markets we operate in. The three most important regulatory bodies and regulations for us are:

- EU Medical Device Regulation (MDR)
- US Food and Drug Administration (FDA)
- Health Canada Medical Device Regulation

EU Medical Device Regulation (MDR)

Since 2017, all medical device companies operating in the European Union (EU) are required to comply with the new EU MDR regulation, which comes into force in May 2020 after a three-year transition period. Its objective is to protect patients and healthcare professionals through audits and quality requirements for medical devices. MDR means that medical device products must have more comprehensive clinical information.

US Food and Drug Administration (FDA)

The FDA requires that Arjo complies with the quality system regulation for medical devices in the US. Arjo's production units are regularly inspected by the FDA. Our Medical Device Single Audit Program (MDSAP) certification demonstrates that the requirements are met.

Medical Device Single Audit Program (MDSAP)

MDSAP certification demonstrates compliance with the standard and regulatory requirements of up to five different medical device markets: Australia, Brazil, Canada, Japan and the United States. It is required in order to sell medical devices in these markets.

Efficiency on all levels

On our efficiency agenda, we investigate quality and safety improvements throughout the value chain – from design to installation. We also test the effects of the products' use at several stages during the design process. This takes place internally in our research department and by retailers, but also by our customers after launch.

To increase knowledge and regulatory compliance, we prioritize training and internal communication. We also regard our customers as part of this work. Accordingly, in 2019, we trained even more healthcare professionals in the safe use of our products.

The number of employees at Arjo who work to assure that our products comply with relevant regulations.

150

Four success factors in Arjo's quality and safety work in 2019:

1. Program for compliance with EU MDR
We adapted our processes to comply with the EU MDR, underwent an audit in November and passed with positive results. Arjo is now awaiting certification.

2. MDSAP certified production units
The production facilities in Suzhou, China, and Poznan, Poland, gained MDSAP certification.

3. Documentation and processes
We have improved the documentation for product testing and launch processes.

4. Optimized customer complaint management
We developed efficient processes for the management of customer complaints to create more rapid flows and better communication.

Creating a sustainable future together

Arjo's development is dependent on our employees, and together, we can create opportunities for sustainable development and gaining competitive advantage. Our corporate culture is built on equality, diversity and inclusion.

Arjo has employees from across the world. We are proud to represent a rich mix of backgrounds and cultures. Together, we create a culture in which diversity and inclusion are valuable assets.

Our corporate culture is based on Arjo's Guiding Principles. They permeate our entire business and aim to promote a customer-centered culture that forms the basis of a sustainable and profitable company.

We aspire to be an attractive employer. Arjo aims to be a company in which all employees have equal opportunities, regardless of age, ethnicity, religion or gender. This is a long-term process that starts by defining concrete measures in our daily work to give each employee the possibility to grow. In this way, we can achieve our business objectives while contributing to a sustainable society.

An exchange of ideas to drive Arjo's development

We strive to promote an exchange of knowledge across geographies and areas of expertise. This is partly to reduce the number of projects planned and conducted in silos, and partly to disseminate knowledge and thereby minimize avoidable errors. These initiatives are conducted within the framework of our internal exchange program.

As an example, in 2019 our teams in South Africa and Australia partook in an exchange program to share knowledge. By visiting the Australian market and gaining access to its expertise and work processes, the South African organization adapted and applied strategies from Australia in its daily operations.

During the year, Arjo's Service and Supply Chain functions also sponsored a joint talent program. The purpose was to evaluate and improve internal processes. The result was several projects, including the creation of better logistics flows to support Arjo's service technicians in their customer relationships.

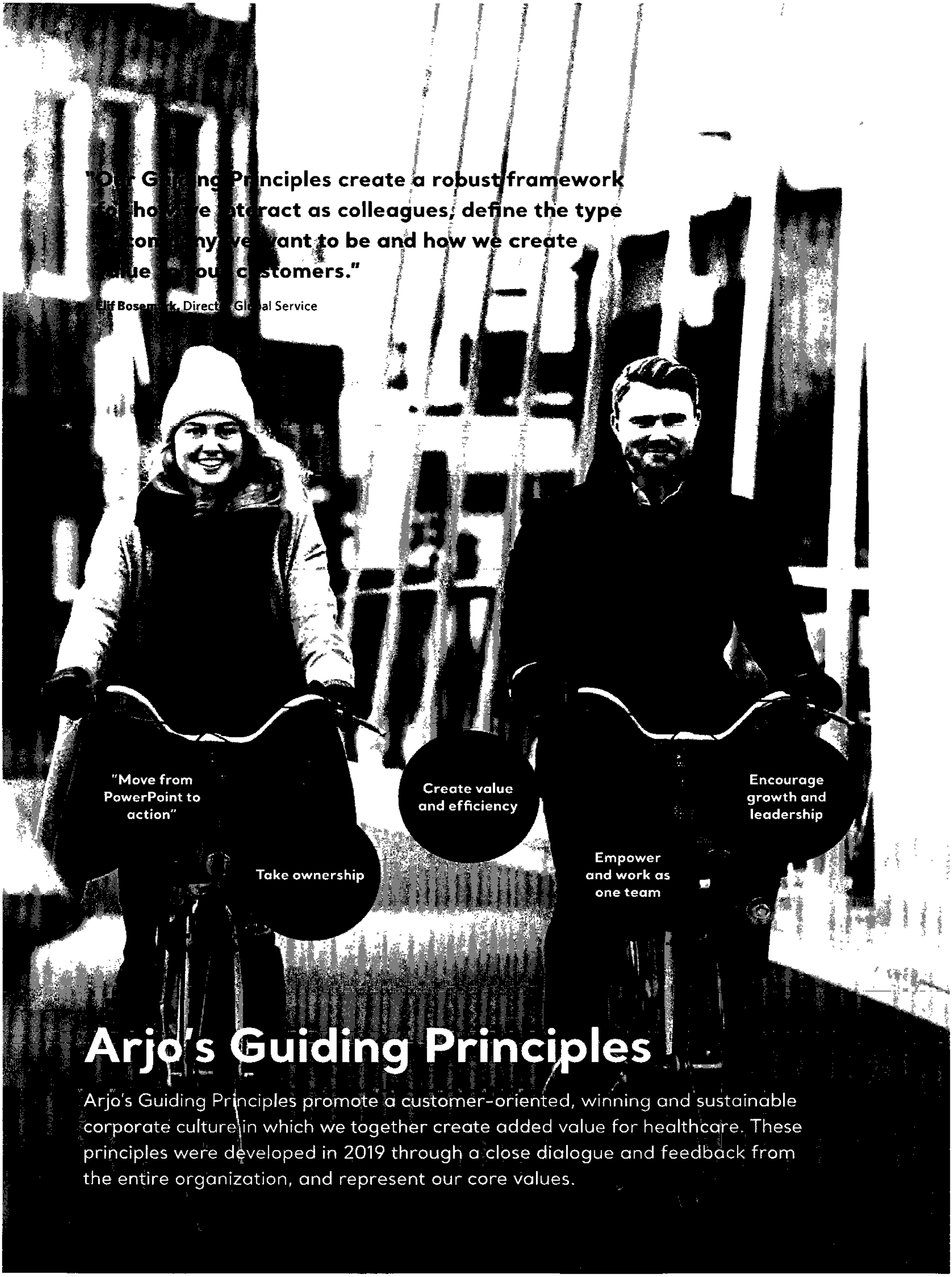
6,141

Number of full-time employees at Arjo at the end of 2019. Most of the employees work in the US, the UK, Poland and the Dominican Republic.

50%

Percentage of women on Arjo's Management Team. 32% of Arjo's managers are women. 38% of the Group's employees are women.

UN SDG: 8. Decent work and economic growth
Putting the health, safety and development of our employees front and center not only benefits our company, but society at large. Arjo emphasizes the importance of decent work conditions for all employees and maintaining a healthy work-life balance.



"Our Guiding Principles create a robust framework for how we interact as colleagues, define the type of company we want to be and how we create value for our customers."

Elif Bosem[illegible]k, Director Global Service

"Move from PowerPoint to action"

Take ownership

Create value and efficiency

Empower and work as one team

Encourage growth and leadership

Arjo's Guiding Principles

Arjo's Guiding Principles promote a customer-oriented, winning and sustainable corporate culture in which we together create added value for healthcare. These principles were developed in 2019 through a close dialogue and feedback from the entire organization, and represent our core values.

Incremental changes in several areas

Arjo's work to strengthen both individuals and local communities takes place globally and comprises strategies for the following areas:

- **An international work environment**
  We create an attractive and inclusive workplace that attracts the right talents throughout the world.
- **A cooperative culture**
  In a well-functioning corporate culture, all employees' opinions are important for the business, as well as those of customers and other stakeholders.
- **Leadership development**
  Arjo's managers must, through accessibility and openness, allow employees to take their place, assume responsibility and have the opportunity to cooperate.
- **Human rights**
  Arjo supports the UN Declaration on Human Rights and believes that all people deserve to be treated with dignity and respect.
- **Occupational health and safety**
  Employee health and safety is our foremost priority, and all employees should always have a safe and healthy work environment.

Measurable diversity work

Arjo has established clear goals for diversity and inclusion. In our talent programs, diversity in the form of skills, culture, nationality and gender is central. Diversity plays an important role in recruitment, where managers are encouraged to recruit candidates with varied backgrounds and expertise. We further strive to employ local managers.

Goals for Arjo's diversity agenda

1. The total workforce will comprise a minimum of 40% female employees by 2022
2. 40% of all level 1-3 managers will be female, in line with the Global Business Authority's guidelines for corporate management teams
3. Local talent programs will support diversity among participants
4. Recruitment and internal promotions will always be conducted with diversity in mind

"An active sustainability agenda plays a pivotal role in modern day companies. At Arjo, our ambition is to take a broad responsibility, and build a culture in which our employees can influence our sustainability agenda."

Marion Gullstrand, EVP Human Resources & Sustainability at Arjo

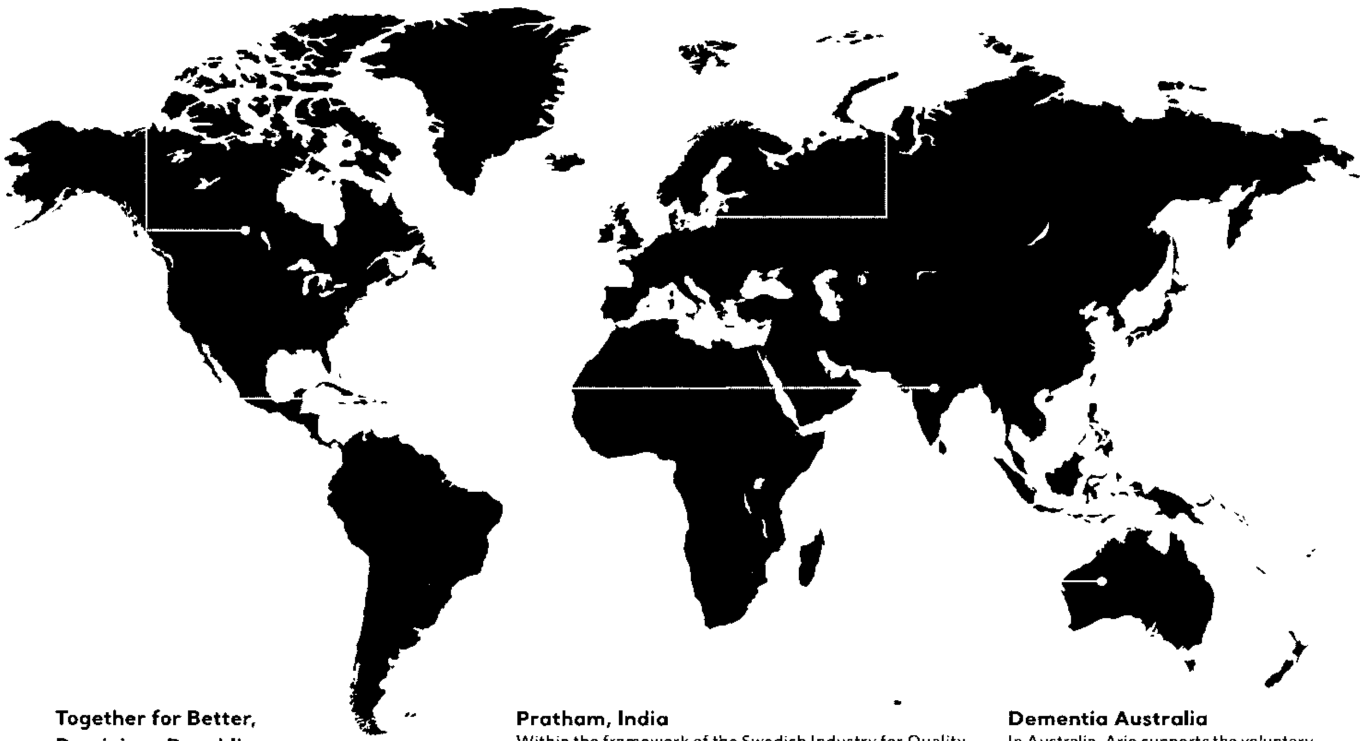
UN SDG: 5. Gender equality
We believe in the equal value and rights of all people, and thus prioritize equal opportunity, diversity and inclusion. Employees who develop and work together based on their individual experiences also create a healthier and safer corporate culture.

Taking social responsibility

Community engagement is central to Arjo's sustainability agenda. We support a number of organizations and encourage employees to participate actively in social projects that improve local communities. We have strict guidelines for corporate sponsorship and make no contributions to political activities. Some of Arjo's global partnerships are presented below.

VTO, Canada
In 2019, Arjo Canada initiated a volunteer program, Volunteer Time Off (VTO), where employees can dedicate one day to voluntary work per year. Initially, employees organized an Arjo Gives Back Week, where employees spent one week supporting local community initiatives. Among other activities, employees took part in the Alzheimer's Mini-Walk.

Förenade Care, Sweden
Employees at Arjo's head office in Malmö have the possibility to work one day per year at one of the 50 units of Förenade Care in Sweden. The organization offers a number of residential and homecare services.



Together for Better, Dominican Republic
Since 2017, Arjo has supported the Swedish organization Together for Better's operations in the Dominican Republic. The organization helps to build up and operate schools in particularly challenging conditions. To date, Together for Better has been able to support hundreds of children living in poverty.

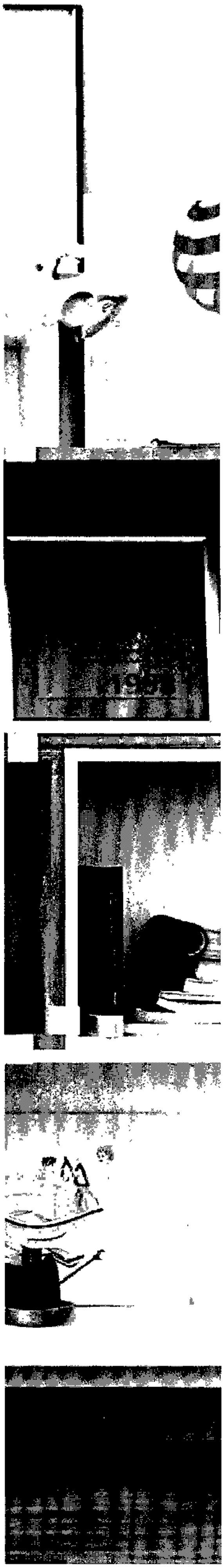
Pratham, India
Within the framework of the Swedish Industry for Quality Education in India, we cooperate with the Pratham organization, which focuses on high-quality and cost-efficient measures to improve the country's education. Pratham's project has been active since 2017 and Arjo has been a partner since then. Esther Duflo and Abhijit Banerjee, the 2019 Nobel laureates in Economic Sciences, developed the Teaching at the Right Level method that was implemented in the Pratham project.

Dementia Australia
In Australia, Arjo supports the voluntary organization Dementia Australia. Employees have been engaged in the issue and participate in the Dementia Australia Memory Walk and Jog, with the purpose of increasing knowledge around dementia.

UN SDG: 3. Good health and well-being
Our solutions contribute to better quality of life in more than 40 countries and in the markets in which Arjo is active. In India and South America, among other locations, Arjo participates in various donation programs for hospitals. This supports the development of modern and efficient healthcare that benefits the development of society at large, and creates conditions for people's basic right to well-being.

UN SDG: 4. Quality education
Arjo supports education projects, both internally and together with partners in various parts of the world. We see that the development of sustainable care and a sustainable society goes hand-in-hand with the development of employee competence, but also with effective education opportunities in society in general. Through the commitment of Arjo and our employees to education, we work to ensure quality education and lifelong learning opportunities for all.


DESIGN
Marketing



Business ethics accross our value chain

Arjo has an ethical responsibility to employees, customers and business partners, and we strive for high business ethics on all levels. Ensuring compliance is part of our daily work.

Good business ethics and well-defined principles for compliance are at the core of Arjo's long-term business relations. Our strategy is to support companies that share our core values. Our ambition is to influence other players in contributing to the development of a fair global market, free of corruption.

Arjo's Code of Conduct

The credibility of and compliance with our Code of Conduct are decisive for our continued success. Credibility creates trust among internal and external stakeholders. Since 2017, our strategy includes a clear ownership of various initiatives regarding regulatory compliance in daily operations.

Arjo's Code of Conduct is based on the following international principles:

- UN Global Compact
- OECD's guidelines for multinational companies
- The UN Guiding Principles on Business and Human Rights
- The International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

The Code of Conduct applies at Group level and to individual employees and comprises legislation, regulations, human rights, the environment, health and safety, and business ethics.

UN Global Compact

UN Global Compact is the world's largest corporate initiative in sustainability. Arjo follows the ten principles that apply to human rights, labor, the environment and anti-corruption. More than 12,000 organizations and 8,000 companies have signed these guidelines.

Anti-corruption

Arjo's anti-corruption policy has a zero tolerance of all types of fraud and bribery. This includes actions that contravene Arjo's rules, but also local laws, industrial standards and ethical codes in the countries where we operate.

Whistleblower function

Arjo's employees are urged to report situations that are demonstrably or suspected of being influenced by corruption or are ethically indefensible in some other way. The aim is to take action at an early stage. Reporting can be done anonymously.

High demands on our partners

Arjo does business throughout the world and has a broad network of suppliers and partners. We place the same high demands on them as on our own business in terms of business ethics and regulatory compliance.

Suppliers

Arjo's goal is to create long-term relationships with suppliers that have solid business ethics. We train our partners continuously in anti-corruption, regulatory compliance and other processes that ensure ethical business.

We conduct continuous risk assessments and have a close dialogue with 25 of our largest global suppliers regarding business ethics and regulatory compliance. They represent a significant share of our purchasing value and were selected based on the principles behind Arjo's Code of Conduct for suppliers, but also because they are in close proximity to our production units. This minimizes unnecessary transport and costs, and generates environmental and business gains.

Arjo's Code of Conduct for suppliers is based on the principles defined in the UN Global Compact.

Self-assessment

Arjo has a comprehensive process for the approval of suppliers. Each supplier must conduct an internal review and be familiar with and accept Arjo's Code of Conduct for suppliers. Suppliers who conduct business with us must also accept and be subject to continuous audits and measurements of business ethics, work conditions and environmental work.

Distributors and agents

In 2019, Arjo's business ethics and compliance function focused in particular on strengthening audits of distributors, agents and other commercial intermediaries.

An improved process has been developed to evaluate new partners before initiating a collaboration. After an initial risk assessment focused on country/region and the partner itself, the sales unit can further choose to supplement the assessment with an in-depth analysis by a third party.

If an existing partner does not meet the relevant criteria and does not take actions to make improvements, Arjo can choose to cancel the contract and terminate the partnership. This process will be gradually implemented in 2020.

An annual evaluation of compliance

Arjo aims to be a credible business partner. Accordingly, we have well-developed processes and procedures to ensure that we are complying with the necessary laws, regulations and policies relevant to our operations.

Our employees play a crucial role in enabling Arjo's regulatory compliance. Since 2017, our employees receive training in our Code of Conduct, which includes policies and directives for Arjo's global compliance processes.

Based on a risk assessment, we prioritize the countries and regions where most action is required and where we can have the highest impact. Some sales units in prioritized regions received advanced internal training in business ethics and compliance during 2019.

We conduct annual assessments of the level of compliance with international guidelines for sustainability reporting (ESG). The results are followed up on the basis of various key data, including:

- Training of new employees in the Code of Conduct
- The proportion of employees who have signed the Code of Conduct
- The proportion of business partners who have signed the Code of Conduct
- The number of cases reported in the whistleblower function.

Arjo's Ethics & Compliance Committee

The Ethics & Compliance Committee sets the strategic direction pertaining to Arjo's business ethics and regulatory compliance. It acts on the instruction of the Management Team and monitors that Arjo's operations comply with the ethical guidelines in the global market, and follows-up ongoing internal processes and activities in this area. The committee also has an advisory function and responds to employees' questions.

Auditor's opinion regarding the statutory sustainability report

To the Annual General Meeting of Arjo AB (publ), Corp. Reg. No. 559092-8064

Assignment and distribution of responsibility

The Board of Directors is responsible for the sustainability report for 2019 on pages 34–51 and for it being prepared in accordance with the Annual Accounts Act.

Approach and scope of review

Our review was conducted in accordance with the recommendation by the institute for the accounting profession in Sweden, FAR, RevR 12 Auditor's opinion regarding the statutory sustainability report. This means that our examination of the sustainability report is different and substantially less in scope than the approach and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review gives us an adequate basis for our opinion.

Opinion

A sustainability report has been prepared.

Malmö, April 3, 2020
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Auditor in Charge

Cecilia Andrén Dorselius
Authorized Public Accountant


with p

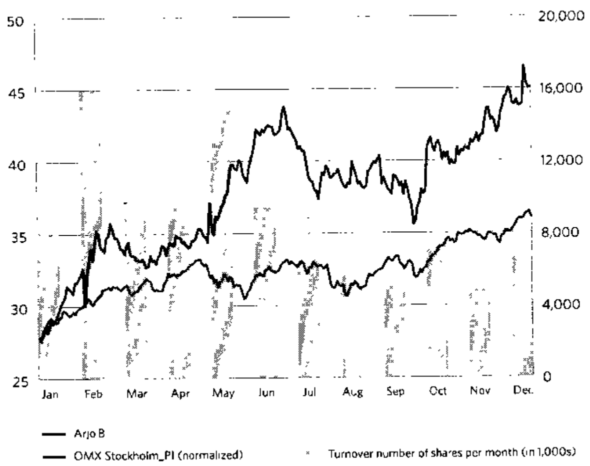
The Arjo share this year

The Arjo series B share was listed on Nasdaq Stockholm on December 12, 2017 and is included in the Nasdaq Nordic Large Cap segment. The share trend in 2019 was favorable with an increase of 59%. The number of shareholders on December 31, 2019 was 32,555.

Share trend

At year-end, the Arjo share was listed at SEK 45.06, an increase of 59% during the year.

The highest price paid for the Arjo share in 2019 was SEK 46.74 on December 20 and the lowest was SEK 27.60 on January 4, 2019. At year-end, market capitalization amounted to SEK 12.3 billion, compared with SEK 7.7 billion at the end of 2018. The turnover of shares on Nasdaq for the year totaled 108 million.



Share capital and ownership structure

At year-end 2019, share capital in Arjo totaled SEK 90,789,858 distributed among 272,369,573 shares. All shares carry the same dividend entitlement. One series A share carries ten votes and one series B share carries one vote. The principal owner is Carl Bennet AB, holding 25.0% of the capital and 53.2% of the votes at year-end 2019.

Dividend policy

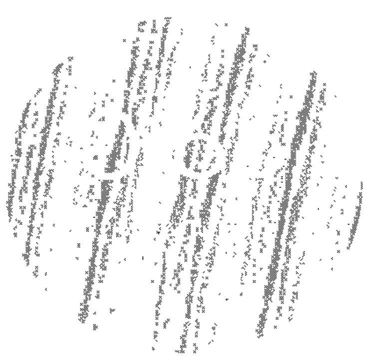
The Arjo Board has adopted a dividend policy entailing that future dividends will be adjusted in line with Arjo's profit level, financial position and future development potential. The aim is for the dividend to correspond to 30-50% of net profit after tax.

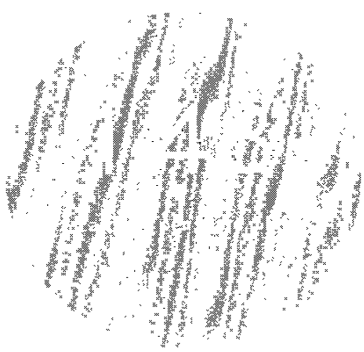
Shareholder information

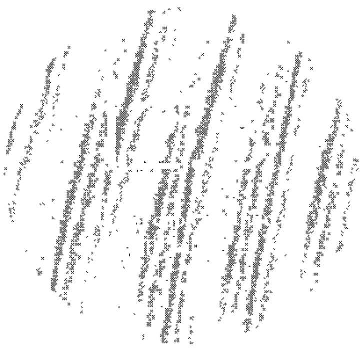
Financial information about Arjo is available on the Group's website, www.arjo.com. Questions can also be put directly to Arjo's investor relations function. Annual reports, interim reports and other information can be requested from the Group's head office by telephone, from the website or by e-mail.

Analysts that monitor Arjo

Carnegie, Handelsbanken, Nordea, Pareto, SEB Enskilda, Danske Bank, and ABG Sundal Collier.







Share capital distribution

No. of shares	18,217,200	254,152,373	272,369,573
No. of votes	182,172,000	254,152,373	436,324,373
% of capital	6.7%	93.3%	100.0%
% of votes	41.8%	58.2%	100.0%

Five largest countries – capital, %

Sweden	62.7%
USA	15.5%
Spain	4.4%
Finland	3.5%
Norway	3.4%

Share data

Earnings per share after tax	1.48	1.09
Market price, December 31	45.06	28.35
Cash flow from operations/share	4.60	3.64
Dividend	0.65[1]	0.55
Dividend yield, %	1.4	1.9
Price/earnings ratio	30.4	26.0
Equity per share	21.7	19.9
Average number of shares (million)	272.4	272.4
Number of shares, December 31 (million)	272.4	272.4

1) Dividend proposed by the Board of Directors.

Ownership by category – capital, %

Swedish owners	62.7%
of whom,	
private individual	10.1%
institutions	10.9%
mutual funds	14.9%
other	26.8%
Foreign owners	37.3%
of whom,	
institutions	8.9%
mutual funds	27.8%
other	0.6%

Arjo's largest owners at December 31, 2019

Carl Bennet	18,217,200	49,902,430	25.0%	53.2%
Fourth Swedish National Pension Fund		20,201,475	7.4%	4.6%
Swedbank Robur funds		15,746,781	5.8%	3.6%
Bestinver Gestión SGIIC		11,892,324	4.4%	2.7%
Vanguard		8,910,855	3.3%	2.0%
Nordea funds		8,702,348	3.2%	2.0%
Norges Bank		5,695,214	2.1%	1.3%
BlackRock		5,203,681	1.9%	1.2%
Dimensional Fund Advisors		5,196,520	1.9%	1.2%
AMF Insurance and Pension		4,259,333	1.6%	1.0%

Ownership structure 2019 (based on no. of votes)

1 - 1,000	2.4%	1.5%	26,508	81.4%
1,001 - 5,000	3.7%	2.3%	4,925	15.1%
5,001 - 20,000	2.7%	1.7%	794	2.4%
20,001 - 100,000	3.2%	2.0%	196	0.6%
100,001 - 500,000	6.7%	4.2%	76	0.2%
500,001 - 5,000,000	21.3%	13.3%	47	0.1%
5,000,001 - 20,000,000	22.5%	14.1%	7	0.0%
20,000,001 -	32.4%	57.8%	2	0.0%
Anonymous ownership	4.8%	3.0%	n/a	n/a
Total	**100.0%**	**100.0%**	**32,555**	**100.0%**

Directors' Report

Operation and structure

Arjo is a global supplier of medical devices and solutions that helps its customers improve their clinical and financial results. Arjo achieves this through solutions, services and products that improve safety and efficiency – and prevent avoidable injuries and complications. We always focus on the needs of the individual and thereby contribute to higher quality of care.

Arjo's main customers are private and public institutions providing acute and long-term care.

Organization

Approximately 94% of sales are conducted through Arjo's proprietary sales companies and the remaining 6% through distributors in markets for which Arjo Group lacks proprietary representation. Manufacturing is conducted at five production facilities in the Dominican Republic, Canada, China, Poland and in the UK.

Financial overview

Revenue

Consolidated net sales increased 8.6% to SEK 8,925 M (8,217). Adjusted for corporate acquisitions, divestments and exchange-rate fluctuations, net sales rose 3.9%.

Western Europe represented the Group's largest market, with 47.5% (50.2) of sales, followed by North America with 38.9% (36.7) and Rest of the World with 13.6% (13.1).

Exceptional items

During the year, the Group had exceptional items of SEK 53 M (156). Expenses for the year comprise restructuring costs related to efficiency measures in US rental operations and an efficiency program in the UK.

In 2018, exceptional items comprised restructuring costs (113), acquisition expenses (3) and adjustments of pension liabilities (40).

EBITDA

EBITDA before exceptional items amounted to SEK 1,728 M (1,312). The introduction of IFRS 16 Leases had a positive effect of SEK 347 M. The EBITDA margin before exceptional items was 19.4% (16.0) and excluding IFRS 16 was 15.5%.

Operating profit

The Group's operating profit increased to SEK 671 M (493), corresponding to 7.5% (6.0) of net sales.

Net financial items

Net financial items amounted to SEK -129 M (-98). The introduction of IFRS 16 Leases had a negative impact of SEK 39 M on net financial items.

Profit after financial items

The Group's profit after financial items increased to SEK 542 M (395), corresponding to 6.1% (4.8) of net sales.

Taxes

The Group's tax expense amounted to SEK 139 M (99), corresponding to 25.6% (25.1) of profit after financial items (see Note 10).

Tied-up capital

Inventories amounted to SEK 1,144 M (1,117) and accounts receivable to SEK 2,001 M (1,802). The average consolidated operating capital was SEK 11,082 M (9,946). Return on operating capital was 6.5% (6.5). Goodwill totaled SEK 5,413 M (5,259) at the end of the fiscal year.

Investments

Investments amounted to SEK 750 M (642), of which SEK 231 M (197) pertains to intangible assets and SEK 519 M (445) to tangible assets. Investments primarily pertained to equipment for rental and IT investments.

Financial position and equity/assets ratio

Shareholders' equity at year-end amounted to SEK 5,914 M (5,427), corresponding to an equity/assets ratio of 41.0% (41.3). The Group's net debt totaled SEK 5,903 M (4,630), corresponding to a net debt/equity ratio of 1.0 (0.9). Net debt increased primarily as a result of the introduction of IFRS 16 Leases. Net debt excluding IFRS 16 amounted to SEK 4,746 M. Interest-bearing net debt/adjusted EBITDA[1] multiple totaled 3.0 (3.5). Excluding IFRS 16 it amounted to 3.4%, which is a more fair presentation since it was not affected by the favorable transition effect to IFRS 16.

Cash flow

Cash flow from operations amounted to SEK 1,252 M (991). The introduction of IFRS 16 had a positive effect of SEK 313 M. Cash conversion was 74.7% (84.0).

Shareholders' equity

For information regarding the trading of shares in Arjo, the number of shares, the classes of shares and the rights associated with these in the company, see the Arjo Share section on pages 54-55.

Group-wide events during the year

Product launches

Arjo carried out two major product launches during the year. Auralis – a mattress system developed for patients with restricted mobility and sensitive skin, who are either at risk of getting or already have pressure injuries – was launched in pressure injury prevention. Arjo also launched a new product in wound care, WoundExpress, a patented and pioneering treatment of venous leg ulcers. WoundExpress was initially introduced in the UK.

MDR audit

Arjo has been audited to evaluate whether the company complies with the EU's new regulation for medical devices (Medical Device Regulation, MDR) and the results were favorable. MDR will enter into force in May 2020 and Arjo is now awaiting certification. MDR stipulates that medical devices must have more comprehensive clinical information and more stringent controls after they are released on the market.

Atlas Lift Tech

Arjo made a significant investment in Silicon Valley-based Atlas Lift Tech. The company offers Lift Coaches and an innovative software platform that helps the healthcare sector to drive programs that provide better and safer patient handling and mobility. The partnership creates a strong platform that offers a unique, full-coverage solution for the US market. The aim is to reduce injury among healthcare professionals, improve quality of care and to increase customers' efficiency.

Acquired and divested operations

Divestment of low-spec medical beds business

In 2018, Arjo signed an agreement to divest Acare, the Group's low-spec medical beds business, to China-based CBL. The divestment was completed at the end of February 2019 and did not result in any material effect on earnings or cash flow.

The divestment is a key part of the Group's action plan to improve profitability in the product category of medical beds. The Group's

[1] Before exceptional items

strength is found outside the value segment and that is also the area where continued focus will help maintain and further strengthen Arjo's leading positions in the market.

Arjo acquired the Chinese company Acare Medical Science Ltd. in 2012. Arjo decided to focus on the premium segment for medical beds, where the company already holds strong market positions and where profitability is significantly better.
The divestment involves a production and sales unit in Zhuhai, China, with about 180 employees and sales of approximately SEK 85 M in 2018.

Acare was recognized in the balance sheet on December 31, 2018 as assets and liabilities held for sale.

Research and development

The foundation of all research and development at Arjo is an in-depth understanding of the customer and customer needs. A customer-focused research and development process helps allocate resources to develop solutions that contribute to enhancing the efficiency of healthcare and solving the challenges Arjo's customers face. Arjo has, with about 60 years of market presence, developed competitive processes in this field. Innovation of new products and the renewal of existing product lines is one source of growth for Arjo and for the market as a whole. Arjo has continuously prioritized product design and ease of user-friendliness in developing new and existing products In 2019, Arjo's research and development costs amounted to SEK 212 M (201), corresponding to 2.4% (2.4) of net sales. Of this amount SEK 139 M (141) was expensed during the year.

Personnel

Arjo has employees from throughout the world and the Group's development depends on them. The Group's corporate culture is based on Arjo's Guiding Principles, which permeate our entire business and aim to promote a customer-centered culture that forms the basis of a sustainable and profit-driving company. Arjo endeavors to be an attractive company in which all employees have equal opportunities, regardless of age, ethnicity, religion or gender. Arjo has established a strategy with clear goals for diversity and specific measures for inclusion. For further information, refer to Arjo's sustainability report. At December 31, 2019, there were 6,141 (6,165) employees, of whom 186 (162) were employed in Sweden. Arjo has employees in a total of 29 countries.

Remuneration to senior executives

The Annual General Meeting held on May 7, 2019 resolved on guidelines for the remuneration to senior executives. Refer to Note 5 for a description of these guidelines and amounts expensed.

Proposed guidelines for remuneration to senior executives – Arjo AB

The Board of Arjo AB (publ) proposes that the 2020 AGM resolve on guidelines for remuneration to senior executives.

1. Scope of the guidelines

These guidelines refer to remuneration and other employment conditions for the individuals who are members of the Arjo Management Team during period that the guidelines apply, referred to jointly below as "senior executives." The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the 2020 AGM. These guidelines do not apply to any remuneration resolved or approved by the general meeting.

2. Promotion of Arjo's business strategy, long-term interests and sustainability, etc.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that Arjo is able to recruit and retain qualified personnel. The basic principle is that remuneration and other employment terms and conditions for senior executives is to be market-based and competitive in every market where Arjo is active so as to attract, motivate and retain skilled and competent employees. Individual remuneration levels are to be based on experience, skills, responsibility and performance and be on market terms in the country in which the executive has their employment.

3. Principles for different types of remuneration

The total remuneration to senior executives is to be on market terms and comprise basic pay (fixed cash remuneration), variable remuneration, pension and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

Fixed remuneration

Fixed remuneration for each executive is determined based on a global position evaluation system and external market salary data. The fixed remuneration, or basic pay, is to be based on the individual executive's area of responsibility, authorities, skills and performance.

Variable remuneration

The allocation between basic pay and variable remuneration should be proportionate to the executive's responsibility and authority. Variable remuneration is limited to a maximum amount and linked to predetermined and measurable criteria, designed with the aim of promoting the company's business strategy and long-term value creation.

The company's sustainability work is integrated into its operating activities. If the company's sustainability directives or ethical guidelines are not followed, the company has the option of not paying any variable remuneration or reclaiming remuneration paid. The annual variable remuneration is structured in such a manner that it supports Arjo's strategy of developing products and solutions over the long term that help improve clinical outcomes, create a more efficient care process, enable a better work environment for care professionals and enhance the quality of life for patients. If the activities above are performed in an efficient and sustainable manner, one consequence will be improved financial results and enhanced capital efficiency, which form the basis of the variable remuneration.

Annual variable remuneration (STIP)

The annual variable remuneration for senior executives (annual bonus) is to be a maximum of 50% – and in exceptional cases as warranted by the nature of the position, competitive situation and country of employment, 80% – of the fixed annual basic pay. Variable remuneration is based on the targets set by the Board. These targets are related to earnings, volume growth, operating capital and cash flow. All members of the Management Team have the same target for annual variable remuneration in order to promote shareholder interests, the company's core values and joint efforts in achieving the company's business strategy, long-term interests and the sustainable development of the company.

No variable remuneration will be paid if profit before tax is negative. The Board shall have the possibility, under applicable law or contractual provisions, to in whole or in part reclaim variable remuneration paid on incorrect grounds.

Variable long-term cash bonus (LTIP)

In addition to basic pay and the annual variable remuneration above, senior executives may receive a variable long-term bonus (LTI bonus) that rewards defined, target-related, measurable performance and is conditional on the executive remaining employed at the end of the LTI bonus earning period (with standard exceptions). The criteria for payment of the LTI bonus are to be designed so that they promote Arjo's business strategy and long-term interests, including its sustainability, by having a clear link to the business strategy. The criteria for the LTI bonus are related to earnings per share, adjusted for any acquisitions, divestments, restructuring costs and/or material non-recurring costs. A community of interests is created by linking the targets to the shareholders' overall objectives, thereby also promoting Arjo's business strategy and long-term interests. The earning period for the LTI bonus must be at least three fiscal years and the LTI bonus shall be a maximum of 100% of one year's basic pay for each three-year period, meaning one

third of an annual salary per year. Senior executives in the Management Team are to reinvest at least 50% of the payment (net after tax) from each LTI program in Arjo shares, until an amount corresponding to one annual salary (gross) has been reinvested in shares in the company using the funds that the senior executive has received in payment under the LTI program issued by the company. The senior executives must retain these shares for at least three years from the date of investment.
Determination of outcome for variable remuneration, etc.
The extent to which the criteria for awarding variable cash remuneration have been satisfied shall be determined by the Board, based on a proposal from the Remuneration Committee when the measurement period has ended. In assessing whether the criteria have been satisfied, the Board, based on a proposal from the Remuneration Committee, has the possibility to grant exemptions from established targets on the grounds stipulated in item 5 below. For financial targets, the evaluation shall be based on the latest financial information made public by the company with any adjustments that the Board decided in advance when implementing the program. Variable cash remuneration may be paid after the measurement period has been completed (annual variable remuneration) or be subject to deferred payment (LTI bonus).

Arjo works actively to ensure that the company is operated as sustainably, responsibly and effectively as possible, and that it complies with applicable legislation and other regulations. Arjo also applies internal rules that include a Code of Conduct and various Group-wide governing document (policies, instructions and guidelines) in a number of areas. No variable remuneration is to be paid, nor any variable remuneration reclaimed, if the senior executive has contravened these rules, principles or the company's Code of Conduct. No variable remuneration will be paid if profit before tax is negative. The Board shall have the possibility, under applicable law or contractual provisions, to in whole or in part reclaim variable remuneration paid on incorrect grounds.

Other types of variable remuneration
Further variable cash remuneration may be awarded under extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis for the purpose of recruiting or retaining executives. Such remuneration may not exceed an amount corresponding to 50% of basic pay and may not be paid more than once each year per individual. Any decision on such remuneration shall be made by the Board based on a proposal from the Remuneration Committee. In addition to the aforementioned variable remuneration, approved share or share-related incentive programs as above may be included.

Pensions
For the CEO, pension benefits shall be premium-defined. The pension premiums for premium-defined pension shall amount to not more than 30% of the fixed basic pay. Variable cash remuneration shall not qualify for pension benefits.

Other senior executives are to be included in either the ITP 1 or ITP 2 plans and pension benefits are to be premium-defined. For other executives, pension benefits shall be premium-defined unless the individual concerned is subject to defined-benefit pension under mandatory collective agreement provisions. If this is the case, the structure of the total remuneration package will take this into account. The pension premiums for premium-defined pension shall amount to not more than 30% for portions exceeding the limit of the applicable ITP plan.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account the overall purpose of these guidelines to the extent possible.

Other benefits
Other benefits, such as company cars, additional health insurance or occupational health services, may be provided to the extent that this is deemed to be on market terms for senior executives in corresponding positions in the labor market in which the executive works. The total value of these benefits shall be on market terms and reasonable in relation to basic pay.

Termination of employment
Senior executives shall be permanent employees. The notice period for the CEO is 12 months if notice of termination of employment is made by the company. For other senior executives, the notice period may not exceed 12 months if notice of termination of employment is made by the company. The period of notice may not exceed six months without any right to severance pay when termination is made by the executive.
A senior executive may receive remuneration for non-compete undertakings after termination of employment, but shall only be paid in so far as severance pay is not paid for the corresponding period of time. The purpose of such remuneration is to compensate the executive for the difference between the monthly basic pay at the time of termination and the (lower) monthly income received, or that would be received, from a new employment contract, assignment or self-employed business. Remuneration shall be paid during the time the non-compete undertaking applies, however for not more than 12 months following termination of employment.

Salary and employment conditions for employees
In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board's basis for decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

4. The decision-making process to determine, review and implement the guidelines
The Board has already established a Remuneration Committee, whose tasks include preparing the Board's decision to propose guidelines for remuneration to senior executives. The Board shall revise these guidelines every year and submit them to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to executive management and the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the executive management do not participate in the Board's handling of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

5. Derogation from the guidelines
The Board may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board's resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

6. Other
These guidelines entail a remuneration level that mostly corresponds to the 2019 fiscal year.

Information on remuneration, etc. to senior executives for the 2019 fiscal year is presented on page 85 (part of Note 5) in the 2019 Annual Report.

Malmö, January 2020.

The Board of Directors of Arjo AB (publ)

Sustainability agenda

Arjo endeavors to build up a sustainable, financially profitable company, while at the same time assuming responsibility for social, ethical and environmental issues. This is regarded as crucial for achieving long-term success.

Arjo's sustainability agenda is primarily driven in four focus areas: environmental impact, quality standards and regulations, employees and society, and ethical business methods. Arjo's sustainability work is reported according to the ESG (Environmental, Social, Governance) model and supports the UN Sustainable Development Goals (SDGs) through global and local initiatives.

Arjo has a governance structure that facilitates clear ownership of each focus area, and a global reporting system to capitalize on the sustainability insights of our customers and cooperative partners. Arjo management pursues a sustainability agenda and the Board receives an annual report to support the development of key initiatives.

Read more about the Group's sustainability efforts on pages 34-53.

Environmental impact

Arjo works systematically to impact the efficiency of its operations to contribute to a reduced environmental footprint, while at the same time generating cost-savings across our entire supply chain. Initiatives to reduce Arjo's environmental impact are partly a result of the national and international regulations that Arjo must comply with and to fulfill the Group's own internal objectives and live up to the Group's policies.

To ensure that production is conducted in accordance with legislation and international rules, the Group has introduced environmental-management systems at its production facilities, which are certified according to the international standard ISO 14001. The implemented management system provides solid conditions for structured and proactive environmental work. The management system also includes regular updates to the environmental impact of the facilities.

To reduce Arjo's climate impact, the Group has mainly focused on minimizing its energy consumption and CO_2 emissions and on improving waste management.

Further information concerning Arjo's environmental work is presented on pages 38-41.

Risk management

Customers and healthcare reimbursement systems

A considerable share of Arjo's revenue is derived from sales of products to public sector entities. A political discussion taking place in many countries concerns whether private healthcare providers should be able to offer publicly funded healthcare services. There is a risk that authorities in countries where Arjo operates will decide to limit or completely discontinue public funding of private healthcare, which could affect the establishment of new hospitals and other healthcare facilities and their purchasing of healthcare products, such as Arjo's emergency and long-term care products.

Sales of the Group's products are also dependent on various reimbursement systems in each of Arjo's markets. In many of Arjo's markets (such as the US), it is often the patient's insurance company that - within the framework of the existing political reimbursement system - funds or subsidizes products for the patient's emergency or long-term care. Some of the success for sales of Arjo's products in these markets is dependent on whether Arjo's products have been approved for reimbursement under the various reimbursement systems.

Since Arjo conducts operations in many different countries and markets, the above-named risks are limited for the Group as a whole.

Research and development

Arjo's future growth is also dependent on the continued expansion of new product segments and new product types in existing product segments, which is dependent on the Group's ability to influence, predict, identify and respond to changing customer preferences and needs. Arjo invests in research and development in order to produce and launch new products, but there is no guarantee that any new products will achieve the same degree of success as in the past. Nor is there any certainty that Arjo will succeed in predicting or identifying trends in customer preferences and needs, or that Arjo will identify them earlier than its competitors. To maximize the return on research and development efforts, the Group has a highly structured selection and planning process to ensure that the Group prioritizes correctly when making decisions about potential projects. This process includes careful analyses of the market, technological progress, choice of production method and selection of subsuppliers. Development activities are conducted in a structured manner and the deliveries of every project undergo a number of fixed control points. Arjo is focused on product launches that will lead to more efficient care, in which more diseases can be treated, which is expected to drive demand from end customers and therefore market growth. Product development that leads to a broader product range is a means for increasing organic growth in the market in which Arjo operates.

Product liability and damage claims

As a medical device supplier, Arjo, like other healthcare industry players, may sometimes be subject to claims related to product liability and other legal issues. Such claims could involve large financial amounts and significant legal expenses. A comprehensive insurance program is in place to cover any property or liability risks (e.g. product liability) to which the Group is exposed.

Protection of intellectual property rights

Arjo invests significant financial amounts in research and development, and is continuously developing new products and technological solutions. To secure revenue from these investments, new products and technologies must be protected from unlawful use by competitors. If possible and appropriate, Arjo protects its intellectual property rights by registering patents, copyrights and trademarks. The Group is also dependent upon know-how and trade secrets that cannot be protected under intellectual property law.

Changes related to general economic and political conditions

Arjo operates in several parts of the world and, like other companies, is affected by general global economic, financial and political conditions. Demand for Arjo's medical devices and solutions is influenced by various factors, including general macroeconomic trends.

Uncertainty about future economic prospects, including political concerns, could adversely affect customers' decisions to buy Arjo's products, which would adversely affect Arjo's operations, financial position and results. Furthermore, changes in the political situation in a region or country, or political decisions affecting an industry or country, could also have a material adverse impact on sales of Arjo's products. Since Arjo operates in a large number of geographical markets, this risk is limited for the Group as a whole.

Authorities and supervisory bodies

The healthcare market is highly regulated in all of the countries in which Arjo operates. Arjo's product range is subject to legislation, including EU Directives, Regulations and implementing acts regarding medical devices, and the US Food and Drug Administration's (FDA) regulations and related quality systems requirements, which also encompass comprehensive evaluation, quality assurance and product documentation.

Arjo devotes considerable efforts and resources to implementing and applying guidelines to ensure regulatory compliance. Annual audits are performed by designated certification bodies to ensure compliance with requirements for CE marking of Arjo's products and assess our compliance with international regulatory requirements including those of the FDA, MDSAP and MDR.

During 2019, Arjo continued efforts to meet the requirements of the European regulation, EU MDR, which goes into effect in May 2020. Arjo has had an organization-wide plan in place since 2017 to reach MDR compliance and has successfully passed an audit conducted at the end of 2019, and is now awaiting certification.

All of the Group's production facilities are also certified according to ISO 13485 (Medical devices - quality management systems) and/or ISO 9001 (Quality management systems) by BSI Netherlands.

Financial risk management

Through its operations, Arjo is exposed to a number of financial risks. Arjo's risk management is regulated by a finance policy established by the Board. Ultimate responsibility for managing the Group's financial risks and developing methods and policies for mitigating these risks lies with Group management and Group Finance. The Group's financial risks comprise currency risk, interest-rate risk and credit and counterparty risk, of which the most important is currency risk.

Currency risks

Currency risks comprise exchange-rate fluctuations, which have an impact on the Group's earnings and shareholders' equity. Currency exposure occurs in connection with payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure). The effect of exchange-rate fluctuations on earnings calculated using volumes and earnings in foreign currencies is presented in Note 26.

Transaction exposure

Payment flows as a result of sales income and cost of goods sold in foreign currencies cause currency exposure that affects Group earnings in the event of exchange-rate fluctuations. The Group's payment flows in foreign currencies consist mainly of the income generated by export sales. The most important currencies are USD, EUR, GBP, CAD, PLN, CNY and AUD. In 2019, the most important currency exposures were hedged based on the forecast currency flows. Hedging took place using currency forward contracts. In the final quarter of the year, Arjo changed its policy and from the end of 2019 hedges only transactions that have occurred and no longer hedges any forecast currency flows. For more information, see Note 26 Financial risk management

Translation exposure – income statement

When translating the results of foreign Group companies into SEK, currency exposure occurs, which affects the Group's earnings when exchange rates fluctuate.

Translation exposure – balance sheet

Currency exposure occurs when translating net assets of foreign Group companies into SEK, which can affect the Group's other comprehensive income.

Sensitivity analysis

Arjo's earnings are affected by a series of external factors. The table below shows how changes to some of the key factors that are important to Arjo could have affected the Group's Profit after financial items in 2019.

[illegible]	[illegible]	[illegible]
Price change	±1%	±89
Cost of goods sold	±1%	±50
Salary costs	±1%	±34
Interest rates	±1 percentage point	±63

The effect of a ±1 percentage point change in interest rates on Arjo's profit after financial items was calculated based on the Group's interest-bearing liabilities, excluding pension liabilities, at year-end 2019. The impact of a ±1 percentage point change in interest rates on equity is about SEK 50 M. Consideration was given to the effect of the various risk-management measures that Arjo applies in accordance with its approved policy.

Taxes

Arjo is a global company with operations in many countries. Through its operations, the Group contributes to society through taxes and fees. The global environment entails the risk of double taxation and tax disputes since the Group's transactions and business dealings involve exposure to the areas of corporate tax, customs duties, social security contributions, income tax and value added tax. Arjo follows national and international tax legislation and pays taxes and fees in accordance with local laws and regulations in the countries where it operates. Arjo follows the OECD guidelines for transfer pricing, which means that gains are allocated and taxed where the amount is generated.

The OECD's guidelines on internal pricing can be interpreted in different ways, which may mean that the tax authorities in different countries may question the results of Arjo's transfer pricing model, despite the fact that the company follows the OCED guidelines. This may entail the risk of tax disputes in the Group when Arjo and the local tax authorities have differing interpretations.

Coronavirus (COVID-19) – after the end of the reporting period

Arjo is closely monitoring developments and is successively making business decisions to ensure production and deliveries to the healthcare sector in this serious situation.

Higher demand for medical beds and therapeutic mattresses has been noted since the spread of the coronavirus. Demand has also risen in rental operations. Slightly lower demand can be expected for the product categories that do not directly address the immediate needs caused by COVID-19.

Arjo has not to date experienced any production disruptions due to the outbreak of the coronavirus. The organization has managed the situation well and is maintaining a close dialogue with subsuppliers to ensure access to key components. Production capacity for medical beds has been increased to handle higher demand.

It is currently too early to estimate any financial consequences that this may have for the Group.

Outlook 2020

Organic sales growth for 2020 is expected to be in the upper part of the 2–4% interval.

Operating expenses are expected to continue to decline slightly as a percentage of sales in 2020.

Corporate governance in Arjo

Arjo AB (publ) is a Swedish public limited liability company listed on Nasdaq Stockholm, Large Cap segment. Arjo's corporate governance is based on Swedish legislation, Arjo's Articles of Association, the Swedish Corporate Governance Code (the "Code"), Nasdaq Stockholm's Rule Book for Issuers, and other applicable rules and recommendations. The 2019 Corporate Governance Report is presented here.

Introduction
Arjo is a global supplier of medical devices and solutions that improve quality of life for people with reduced mobility and age-related health challenges. Arjo creates value by improving clinical outcomes for patients and enabling a better work environment for healthcare professionals. Arjo thereby contributes to a sustainable healthcare system - always with people in mind. Arjo's main customers are public and private institutions providing acute and long-term care.

Confidence in Arjo and its products is entirely decisive for continued sales successes. Corporate governance is aimed at ensuring the continued strong performance of the Group and, consequently, that the Group fulfills its obligations to shareholders, customers, employees, suppliers, creditors and society. The Group's corporate governance and internal regulations are consistently geared toward business objectives and strategies. The Group's risks are well-analyzed and risk management is integrated in the work of the Board and in operational activities. Arjo's organization and governance are designed to be able to react quickly to changes in the market and, accordingly, operational decision-making is decentralized and close to the customer, while overall decisions on strategy and approach are made by Arjo's Board of Directors and Management Team.

External and internal regulations
Arjo's corporate governance, in addition to the requirements of Swedish legislation, is based on the Swedish Corporate Governance Code ("the Code"), which is available at corporategovernanceboard.se. Arjo complies with the Code's regulations and presents an explanation below for any deviation from the Code's regulations in 2019. In addition to the Code, the Group's corporate governance is also based on Nasdaq Stockholm's Rule Book for Issuers, which is available at nasdaqomxnordic.com, and also the Swedish Securities Council's opinions on good practice on the Swedish stock market, which is available at aktiemarknadsnamnden.se. This Corporate Governance Report summarizes the organization of the corporate governance and how it was conducted and developed in the 2019 fiscal year. The internal governing documents relating to Arjo's corporate governance include Arjo AB's Articles of Association, instructions and formal work plan for the Board of Directors, Board committees and CEO, various policies and guidelines as well as Arjo's Code of Conduct and Guiding Principles. The Articles of Association are available on Arjo's website, www.arjo.com.

General Meetings
Shareholders exercise their rights to make decisions concerning Arjo's affairs at the General Meeting (Annual General Meeting and Extraordinary General Meetings), which is Arjo's highest decision-making body. The Annual General Meeting will be held each year before the end of June in Malmö, Sweden. Extraordinary General Meetings can be convened when required. The General Meeting resolves on a number of issues, including the adoption of the income statement and balance sheet, appropriation of Arjo's profit or loss, discharge of Board members and the CEO in relation to the company, the structure of the Nomination Committee, the election of Board members (including the Chairman) and auditors. The General Meeting also resolves on remuneration of Board members and auditors, guidelines for the remuneration of the CEO and other senior executives, and any amendments to the Articles of Association. At the Annual General Meeting, shareholders are entitled to address questions about the company and its results for the year in question.

Notices of Annual General Meetings and Extraordinary General Meetings at which amendments to the Articles of Association are to be addressed shall be served not earlier than six weeks and not later than three weeks prior to the meeting. Notices of other Extraordinary General Meetings shall be served not earlier than six weeks and not later than three weeks prior to the meeting. Notification of the convening of General Meetings is issued through an advertisement being placed in Post- och Inrikes Tidningar and on www.arjo.com. At the time of notice, an announcement that the notice has been issued is to be published in Svenska Dagbladet.

Shareholders who are entered in the shareholders' register maintained by Euroclear five weekdays before the meeting and have notified the company of their desire to participate in the proceedings of the Meeting by the date specified in the notice of the Meeting will be entitled to participate in the General Meeting of shareholders with full voting rights.

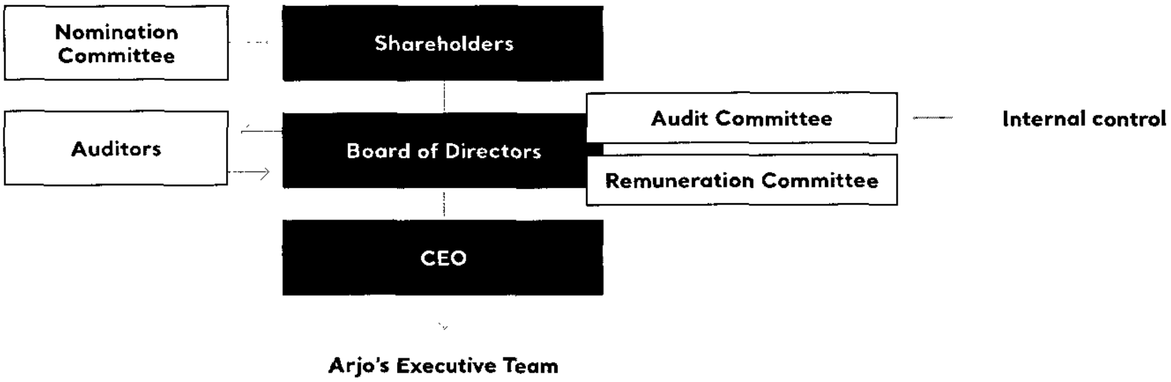
Shareholders
For more information about the shareholders and the share, see pages 54–55 and www.arjo.com.

2019 Annual General Meeting
The AGM was held on May 7, 2019. The AGM resolved to adopt the income statement and balance sheet presented and to approve the Board's proposed appropriation of profits.

2020 Annual General Meeting
The 2020 Annual General Meeting will be held on Monday, June 29, 2020 at 11:00 a.m. in Malmö, Sweden. For further information, see Arjo's website, www.arjo.com.

Nomination Committee
The 2018 AGM resolved on an instruction for Arjo's Nomination Committee that is to apply until further notice. The Nomination Committee ahead of Annual General Meetings is to comprise representatives of the three largest shareholders in terms of the number of votes registered in the shareholders' register maintained by Euroclear as per August 31 in the year prior to the year in which the Annual General Meeting is to be held, a representative for minor shareholders and the Chairman of the Board who is also to convene the first meeting of the Nomination Committee. The Committee member representing the largest shareholder in terms of the number of votes is to be appointed Chairman of the Nomination Committee. The Nomination Committee is to present proposals on the Chairman of General Meetings, the Board of Directors, the Chairman of the Board, auditors, Board fees as specified between the Chairman and other Board members, remuneration for Committee work and fees to the company's auditors.

Arjo's corporate governance



Nomination Committee ahead of 2020 Annual General Meeting
Ahead of the 2020 Annual General Meeting, Arjo's Nomination Committee comprised Carl Bennet (Carl Bennet AB), Per Colleen (Fourth Swedish National Pension Fund), Marianne Nilsson (Swedbank Robur), as well as Board Chairman Johan Malmquist. The Nomination Committee Chairman is Carl Bennet. The composition of the Nomination Committee deviates from the proposed composition as the appointed representative of the minor shareholders, Maria de Geer, chose to leave the Nomination Committee at her own request in 2019.

From its statutory meeting until the submission of the Annual Report, the Nomination Committee held two meetings. As a basis for its proposal to the 2020 AGM, the Nomination Committee made an assessment as to whether the current Board of Directors is suitably composed and meets the demands that are placed on the Board in view of the company's operations, position and other conditions including relevant sustainability aspects. The Nomination Committee has interviewed the company's Board members and discussed the principal demands that should be made of Board members, including the requirement for independent members, and considered the number of Board assignments each member has for other companies, as well as highlighting the issue of a more even gender distribution.

The Nomination Committee has announced that it applied rule 4.1 of the Code as diversity policy in preparing proposals of Board members ahead of the 2020 AGM. The aim of the policy is that the Board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances and to exhibit diversity and breadth of qualifications, experience and background, and strive for an equal gender distribution.

Board of Directors

Composition and Board members' independence
According to the Articles of Association, Arjo's Board of Directors is to comprise not fewer than three (3) and not more than ten (10) members elected by the Annual General Meeting for the period up until the end of the next Annual General Meeting. The Board members are elected annually at the AGM to serve for the period up to and including the next AGM. Employees have the right to appoint two representatives and two deputy members to the Board. At the AGM held on May 7, 2019, Carl Bennet, Eva Elmstedt, Dan Frohm, Ulf Grunander, Carola Lemne, Joacim Lindoff and Johan Malmquist were elected Board members. Arjo's CEO, Joacim Lindoff, is a member of the Board and Arjo's Head of Legal serves as secretary to the Board. Other executives of Arjo participate in Board meetings as rapporteurs for special issues.

According to the Code, a majority of the Board members elected by the Meeting are to be independent in relation to Arjo and the Management Team. In addition, in accordance with the Code, at least two of the Board members who are independent in relation to Arjo and

Board of Directors and Committees in 2019

			Committees		Attendance at meetings		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Johan Malmquist, Chairman of the Board	2017	No[1]		Chairman	10/10		3/3
Carl Bennet	2017	No[2]		Member	10/10		3/3
Carola Lemne	2017	Yes	Member		10/10	5/5	
Ulf Grunander	2017	No[1]	Chairman		10/10	5/5	
Eva Elmstedt	2017	Yes	Member		9/10	5/5	
Joacim Lindoff	2017	No[1]			10/10		
Dan Frohm	2019	No[2]	Member		8/8[3]	3/3[3]	
Board members appointed by employees							
Sten Börjesson	2017	-			9/10		
Ingrid Hultgren	2017	-			10/10		
Kajsa Haraldsson (Deputy)	2017	-			10/10		
Eva Sandling Gralén (Deputy)	2018	-			9/10		

1) Not independent in relation to the company and executive management 2) Not independent in relation to the company's major shareholders
3) Elected to the Board of Directors during the Annual General Meeting on May 7th, 2019

Work of the Board of Directors in 2019

February
- Year-End Report
- Auditor's Report
- Review of Quality & Regulatory Compliance
- Report from Audit Committee
- Report from Remuneration Committee

May
- Interim Report Q1
- Report from Audit Committee

July
- Interim Report Q2
- Report from Audit Committee

September
- Review of the budget and updated strategy (2021 onwards)

October
- Approval of updated strategy (2021 onwards)
- Interim Report Q3
- Report from Audit Committee
- Auditor's Report

December
- Review of sustainability efforts
- Adoption of 2020 budget
- Succession planning and Talent Management
- Report from Remuneration Committee
- Board evaluation

Aside from the annual Board meeting, the Audit Committee held five meetings in 2019 and the Remuneration Committee held three.

the Management Team, must also be independent in relation to the company's major shareholders. The composition of Arjo's Board meets the requirements of independence stipulated in the Code. The Board members' individual shareholdings, their independence in relation to the company, executive management and major shareholders as well as their other assignments in other companies are presented in the table below and in the presentation of Board members on pages 66–67.

Board Chairman's responsibility
The Chairman of the Board follows Arjo's operations through continuous contact with the CEO. The Chairman organizes and heads the Board's work, and is responsible for ensuring that the other Board members receive satisfactory information and documentation for decision-making. The Chairman is also responsible for ensuring that new Board members continuously update and deepen their knowledge of Arjo and otherwise receive the continuous training required to enable Board work to be conducted efficiently. It is also the Chairman who is responsible for contacts with shareholders regarding ownership issues and for ensuring that the Board evaluates its work annually.

Board of Directors' responsibility and work
The work of the Board of Directors is governed mainly by the Swedish Companies Act, the Code and the Board's formal work plan. The Board's formal work plan also states that the Board's overall assignment is to assume responsibility for the Group's organization and management of its business, adoption of the Group's overall goals, development and follow-up of the overall strategies, decisions about major acquisitions, divestments and investments, decisions regarding potential placements and loans in accordance with the finance policy, continuous follow-up of the operations, adoption of the quarterly reports and year-end reports, and the continuous evaluation of the CEO and other members of the Management Team.

The Board is also responsible for ensuring the quality of the financial reporting, including systems for monitoring the internal control of Arjo's financial reporting and position (see "Internal control" below). In addition, the Board shall ensure that Arjo's external information disclosure is characterized by openness and is correct, relevant and clear. The Board is also responsible for adopting the required guidelines and other policy documents, such as the communications policy and the insider policy. Recurring items on the agenda of the Board's meetings include the following: business situation, project status, market issues, risk management, adoption of the interim report, strategic review, future outlook and economic and financial reporting. The Board held its statutory meeting on May 7, 2019 and convened ten times in 2019, with an average attendance rate of 99% of the elected members. At its scheduled meetings, the Board addressed fixed agenda items in accordance with the Board's formal work plan and other ongoing accounting and legal business matters.

Board committees
From among its own numbers, the Board established two committees, the Audit Committee and the Remuneration Committee, both of which work within the instructions established by the Board.

Audit Committee

The Audit Committee is to monitor the processes in Arjo's financial reporting and ensure and monitor the efficiency of the company's internal control by reporting from the Group function Internal Control. Part of the work is to remain informed about the external audit of the annual report and consolidated financial statements, review and monitor the impartiality and independence of the auditors and, in particular, whether the auditors have provided the company with services other than auditing services. The Audit Committee meets regularly with the auditor to discuss the coordination of internal control and external auditing.

Additionally, the Audit Committee is to assist the Nomination Committee in proposals for the AGM resolution on the election of auditors by, for example, ensuring that the auditor's mandate period does not exceed the time permitted by applicable laws, managing the procurement of auditing services (if appropriate) and submitting a recommendation of a proposal to the Nomination Committee. The Committee shall also inform the Board of the result of the audit, including how the audit has verified the company's financial statements, and otherwise conduct the work required to meet all of the requirements contained in the EU Audit Regulation. In addition, the Audit Committee will resolve on guidelines for the procurement of services other than audit services from the company's auditor and, if appropriate, approval of such services. Finally, the Audit Committee will evaluate the work of the auditor and inform the Nomination Committee of the result of this evaluation.

In 2019, Arjo's Audit Committee comprised Board members Ulf Grunander (Chairman), Eva Elmstedt, Carola Lemne and Dan Frohm. The Committee meets the requirements of the Swedish Companies Act regarding auditing and audit competence.

In 2019, the Committee held five minuted meetings, including informal contact when necessary. The attendance of members at the Committee meetings are presented in the table on page 62.

The company's auditors participated in all meetings convened by the Audit Committee. Jointly with the auditors, the Committee discussed and established the scope of the audit.

Remuneration Committee
The Remuneration Committee's main tasks of the Committee are to prepare the Board's decisions in matters involving remuneration principles, remuneration and other employment terms and conditions for the CEO and other senior executives, and to monitor and evaluate programs involving variable remuneration of the Management Team that are ongoing and were concluded during the year. The Committee will also monitor and evaluate the application of remuneration guidelines for senior executives that the Annual General Meeting resolved upon, as well as the applicable remuneration structures and remuneration levels within the company.

The Remuneration Committee comprises Johan Malmquist (Chairman) and Carl Bennet. The Committee held three minuted meetings in 2019, including informal contact when necessary. The attendance of members at the Committee meetings are presented in the table above.

Remuneration of Board of Directors
The General Meeting on May 7, 2019, resolved that fees, excluding committee fees, would be paid in an amount of SEK 1,380,000 to the Chairman of the Board and SEK 590,000 to each of the other Board members elected by the AGM who is not employed by Arjo.

For work on the Audit Committee, remuneration is paid in an amount of SEK 246,000 to the Chairman and SEK 123,000 to each of the other members.

For work on the Remuneration Committee, remuneration is paid in an amount of SEK 128,000 to the Chairman and SEK 94,000 to each of the other members.

None of the Board members has signed agreements with Arjo or any of its subsidiaries concerning benefits upon termination of their assignment. For complete information regarding remuneration of senior executives, refer to Note 5.

CEO and Management Team
The CEO is responsible for the continuous management and development of Arjo in accordance with applicable legislation and regulations, including Nasdaq Stockholm's Rule Book for Issuers, the Code and the guidelines, instructions and strategies established by the Board of Directors. The CEO is to ensure that the Board of Directors receives objective and relevant information as required for the Board to be able to make well-founded decisions. In addition, the CEO oversees that Arjo's goals, policies and strategic plans as established by the Board are followed and is responsible for informing the Board of Arjo's performance between Board meetings.

The CEO heads the work of the Management Team, which is responsible for overall business development. In addition to the CEO, the Management Team comprised the CFO, EVP Human Resources & CSR, EVP Quality & Regulatory Compliance, EVP Chief Strategy Officer, EVP Product Development and Supply Chain & Operations, EVP Marketing Communication & Public Relations, President Global Sales and President Sales & Service North America at year-end 2019. In January 2020, the Management Team expanded with the addition of EVP Legal & Business Compliance and now consists of ten persons. These persons are presented on pages 68–69.

For information regarding remuneration, any share-related incentive programs and terms of employment for the CEO and other senior executives, see Note 5 starting on page 85.

External auditing
Arjo's Annual General Meeting elects external auditors for one year at a time. The auditors review the Annual Report and accounts, as well as the administration by the Board of Directors and the CEO, according to an audit plan adopted in consultation with the Board's Audit Committee. In conjunction with the audit, the auditors report their observations to the Management Team for consideration and then to the Board of Directors through the Audit Committee. The Board meets the auditors at least once a year, when they report their observations directly to the Board without the presence of Arjo's CEO or CFO. The auditors also take part in the Annual General Meeting, where they summarize their audit work and provide their recommendation for the Auditor's Report. Öhrlings PricewaterhouseCoopers AB has been Arjo's firm of auditors since the company was formed, with Authorized Public Accountant Magnus Willfors as Auditor in Charge since August 16, 2017. Magnus Willfors is also a member of FAR, the institute for the accountancy profession in Sweden.

Internal control
Introduction
The Board's responsibility for internal control is defined in the Swedish Companies Act, the Annual Accounts Act, which contains information regarding the most important aspects of Arjo's system for internal control and risk management in connection with financial reporting that must be included in the company's Corporate Governance Report each year, and the Code. For example, the Board of Directors is to ensure that Arjo has effective internal control and formalized procedures to ensure compliance with established principles for financial reporting and internal control. Arjo's Audit Committee has declared that the current Internal Control function is sufficient from a corporate governance perspective, and that the Group does not require a separate function for internal audit. Arjo's internal control procedures are based on the internal control framework issued by COSO (Committee of Sponsoring Organizations of the Treadway Commission), which is based on 17 fundamental principles connected to five components.

Fees for Board and Committee work 2019 (SEK)

Johan Malmquist	1,380,000	128,000	1,508,000
Carl Bennet	590,000	94,000	684,000
Eva Elmstedt	590,000	123,000	713,000
Ulf Grunander	590,000	246,000	836,000
Carola Lemne	590,000	123,000	713,000
Dan Frohm	590,000	123,000	713,000

The internal control procedures are based on a control environment that creates discipline and structure for the other components: risk assessment, control activities, information and communication, and follow-up, evaluation and reporting. In 2019, the Internal Control Group function was strengthened with the recruitment of a new employee to work on a broad front to examine processes and continue developments in risk assessment, control activities, information and communication as well as follow-up evaluation and reporting.

The procedures for internal control, risk assessment, control activities and follow-up regarding the financial statements have been designed to ensure reliable overall financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations as well as other requirements, which are to be applied by companies listed on Nasdaq Stockholm. This work involves the Board of Directors, the Arjo Management Team and other personnel.

Control environment
The Board has adopted instructions and governing documents aimed at regulating the roles and allocation of responsibility between the CEO and the Board. The way in which the Board monitors and ensures the quality of the internal control is documented in the Board's formal work plan, Arjo's finance manual and the corporate governance policy, in which the Board has established a number of basic principles that are important for internal control work. The internal control work is also presented in other governing documents, such as Arjo's Code of Conduct, directive for risk management and internal control, and other policies established by the Board and directives established by the Management Team. These include checks and follow-ups of outcome compared with expectations and previous years, and supervision of accounting policies, for example, as applied by Arjo. The responsibility for maintaining an effective control environment and the continuous work on risk assessment and internal control regarding the financial reporting is delegated to the CEO. However, the Board of Directors has ultimate responsibility. Managers at various levels within Arjo have, in turn, the corresponding responsibility in their respective areas of responsibility. The Management Team regularly reports to the Board and the Audit Committee following established procedures. Responsibilities, powers, instructions, guidelines, manuals and policy documents and directives, alongside laws and regulations, comprise the control environment for financial reporting.

Risk assessment
Arjo conducts continuous risk assessment to identify risks relating to financial reporting. These risks include errors in the financial statements (for example, regarding accounting and valuation of assets, liabilities, revenue and costs, and other deviations), as well as irregularities and fraud. Risk management is built into every process and various methods are used to assess, uncover and prevent risks and to ensure that the risks to which Arjo is exposed are managed in accordance with established policies, directives and instructions.

Control procedures
The structure of control activities is of particular importance in Arjo's work to prevent and uncover risks and weaknesses in the financial reporting. The control structure comprises clear roles in the organization that enable effective distribution of responsibility for specific control activities, including authorization controls in the IT system and attestation controls. The continuous analysis made of the financial reporting is very important for ensuring that the financial statements do not contain any material errors.

Information and communication
Arjo has information and communication procedures to promote completeness and accuracy in the financial reporting. Policies, guidelines and internal instructions regarding financial reporting are available in electronic and printed form. Regular updates regarding amendments to accounting policies, reporting requirements or other disclosures are made available to and known by the relevant employees. Guidelines are in place with respect to external disclosure of information and these were drafted with the aim of ensuring that Arjo complies with the requirements for disseminating correct information to the market.

Follow-up activities, evaluation and reporting
The Board of Directors assesses the information provided by the Management Team on a continuous basis. Between Board meetings, the Board regularly receives updated information regarding Arjo's performance. The Group's financial position, strategies and investments are discussed at every Board meeting. The Board is also responsible for monitoring the internal control. This work includes ensuring that measures are taken to address any weaknesses, as well as following up proposals to address issues highlighted in connection with the external audit. Each year, the company carries out a self-assessment of risk management and internal control activities. The external auditors also report regularly to the Board of Directors.

Outcome 2019
The internal control environment was followed up and evaluated in 2019 by carrying out a self-assessment and, for selected companies and processes, was also supplemented with audits performed by the Internal Control function. The evaluation concluded that the Group has a satisfactory control environment for covering material risks related to financial reporting.

Continuing work
Over the next year, the continuing work related to internal control at Arjo will principally focus on risk assessment, control activities and follow-up/monitoring. The Internal Control function ensures that the self-assessment and audit of the control environment related to financial reporting are carried out and followed up with audits of selected units and processes. Outcomes and any deviations in the control environment are followed up and reported to the CFO and Audit Committee. Regarding the control environment that is not related to the financial reporting, the Internal Control function works together with the company's compliance functions such as Quality and Regulatory Compliance and Legal and Business Compliance.

Board of Directors

Born 1961.

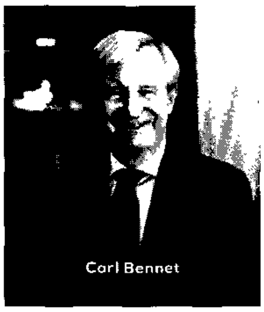
Chairman of the Board and Board member since 2017. Chairman of the Remuneration Committee.

Education and professional experience: B.Sc. in Economics, Stockholm School of Economics. Previous experience as CEO and President of Getinge Group 1997–2015, Business Area Director within Getinge Group, President of Getinge Group's French subsidiary and President of subsidiaries within the Electrolux Group.

Other ongoing assignments/positions: Chairman of Getinge AB (publ), and Board member of Trelleborg AB (publ), Elekta AB (publ), Dunkerintressena, Mölnlycke AB, Stena Adactum AB and Chalmers University of Technology Foundation.

Previous assignments/positions (past five years): President & CEO of Getinge Group 1997–2015. Board member of Svenska Cellulosa Aktiebolaget SCA (publ), Essity Aktiebolag (publ), Capio AB and Chairman of Aktiebolaget Tingstad Papper.

Shareholding (own and related parties): 100,000 series B shares and 2,380,952 synthetic share options.



Born 1951.

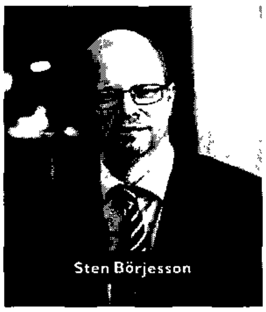
Vice Chairman of the Board since 2018 and Board member since 2017. Member of the Remuneration Committee.

Education and professional experience: B.Sc. in Economics, University of Gothenburg, Ph.D. h.c. (Med.), Sahlgrenska University Hospital, University of Gothenburg and Dr. Tech. h.c., Luleå University of Technology. Earlier experience as President & CEO of Getinge 1989–1997.

Other ongoing assignments/positions: CEO and Chairman of Carl Bennet AB, Chairman of Lifco AB (publ) and Elanders AB (publ), Vice Chairman of Getinge AB (publ) and Board member of Holmen Aktiebolag (publ) and L E Lundbergföretagen Aktiebolag (publ).

Previous assignments/positions (past five years): Chairman of the Board of University of Gothenburg.

Shareholding (own and related parties): 18,217,200 series A shares and 49,902,430 series B shares via Carl Bennet AB.



Born 1967.

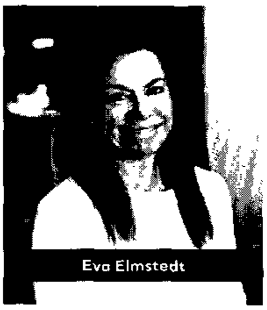
Employee representative, member since 2017.

Education and professional experience: Upper-secondary education in economics and technology. Employed in Arjo's subsidiary, ArjoHuntleigh AB.

Other ongoing assignments/positions: Owner of Höörs Antenn and Elektronikservice.

Previous assignments/positions (past five years): Member of the Board (employee representative) of Getinge AB 2007–2015.

Shareholding (own and related parties): –



Born 1960.

Board member since 2017. Member of the Audit Committee.

Education and professional experience: Bachelor degree in Economics and Computer Science, Indiana University of Pennsylvania, USA. Previous experience as EVP Global Services and member of the management team of Nokia Networks and Nokia Siemens Networks, as well as senior positions at Ericsson, the operator 3, and Semcon.

Other ongoing assignments/positions: Chairman of the Board of Proact IT Group AB and Board member of Addtech AB, Gunnebo AB, Semcon AB and Smart Eye AB.

Previous assignments/positions (past five years): EVP Global Services and member of the management team of Nokia Networks and Nokia Siemens Networks.

Shareholding (own and related parties): 20,000 series B shares and 476,190 synthetic share options.

Born 1981.

Board member since 2019. Member of the Audit Committee.

Education and professional experience: MSc in Industrial Engineering and Management, Linköping University. CEO of DF Advisory LLC.

Other ongoing assignments/positions: Board member of Getinge AB (publ), Carl Bennet AB, Elanders AB (publ) and the Swedish-American Chamber of Commerce, Inc.

Previous assignments/positions (past five years): Management consultant at Applied Value LLC in New York.

Shareholding (own and related parties): 214,989 series B shares.

Born 1964.

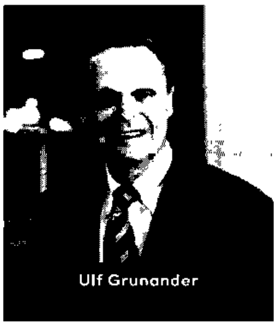
Employee representative (deputy Board member) since 2018.

Education and professional experience: Textile Engineering – Textile Technology, University of Borås. Bachelor of Environmental Science at Malmö University. Employed in Arjo's subsidiary, ArjoHuntleigh AB.

Other ongoing assignments/positions: –

Previous assignments/positions (past five years): –

Shareholding (own and related parties): –



Born 1954.

Board member since 2017. Chairman of the Audit Committee.

Education and professional experience: B.Sc. in Economics, Stockholm University. Previous experience as an authorized public accountant and CFO of Getinge Group 1993–2016.

Other ongoing assignments/positions: Chairman of Nyströms Gastronomi & Catering AB and Djurgården Merchandise Handelsbolag, as well as Board member of AMF Pensionsförsäkring AB, Lifco AB (publ) and Djurgården Hockey AB.

Previous assignments/positions (past five years): Board member of a number of companies in Getinge Group, as well as CFO of Getinge Group 1993–2016.

Shareholding (own and related parties): 83,622 series B shares and 476,190 synthetic share options.

Born 1982.

Employee representative (deputy Board member) since 2017.

Education and professional experience: M.Sc. in Industrial Design Engineering, Chalmers University of Technology. Employed in Arjo's subsidiary, ArjoHuntleigh AB.

Other ongoing assignments/positions: -

Previous assignments/positions (past five years): -

Shareholding (own and related parties): -

Born 1958.

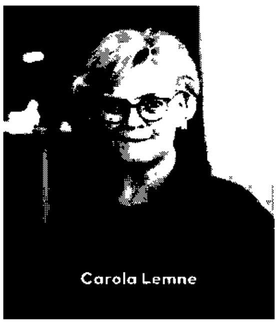
Employee representative, member since 2017.

Education and professional experience: Degree in microbiology, Uppsala University. Certified Senior Projekt Manager (IPMA). Previous experience in Pharmacia Diagnostics AB and Hemocue AB. Employed in Arjo's subsidiary, ArjoHuntleigh AB.

Other ongoing assignments/positions: Secretary in Arjo's European Works Council (EWC) and general partner in Hultgreen Hedge kommanditbolag.

Previous assignments/positions (past five years): -

Shareholding (own and related parties): 4,000 series B shares.



Born 1958.

Board member since 2017. Member of the Audit Committee.

Education and professional experience: Licensed physician, M.D. and associate professor, Karolinska Institute. Previous experience as Medical Director of Pharmacia Sweden, Clinical Research Manager of Pharmacia Corp., CEO of Danderyd Hospital, President of Praktikertjänst AB and GD of the Confederation of Swedish Enterprise.

Other ongoing assignments/positions: Chairman of Ung Företagsamhet, ArtClinic AB and Internationella Engelska Skolan AB. Deputy Chairman of the Board of IRLAB Therapeutics AB, Board member of King Gustav V Jubilee Fund. CEO of Calgo Enterprise AB.

Previous assignments/positions (past five years): Board member of the Confederation of Swedish Enterprise, AFA Försäkringar, the Research Institute of Industrial Economics, ICC, Praktikertjänst Aktiebolag, Getinge AB (publ), Investor (publ), Research! Sweden and the Swedish Corporate Governance Board. Chairman of Uppsala University and Vice Chairman of Alecta AB.

Holding (own and related parties): 3,000 series B shares and 238,095 synthetic share options.

Born 1973.

President & CEO since 2017.

Education and professional experience: B.Sc. in Economics, Lund University. Previous experience as acting President and CEO of Getinge Group between August 2016 and March 2017, Executive Vice President of Getinge's former Infection Control business area, and Executive Vice President for the Surgical Workflows business area.

Other ongoing assignments/positions: -

Previous assignments/positions (past five years): Acting President and CEO of Getinge Group between August 2016 and March 2017.

Holding (own and related parties): 16,588 series B shares and 1,190,476 synthetic share options.

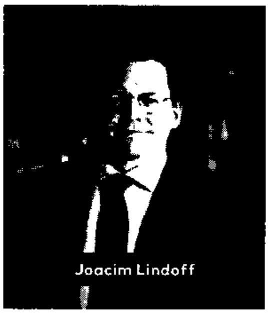
Auditors

Öhrlings PricewaterhouseCoopers

Magnus Willfors, Authorized Public Accountant, Auditor in Charge

Cecilia Andrén Dorselius, Authorized Public Accountant

Arjo Management Team

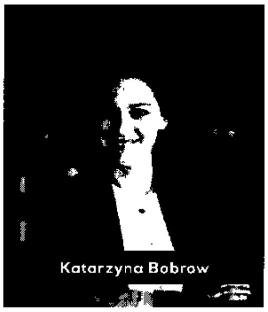


Born 1973.

President & CEO.

Education and professional experience: B.Sc. in Economics, Lund University. Previous experience from several positions within Getinge Group, including Acting CEO, Executive Vice President of Getinge's former Infection Control business area, and Executive Vice President for the Surgical Workflows business area, as well as assignments in senior positions in NIBE's Heating business area. Also served as the Chairman of the Board of the Swedish Medtech industry organization.

Shareholding (own and related parties): 16,588 series B shares and 1,190,476 synthetic share options.

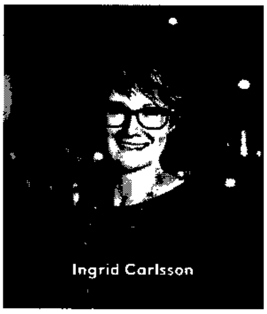


Born 1980.

EVP Quality & Regulatory Compliance

Education and professional experience: M.Sc. in Banking and finance, specialized in finance and monetary policy, Poznan University of Economics and Business and further studies in Quality Management, Poznan University of Technology. Previous experience of various positions in Getinge Group, including Senior Director QA Supply Chain and Operations. Also experience as Quality Specialist for Molex Polska.

Shareholding (own and related parties): 261,904 synthetic share options.

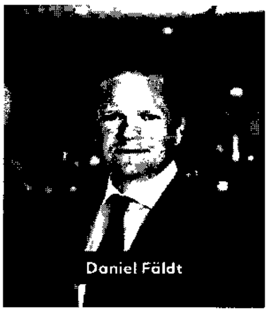


Born 1976.

EVP Group Legal & Business Compliance since 2020 and Board secretary.

Education and professional experience: Candidate of Law, Lund University, further studies in Intellectual Property Law at Malmö University. Previous experience of various positions in Alfa Laval including Legal Counsel, Head of Legal Business Division Food & Water, Senior Associate at Mannheimer Swartling law firm, and member of the Swedish Bar Association 2009-2014.

Shareholding (own and related parties): -



Born 1976.

CFO.

Education and professional experience: B.Sc. in Business Administration, Bryant University. Industrial Management at KTH Executive School. Previous experience as CFO of BE Group AB (Publ) 2017-2020, Finance Director Region Americas and Region South Europe / MEA at Bombardier Transportation (2013-2017), Finance Director Propulsion & Controls, Bombardier Transportation AB (2009- 2013), Finance Director Gunnebo Entrance Control UK (2007-2009), and various positions within the Gunnebo Group (2002- 2007).

Shareholding (own and related parties): 10,000 series B shares

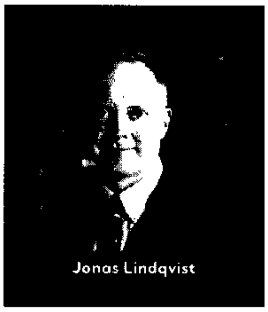
Daniel Fäldt assumed the role of CFO in March 2020.

Born 1957.

EVP Human Resources & CSR.

Education and professional experience: Bachelor's degree in social science, four-year education in Gestalt Therapy - Organization and group level and degree in economy, Lund University. Previous experience as HR Director of Wasa Group, VP HR of Trelleborg AB (publ), HR Director of IKEA Supply Chain Greater China Supply and other HR positions in IKEA Group, as well as various HR positions in Getinge Group, including Acting EVP HR & Sustainability.

Shareholding (own and related parties): 714,285 synthetic share options.



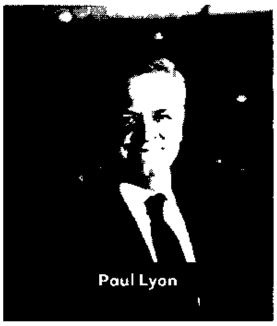
Born 1962.

CFO.

Education and professional experience: M.Sc. in Economics, Lund University, EMBA, Stockholm School of Economics, and Advanced Management Program, Harvard Business School. Previous experience as CFO and member of the management team of several companies, including CFO and EVP of G&L Beijer AB, CFO and VP of Polyclad Europe/ Cookson Electronics and companies in Nolato Group, BMH Marine AB and LR Holding AB.

Shareholding (own and related parties): 476,190 synthetic share options.

Jonas Lindqvist was CFO until March 2020 and was replaced by Daniel Fäldt.



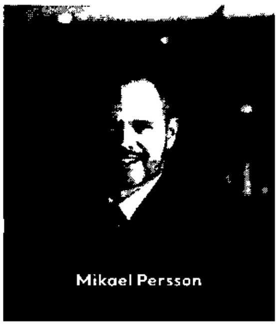
Paul Lyon

Born 1962.

President Global Sales.

Education and professional experience: Bachelor's degree in engineering, Western Australian Institute of Technology. Global Executive Management Programs – Harvard Business School, Chalmers University of Technology and Indian Institute of Bangalore. Previously held leading positions in several large industrial and health care groups, including Huntleigh Healthcare plc UK, YTL Corporation JV Malaysia and Joyce Healthcare Group Australia. Also experience as Managing Director and President of different business areas within Getinge Group, including Getinge Group President APAC and Acting President & CEO of ArjoHuntleigh.

Shareholding (own and related parties): 476,190 synthetic share options.



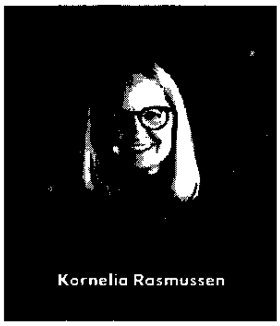
Mikael Persson

Born 1967.

EVP Product Development and Supply Chain & Operations.

Education and professional experience: M.Sc. in Mechanical Engineering, Lund University. Previous experience of various positions in Alfa Laval, inter alia, VP Operations – Operations Development Manager, Supply Chain Director of Cardo Flow Solutions and Flügger A/S, VP Supply Chain of ArjoHuntleigh AB and COO Manufacturing Capital Equipment in Getinge Group.

Shareholding (own and related parties): 57,363 series B shares and 714,285 synthetic share options.



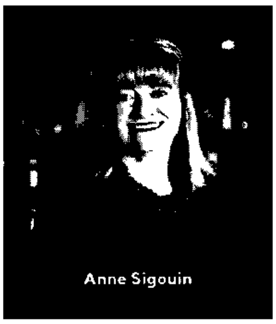
Kornelia Rasmussen

Born 1977.

EVP Marketing Communication & Public Relations.

Education and professional experience: IHM Business School and Communication, School of Education and Communication, Jönköping. Previous experience from various positions in Volvo Car Corporation, including as Director Corporate Communications and acting Senior Vice President – Public Affairs, and most recently as Executive Vice President Communications & Brand Management in Getinge Group.

Shareholding (own and related parties): 4,500 series B shares and 714,285 synthetic share options.



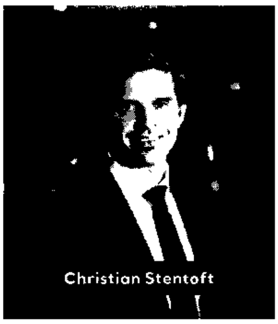
Anne Sigouin

Born 1969.

President Sales & Service North America.

Education and professional experience: Bachelor of Arts degree from Concordia University, Montreal, Quebec, Executive Education Leadership Consortium, Smith College, Northampton, MA, as well as numerous executive management programs. Previously held positions with increased scope and responsibilities in sales and marketing in Canada and in the US for Johnson & Johnson Medical Devices Companies and has also been Managing Director of ArjoHuntleigh AB in Canada and President of Getinge Group in Canada.

Shareholding (own and related parties): 309,523 synthetic share options.



Christian Stentoft

Born 1984.

EVP Chief Strategy Officer.

Education and professional experience: M.Sc. in Design and Innovation, Technical University of Denmark. Previously held various positions within Getinge Group, including VP Commercial Excellence & Head of PMO Asia Pacific and Extended Care Division – Director Business Strategy & Insights. Also experience as Engagement manager of Oleto Associates and as management consultant at Catalyst Consulting.

Shareholding (own and related parties): 714,285 synthetic share options.

Proposed appropriation of profit

Arjo AB (publ), Corp. Reg. No. 559092-8064

The following profits in the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings	4,514,263,703
Net profit for the year	179,644,011
Total	**4,693,907,714**

The Board and Chief Executive Officer propose that a dividend of SEK 0.65 per share shall be distributed to

shareholders	177,040,222
to be carried forward	4,516,867,492
Total	**4,693,907,714**

The Board of Directors deems the proposed dividend to be justified in relation to requirements that the Group's nature of business, scope and risks impose on consolidated shareholders' equity and the Group's consolidation requirements, liquidity and financial position.

The Board of Directors and CEO affirm that the consolidated financial statements have been prepared in accordance with international financial reporting standards IFRS, which have been adopted by the EU, and provide a fair and accurate account of the Group's financial position and profit. This Annual Report was prepared in accordance with generally accepted accounting policies and provides a fair and accurate account of the Parent Company's financial position and profit.

The Directors' Report for the Group and Parent Company provides a fair review of the performance of the Parent Company and the Group's operations, financial position and earnings and describes the material risks and uncertainties faced by the Parent Company and companies belonging to the Group.

Malmö, April 3, 2020

Johan Malmquist
Chairman of the Board

Carl Bennet
Vice Chairman of the Board

Sten Börjesson

Eva Elmstedt

Dan Frohm

Ulf Grunander

Ingrid Hultgren

Carola Lemne

Joacim Lindoff
President & CEO

Our auditor's report was submitted on April 3, 2020
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Auditor in Charge

Cecilia Andrén Dorselius
Authorized Public Accountant

Consolidated financial statements

Consolidated income statement

[illegible]	[illegible]	[illegible]	[illegible]
Net sales	2, 3	8,925	8,217
Cost of goods sold	4	-5,039	-4,555
Gross profit		**3,886**	**3,662**
Selling expenses	4	-1,797	-1,657
Administrative expenses	4	-1,223	-1,219
Research and development costs	4, 28	-139	-141
Acquisition expenses[1]	4	–	-3
Restructuring and integration costs[1]	4	-53	-113
Adjustment of pension liability[1]	4	–	-40
Other operating income		8	11
Other operating expenses		-10	-7
Operating profit (EBIT)	3, 4, 5, 6, 7, 13	**671**	**493**
Interest income and other similar items	8	8	11
Interest expenses and other similar expenses	9	-137	-109
Profit after financial items		**542**	**395**
Taxes	10	-139	-99
Net profit for the year		**403**	**296**
Attributable to:			
Parent Company shareholders		403	296
Earnings per share, SEK[2]	11	1.48	1.09
– weighted average number of shares for calculation of earnings per share (thousand)	11	272,370	272,370

[1] Included in exceptional items. [2] Before and after dilution.

Consolidated statement of comprehensive income

SEK M	Note	2019	2018
Net profit for the year		**403**	**296**
Other comprehensive income			
Items that cannot be restated in profit			
Actuarial gains/losses pertaining to defined-benefit pension plans		-167	108
Tax attributable to items that cannot be restated in profit		28	-18
Items that can later be restated in profit			
Translation differences[1]	17	394	281
Hedges of net investments	17	-38	-126
Cash-flow hedges	17, 26	51	-52
Tax attributable to items that can be restated in profit[1]		-34	22
Other comprehensive income for the period, net after tax		**233**	**215**
Total comprehensive income for the year		**637**	**511**
Comprehensive income attributable to:			
Parent Company shareholders		637	511

[1] Tax effects regarding expanded net investments were recognized under translation differences in previous reports. In this report, these effects are recognized under Tax attributable to items that can be restated in profit. Historical periods have been adjusted.

Consolidated balance sheet

SEK M	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	3, 4, 12	7,072	6,946
Tangible assets	3, 4, 12	1,292	1,153
Right-of-use assets	13	1,158	–
Non-current financial receivables, interest-bearing	19	8	4
Non-current lease receivables	13, 19	38	41
Non-current receivables for pensions, interest-bearing	19, 21	–	52
Other financial assets		122	34
Deferred tax assets	10	333	317
Total non-current assets		**10,023**	**8,547**
Current assets			
Inventories	14	1,144	1,117
Accounts receivable	15	2,001	1,802
Current tax assets		83	80
Current financial receivables, interest-bearing	19	13	–
Current lease receivables	13, 19	14	10
Derivatives, current	26	8	15
Other current receivables		261	342
Prepaid expenses and accrued income	16	213	188
Cash and cash equivalents	18, 19	662	961
Total current assets		**4,399**	**4,515**
Assets held for sale	24	–	74
TOTAL ASSETS		**14,422**	**13,136**

CONSOLIDATED BALANCE SHEET, CONTINUED.

SEK M	Note	2019	2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	17	91	91
Other reserves		915	543
Retained earnings		4,908	4,793
Equity attributable to the Parent Company shareholders		**5,914**	**5,427**
Non-current liabilities			
Non-current financial liabilities	19, 26	1,791	2,859
Non-current lease liabilities	13, 19	885	41
Provisions for pensions, interest-bearing	19, 21	140	27
Deferred tax liabilities	10	110	109
Other provisions, non-current	20	57	116
Total non-current liabilities		**2,983**	**3,152**
Current liabilities			
Other provisions, current	20	45	76
Current financial liabilities	19, 26	3,575	2,761
Current lease liabilities	13, 19	313	10
Accounts payable	26	543	458
Current tax liabilities		45	80
Derivatives, current	26	50	85
Other liabilities		225	259
Accrued expenses and deferred income	22	730	784
Total current liabilities		**5,525**	**4,513**
Liabilities held for sale	24	–	44
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**14,422**	**13,136**

For information about pledged assets and contingent liabilities, see Note 23.

Changes in shareholders' equity for the Group

SEK M	Share capital	Reserves[1]	Retained earnings	Total
Opening balance at January 1, 2018	**91**	**419**	**4,564**	**5,074**
Adjustment for prior years	–	–	-22	-22
Net profit for the year	–	–	296	296
Other comprehensive income for the year	–	124	91	215
Dividend	–	–	-136	-136
Closing balance at December 31, 2018	**91**	**543**	**4,793**	**5,427**
Opening balance at January 1, 2019	**91**	**543**	**4,793**	**5,427**
Net profit for the year	–	–	403	403
Other comprehensive income for the year	–	372	-139	233
Dividend	–	–	-150	-150
Closing balance at December 31, 2019	**91**	**915**	**4,908**	**5,914**

[1] For reserves, see also Note 17.

Cash-flow statements

SEK M	Note	2019	2018
Operating activities			
Operating profit (EBIT)		671	493
Add-back of amortization, depreciation and write-down		1,004	687
Other non-cash items	27	-54	-84
Expensed exceptional items[1]		53	130
Paid exceptional items		-73	-81
Interest paid		-124	-99
Interest received		8	4
Other financial items		-4	3
Taxes paid		-193	-171
Cash flow before changes to working capital		**1,288**	**882**
Changes in working capital			
Inventories		38	24
Current receivables		-133	95
Current liabilities		59	-10
Cash flow from operations		**1,252**	**991**
Investing activities			
Divested / Acquired operations	24	6	-144
Acquired financial assets		-78	-16
Investments in intangible and tangible assets		-758	-642
Divestment of intangible and tangible assets		29	85
Cash flow from investing activities		**-801**	**-717**
Financing activities			
Raising of loans	19	9,646	5,507
Repayment of interest-bearing liabilities	19	-9,993	-5,336
Repayment of lease liabilities		-325	0
Change in pension assets/liabilities		-1	-22
Change in interest-bearing receivables		-4	0
Dividend		-150	-136
Realized derivatives attributable to financing activities		65	–
Cash flow from financing activities		**-762**	**13**
Cash flow for the year	19	**-311**	**287**
Cash and cash equivalents at the beginning of the period		961	672
Cash flow for the year		-311	287
Translation differences		13	16
Reclassification to Assets held for sale		–	-14
Cash and cash equivalents at year-end	27	**662**	**961**

[1] Excluding write-downs on non-current assets.

Notes for the Group

Note 1 Accounting policies

General information

Arjo AB (559092-8064), which is the Parent Company of the Arjo Group, is a limited liability company with its registered offices in Malmö, Sweden. A description of the company's operations is included in the Directors' Report on page 56.

Basis of preparation

Arjo's consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS), as approved by the EU, and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

Arjo applies the cost method to value its assets and liabilities, except as regards available-for-sale financial assets and financial assets and liabilities, including derivative instruments, at fair value through profit or loss, which are measured at cost either through profit or loss or other comprehensive income if they are hedging instruments attributable to cash-flow hedges. Additional information about the preparation of the consolidated financial statements is presented below.

Elimination of transactions in Arjo

Receivables, liabilities, income, expenses, and unrealized gains and losses arising between entities in Arjo are eliminated in their entirety. Unrealized losses are eliminated in the same manner as unrealized gains, but only insofar as no impairment is required.

Accounting and measurement policies

The basis for preparation of Arjo's financial statements is presented above.

The financial statements are presented in Swedish kronor (SEK). Unless otherwise stated, all amounts are given in millions of Swedish kronor (SEK M). Figures in parentheses pertain to operations in 2018, unless otherwise specified.

The totals in the tables and calculations do not always add up due to rounding differences. Each subtotal corresponds with its original source, which can lead to rounding differences in the totals.

Significant estimates and assessments

To prepare the financial statements in accordance with IFRS, the company management is required to make assessments and assumptions that affect the recognized amounts of assets and liabilities and other information in the financial statements as well as the revenues and expenses recognized during the period. Estimates, assessments and assumptions are reviewed on a regular basis. The actual outcome may diverge from these assessments, estimates and assumptions. The Board of Directors and Arjo Management Team have deemed that the following areas may have a significant impact on Arjo's earnings and financial position:

Measurement of identifiable assets and liabilities in connection with acquisitions. In conjunction with acquisitions, all identifiable assets and liabilities in the acquired company are identified and measured at fair value, including the value of assets and liabilities in the previously owned share as well as the share attributable to non-controlling interests.

Goodwill and intangible assets with an indefinite useful life. The impairment requirement for goodwill and other intangible assets with an indefinite useful life is tested annually by Arjo in accordance with the accounting policy described here in Note 1. The recoverable amount for cash generating units has been established through the measurement of value in use. For these calculations, certain estimates must be made (see Note 12).

Pension commitments. Recognition of the expenses for defined-benefit pensions and other applicable retirement benefits is based on actuarial valuations, relying on assumptions for discount rates, future salary increases and expected inflation. In turn, the discount rate assumptions are based on rates for high-quality fixed-interest investments with durations similar to the pension plans (see Note 21).

Obsolescence reserve. Inventories are recognized at the lower of cost according to the first in/first out principle, and net realizable value. The value of inventories is adjusted for the estimated decrease in value attributable to products no longer sold, surplus inventories, physical damage, lead times for inventories, and handling and sales overheads. If the net realizable value is lower than the cost, a valuation reserve is established for inventory obsolescence (see Note 14).

Deferred tax. The measurement of loss carryforwards and the company's ability to utilize unutilized loss carryforwards is based on the company's assessments of future taxable income in various tax jurisdictions and includes assumptions regarding whether expenses that have not yet been subject to taxation are tax deductible. Deferred tax is recognized in profit or loss unless the deferred tax is attributable to items recognized in other comprehensive income, in which case the deferred tax is recognized together with the underlying transaction in other comprehensive income (see Note 10).

Right-of-use assets and lease liabilities. When determining the lease term, management considers all available information that creates an economic incentive to exercise the extension option or not exercise the option to terminate a lease. The option of extending a lease is included in the term of a lease if it is reasonably certain that the lease will be extended (or not ended). The leases that are primarily affected by this assessment are buildings. The various factors that Arjo mainly considers in its assessment of the exercise of various extension and termination options are the costs associated with terminating the lease and the significance of the asset for the operations.

On the transition date January 1, 2019, Arjo deemed it reasonably certain that it will exercise the option of extending certain leases for buildings. If Arjo had made the assessment that it would not exercise the extension options in the major leases for buildings, the lease liability would have been SEK 331 M lower (refer to Note 13).

Subsidiaries

Subsidiaries are all companies over which Arjo exercises a controlling influence. Arjo controls a company when it is exposed to or has the right to variability of returns from its holding in the company and can affect these returns through its influence over the company.

Foreign currencies

Functional currency. Transactions in foreign currencies are translated to the functional currency of the financial statements according to the exchange rate on the date of the transaction. Receivables and liabilities in foreign currencies are measured at the closing day rate,

NOTE 1 CONTINUED

and unrealized currency gains and losses are included in profit or loss. Exchange-rate differences attributable to operating receivables and liabilities are recognized in operating profit. Exchange-rate differences regarding financial assets and liabilities are recognized under other financial items.

Translation of foreign operations. Arjo applies the current method for translation of foreign subsidiaries' balance sheets and income statements. This means that all assets and liabilities in subsidiaries are translated at the closing day rate, and all income statement items are translated at average annual exchange rates. Translation differences arising in this context are due to the difference between the income statement's average exchange rates and closing day rates, and to the net assets being translated at a different exchange rate at year-end than at the beginning of the year. Translation differences are recognized under other comprehensive income. The total translation differences in conjunction with divestments are recognized together with the gain/loss arising from the transaction.

Revenue recognition

The Group has three streams of income: products, services and rental. Income is measured at fair value excluding indirect sales tax and discounts provided. Income from the sale of products is recognized when control of the goods is passed to the customer, which in the majority of cases takes place when the product leaves Arjo's warehouse. The products are often sold at volume discounts based on accumulated sales over a 12-month period. Income from the sale of products is recognized based on the price in the contract, less estimated volume discounts. Historical data is used to estimate the expected value of the discount and income is recognized only to the extent that it is highly probable that a material reversal will not occur. A liability (included in the item accrued expenses and deferred income) is recognized for expected volume discounts in relation to sales up to and including the closing date. If delivery of finished products is postponed at the buyer's request, but the buyer assumes the proprietary rights and accepts the invoice (a "bill and hold" sale), income is recognized when control is passed to the customer, which takes place when the products are placed in several locations in the warehouse. The Group's obligation to repair or replace defective products under normal guarantee rules is recognized as a provision, refer to Note 20 Provisions.

The Group has both fixed-price service contracts and contracts on current account. Income from fixed price contracts are recognized over time in line with control of the services being passed to the customer. Income from contracts on current account is based on time spent and is recognized to the extent that Arjo has the right to invoice the customer (monthly). Advance payments from customers mainly refer to payments for service contracts. These contract liabilities are presented in Note 22 Accrued expenses and deferred income.

No financing component is deemed to exist on the date of sale since the credit period is 30-90 days, which is consistent with market practice.

Arjo applied the exemption not to provide disclosures on future contracted revenue since these have terms of less than one year.

For income recognition for rental, refer to the section on Arjo as a lessor.

Government grants

Government grants are measured at fair value when it is probable that the terms associated with the grants will be met and that the grants will be received. Government grants relating to costs are recognized in profit or loss. The income is recognized in the same period as the cost that the grants are intended to compensate. Government grants relating to the acquisition of assets reduce the assets' carrying amounts. Grants affect recognized earnings over the assets' useful life by reducing depreciation.

Financial income and expenses

Financial income and expenses include interest income on bank deposits and receivables, interest expenses on loans and lease liabilities, income from dividends, unrealized and realized profits and losses on financial investments, exchange-rate differences, and the change in value of derivative instruments used in financial activities. Borrowing costs in conjunction with the raising of loans are recognized as part of the loan to which they pertain and are charged to profit during the term of the loan. Interest income on the receivables and interest expenses on liabilities are calculated by applying the effective interest method. The effective rate is the rate that makes the present value of all estimated inward and outward payments during the expected fixed-interest term equal to the carrying amount of the receivable or liability.

Intangible assets

Goodwill. Goodwill comprises the portion of a purchase price for an acquisition that exceeds the market value of the identifiable assets, with deductions for liabilities and contingent liabilities, calculated on the acquisition date, on the share of the acquired company's assets acquired by Arjo. In a business acquisition whereby the acquisition costs are less than the net value of acquired assets, assumed liabilities and contingent liabilities, the difference is recognized directly in profit or loss. Goodwill arising in conjunction with the acquisition of a foreign entity is treated as an asset in the foreign entity and translated at the exchange rate on the closing date. An impairment test of goodwill is conducted at least once per year or more often if there is an indication that there could have been a decrease in value. Impairment of goodwill is recognized in profit or loss. The gain or loss in connection with the divestment of an entity includes the residual carrying amount of goodwill that pertains to the divested unit.

Other intangible assets. Other intangible assets comprise capitalized development costs, customer relationships, technical know-how, trademarks, agreements and other assets. Intangible assets are recognized at cost with deductions for accumulated amortization and any impairment. Amortization is applied proportionally over the asset's anticipated useful life, which usually varies between three and 15 years. Acquired intangible assets are recognized separately from goodwill if they fulfill the criteria for qualifying as an asset, implying they can be separated or they are based on contractual or other legal rights and that their market value can be established in a reliable manner. Intangible assets that are recognized separately from goodwill in acquisitions of operations include customer relationships, technical know-how, trademarks, agreements, etc. Acquired intangible assets are measured at market value and amortized on a straight-line basis over their anticipated useful life. The useful life can, in certain cases, be indefinite. These intangible assets are not amortized. Instead they are subject to an impairment test at least every year or more often if there is an indication that there could have been a decrease in value. Costs for development, whereby research results or other knowledge is applied to produce new products, are recognized as an asset in the balance sheet to the extent that these products are expected to generate future financial benefits. These costs are capitalized when management deems that the product is technically and financially viable, which is usually when a product development project has reached a defined milestone in accordance with an established project model. The capitalized value includes expenses for material, direct expenses for salaries and indirect expenses that can be assigned to the asset in a reasonable and consistent manner. In other cases, development costs are expensed as they arise. Research costs are charged to earnings as they arise. Capitalized expenses are amortized on a straight-line basis from the point in time at which the asset is put into commercial operation and during the asset's estimated useful life. The amortization period is between three and 15 years.

Tangible assets

Properties, machinery, equipment and other tangible assets are recognized at cost, with deductions for accumulated depreciation and any impairment. The cost includes the purchase price and expenses directly attributable to the asset to bring the asset to the site and in the working condition for its intended use. Examples of directly attributable expenses included in the cost are delivery and handling costs, installation, legal services and consultancy services. Assets provided to the company

NOTE 1 CONTINUED

in conjunction with the acquisition of new subsidiaries are recognized at market value on the acquisition date. Depreciation is conducted straight line. The value in the balance sheet represents the acquisition cost with deduction for accumulated depreciation and any impairment. Land is not depreciated since it is deemed to have an infinite economic life. However, the depreciation of other assets is based on the following anticipated useful lives:

Class of assets	Depreciation, number of years
Land	40 - 50
Buildings	10 - 50
Machinery	5 - 25
Equipment	10
Production tools	5
Rental equipment	5 - 10
Cars	5
Computer equipment	3

Tangible assets comprising parts with different useful lives are treated as separate components of tangible assets. Standard maintenance and repair costs are expensed during the periods in which they arise. More extensive repair and upgrading costs are capitalized and depreciated over the item's remaining anticipated useful life. Capital gains/losses are recognized under "Other operating income/expenses."

Leases. Arjo as a lessee 2019

Leases in which Arjo is the lessee primarily comprise buildings and cars. Leases are normally signed for fixed periods of about five to ten years for buildings and three to five years for cars. Some leases have the option to extend the lease or terminate it in advance. These are described below. The terms are negotiated separately for each lease and comprise a large number of different contractual terms.

Leases are recognized as right-of-use assets and a corresponding liability on the day that the leased asset is available for use by Arjo. Right-of-use assets and the lease liability are recognized under right-of-use assets, current lease liabilities and non-current lease liabilities in the balance sheet. Each lease payment is distributed between depreciation of the liability and interest expenses. Interest expenses are distributed over the lease term so that each reporting period is charged with an amount that corresponds to a fixed interest rate for the liability recognized in each period. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the term of the lease.

Assets and liabilities arising from leases are initially recognized at present value. Lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less incentives

- variable lease payments that depend on an index or rate, initially measured using the index or rates on the commencement date

- amounts expected to be payable under a residual value guarantee

- the exercise price under a purchase option that the lessee is reasonably certain to utilize

- penalty for terminating the lease, if the length of the term reflects the assumption that the lessee will utilize this option.

Lease payments are discounted at the implicit interest rate if the rate can be determined, otherwise at the incremental borrowing rate, which is determined based on the current market rate for the lease term, country, currency and the Group's borrowing rate.

The right-of-use assets are measured at cost and include the following:

- the amount at which the lease liability was originally measured

- lease payments paid on or before the commencement date, after any rewards received when the lease was signed

- initial direct costs

- costs for restoring the asset to the condition prescribed in the terms of the lease

Arjo has decided to apply the exemption in IFRS 16 that entails that payments for short-term leases and leases of a low value are expensed straight-line in profit or loss. Short-term leases are leases of 12 months or less. Low-value leases mainly include IT and office equipment.

Options to extend or terminate a lease are included in a number of the Group's leases for buildings. The terms are used to maximize flexibility in managing leases. These options of providing the opportunity to either extend or terminate a lease in advance can only be utilized by the Group (and not the lessors) or by both the lessee and the lessor. Options that only the lessor can utilize are uncommon. The assessment of the use of options to extend or terminate a lease is reviewed if a significant event or change in circumstances arises that impacts this assessment and the change is within the lessee's control.

Leases. Arjo as a lessee 2018

Operating leases. Leasing of assets whereby the lessor is essentially responsible for the financial risks and rewards associated with ownership of the asset are classified as operating leases, and payments made under operating lease contracts are expensed proportionally over the lease term. Any compensation, according to agreement, that the lessee is obliged to pay to the lessor if the lease is terminated prematurely is expensed during the period in which the contract is terminated.

Leases. Sale and leaseback and sublease

In 2018, Arjo signed sale and leaseback agreements with financiers whereby the asset is later sold onward to customers under a sublease agreement. The contractual terms of these two parts reflect each other. These are recognized in the balance sheet as non-current and current lease receivables from customers, and as non-current and current lease liabilities to financiers. Payments are divided between interest income and repayment of receivables, and interest expense and repayment of liabilities, respectively. Sales income is recognized in profit or loss when control and the risk are passed to the customer. These leases are recognized in accordance with the transition rule in IFRS 16 and thus were not retested as to whether the transfer of the underlying asset meets the requirements of IFRS 15 to be recognized as a sale.

Sale and leaseback and subleases signed in 2019 are evaluated to assess whether they meet the requirements for a sale under IFRS 15 of when a performance obligation is satisfied. The contracts that meet the requirements of a sale are recognized in the balance sheet as non-current and current lease receivables from customers and as non-current and current financial liabilities to financiers. Payments are divided between interest income and repayment of receivables, and interest expense and repayment of liabilities, respectively. Sales income is recognized in profit or loss when the requirements of IFRS 15 are met. For contracts that do not meet the requirements of a sale, the underlying asset is recognized as a non-current asset in the rental operations and income is recognized continuously over the lease term. No material leases were signed for this type of transaction in 2019.

Leases. Arjo as a lessor

Some of Arjo's customers do not purchase Arjo's aids, but lease them instead. Leases are defined in two categories, operational and financial, depending on the financial significance of the agreement. Operating leases are recognized as non-current assets. Income from operating leases is recognized evenly over the lease term. Straight-line depreciation is applied to these assets based on the expected economic life. The estimated impairment requirement is immediately charged to profit or loss. Other than the subleases described above, Arjo has only operating leases.

NOTE 1 CONTINUED

Impairment

At the end of each accounting period, the carrying amount of the assets is assessed to determine whether there is any indication that impairment is required. If there is such an indication, the asset's recoverable amount is established. The recoverable amount is deemed to be the higher of the asset's net realizable value and its value in use, for which the impairment loss is recognized as soon as the carrying amount exceeds the recoverable amount. Previously recognized impairment on other intangible assets and tangible assets are reversed if the recoverable amount is deemed to have increased, although the impairment is not reversed to an amount greater than what the carrying amount would have been if no impairment had been recognized in earlier years. Recognized impairments of goodwill are not reversed.

Inventories

Inventories are measured at the lower of cost and production value, according to the first in/first out (FIFO) principle, and net realizable value. Inventories include a share of indirect costs related to this. The value of finished products includes raw materials, direct work, other direct costs and production-related expenses including depreciation. The net realizable value is calculated as the estimated sales price less estimated completion and selling expenses. An assessment of obsolescence in inventories is conducted on an ongoing basis during the year. The value of inventories is adjusted for the estimated decrease in value attributable to products no longer sold, surplus inventories, physical damage, lead times for inventories, and handling and sales overheads. If the net realizable value is lower than the cost, a valuation reserve is established for inventory obsolescence.

Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the company is party to the contractual conditions of the instrument. A financial asset is derecognized from the balance sheet when the contractual rights to the asset are realized, extinguished or the company loses control over them. A financial liability is derecognized from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. Acquisitions and sales of financial assets are recognized on the transaction date, which is the date on which the company commits to acquire or sell the assets, apart from cases in which the company acquires or sells listed securities, when liquidity-date reporting is applied.

Financial instruments are initially measured at cost corresponding to the fair value of the instrument, plus transaction costs for all financial instruments except for those that belong to the category of fair value through profit or loss, which are measured at fair value excluding transaction costs. The classification determines how the financial instruments are measured after initial recognition, as described below. The classification of financial assets that are debt instruments is determined by the business model for the portfolio in which the financial asset is included and the characteristics of the contractual cash flows. Arjo's business model for all financial assets that are debt instruments is to collect the principal and any interest on the principal. The contractual cash flows for these assets comprise solely principal and interest on the principal, which is why they are classified as financial assets measured at amortized cost. All financial liabilities are classified as amortized cost except for derivative instruments and additional purchase consideration classified as fair value through profit or loss. Further information about financial instruments can be found in Note 15 Accounts receivable and Note 26 Financial risk management.

Financial assets measured at fair value through profit or loss. Financial assets in this category comprise derivatives. They are included in current assets if they are expected to be settled within 12 months of the end of the reporting period, otherwise, they are classified as non-current assets. All derivatives are measured at fair value in the balance sheet. Changes in fair value are recognized in profit or loss, except for the effective portion of the derivatives that is included in a hedging relationship that qualifies as hedge accounting, which is described below. They are reversed to profit or loss when the hedged transaction occurs, at which point they are recognized as part of gross profit.

Financial assets measured at amortized cost. The Group only classifies its financial assets as assets recognized at amortized cost when the asset is included in a business model the aim of which is to collect contractual cash flows, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Assets in this category comprise non-current financial receivables, accounts receivable and other current receivables. They are included in current assets with the exception of items that fall due more than 12 months after the end of the reporting period, which are classified as non-current assets. Assets in this category are initially measured at fair value including transaction costs. After the acquisition date, they are recognized at amortized cost using the effective interest method. Accounts receivable are recognized in the amounts that are expected to be received after deductions for expected credit losses, which are assessed on a case-by-case basis. The expected term of accounts receivable is short, which is why amounts are recognized at nominal values without discounting. Any impairment of accounts receivable is recognized in operating expenses.

Cash and cash equivalents. The major portion of cash and cash equivalents comprises cash funds held at financial institutions, and only a minor portion comprises current liquid investments with a term from the acquisition date of less than three months, which are exposed to only an insignificant risk of value fluctuations.

Impairment of financial assets. On the closing date, the Group assesses the impairment requirement of a financial asset or a group of financial assets. These assessments are individual. All financial assets, except for those that belong to the category of financial assets measured at fair value through profit or loss, are tested for impairment. The majority of these financial assets that are subject to impairment rules (accounts receivable) are current, which is why the Group has chosen to apply the simplified approach whereby expected credit losses are recognized for the full lifetime from the date of initial recognition. Impairment requirements for accounts receivable are determined based on past experience of customer losses on similar receivables and an assessment of forward-looking information. The assessment comprises expected credit losses over the full lifetime of the asset based on various probability-weighted scenarios. Accounts receivable for which impairment requirements have been identified are recognized at the present value of the expected future cash flows. The impairment requirement of expected credit losses for receivables for which no individual impairment requirement has been identified is assessed collectively. Receivables with short terms are not discounted since the effect is not material.

Financial liabilities measured at fair value through profit or loss. Financial liabilities in this category comprise derivatives and additional purchase consideration. All derivatives are measured at fair value in the balance sheet. Changes in fair value are recognized in profit or loss, except for the effective portion of the derivatives that meets hedge-accounting requirements, which are described below.

Financial liabilities measured at amortized cost.
This category includes non-recurring financial liabilities, accounts payable and other current liabilities. Non-current liabilities have an expected term longer than one year while current liabilities have a term of less than one year. Items in this category are initially measured at fair value and in the subsequent periods at amortized cost using the effective interest method.

Net recognition of financial instruments. Financial assets and liabilities are offset and recognized at a net amount in the balance sheet only when the company has a legally enforceable right of offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The legal right may not be contingent on a

NOTE 1 CONTINUED

future event and must be legally enforceable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy. The Group has netting agreements for derivatives (ISDA) but does not meet the requirements for net recognition of these.

Hedge accounting. The Group enters into derivative instruments to hedge the risks of currency exposure to which the Group is exposed. The requirements for hedge accounting include that there must be an economic relationship between the hedging instrument and the hedged item and that the economic relationship does not have a material impact on credit risk. The hedge ratio is to follow the quantity of the hedging instrument and the hedged item. Hedging documentation is also required that details the company's target and risk management strategy, the identified hedging instrument, the identified hedged item, the risk that is to be hedged and a strategy for monitoring effectiveness. Derivative instruments or other financial instruments that meet hedge-accounting requirements under the cash-flow hedging method or hedging of net investment in a foreign operation method are recognized as follows.

Cash-flow hedges of intra-Group purchases and sales in foreign currency. The currency forward contracts used for hedging of highly probable forecast transactions in foreign currency (cash-flow hedging) are measured at fair value in the balance sheet. The changes in value for the period, to the extent that they comprise an effective hedge, are recognized in other comprehensive income and the accumulated changes in value in a separate component of equity (the hedge reserve) until the hedged flow impacts net profit for the year, at which point the hedging instrument's accumulated changes in value are reclassified to net profit for the year in connection with the hedged item impacting the statement of income. The ineffective portion of the change in the value of the hedging instrument that exceeds the change in the value of the hedged item is recognized directly in the statement of income.

Hedging of currency risk in foreign net investments. Investments in foreign subsidiaries (net assets including goodwill) have been hedged to a certain extent by using currency loans as hedging instruments. Exchange-rate differences on currency loans for the period less deductions for tax effects are recognized in the statement of income. Accumulated value changes from the hedging of net investments in foreign operations are reversed from shareholders' equity to profit or loss when the foreign operation is divested in full or in part. The effect of the hedge is recognized on the same line as the hedged item.

Valuation techniques for determining fair value The fair value of derivative instruments was calculated using the most reliable market prices available. This requires all instruments that are traded in an effective market, such as currency forward contracts, to be measured at market-to-market prices. The fair value of the additional purchase consideration was determined based on inputs that are not based on observable market information. Accordingly, the are classified at level 3 of the fair value hierarchy. See Note 26 for more information about the Group's valuation processes.

Remuneration of employees

Recognition of pensions. Arjo has both defined-contribution and defined-benefit pension plans, of which some have assets in special funds or similar securities. The plans are usually financed by payments from the respective Group companies and the employees. Arjo's Swedish companies are generally covered by the ITP plan, which does not require any payments from employees.

Defined-benefit plans. Pension expenses for defined-benefit plans are calculated using the Projected Unit Credit Method in a manner that distributes expenses over the employee's working life. The calculation is performed annually by independent actuaries. These commitments are measured at the present value of expected future payments, with consideration for calculated future salary increases, utilizing a discount rate corresponding to the interest rate of first-class company or government bonds with a remaining term that is almost equivalent to the actual commitments. Arjo's net liabilities for each defined-benefit plan (which is also recognized in the balance sheet), comprises the present value of the obligation less the fair value of the plan assets. If the value of the plan assets exceeds the value of the obligation, a surplus arises, which is recognized as an asset. The recognized asset value is limited to the total of costs related to services rendered during previous periods and the present value of future repayments from the plan, or reductions in future contributions to the plan. The actuarial assumptions constitute the company's best assessment of the different variables that determine the costs of providing the benefits. When actuarial assumptions are used, the actual results could differ from the estimated results, and actuarial assumptions change from one period to another. These differences are recognized as actuarial gains and losses. Actuarial gains and losses are recognized in other comprehensive income for the period in which they are incurred.

Costs for defined-benefit pension plans in profit or loss comprise the total costs for service during the current and earlier years, interest on commitments and the expected return on plan assets. Costs for service during the current period and previous periods are recognized as employee costs. The interest component of pension expenses is recognized under financial expenses.

Defined-contribution plans. Defined-contribution plans are plans in which the company pays fixed fees to a separate legal entity and does not have any legal or informal obligation to pay additional fees. Arjo's payments for defined-contribution plans are recognized as expenses during the period in which the employees perform the services that the fee covers. The part of the Swedish ITP plan concerning family pension, disability pension, and employment group life insurance financed by insurance with Alecta is a defined-benefit pension multi-employer plan. For this pension scheme, according to IAS 19, a company is primarily to recognize its proportionate share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension plan. The financial statements are also to include disclosures required for defined-benefit pension plans. Alecta is currently unable to provide the necessary information and therefore the above pension plans are recognized as defined-contribution plans in accordance with item 30 of IAS 19. This means that premiums paid to Alecta will also be recognized on an ongoing basis as expenses in the period to which they pertain.

Provisions

Provisions are recognized when Arjo has a legal or informal obligation as a result of past events and it is probable that payment will be required to fulfill the commitment and if a reliable estimation can be made of the amount to be paid. Pensions, deferred tax liabilities, restructuring measures, guarantee commitments and similar items are recognized as provisions in the balance sheet. Provisions are reviewed at the end of each accounting period.

Contingent liabilities

Contingent liabilities are commitments not recognized as liabilities/provisions either because it is not certain that an outflow of resources will be required to regulate the commitment or because it is not possible to make a reliable estimate of the amount.

Income taxes

Arjo's income tax include taxes on Group companies' profits recognized during the accounting period and tax adjustments attributable to earlier periods and changes in deferred taxes. Measurement of all tax liabilities/receivables is conducted at nominal amounts and in accordance with enacted tax regulations and tax rates or those that have been announced and will almost certainly be adopted.

Tax is recognized directly in other comprehensive income and shareholders' equity if the tax is attributable to items that are recognized directly in comprehensive income and shareholders' equity. Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all existing differences between fiscal and carrying amounts of assets

NOTE 1 CONTINUED

and liabilities by applying applicable tax rates. Temporary differences primarily arise from the depreciation of properties, machinery and equipment, the market valuations of identifiable assets, liabilities and contingent liabilities in acquired companies, the market valuation of investments classified as available-for-sale and financial derivatives, gains from intra-group inventory transactions, untaxed reserves and tax loss carryforwards, of which the latter is recognized as an asset only to the extent that it is probable that these loss carryforwards will be matched by future taxable profits. Deferred tax liabilities pertaining to temporary differences that are attributable to investments in subsidiaries and affiliates are not recognized, since the Parent Company, in each instance, can control the point in time of reversal of the temporary differences and a reversal in the foreseeable future has been deemed improbable.

Segment reporting

Arjo's operations comprise one operating segment, which is why only the disclosures in Note 3 are presented. The reporting of operating segments corresponds to the internal reporting submitted to the chief operating decision maker. This function in Arjo was identified as the CEO.

Cash-flow statement

Cash-flow statements are prepared in accordance with IAS 7 Statement of Cash Flows, indirect method. The cash flows of foreign Group companies are translated at average exchange rates. Changes in the Group structure, acquisitions and divestments are recognized net, excluding cash and cash equivalents, under "Acquired operations" and "Divested operations" and are included in cash flow from investing activities.

Dividend

Dividends proposed by the Board of Directors are not deducted from distributable earnings until the dividend has been approved by the Annual General Meeting (AGM).

Alternative performance measures

Alternative performance measures are presented in this report to monitor Arjo's operations, the primary measures being adjusted EBITDA, cash conversion and net debt/equity ratio. Definitions and reconciliations of the alternative performance measures are presented on pages 120–123.

New accounting policies applied by Arjo in 2019

The introduction of IFRS 16 Leases had a material impact on Arjo's financial statements. No other standards, amendments or interpretations effective from the fiscal year beginning on January 1, 2019 had a material impact on Arjo's financial statements.

IFRS 16 Leases

IFRS 16 Leases came into effect for the fiscal year beginning on January 1, 2019. The amendment compared with IAS 17 Leases is that all contracts in which the Group is the lessee are recognized in the balance sheet as an asset and a liability, except for short-term leases or leases where the underlying asset has a low value. The income statement was impacted by depreciation of the asset and an interest expense on the lease liability instead of an operating lease cost. Arjo is mainly impacted by leases of premises and vehicles. The lease portfolio contains about 2,500 agreements. Commitments that existed regarding operating leases are described in Note 18 of the 2018 Annual Report. On the transition to IFRS 16 on January 1, 2019, Arjo decided to apply the modified retrospective approach and in accordance with the standard did not restate the comparative year. Leases that were previously classified as operating leases under IAS 17 are now recognized at the present value of the remaining lease payments discounted by the average incremental borrowing rate on January 1, 2019, which was 3.2%. Arjo recognizes a right-of-use asset that corresponds to the lease liability adjusted by any prepaid lease payments recognized on December 31, 2018. This entails that the transition had no impact on the Group's shareholders' equity. Arjo has decided to apply the practical exemption for short-term leases (leases with a term of 12 months or less) and low-value leases (the value of the underlying asset in new condition is less than about USD 5,000) of not recognizing an asset or a liability, and instead recognizing an expense in profit or loss. Arjo has also decided to include non-lease components in the calculation for all assets except buildings. Arjo applied the following practical expedients in IFRS 16:

- The same discount rate was used on lease portfolios with similar characteristics
- Direct costs for right-of-use assets were not included in connection with the transition
- Historical information (hindsight) was used when determining the length of the lease if the contract contains options to extend or terminate the lease.
- Relied on its assessment as to whether leases are onerous by applying IAS 37 immediately before the date of initial application.

On the transition date of January 1, 2019, Arjo recognized a tangible lease asset of SEK 1,290 M and a lease liability of SEK 1,253 M. The difference comprises prepaid lease payments. As previously, these leases are recognized as operating leases.

Leases classified as sale and leaseback transactions and subleases under IAS 17 were recognized on transition at the carrying amount on December 31, 2018 in accordance with the transition rules in IFRS 16.

The standard does not entail any material change for Arjo as the lessor.

Commitments for operating leases at December 31, 2018

Operating leases at December 31, 2018	-1,313
Discounted using the Group's weighted average incremental borrowing rate	299
Liabilities for financial leases at December 31, 2018	-51
Short-term leases expensed straight-line	1
Leases for which the underlying asset is of low value expensed straight-line	3
Leases reclassified to service contracts	88
Adjustment due to different handling of options to extend and cancel the lease	-331
Lease liability recognized at January 1, 2019	**-1,304**

New and revised standards and interpretations that have not yet come into effect

No standards, amendments or interpretations effective from the fiscal year beginning on January 1, 2020 had a material impact on Arjo's financial statements.

Note 2 Net sales by type of revenue

SEK M	2019	2018
Product sales	5,331	4,810
Service incl. spare parts	1,504	1,373
Rental	2,090	2,034
Total	**8,925**	**8,217**

Note 3 Segment reporting

Arjo's operations comprise one operating segment. Net sales, intangible assets and tangible assets are presented below for the segment by geographic area. Net sales are based on the seller's domicile and assets are based on the domicile of the Arjo company. The Group has no single customer that accounts for 10% or more of the Group's sales.

	Net sales		Intangible assets and tangible assets	
North America	**3,468**	**3,015**	**2,476**	**1,966**
of which, US	*2,765*	*2,390*	*1,810*	*1,380*
Western Europe	**4,240**	**4,125**	**6,287**	**5,536**
of which, UK	*1,101*	*1,128*	*1,278*	*3,745*
of which, Sweden	*85*	*75*	*3,602*	*826*
Rest of the World	**1,217**	**1,077**	**758**	**597**
Total	**8,925**	**8,217**	**9,522**	**8,099**

Note 4 Costs by cost category

Costs by cost category		
Salaries and remuneration	-2,695	-2,414
Social security expenses	-539	-498
Pension expenses[1]	-150	-168
Amortization and impairment of intangible assets	-292	-305
Depreciation and impairment of tangible assets	-712	-382
Goods and services	-3,863	-3,961
Total	**- 8,251**	**-7,728**

[1] The amount for 2018 includes an SEK -40 M adjustment of the pension liability.

Amortization, depreciation and write-downs, SEK M		
Cost of goods sold	-620	-409
Selling expenses	-172	-111
Administrative expenses	-201	-139
Research and development costs	-11	-4
Restructuring and integration costs	0	-24
Total	**-1,004**	**-687**

Note 5 Employee costs

	2019			2018		
Group, SEK M	Board and CEO[1]	Other	Total	Board and CEO[1]	Other	Total
Salaries and remuneration	89	2,606	2,695	87	2,327	2,414
Social security expenses	15	524	539	17	481	498
Pension expenses[2]	5	145	150	7	161	168
Total	**109**	**3,275**	**3,384**	**111**	**2,969**	**3,080**

[1] Pertains to remuneration of Board and CEO of subsidiaries in the Group.
[2] Pension expenses attributable to other personnel include an SEK 40 M adjustment of the pension liability for 2018.

Average number of employees

	2019			2018		
Number	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Total
Australia	150	67	217	137	62	199
Belgium	53	21	74	52	24	76
Brazil	12	5	17	6	1	7
Denmark	17	13	30	21	15	36
Dominican Republic	175	443	618	161	463	624
France	364	126	490	326	111	437
United Arab Emirates	10	2	12	10	1	11
Netherlands	104	60	164	96	62	158
Hong Kong	13	9	22	12	10	22
India	139	28	167	131	23	154
Ireland	20	3	23	24	3	27
Italy	85	38	123	91	46	137
Japan	12	5	17	8	5	13
Canada	257	139	396	250	127	377
China	104	129	233	228	167	395
Norway	9	8	17	8	8	16
New Zealand	25	7	32	27	10	37
Poland	289	472	761	284	446	730
Switzerland	42	11	53	37	13	50
Singapore	30	12	42	33	11	44
Spain	18	9	27	17	8	25
UK	689	293	982	728	287	1,015
Sweden	96	89	185	89	74	163
South Africa	57	33	90	52	34	86
South Korea	2	–	2	2	–	2
Czech Republic	7	7	14	10	4	14
Germany	305	90	395	294	84	378
USA	628	213	841	609	176	785
Austria	88	19	107	84	21	105
Total	**3,800**	**2,351**	**6,151**	**3,827**	**2,296**	**6,123**

NOTE 5 CONTINUED

Distribution of senior executives at the closing date, %

Gender distribution in all companies in the Group

[illegible]	[illegible]	[illegible]
Women:		
Board members in the Parent Company	29%	33%
Board members in all companies in the Group	12%	12%
Other members of the company's management, incl. CEO	26%	26%
Men:		
Board members in the Parent Company	71%	67%
Board members in all companies in the Group	88%	88%
Other members of the company's management, incl. CEO	74%	74%

Remuneration and other benefits for senior executives in 2019, SEK 000s

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Johan Malmquist, Chairman of the Board	1,508						1,508
Carl Bennet, Board member	684						684
Eva Elmstedt, Board member	713						713
Ulf Grunander, Board member	836						836
Carola Lemne, Board member	713						713
Dan Frohm, Board member	713						713
CEO		7,803		650	142	2,295	10,890
Other senior executives, employed in Arjo AB		8,787		1,245	418	2,216	12,666
Other senior executives, employed in other Group companies		12,694		3,040	1,069	1,660	18,463
Total	**5,167**	**29,284**		**4,935**	**1,629**	**6,171**	**47,186**

[1]Also includes fees for work on Board Committees.

Remuneration and other benefits for senior executives in 2018, SEK 000s

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Johan Malmquist, Chairman of the Board	1,275						1,275
Carl Bennet, Board member	667						667
Eva Elmstedt, Board member	695						695
Ulf Grunander, Board member	815						815
Carola Lemne, Board member	695						695
CEO		7,472	3,466	420	135	2,242	13,735
Other senior executives, employed in Arjo AB		8,580	2,661	465	378	2,452	14,536
Other senior executives, employed in other Group companies		12,356	4,783	672	621	1,858	20,290
Total	**4,147**	**28,408**	**10,910**	**1,557**	**1,134**	**6,552**	**52,708**

[1]Also includes fees for work on Board Committees.

Comments on the table

- Remuneration to CEO Joacim Lindoff and other member of the Management Team refers to the period January 1-December 31 for both 2019 and 2018.
- Short-term variable remuneration refers to the 2019 fiscal year's expensed bonus, which was paid in 2020. No provision for the long-term incentive program was made in 2019.
- Other benefits refer to company car and health insurance.
- Other senior executives pertains to remuneration to members of the Arjo Management Team, other than the CEO (9 individuals)

NOTE 5 CONTINUED

Remuneration of senior executives

Principles: The 2019 AGM established guidelines for remuneration to senior executives, primarily entailing the following: Remuneration and other employment terms and conditions for senior executives is to be market-based and competitive in every market where Arjo is active so as to attract, motivate and retain skilled and competent employees. The Annual General Meeting decides on remuneration to the Chairman of the Board and Board members. Employee representatives do not receive Board remuneration. Remuneration to the CEO and other senior executives comprises basic pay, variable remuneration, other benefits as well as pensions. Other senior executives comprise the individuals, who together with the CEO, comprise the Arjo Management Team. For the Management Team's structure, see pages 68–69. The allocation between basic pay and variable remuneration should be proportionate to the executive's responsibility and authority. The CEO's variable remuneration is a maximum of 60% of basic pay.

Variable remuneration: Variable remuneration is limited to a maximum amount and linked to predetermined and measurable criteria, designed with the aim of promoting the company's long-term value creation. No variable remuneration will be paid if profit before tax is negative. The CEO's bonus for 2019 was based on financial targets set by the Board. The performance-based annual bonus for the CEO is not to exceed 60% of fixed annual salary. For other senior executives, bonuses for 2019 were based on a combination of financial targets and individual goals. The performance-based annual bonus for other senior executives is not to exceed 50-70% of fixed annual salary (depending on function and geographic placement).

Pensions: The CEO is entitled to a pension from the age of 65. The pension is premium based and amounts to 30% of basic pay. The age of retirement for other senior executives is also 65. These pension agreements are premium based. Pension agreements have been signed in accordance with local legislation in the country where the executive resides.

Severance pay: The period of notice for the CEO is a minimum of six months. If termination of employment is initiated by the company then severance pay of 12 months' pay will be awarded. Severance pay is not offset against any other income. Upon termination of employment of any other senior executives, they have the right to severance pay of a minimum of six months and a maximum of 12 months.

Drafting and decision-making process: During the year, the Remuneration Committee gave the Board its recommendations concerning policies for the remuneration to senior executives. The recommendations included the proportion between fixed and variable remuneration, the size of possible pay increases and proposed criteria for assessment of bonus outcomes. The Board discussed the Remuneration Committee's proposals and decided in line with the Remuneration Committee's recommendations. Remuneration of the CEO for the 2019 fiscal year was decided by the Board taking into account the Remuneration Committee's recommendations. Remuneration of other senior executives was decided by the CEO in consultation with the Chairman of the Board. During 2019, the Remuneration Committee was convened on three occasions. In addition to the aforementioned variable remuneration, adopted share or share-related incentive programs may be included. The aim is that such a program will help to attract and retain highly skilled managers, while it makes the Management Team of Arjo AB shareholders of the company, which is considered to be an important and strong signal for other shareholders.

Long-term incentive program

In 2018, the Board decided to introduce a long-term incentive program. The program is cash-based and encompasses 55–60 senior executives. The incentive program is an addition to annual variable salary.

Purpose. The incentive program is targeted and has a long-term content. The aim of the program is to strengthen commitment and reward the senior executives who can exercise the greatest influence over Arjo's earnings.

Targets. The program extends for three years and remuneration may total a maximum of twelve monthly salaries during a three-year period. The calculation of outcome excludes the Group's exceptional items and impact of any acquisitions and divestments.

Outcome and payment. The outcome of the program is calculated every year and accumulated over a three-year period. Any outcome will be paid in 2021 provided that the senior executive remains employed at the company on the payment date.

Synthetic share options

Arjo's Board and the Management Team have been individually invited to sign an agreement for synthetic share options with Carl Bennet AB. The costs for this will not be charged to Arjo's income statement.

Note 6 Fees to auditors

[illegible]	[illegible]	[illegible]
Fee to PwC		
Fee and expense reimbursement:		
Auditing assignments[1]	-9	-10
Tax consultancy services	0	0
Other services[2]	0	-2
Total	**-9**	**-12**

[1] Of which SEK 5 M (5) pertains to remuneration to Öhrlings PricewaterhouseCoopers AB.
[2] Of which SEK 0 M (2) pertains to remuneration to Öhrlings PricewaterhouseCoopers AB.

Öhrlings PricewaterhouseCoopers AB (PwC) has the auditing assignment for the entire Group. Auditing assignments refer to statutory auditing, meaning assignments required to issue the auditor's report. This also includes the review of the interim report. No services for auditing activities other than auditing assignments have been performed. Tax consultancy services primarily pertain to general tax matters concerning corporate tax. Other services pertain to consultancy related to accounting matters.

Note 7 Exchange-rate gains and losses, net

Exchange-rate differences were recognized in profit or loss according to the following:

[illegible]	[illegible]	[illegible]
Cost of goods sold	-50	27
Other operating income and expenses	-3	-4
Financial items	-1	7
Total	**-55**	**30**

Note 8 Interest income and other similar items

[illegible]	[illegible]	[illegible]
Interest income	8	4
Currency gains	–	7
Total	**8**	**11**

Note 9 Interest expenses and other similar expenses

SEK M	2019	2018
Interest expenses, financial liabilities	-94	-105
Interest expenses, leases	-39	–
Currency losses	-1	–
Other	-3	-4
Total	**-137**	**-109**

Note 10 Tax

SEK M	2019	2018
Current tax expense	-156	-114
Deferred tax	17	15
Total	**-139**	**-99**
The relationship between the year's tax expense and the recognized profit after financial items, SEK M		
Recognized profit after financial items	542	395
Tax according to current tax rate in Sweden 21.4.0% (22.0)	-116	-87
Adjustment for tax rates in foreign subsidiaries	-4	-2
Adjustment of tax expenses from earlier years	-1	0
Tax effect of non-deductible costs	-14	-25
Tax effect of non-taxable income	20	7
Adjustment for changed tax rates[1]	0	5
Changed value of temporary differences	5	17
Other	-29	-14
Recognized tax expense	**-139**	**-99**

[1] Due to the reduced tax rate in 2018 in Sweden and the UK, the Group's temporary differences and tax loss carryforwards have been remeasured.

Amount recognized directly in equity

The total amount of current and deferred tax for the period, attributable to items that are not recognized in profit or loss but instead in other comprehensive income

SEK M	2019	2018
Deferred tax: actuarial gains/losses pertaining to defined-benefit pension plans	28	-18
Deferred tax: hedges of net investments and cash-flow hedges	-34	39

SEK M	2019	2018
Deferred tax assets relate to the following temporary differences and loss carryforwards		
Deferred tax assets relating to:		
Non-current assets	78	71
Financial receivables and derivatives	1	11
Current assets	131	125
Provisions	65	52
Loss carryforwards	235	166
Other	12	10
Offset	-189	-118
Deferred tax assets	**333**	**317**
Deferred tax liabilities relate to the following temporary differences		
Deferred tax liabilities relating to:		
Non-current assets	-277	-183
Financial receivables and derivatives	0	-17
Current assets	0	-1
Provisions	-5	-8
Other	-17	-18
Offset	189	118
Deferred tax liabilities	**-110**	**-109**
Maturity structure for loss carryforwards, SEK M		
Due within 5 years	32	28
Due in more than 5 years	163	139
No due date	775	540
Total	**970**	**707**

There are no material loss carryforwards for which deferred tax has not been recognized.

Note 11 Earnings per share

Earnings per share before and after dilution amounted to SEK 1.48 (1.09). The calculation of earnings per share relating to the Parent Company shareholders is based on the following information:

SEK M	2019	2018
Earnings (numerator)		
Earnings relating to the Parent Company shareholders, which form the basis for calculation of earnings per share	403	296
Number of shares (denominator)		
Weighted average number of ordinary shares for calculation of earnings per share	272,369,573	272,369,573

Note 12 Intangible assets and tangible assets

SEK M	Goodwill	Brands	Capitalized development costs	Customer relationships	Intangible assets, other	Total
INTANGIBLE ASSETS						
Cost, Jan 1, 2019	**5,395**	**731**	**768**	**819**	**1,719**	**9,432**
Investments	–	–	70	1	159	231
Sales/disposals	–	–	0	–	-15	-15
Reclassifications	–	–	–	–	4	4
Translation differences	195	5	15	48	26	289
Accumulated cost, Dec 31, 2019	**5,590**	**736**	**853**	**868**	**1,893**	**9,941**
Amortization and impairment, Jan 1, 2019	**-136**	**-419**	**-436**	**-542**	**-953**	**-2,486**
Amortization for the year	–	-40	-62	-36	-147	-286
Impairment	–	–	-6	–		-6
Sales/disposals	–	–	–	–	15	15
Translation differences	-41	-2	-8	-35	-20	-105
Accumulated amortization and impairment, Dec 31, 2019	**-178**	**-461**	**-512**	**-613**	**-1,105**	**-2,869**
Closing carrying amount, Dec 31, 2019	**5,413**	**275**	**341**	**255**	**788**	**7,072**

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INTANGIBLE ASSETS						
Cost, Jan 1, 2018	**4,990**	**733**	**706**	**835**	**1,649**	**8,913**
Investments	–	–	60	–	137	197
Acquisitions	192	–	–	–	12	204
Sales/disposals	–	–	-8	–	-94	-102
Reclassified to assets held for sale	47	-17	–	-49	-3	-22
Translation differences	166	15	10	33	18	242
Accumulated cost, Dec 31, 2018	**5,395**	**731**	**768**	**819**	**1,719**	**9,432**
Amortization and impairment, Jan 1, 2018	**-128**	**-390**	**-365**	**-512**	**-884**	**-2,279**
Amortization for the year	–	-38	-77	-38	-128	-281
Impairment	–	–	–	–	-24	-24
Sales/disposals	–	–	8	–	91	99
Reclassified to assets held for sale	–	11	–	23	2	36
Reclassifications	–	5	-1	–	-4	–
Translation differences	-8	-7	-1	-15	-6	-37
Accumulated amortization and impairment, Dec 31, 2018	**-136**	**-419**	**-436**	**-542**	**-953**	**-2,486**
Closing carrying amount, Dec 31, 2018	**5,259**	**312**	**332**	**277**	**766**	**6,946**

NOTE 12 CONTINUED

SEK M	Buildings and land[1]	Plant and machinery	Equipment, tools, fixtures and fittings	Rental equipment[2]	Construction in progress	Total
TANGIBLE ASSETS						
Cost, Jan 1, 2019	**345**	**240**	**821**	**4,111**	**32**	**5,549**
Investments	5	12	56	423	24	519
Sales/Disposals	–	-5	-14	-486	-1	-506
Reclassifications	20	-20	41	-9	-36	-4
Translation differences	16	11	27	162	1	217
Accumulated cost, Dec 31, 2019	**387**	**237**	**930**	**4,200**	**19**	**5,772**
Depreciation and impairment, Jan 1, 2019	**-152**	**-170**	**-649**	**-3,425**	**–**	**-4,396**
Depreciation for the year	-13	-14	-71	-280	–	-379
Sales/Disposals	–	2	14	443	–	459
Reclassifications	-4	15	-12	1	–	0
Translation differences	-7	-8	-22	-128	–	-166
Accumulated depreciation and impairment, Dec 31, 2019	**-176**	**-176**	**-741**	**-3,389**	**–**	**-4,482**
Closing carrying amount, Dec 31, 2019	**210**	**62**	**189**	**811**	**19**	**1,292**

[1] Of which, land amounted to SEK 10 M in 2019.
[2] These assets primarily comprise beds and mattresses.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TANGIBLE ASSETS						
Cost, Jan 1, 2018	**363**	**216**	**748**	**3,881**	**31**	**5,239**
Investments	5	18	53	325	44	445
Acquisitions	–	3	–	–	–	3
Sales/Disposals	–	-1	-17	-292	-1	-311
Reclassified to assets held for sale	-34	-25	-5	–	-2	-66
Reclassifications	–	24	17	–	-41	–
Translation differences	11	5	25	197	1	239
Accumulated cost, Dec 31, 2018	**345**	**240**	**821**	**4,111**	**32**	**5,549**
Depreciation and impairment, Jan 1, 2018	**-147**	**-173**	**-581**	**-3,204**	**–**	**-4,105**
Depreciation for the year	-15	-14	-63	-290	–	-382
Sales/Disposals	–	1	15	221	–	237
Reclassified to assets held for sale	15	19	4	–	–	38
Reclassifications	–	–	-2	2	–	0
Translation differences	-5	-3	-22	-154	–	-184
Accumulated depreciation and impairment, Dec 31, 2018	**-152**	**-170**	**-649**	**-3,425**	**–**	**-4,396**
Closing carrying amount, Dec 31, 2018	**193**	**70**	**172**	**686**	**32**	**1,153**

[1] Of which, land amounted to SEK 10 M in 2018.
[2] These assets primarily comprise beds and mattresses.

NOTE 12 CONTINUED

Impairment testing

	2019	2018
Goodwill and intangible assets with an indefinite useful life	5,461	5,314

Arjo has only one cash-generating unit and, accordingly, goodwill and intangible assets with an indefinite useful life are tested for impairment based on the Group's total amount.

Goodwill and other net assets are tested for impairment annually and whenever conditions indicate that impairment may be necessary. The recoverable amount for the cash generating unit is based on the calculated value in use. The operating segment, corresponding to Arjo in its entirety, was tested for impairment, and it is at this level that goodwill is monitored.

Assumptions

The value in use of goodwill and other net assets attributable to Arjo was calculated based on discounted cash flows. A discount rate of 8.3% (8.7) before tax was applied when calculating the value in use. Arjo bases the calculation on attained earnings, forecasts, business plans, financial forecasts and market data. Cash flow for the first three years is based on a strategic plan established by the Arjo Management Team. Future cash flow has then been assumed to have a growth rate corresponding to 2% (2). This growth rate is based on the going concern assumption and does not exceed long-term growth for the industry as a whole. Based on the assumptions given above, the value in use exceeds the carrying amount of the cash generating unit.

Sensitivity analysis

Sensitivity analyses of changes in growth rates and the discount rate, which have a significant impact on the calculation of the discounted cash flows, were performed in connection with impairment testing. The sensitivity analyses revealed that the negative changes below would not individually lead to an impairment requirement.

- Growth rate after year five decreases to 1% (1).
- Discount rate before tax increases by 1 percentage point to 9.3% (9.7).

Intangible assets

There are a limited number of intangible assets, in the form of trademarks with a carrying amount of SEK 47 M (44), for which the useful life has been assessed as indefinite. For these trademarks, there is no foreseeable limit for the time period during which the trademarks are expected to generate net revenue for Arjo. The useful life for other intangible assets is three to 15 years. For strategic acquisitions, the useful life exceeds five years.

Note 13 Leases

Arjo as a lessee

Amounts recognized in the balance sheet

SEK M	2019
Right-of-use assets	
Buildings and land	865
Cars and other vehicles	282
Other	11
Total	**1,158**
Lease liabilities	
Current	300
Non-current	856
Total	**1,156**

Additional right-of-use assets in 2019 amounted to SEK 163 M. The cash outflow amounted to SEK 313 M.

Maturity analysis for lease payments with undiscounted lease payments that are to be paid annually to lessors[1)]

Due within 1 year	317
Due within 1 to 2 years	247
Due within 2 to 3 years	184
Due within 3 to 4 years	141
Due within 4 to 5 years	113
Due in more than 5 years	339
Total	**1,341**

[1)] Excluding sale and leaseback contracts that are recognized separately below

Amounts recognized in profit or loss

Depreciation of right-of-use assets	
Buildings and land	-163
Cars and other vehicles	-164
Other	-6
Total	**-333**
Interest expenses attributable to leases	-39
Expenses attributable to short-term leases (included in cost of goods sold, selling expenses, administrative *expenses, research and development costs)*	-9
Expenses attributable to low-value leases that are not short-term leases (included in cost of goods sold, selling expenses and administrative expenses)	-6

NOTE 13 CONTINUED

IAS 17 Leases was applied in 2018. Leases for which Arjo was the lessee were expensed proportionately over the lease term. Lease expenses for assets held via operating leases, such as leased premises, cars, machinery, computers and office equipment, are recognized among operating expenses.

Operating leases

SEK M	[illegible]
Costs relating to operating leases	-350

On the closing date 2018, future lease payments for non-cancellable leases amounted to the following:

SEK M	[illegible]
Due within 1 year	-313
Due within 2 to 5 years	-762
Due in more than 5 years	-238
Total	**-1,313**

Arjo as a lessor, operating leases

Amounts recognized in the balance sheet are stated in Note 12 Tangible assets, Rental equipment. Recognized lease income is stated in Note 2, Net sales by type of revenue, Rental. Most of the income is variable and related to the point in time that the asset was utilized.

Maturity analysis for lease payments with undiscounted lease payments that are to be received annually from customers

[illegible]	[illegible]
Due within 1 year	351
Due within 1 to 2 years	304
Due within 2 to 3 years	208
Due within 3 to 4 years	16
Due within 4 to 5 years	5
Due in more than 5 years	4
Total	**888**

Sale and leaseback and subleases

Sale and leaseback agreements signed with financiers whereby the asset is later sold on to customers under a sublease agreement. Recognized in the balance sheet as lease receivables from customers and lease liabilities and financial liabilities to financiers.

Lease receivables in the balance sheet

SEK M	[illegible]	[illegible]
Current	14	10
Non-current	38	41
Total	**52**	**51**

Maturity analysis for lease payments with lease payments that are to be received annually from customers

2019, SEK M	Undiscounted payments	Interest effect	Discounted payments
Due within 1 year	14	0	14
Due within 1 to 2 years	14	0	14
Due within 2 to 3 years	15	-1	14
Due within 3 to 4 years	9	-1	8
Due within 4 to 5 years	1	0	1
Total	**53**	**-1**	**52**

Interest income amounted to SEK 1 M.

Lease liabilities in the balance sheet

[illegible]	2019	[illegible]
Current	13	10
Non-current	29	41
Total	**42**	**51**

Maturity analysis for lease payments with undiscounted lease payments that are to be paid annually to financiers for sale and leaseback agreements from 2018

[illegible]	[illegible]	[illegible]
Due within 1 year	13	16
Due within 1 to 2 years	13	16
Due within 2 to 3 years	12	14
Due within 3 to 4 years	4	6
Due within 4 to 5 years	1	0
Total	**43**	**52**

Interest expenses amounted to SEK 1 M and cash outflow to SEK 12 M.

Financial liabilities in the balance sheet from sale and leaseback recognized in accordance with IFRS 9

[illegible]	[illegible]
Current	2
Non-current	7
Total	**9**

Note 14 Inventories

SEK M	2019	[illegible]
Raw materials	473	229
Work in progress	13	14
Finished products	658	874
Total	**1,144**	**1,117**

Of the Group's inventories, SEK 1,132 (1,108) is measured at cost and SEK 12 M (9) at net realizable value. At December 31, 2019, the Group's provisions for obsolescence totaled SEK 99 M (103).

Note 15 Accounts receivable

SEK M	2019	2018
Accounts receivable before provisions	2,087	1,934
Provisions for doubtful receivables	-86	-132
Total	**2,001**	**1,802**

Accounts receivable net, after provisions for doubtful receivables, theoretically constitutes the maximum exposure for the calculated risk of losses. Accordingly, the carrying amount of accounts receivable represents the fair value. It is the Group's opinion that there is no significant concentration of accounts receivable to any single client.

A maturity analysis of accounts receivable is presented below:

SEK M	2019	2018
Not fallen due	1,294	1,045
Fallen due 1-5 days	156	166
Fallen due 6-30 days	200	170
Fallen due 31-60 days	106	128
Fallen due 61-90 days	66	75
Fallen due, more than 90 days	265	350
Total	**2,087**	**1,934**

At December 31, 2019, the Group's provisions for doubtful receivables totaled SEK 86 M (132). A maturity analysis of these accounts receivable is presented below:

SEK M	2019	2018
Not fallen due	-2	-3
Fallen due 1-5 days	0	0
Fallen due 6-30 days	0	-1
Fallen due 31-60 days	0	-1
Fallen due 61-90 days	-2	-3
Fallen due, more than 90 days	-81	-124
Total	**-86**	**-132**

Recognized amounts, by currency, for the Group's accounts receivable are as follows:

SEK M	2019	2018
EUR	630	552
USD	777	705
GBP	295	294
CAD	120	113
SEK	10	12
Other currencies	253	258
Total	**2,086**	**1,934**

Changes in provisions for doubtful receivables are as follows:

SEK M	2019	2018
At beginning of the year	**-132**	**-175**
Provision for expected losses	-23	-25
Confirmed losses	38	49
Payment made for reserved receivable	36	12
Operations being divested	0	16
Translation differences	-5	-9
Amount at year-end	**-86**	**-132**

Note 16 Prepaid expenses and accrued income

SEK M	2019	2018
Accrued income	75	61
Prepaid leasing expenses	8	8
Prepaid insurance expenses	19	14
Prepaid bank fees	16	22
Prepaid IT expenses	54	29
Other	42	54
Total	**213**	**188**

Note 17 Shareholders' equity

Specification of other reserves	Hedge reserve		Translation reserve		Hedges of net investments		Total	
SEK M	2019	2018	2019	2018	2019	2018	2019	2018
Opening balance	**-40**	**1**	**645**	**381**	**-62**	**37**	**543**	**419**
Change for the year	51	-52	–	–	-38	-126	13	-178
Tax attributable to items that can be restated in profit[1]	-11	11	-31	-17	8	27	-34	22
Translation difference for the year[1]	–	–	394	281	–	–	394	281
Closing balance	**0**	**-40**	**1,007**	**645**	**-92**	**-62**	**915**	**543**

[1] Tax effects regarding expanded net investments were recognized under translation differences in previous reports. In this report, these effects are recognized under Tax attributable to items that can be restated in profit. Historical periods have been adjusted.

[illegible]	[illegible]	[illegible]	[illegible]
Quotient value per share	0.33	0.33	
December 31, 2018	18,217,200	254,152,373	272,369,573
December 31, 2019	**18,217,200**	**254,152,373**	**272,369,573**
Shares' voting rights in %	41.8	58.2	100

In accordance with the Articles of Association, the company's share capital amounts to not less than SEK 75 M and not more than SEK 300 M. Within these limits, the share capital can be raised or lowered without requiring an amendment to the Articles of Association. The maximum number of shares is 600 million. One series A share carries ten votes and one series B share carries one vote. Both classes of share have the same quotient value, which is SEK 0.33. At December 31, 2019, the company's share capital totaled SEK 91 M (91).

The registered share capital in Arjo AB (publ) amounted to SEK 90,789,858 on December 31, 2019, distributed over 272,369,573 shares with a quotient value of SEK 0.33 per share.

Note 18 Unutilized overdraft facilities and credit facilities

Contracted, unutilized overdraft facilities totaled SEK 4,590 M (3,370) on December 31, 2019 (of which, SEK 3,576 M (2,763) comprised back-up for the commercial paper program). There are also granted, unutilized overdraft facilities of SEK 208 M (237).

Note 19 Consolidated interest-bearing net debt

			Non-cash items		
SEK M	Jan 1, 2019	Cash flows	Other non-cash items	Exchange-rate differences	Dec 31, 2019
Non-current and current financial liabilities	5,620	-347	54	38	5,365
Less non-interest-bearing financial liabilities	–	–	-65	–	-65
Non-current and current lease liabilities	1,304	-325	180	39	1,198
Provisions for pensions, interest-bearing	27	-1	115	-1	140
Total interest-bearing liabilities	**6,951**	**-673**	**284**	**76**	**6,638**
Non-current and current financial assets	-55	4	-22	0	-73
Pension assets	-52	0	52	0	–
Cash and bank balances	-961	311	–	-12	-662
Total interest-bearing assets	**-1,068**	**315**	**30**	**-12**	**-735**
Net receivable/liability	**5,883**	**-358**	**314**	**64**	**5,903**

			[illegible]		
SEK M	Jan 1, 201[illegible]	Cash flows	Other non-cash items	Exchange-rate differences	Dec 31, 201[illegible]
Non-current and current financial liabilities	5,221	171	51	228	5,671
Provisions for pensions, interest-bearing	61	1	-36	1	27
Total interest-bearing liabilities	**5,282**	**172**	**15**	**229**	**5,698**
Non-current and current financial assets	-8	5	-51	-1	-55
Pension assets	–	-23	-39	10	-52
Cash and bank balances	-672	-287	14	-16	-961
Total interest-bearing assets	**-680**	**-305**	**-76**	**-7**	**-1,068**
Net receivable/liability	**4,602**	**-133**	**-61**	**222**	**4,630**

Note 20 Other provisions

SEK M	Restructuring	Guarantees	Personnel	Other	Total
Value according to opening balance 2019	**25**	**30**	**10**	**127**	**192**
Provisions	0	2	2	13	17
Used amount	-19	-11	-4	-12	-46
Changes in connection with acquisitions	–	–	–	–	–
Unutilized funds restored	–	-4	0	-3	-7
Reclassifications	–	-1	–	-61	-62
Translation differences	–	2	1	5	8
Value according to closing balance 2019	**6**	**18**	**9**	**69**	**102**
Of which:					
Current					45
Non-current					57
Value according to opening balance 2018	**15**	**32**	**7**	**64**	**118**
Provisions	47	10	4	23	84
Used amount	-38	-10	–	-15	-63
Changes in connection with acquisitions	–	–	–	60[1]	60
Unutilized funds restored	–	-3	–	-13	-16
Reclassifications	–	–	–	3	3
Translation differences	1	1	-1	5	6
Value according to closing balance 2018	**25**	**30**	**10**	**127**	**192**
Of which:					
Current					76
Non-current					116

[1] The item refers to additional purchase consideration and is measured at fair value under level 3, see also Note 26

Expected timing of outflow:

[illegible]	[illegible]	[illegible]
Within 1 year	47	76
Within 3 years	6	79
Within 5 years	17	19
> 5 years	32	18
Total	**102**	**192**

Note 21 Provisions for pensions and similar obligations

Defined-contribution plans

In many countries, Arjo's employees are covered by defined-contribution pension plans.

The pension plans primarily include retirement pensions. The premiums are paid continuously throughout the year by each Group company to separate legal entities, such as insurance companies. The size of the premium paid by the Group companies is normally based on a set proportion of the employee's salary.

Defined-benefit plans

Arjo has defined-benefit pension plans in Sweden, Germany, the UK and Italy. The pension plans primarily comprise retirement pensions. Each employer normally has an obligation to pay a lifelong pension. Vesting is based on the number of years of service. The employee must be affiliated with the plan for a certain number of years to achieve full retirement pension entitlement. The pension is financed through payments from each Group company.

Pension commitments are usually calculated at year-end after actuarial assumptions. New calculations are made if substantial changes occur during the year. Gains and losses on changed actuarial assumptions are recognized as part of comprehensive income.

The net value of the defined-benefit commitment is detailed below:

[illegible]	[illegible]	[illegible]	[illegible]
Present value of commitments	-2,518	-32	-2,550
Fair value of plan assets	2,410	-	2,410
Net asset/liability in the balance sheet	**-108**	**-32**	**-140**

[illegible]	[illegible]	[illegible]	[illegible]
Present value of commitments	-2,015	-27	-2,042
Fair value of plan assets	2,067	-	2,067
Net asset/liability in the balance sheet	**52**	**-27**	**25**

SEK M	2019	2018
Pension commitments		
Opening balance	**25**	**-61**
Costs for service in the current year	-2	-2
Costs for service in previous years	–	-40
Net interest rate	-4	0
Administrative costs pertaining to plan assets	0	0
Return on plan assets	175	0
Gain/(loss) attributable to changed demographic assumptions	-1	0
Gain/(loss) attributable to changed financial assumptions	-334	141
Experience-based gains/(losses)	-11	-28
Restriction in plan surpluses with regard to asset ceilings	5	-5
Exchange-rate differences	2	-2
Fees paid by employer	4	21
Paid benefits	1	1
Closing balance	**-140**	**25**

The defined-benefit pension commitment and composition of plan assets

[illegible]	[illegible]	[illegible]	[illegible]
Sweden	-56	56	0
Germany	-10	-	-10
UK	-2,462	2,354	-108
Italy	-22	-	-22
Total	**-2,550**	**2,410**	**-140**

[illegible]	[illegible]	[illegible]	[illegible]
Sweden	-49	49	0
Germany	-8	-	-8
UK	-1,966	2,018	52
Italy	-19	-	-19
Total	**-2,042**	**2,067**	**25**

[illegible]	[illegible]	[illegible]
Significant actuarial assumptions, %		
Discount rate	2.0	2.8
Expected salary increase rate	-	-
Expected inflation	2.2	2.4

The discount rate corresponds to the interest rate of first-class corporate bonds with a remaining term that is almost equivalent to the actual commitments. The pension plan in the UK is closed which is why no expected salary increase rate is stated.

NOTE 21 CONTINUED

Sensitivity of defined-benefit commitments to changes in the significant assumptions for 2019, SEK M, UK

SEK M	Expected value of pension commitments	Changed compared with [illegible]
Pension commitments according to original valuation	-2,462	
Discount rate +1 percentage point	-1,973	489
Inflation +1 percentage point	-2,804	-342

The sensitivity analyses above are based on a change in one assumption, while all other assumptions remain constant. It is unlikely that this will happen in practice, and changes in some of the assumptions may correlate. The calculation of sensitivity in the defined-benefit commitments for material actuarial assumptions uses the same method (the present value of defined-benefit commitments by applying the Projected Unit Credit Method at the end of the reporting period) as that used in the calculation of pension liabilities.

Composition of plan assets

[illegible]	2019	2018
Securities	2,393	2,054
Properties	6	6
Cash and cash equivalents and similar assets	4	0
Other	7	7
Total	**2,410**	**2,067**

The weighted average term of the pension commitments is 18 years (20).

Information regarding recognition of multi-employer defined-benefit pension plans, Alecta
The commitment for retirement pensions and family pensions for salaried employees in Sweden is safeguarded through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined-benefit plan. For the 2019 fiscal year, the company did not have access to such information that makes it possible to recognize this plan as a defined-benefit plan. The pension plan in accordance with ITP, which is safeguarded through insurance with Alecta, is thus recognized as a defined-contribution plan. Fees for the year for pension insurance covered by Alecta amounted to SEK 4 M (4). Alecta's surplus can be distributed to the insurers and/or the insured. At year-end 2019, Alecta's surplus in the form of the collective consolidation level was approximately 148% (142). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitment calculated in accordance with Alecta's actuarial calculation assumption, which does not correspond with IAS 19.

Note 22 Accrued expenses and deferred income

SEK M	2019	2018
Salaries	304	309
Social security expenses	56	62
Commission and bonuses to customers	31	36
Interest expenses	2	3
Consultancy fees	25	27
Freight costs	15	18
IT expenses	6	39
Deferred income	106	79
Other	185	211
Total	**730**	**784**

Deferred income, specification of changes for the year

[illegible]	[illegible]	[illegible]
Opening balance	79	61
Provision for the year	232	98
Utilized amount for the year	-210	-82
Translation differences	5	2
Closing balance	**106**	**79**

Note 23 Pledged assets and contingent liabilities

Pledged assets
The Group has no pledged assets.

Contingent liabilities

[illegible]	[illegible]	[illegible]
Guarantees	19	15
Total	**19**	**15**

Note 24 Acquired/divested operations

Divested operations in 2019

Acare Medical Science Co., Ltd

In February, Acare Medical Sciences Co., Ltd – the Group's low-spec medical beds business – was divested to CBL based in China. The divestment involves a production and sales unit in Zhuhai, China, with 186 employees and sales of about SEK 80 M. Acare was recognized in the balance sheet for 2018 under assets and liabilities held for sale. The divestment did not have any significant capital gains effect. The sales proceeds of about SEK 24 M were received via a promissory note, of which SEK 11 M falls due for payment in the third quarter. Cash and *cash equivalents in Acare on the divestment date amounted to SEK 5 M.*

Divested net assets, SEK M	Carrying amount
Net assets	**70**
Assets held for sale	-46
Liabilities held for sale	24
Total net assets	
Cash-flow effect	
Proceeds received	11
Cash and cash equivalents in divested company	-5
Total cash-flow effect	***6***

Acquired operations 2018

ReNu Medical Inc.

All of the shares in the US company ReNu Medical Inc. were acquired in July. The company is a specialized green medical reprocessor of single use medical devices.

Its annual sales amount to approximately SEK 60 M, of which about SEK 40 M comprises sales to Arjo. The number of employees on the acquisition date was 87.

The acquisition analysis is preliminary for the period until one year after the acquisition date.

Acquisition-related costs amounted to SEK 3 M.

If the acquisition had taken place on January 1, 2018, the Group's sales would have increased by approximately SEK 13 M and made a positive contribution to earnings.

[illegible], SEK M	[illegible]	[illegible]	Fair value
Net assets			
Intangible assets	–	12	12
Tangible assets	–	3	3
Inventories, accounts receivables and other receivables	7	1	8
Accounts payable and other liabilities	-1	-10	-11
Cash and bank balances	12	–	12
Total net assets	**18**	**6**	**24**
Goodwill	–	192	192
Total net assets	**18**	**198**	**216**
Cash-flow effect			
Acquisition price			216
Unpaid purchase considerations			-60
Cash and cash equivalents in the acquired company			-12
Total cash-flow effect			**144**

Note 25 Transactions with related parties

Companies in the Carl Bennet sphere are considered to be related parties to Arjo. In addition to normal dividends to Carl Bennet AB, Arjo had transactions only with companies in Getinge Group, which are presented in the table below. Business terms and conditions as well as market-regulated pricing apply for delivery of products and services between the companies.

Other expenses primarily refer to Group-wide services. For remuneration and benefits to senior executives and on the Board of Directors, see Note 5.

[illegible]	2019	[illegible]
Sales	64	72
Purchases of goods	-4	-9
Other expenses	–	-69
Accounts receivable	14	20
Non-current financial liabilities	29	55
Accounts payable	0	10
Other non-interest-bearing liabilities	6	6

Note 26 Financial risk management

Most of Arjo's operations are located outside Sweden. This situation entails that the Group is exposed to different types of financial risks that may cause fluctuations in net profit for the year, cash flow and shareholders' equity due to changes in exchange rates and interest rates. In addition, the Group is exposed to refinancing and counterparty risks.

The primary role of Arjo Group Finance is to support business activities and to identify and in the best way manage the Group's financial risks in line with the Board's established finance policy. Arjo's financial activities are centralized to benefit from economies of scale, to ensure good internal control and to facilitate monitoring of risk.

Currency risks

Currency risks comprise exchange-rate fluctuations, which have an impact on the Group's earnings and shareholders' equity. Currency exposure occurs in connection with payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure).

Translation exposure – income statement

When translating the results of foreign Group companies into SEK, currency exposure occurs, which affects the Group's earnings when exchange rates fluctuate.

Translation exposure – balance sheet

Currency exposure occurs when translating net assets of foreign Group companies into SEK, which can affect the Group's other comprehensive income. Exposure is reduced by Arjo applying hedge accounting to loans in foreign currency (EUR and USD) and also to currency derivatives. The Group also has loans in EUR that are not used in hedge accounting. The currency risk in these loans is reduced through currency derivatives.

The table provides information on the loans and derivatives that are used for hedge accounting of net investments in foreign operations. The Group did not recognize any ineffectiveness in profit or loss for the year.

[illegible]	2019	2018
Amount recognized, loans	1,061	1,702
Amount recognized, derivatives	–5	–3
Amounts recognized in MUSD	58	58
Amounts recognized in MEUR	50	115
Amounts recognized in MGBP[1]	–	–
Hedge ratio	1:1	1:1
Change in the carrying amount of the loan due to Changes in exchange rates since January 1	38	123
Change in value of the hedged item to determine effectiveness	38	123
Weighted average for forward rates for the year (including forward points)		
SEK/USD	9.26	8.36
SEK/EUR	10.52	10.21
SEK/GBP	–	11.40

[1] The Group had loans in GBP in 2018 that were included in hedge accounting. The loan had been repaid at the end of the year.

Transaction exposure

Payment flows as a result of sales income and cost of goods sold in foreign currencies cause currency exposure that affects Group earnings in the event of exchange-rate fluctuations. The Group's payment flows in foreign currencies consist mainly of the income generated by export sales that take place via a UK company with GBP as its functional currency. The most important currencies against the GBP are presented in the table below. Based on Group companies forecast currency flows, Group Finance hedged the most important currency exposures in 2019 in line with finance policy. Hedging took place using currency forward contracts. The fair value of financial currency derivatives that meet cash-flow hedging requirements and are recognized in other comprehensive income. In 2019, the Group analyzed its hedging policy, which resulted in a change to the policy in the final quarter of the year. From times point in time, the Group manages only currency risk for transactions that have occurred and no longer forecast flows. All derivatives under the former policy expired in 2019. Accordingly, the Group no longer uses hedge accounting for derivatives related to transaction exposure.

NOTE 26 CONTINUED

The table below presents the derivatives not used in cash-flow hedging. The Group did not recognize any ineffectiveness in profit or loss for the year.

Transaction exposure (SEK M)

Cash-flow hedges – Derivative instruments	2019	2018
Amount recognized (current liabilities)	–	57
Nominal amount	–	1 867
Due date	–	1901-1912
Hedge ratio	1:1	1:1
Change in discounted forward rate for hedging instruments outstanding since the hedging relationship was entered into	–	-52
Change in value of the hedged item to determine ineffectiveness	–	52
Weighted average for hedging instruments outstanding (including forward points)		
GBP/USD	–	1.37
GBP/EUR	–	0.90
GBP/PLN	–	4.76
GBP/CAD	–	1.70
GBP/AUD	–	1.80
GBP/CNY	–	8.96

The table below outlines the effect on net profit for the year, translated to SEK, of currency fluctuations of ±5 percent in the most important transaction currencies. Net volumes comprise the current year's volumes in each currency.

Sensitivity analysis, transaction exposure – 2019

Currency	Net volume	[illegible]	Effect on net profit for the year, +/-5% (SEK M)	Impact on equity (SEK M)
PLN	-1,072	816	13	0
CNY	-298	156	7	0
USD	978	-745	12	0
EUR	719	-253	23	0
CAD	-67	61	0	0
AUD	160	-96	3	0

Sensitivity analysis, transaction exposure – 2018

[illegible]	[illegible]	[illegible]	Effect on net profit [illegible]	[illegible]
PLN	-1,068	454	24	-1
CNY	-220	102	5	2
USD	772	-752	1	-48
EUR	396	-241	6	-2
CAD	-208	85	5	-1
AUD	157	-92	3	0

The table below presents the derivatives outstanding on the closing date.

Outstanding derivative instruments – 2019

				Maturity structure		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Currency derivatives – hedges of net investments	0	5	527	527	0	0
Currency derivatives – non-hedge accounting	8	45	3,252	3,238	14	0
Total	**8**	**50**	**3,778**	**3,765**	**14**	**0**
Of which, short-term	8	50				
Of which, long-term	–	–				

Outstanding derivative instruments – 2018

				Maturity structure		
SEK M	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Currency derivatives – cash-flow hedges	4	61	1,867	1,867	–	–
Currency derivatives – hedges of net investments	11	14	983	896	87	–
Currency derivatives – non-hedge accounting	–	10	1,788	1,788	–	–
Total	**15**	**85**	**4,638**	**4,551**	**87**	**–**
Of which, short-term	15	85				
Of which, long-term	–	–				

NOTE 26 CONTINUED

Distribution of currency for outstanding derivative instruments

	2019		2018	
	Nominal amount	Fair value	Nominal amount	Fair value
AUD	186	-0	201	3
CAD	330	1	321	-6
CNY	33	-0	102	2
EUR	981	-4	790	-3
GBP	1,394	-37	1,408	-2
PLN	239	-0	704	-2
USD	303	2	787	-56
Other	312	-3	325	-6
Total, SEK M	**3,778**	**-42**	**4,638**	**-70**

Financing risk

Credit facilities and loans

Prior to the IPO in 2017, Arjo signed an agreement for external financing of a total of about EUR 600 M with a group of Nordic and international banks. In 2018, Arjo established a commercial paper program of SEK 4,000 M that was valid in 2019. At year-end 2019, SEK 3,576 M (2,763) had been issued. The carrying amount was SEK 3,573 M (2,761).

The table below presents Arjo's credit facilities and loans as per December 31, 2019.

Revolving credit facility, 5 years	EUR	500	91	2022
Revolving credit facility, 3+1+1 years	EUR	50	19	2020 (with option of 1+1-year extension)
Bank loans, 3 years	USD	58	58	2020
Commercial paper	EUR	97	81	2020
Commercial paper	SEK	3,000	2,732	2020

The table below presents Arjo's credit facilities and loans as per December 31, 2018.

Revolving credit facility, 5 years	EUR	500	202	2022
Revolving credit facility, 3+1+1 years	EUR	50	20	2020 (with option of 1+1-year extension)
Bank loans, 3 years	USD	58	58	2020
Commercial paper	EUR	97	65	2019
Commercial paper	SEK	3,000	2,095	2019

Arjo signed an agreement for two revolving credit facilities denominated in EUR with a bank syndicate and an international bank. The company also entered into an agreement regarding a bilateral loan facility denominated in USD with another international bank. Based on these agreements, Arjo believes that it has a highly diversified loan portfolio with a good maturity structure. Furthermore, Arjo has a well-composed group of both Nordic and international lenders. Arjo's policy is that refinancing risks are managed by signing long-term committed credit agreements with a range of tenures. All loan facilities include the usual guarantees and commitments, and do not contain any restrictions on dividends. The credit facilities may mature for earlier payment in full or in part if certain events occur, including, but not limited to, non-payment of past due amounts, non-compliance with financial covenants, rounds of terminations of the Group's other financing agreements (cross default) and the insolvency of Arjo or some of Arjo's subsidiaries. Financial covenants comprise Debt Repayment Capacity (the Group's net debt as a percentage of the Group's EBITDA) and Interest Payment Capacity (the Group's EBITDA as a percentage of the Group's net interest expenses). Arjo meet these covenants during the fiscal year. Arjo continued its commercial paper program of SEK 4,000 M in 2019. Based on this commercial paper program, Arjo can finance its operations in SEK and EUR for three to 12 months. The option of financing based on the commercial paper program was used to repay other interest-bearing bank loans. Arjo's unutilized revolving credit facilities serve as a back-up to the commercial paper program.

Interest-rate risk

Arjo is exposed to interest-rate risk, defined as the risk of changed market interest rates impacting the Group's net interest.The aim of Arjo's interest policy is to reduce the short and long-term effect of changed market interest rates on the income statement and to minimize interest expenses. Arjo has focused on minimizing interest expenses and works actively with commercial paper programs to this end. Interest-rate risk is assessed and monitored continuously during the year.

All external bank loans carried variable interest (3 month LIBOR and STIBOR) at December 31, 2019. Loans under the commercial paper program have a fixed interest rate for each maturity based on the market rate on the issue date. On each issue date, Arjo can chose between using the commercial paper program or making use of the Group's financial agreements, depending on which alternative is the most advantageous. Based on Arjo's interest-bearing liabilities at December 31, 2019, a momentary change in average interest rates of ±1 percentage point for the currencies represented in the Group's interest-bearing liabilities would entail changed interest expenses of ±SEK 63 M on an annual basis, which would impact net profit and equity in the amount of SEK ± 50 M.

Credit and counterparty risks

Arjo's financial transactions cause credit risks with regard to financial counterparties. Credit risks or counterparty risks constitute the risk of losses if the counterparties do not fully meet their commitments. The finance policy states that the credit risk must be limited through accepting only creditworthy counterparties and fixed limits. At December 31, 2019, the total counterparty exposure in derivative instruments was SEK -42 M (-70). Credit risks in outstanding derivatives are limited by the offset rules agreed with the respective counterparty. The Group has ISDA agreements for all of its significant counterparties for raising funds and trading in financial instruments. For the financial assets and liabilities that are subject to legally binding offset agreements or similar, each agreement between the Company and its counterparties permits the relevant financial assets and liabilities to be offset. The derivatives were recognized at gross amount in the balance sheet. The Group's liquidity is placed in bank accounts with low credit risks by distributing between several banks with high credit ratings. Arjo has a bank consortium comprising eight different banks, whose credit ratings are between A- and AA-.

Reserve for expected credit losses

Arjo's accounts receivable are current in nature and thus the risk-assessment horizon is short. Credit risk is limited by a diverse customer base with a high credit rating since a high percentage are public customers. A collective assessment is performed of the impairment requirement for accounts receivable with low credit risk. An individual assessment is carried out for customers with impaired credit risk.

NOTE 26 CONTINUED

Fair value disclosures pertaining to interest-bearing loans and other financial instruments

Arjo's long-term loans have floating interest rates and, accordingly, the fair value is assessed as corresponding to the carrying amounts. Arjo's credit risk has not changed significantly since the agreement was signed. For other financial assets and liabilities, fair value is assessed as corresponding to the carrying amount due to the short expected term.

The fair value of currency forward contracts is established using prices of currency forwards on the closing date, with the resulting value discounted to the present value. All derivatives are classified under level 2 of the fair value hierarchy. The Group has a liability for an additional purchase consideration related to the acquisition of ReNu in the US, which is at level 3 of the fair value hierarchy. The change in the liability for the year is primarily related to exchange-rate fluctuations.

The table below presents the Group's financial instruments by category.

Financial instruments by category

2019 [illegible] SEK M	Assets measured at amortized cost	[illegible] fair value through profit or loss	[illegible] hedging purposes	Total
Derivative instruments	–	8	–	8
Other financial assets	122	–	–	122
Accounts receivables and other financial receivables	2,022	–	–	2,022
Cash and cash equivalents	662	–	–	662
Total	**2,806**	**8**	**–**	**2,814**

Financial instruments by category

[illegible] liabilities, SEK M	Liabilities measured at amortized cost	[illegible] through [illegible]	[illegible]	[illegible]
Borrowings	5,365	–	–	5,365
Derivative instruments	–	50	–	50
Accounts payable and other financial liabilities	543	–	–	543
Additional purchase consideration	–	66	–	66
Total	**5,908**	**116**	**–**	**6,024**

Financial instruments by category

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Derivative instruments	–	–	15	15
Other financial assets	34	–	–	34
Accounts receivables and other financial receivables	1,806	–	–	1,806
Cash and cash equivalents	961	–	–	961
Total	**2,801**	**–**	**15**	**2,816**

Financial instruments by category

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Borrowings	5,671	–	–	5,671
Derivative instruments	–	10	75	85
Accounts payable and other financial liabilities	458	–	–	458
Additional purchase consideration	–	62	–	62
Total	**6,129**	**72**	**75**	**6,276**

NOTE 26 CONTINUED

The table below shows the Group's contractual and undiscounted cash flows from the external financial liabilities on the closing date until the contractual date of maturity.

At December 31, 2019, SEK M	Less than 6 months	7-12 months	[illegible]	2-5 years	> 5 years
Bank loans	-23	-22	-766	-1,034	–
Commercial paper	-3,516	-60	0	0	0
Leases	-159	-158	-247	-438	-339
Other financial liabilities	-1	-30	-67	-4	-1
Derivative instruments, outflows	-747	-397	–	–	–
Derivative instruments, inflows	2,094	521	–	–	–
Accounts payable	-543	–	–	–	–
Total	**-2,895**	**-146**	**-1,080**	**-1,476**	**-340**

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank loans	–	–	-778	-2,131	–
Commercial paper	-2,703	-60	–	–	–
Other financial liabilities	-5	-5	-64	-32	–
Derivative instruments, outflows	-864	-620	-31	–	–
Derivative instruments, inflows	1,730	325	29	–	–
Accounts payable	-458	–	–	–	–
Total	**-2,300**	**-360**	**-844**	**-2,163**	**–**

Note 27 Supplementary disclosures to the cash-flow statement

Cash and cash equivalents

[illegible]	[illegible]	[illegible]
Cash and bank balances	662	961
Total	**662**	**961**

Adjustments for items not included in cash flow

[illegible]	[illegible]	[illegible]
Change in reserve[1]	-73	-72
Gain from divestment/disposal of non-current assets	19	-12
Total	**-54**	**-84**

[1]Primarily refers to inventories and customer reserves.

Note 28 Capitalized development costs

[illegible]	[illegible]	[illegible]
Research and development costs, gross	-212	-201
Capitalized development costs	73	60
Research and development costs, net	**-139**	**-141**

Note 29 Events after the end of the fiscal year

For a description of risk management related to the spread of the coronavirus (COVID-19), refer to the information presented in the Directors' Report. There were no other significant events after the end of the fiscal year.

Parent Company financial statements

Parent Company income statement

SEK M	Note	2019	2018
Administrative expenses	2, 3, 4	-155	-155
Restructuring and integration costs		–	-49
Other operating income	5	114	66
Operating loss		**-41**	**-138**
Income from participations in Group companies	6	310	1,370
Interest income and similar profit items	7	13	5
Interest expenses and similar loss items	8	-88	-90
Profit after financial items		**194**	**1,147**
Taxes	9	-14	-33
Net profit for the year[1]		**180**	**1,114**

[1] Also comprehensive income for the year

Parent Company balance sheet

SEK M	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets	10	340	349
Participations in Group companies	11	6,294	6,292
Other financial assets		94	16
Deferred tax assets	9	2	9
Total non-current assets		**6,730**	**6,666**
Current assets			
Financial receivables, Group companies		1,427	677
Other receivables from Group companies		59	82
Other receivables		6	7
Prepaid expenses and accrued income		29	23
Cash and cash equivalents		–	–
Total current assets		**1,521**	**789**
TOTAL ASSETS		**8,250**	**7,455**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		91	91
Non-restricted shareholders' equity			
Retained earnings		4,364	3,400
Net profit for the year		181	1,114
Total shareholders' equity		**4,635**	**4,605**
Provisions			
Other provisions		1	1
Total provisions		**1**	**1**
Current liabilities			
Interest-bearing financial loans	12	3,573	2,761
Accounts payable		15	9
Other liabilities to Group companies		10	55
Other liabilities		1	1
Accrued expenses and deferred income	13	15	23
Total current liabilities		**3,614**	**2,849**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**8,250**	**7,455**

Changes in shareholders' equity, Parent Company

SEK M	Share capital	Retained earnings and net profit for the year	Total shareholders' equity
Opening balance at January 1, 2018	**91**	**3,536**	**3,627**
Net profit for the year	–	1,114	1,114
Dividend to shareholders	–	-136	-136
Closing balance at December 31, 2018	**91**	**4,514**	**4,605**
Opening balance at January 1, 2019	**91**	**4,514**	**4,605**
Net profit for the year	–	181	181
Dividend to shareholders	–	-150	-150
Closing balance at December 31, 2019	**91**	**4,544**	**4,635**

Parent Company cash-flow statement

SEK M	[illegible]	2019	2018
Operating activities			
Operating loss		-41	-138
Add-back of amortization, depreciation and write-downs		68	63
Other non-cash items		1	17
Dividend received		205	1,020
Interest received and similar items		13	5
Interest paid and similar items		-88	-90
Taxes paid		-7	-3
Cash flow before changes to working capital		**151**	**874**
Cash flow from changes in working capital			
Current receivables		-10	293
Current liabilities		-9	-93
Cash flow from operations		**132**	**1,074**
Investing activities			
Acquisition of intangible assets	10	-59	-56
Sale of intangible assets		–	56
Investments in subsidiaries		-2	-21
Investments in other companies		-78	-16
Cash flow from investing activities		**-139**	**-37**
Financing activities			
Raising of loans		813	2,759
Change in interest-bearing receivables/liabilities		-656	-3,660
Dividend		-150	-136
Cash flow from financing activities		**7**	**-1,037**
Cash flow for the year		**0**	**0**
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at year-end		**–**	**–**

Parent Company notes

Note 1 Accounting policies

The financial statements of the Parent Company were prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Reporting of Legal Entities. In accordance with the regulations stipulated in RFR 2, in the annual financial statements for a legal entity, the Parent Company is to apply all of the IFRS/IAS regulations and statements that have been endorsed by the EU where possible within the framework of the Swedish Annual Accounts Act and with consideration of the link between accounting and taxation. The recommendation specifies which exceptions and additions are to be made from IFRS/IAS. Provisions conforming to IFRS/IAS are stated in Note 1 Accounting policies, for the consolidated financial statements. The Parent Company applies the accounting policies detailed for the Group with the exception of the following:

Shares and participations.
Subsidiaries are recognized in accordance with the acquisition method, implying that holdings are recognized at cost in the balance sheet less any impairment. Dividends from subsidiaries are recognized as dividend income.

The Parent Company applies the exemption in RFR 2 not to apply IFRS 9, meaning that financial instruments are measured based on cost in accordance with the Swedish Annual Accounts Act.

Group contributions are recognized in profit or loss under income from participations in Group companies.

Note 2 Amortization according to plan

[illegible]	[illegible]	[illegible]
Intangible assets	-68	-63
Total	**-68**	**-63**
Amortization is recognized as administrative expenses	-68	-63
Total	**-68**	**-63**

Note 3 Fees to auditors

SEK M	2019	2018
Fee and expense reimbursement:		
Auditing assignment	-3	-3
Auditing activities other than auditing assignments	-	-
Tax consultancy services	-	-
Other services	0	-1
Total	**-3**	**-4**

Pertains to remuneration to Öhrlings PricewaterhouseCoopers AB.

Note 4 Employee costs

Average number of employees

[illegible]	[illegible]	[illegible]
Men	3	3
Women	2	2
Total	**5**	**5**

Gender distribution

[illegible]	[illegible]	[illegible]
Women:		
Board members	29	33
Other members of senior management	40	40
Men:		
Board members	71	67
Other members of senior management	60	60

Salaries, other remuneration and social security expenses

2019, SEK 000	[illegible] CEO	[illegible]	[illegible]
Salaries and remuneration	13,762	10,450	24,212
Social security expenses	4,881	3,821	8,702
Pension expenses	2,295	2,216	4,511

2018, SEK 000	CEO	[illegible]	Total
Salaries and remuneration	15,640	12,084	27,724
Social security expenses	5,458	4,392	9,850
Pension expenses	2,242	2,452	4,694

Note 5 Other operating income

SEK M	2019	2018
Sale of services to other Group companies	114	66
Total	**114**	**66**

Note 6 Income from participations in Group companies

SEK M	2019	2018
Dividend	205	1,020
Group contributions	105	350
Total	**310**	**1,370**

Note 7 Interest income and similar profit items

SEK M	2019	2018
Currency gains	0	0
Interest income	13	5
Total	**13**	**5**

Note 8 Interest expenses and similar loss items

SEK M	2019	2018
Interest expenses	-72	-30
Currency losses	-16	-60
Total	**-88**	**-90**

Note 9 Tax

SEK M	2019	2018
Current tax expense	-7	-3
Deferred tax	-7	-30
Total	**-14**	**-33**
Relationship between the year's tax expenses and the recognized profit after financial items:		
Recognized profit after financial items	194	1,147
Tax according to current tax rate	-42	-253
Tax effect of non-deductible costs	-10	-1
Tax effect of non-taxable income	44	224
Other	-7	-3
Recognized tax expense	**-15**	**-33**

Deferred tax assets in the balance sheet amounted to SEK 2 M (9) and were attributable to loss carryforwards and other temporary differences.

Note 10 Intangible assets

SEK M	2019	2018
Software		
Opening cost	427	443
Investments	60	56
Sales/disposals	-1	-72
Closing accumulated cost	**486**	**427**
Opening amortization	-78	-15
Amortization for the year	-68	-63
Closing accumulated amortization	**-146**	**-78**
Closing planned residual value	**340**	**349**

NOTE 11 CONTINUED

The Group companies directly or indirectly owned by Arjo AB are specified below

Sweden
Arjo Sverige AB, 556528-4600, Eslöv
ArjoHuntleigh AB, 556304-2026, Malmö
Arjo Treasury AB, 556475-7242, Malmö
Arjo IP Holding AB, 556247-0145, Malmö
ArjoHuntleigh International AB, 556528-1440, Malmö

Australia
Arjo Australia Pty Ltd
Arjo Hospital Equipment Pty Ltd
Joyce Healthcare Group Pty Ltd

Belgium
ArjoHuntleigh NV

Brazil
Arjo Brasil Equipamentos Médicos ltda

Denmark
Arjo Danmark A/S

Dominican Republic
Arjo Dominican Republic, SA

France
Arjo France S.A.S.

United Arab Emirates
Arjo Middle East FZ-LLC

Hong Kong
Arjo Hong Kong Ltd

India
ArjoHuntleigh Healthcare India Pvt. Ltd

Ireland
ArjoHuntleigh Ireland Ltd

Italy
Arjo Italia Spa[2)]

Japan
Arjo Japan K.K.

Canada
ArjoHuntleigh Magog Inc
Arjo Canada Inc

China
Arjo (Suzhou) Medical Equipment Trading Co. Ltd
Arjo (Suzhou) Co., Ltd

Mexico
Arjo México Equipos Médicos S.A de C.V.

Netherlands
Arjo Nederland BV
Huntleigh Holdings BV

Norway
Arjo Norge AS

New Zealand
Arjo New Zealand Limited

Poland
ArjoHuntleigh Polska Sp. z.o.o.

Switzerland
Arjo Switzerland AG

Singapore
Boxuan Medical Equipment Pte Ltd
Arjo South East Asia Pte Ltd

Spain
Arjo Iberia S.L.

UK
Huntleigh Technology Ltd[1)]
1st Call Mobility Ltd
ArjoHuntleigh International Ltd[1)]
Arjo UK Ltd
Huntleigh Diagnostics Ltd[1)]
Huntleigh Healthcare Ltd
Huntleigh International Holdings Ltd[1)]
Huntleigh Luton Ltd[1)]
Huntleigh Properties Ltd[1)]
Huntleigh (SST) Ltd[1)]
Pegasus Ltd[1)]

South Africa
ArjoHuntleigh South Africa Pty Ltd
Huntleigh Provincial Sales Pty Ltd
Huntleigh Africa Pty Ltd

South Korea
Arjo Korea Co. Ltd

Czech Republic
Arjo Czech Republic s.r.o.

Germany
Arjo Deutschland GmbH
Huntleigh Healthcare GmbH

USA
Arjo Holding USA, Inc
Arjo, Inc
ReNu Medical Inc

Austria
Arjo Austria GmbH

1) A Parent Company guarantee was issued in accordance with section 479(C) of the UK Companies Act 2006 for certain subsidiaries registered in the UK. The Parent Company guarantee applies to all outstanding liabilities for the subsidiaries on the closing date until the commitments have been met. The stated subsidiaries have applied the exemption from statutory audit in accordance with section 479 (A) of the UK Companies Act 2006.

2) The Parent Company guarantee was also issued for the subsidiary registered in Italy and applies to all outstanding liabilities for the subsidiary on the closing date until the commitments have been met.

Note 11 Participations in Group companies

Parent Company's holdings	Reg. office/Country	Corporate Registration Number	No. of participations 2019	No. of participations 2018	Percentage holding	Carrying amount, SEK M 2019
ArjoHuntleigh NV	Belgium	418.919.541	39,120	39,120	62	8
Arjo Dominican Republic, SA	Dominican Republic	131398278	3,591,999	3,591,999	100	65
Arjo Sverige AB	Eslöv, Sweden	556528-4600	1,000	1,000	100	54
Arjo France S.A.S.	France	305.219.677	578,460	578,460	100	360
Arjo Middle East FZ-LLC	United Arab Emirates	94298	1	1	100	41
Arjo Hong Kong Limited	Hong Kong	465441	25,000	25,000	100	47
ArjoHuntleigh Healthcare India Pvt. Ltd	India	U85199MH2002PTC135700	1,905,709	1,905,709	100	0
ArjoHuntleigh Ireland Ltd	Ireland	IE238034	33,336	33,336	100	37
Arjo Italia Spa	Italy	5503160011	1,000,000	1,000,000	100	94
Arjo Japan K.K	Japan	0104-01-135243	500	500	100	0
ArjoHuntleigh Magog Inc	Canada	626505	24,126,001	24,126,001	100	575
Arjo (Suzhou) Co., Ltd	China	913205947573292624	1	1	100	235
Arjo (Suzhou) Medical Equipment Trading Co., Ltd	China	91320594MA1UQ6DX7G	1	1	100	21
ArjoHuntleigh AB	Malmö, Sweden	556304-2026	50,000	50,000	100	495
Arjo Treasury AB	Malmö, Sweden	556475-7242	2,225	2,225	100	9
Arjo México Equipos Médicos S.A de C.V	Mexico	AME190724UM7	99	–	99	2
Arjo Nederland BV	Netherlands	69089396	18	18	100	808
Arjo Norge AS	Norway	994,290,177	100,000	100,000	100	1
Arjo Switzerland AG	Switzerland	CHE-107.306.624	100	100	100	42
Boxuan Medical Equipment Pte Ltd	Singapore	200508769D	5,700,000	5,700,000	100	30
Arjo Iberia S.L.	Spain	B67064618	3,000	3,000	100	0
Huntleigh Technology Ltd	UK	1891943	85,390,762	85,390,762	100	2,356
Arjo Korea Co., Ltd	South Korea	101-86-76976	1,000	1,000	100	20
Arjo Czech Republic s.r.o.	Czech Republic	46,962,549	1	1	100	2
Arjo Deutschland GmbH	Germany	HRB 12913	1	1	100	334
Huntleigh Healthcare GmbH	Germany	HRB 23795	2	2	100	4
Arjo Holding USA Inc	USA	–	10,000	10,000	100	646
Arjo Austria GmbH	Austria	FN42604d	1	1	39	8
Total carrying amount						**6,294**

The table above includes all directly owned subsidiaries.

[illegible]	[illegible]	[illegible]
Cost		
Opening cost	6,292	5,369
Investments	2	21
Shareholders' contributions	0	902
Closing accumulated cost	**6,294**	**6,292**

Note 12 Interest-bearing financial loans

SEK M	2019	2018
Commercial paper program	3,573	2,761
Total	**3,573**	**2,761**

The Parent Company established a commercial paper program in 2018 with a framework amount of SEK 4,000 M. Issues totaling SEK 3,576 M were implemented.

Note 13 Accrued expenses and deferred income

[illegible]	[illegible]	[illegible]
Salaries	9	10
Social security expenses	2	3
Accrued IT expenses	1	5
Consultancy fees	1	–
Other accrued expenses and other deferred income	2	5
Total	**15**	**23**

Note 14 Pledged assets and contingent liabilities

Pledged assets

The Parent Company had no pledged assets in 2019 or 2018.

Contingent liabilities, SEK M	2019	2018
Guarantees		
Guarantees for subsidiaries	1,707	3,012
Other	50	85
Total contingent liabilities	**1,757**	**3,097**

Note 15 Proposed allocation of profits

The following profits in the Parent Company are at the disposal of the Annual General Meeting:

[illegible]	[illegible]
Retained earnings	4,514,263,703
Net profit for the year	179,644,011
Total	**4,693,907,714**

The Board and Chief Executive Officer propose that a dividend of SEK 0.65 per share shall be distributed to shareholders	177,040,222
To be carried forward	4,516,867,492
Total	**4,693,907,714**

Auditor's report

To the general meeting of the shareholders of Arjo AB (publ), corporate identity number 559092-8064

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Arjo AB (publ) for the year 2019 except for the corporate governance statement on pages 61-65. The annual accounts and consolidated accounts of the company are included on pages 56-111 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 61-65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the 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.

Our audit approach

Overview

Audit scope

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

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

Materiality

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

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

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the Key audit matter
Valuation of intangible assets *With reference to Note 1 and Note 12.* Goodwill and other intangible assets with an indefinite useful life represent a significant part of the Balance Sheet of Arjo and amount to 5 ,461 MSEK (MSEK 5,314) as of 31 December 2019. The Company annually performs an annual impairment assessment of the assets based on a calculation of the discounted cash flow for the cash generating unit in which goodwill and other intangible assets are reported, which is Arjo Group as a whole. This impairment test is based on a high level of judgments and assumptions regarding future cash flows. Information is provided in Notes 1 and 12 as to how the Company's management has undertaken its assessments, and also provides information on important assumptions and sensitivity analyses. Key variables in the test are growth rate and discount factor (cost of capital). It is also presented that no impairment requirement has been identified based on the assumptions undertaken.	In our audit, we have evaluated the calculation model applied by management. We have reconciled and critically tested essential variables against budget and long term plan for the Company. We have performed a retrospective review of the prior period estimate by comparing it to actual current period results. We have tested the sensitivity analysis for key variables in order to assess the risk of need for impairment. We have also assessed the correctness of the disclosures included in the financial statements.
Valuation of accounts receivables *With reference to Note 1 and Note 15.* Accounts receivables comprise a significant area in the Group's financial reports as they are equivalent to approximately 14% (14%) of total assets. The Group undertakes business operations with both private and public players in a number of different countries where, for certain regions, the payment of customer invoices takes a long time after delivery to the customers. In the Group's operation, this refers primarily to the United States of America, UK and Italy. As of 31 December 2019, accounts receivables matured more than 90 days amounted to MSEK 265 (MSEK 350) which is equivalent to approximately 13% (18%) of total (gross) accounts receivables as per the balance sheet date. The valuation of these, and other matured, or yet to mature, accounts receivables, is based on management's assessment of the customer's future payment capacity.	In our audit we have evaluated the valuation of the accounts receivables by assessing the appropriateness of the loss assessment executed by management. We have critically examined management's assessment by reviewing the aging of customer receivables compared with the historical outcome for bad debts. Our audit includes an assessment of the control environment for the sales process and also includes an examination of the reported revenue transactions against underlying documentation, such as customer agreements, sales orders, suppliers' documentation, customer invoices, payment verification and obtaining customer invoice confirmations from customers. The appropriate audit procedures for the respective significant units in the Group have been determined based on the nature of the operations and the complexity of the sales transactions. We have also assessed the correctness of the disclosures included in the financial statements.

Other Information than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts and this information is found on pages 1–55 and 115–129. This information, in addition to the sustainability report and our statement regarding this report, do not constitute a part of the annual report. 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 Director's 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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Arjo AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's 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 Director's 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' 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 61–65 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.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Arjo AB (publ) by the general meeting of the shareholders on the 7 May 2019 and has been the company's auditor since 21 December 2016.

Malmö 3 April 2020
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Partner in charge

Cecilia Andrén Dorselius
Authorized Public Accountant

Multi-year overview: Group

Condensed consolidated income statement

SEK M	2019	2018	2017	2016	2015
Net sales	8,925	8,217	7,688	7,808	8,115
Cost of goods sold	-5,039	-4,555	-4,260	-4,366	-4,521
Gross profit	**3,886**	**3,662**	**3,428**	**3,442**	**3,594**
Selling expenses	-1,797	-1,657	-1,571	-1,392	-1,575
Administrative expenses	-1,223	-1,219	-1,136	-1,016	-1,039
Research and development costs	-139	-141	-134	-133	-118
Acquisition expenses	–	-3	–	-7	-4
Restructuring and integration costs	-53	-113	-324	-155	-186
Adjustment of pension liability	–	-40	–	–	–
Other operating income	8	11	29	58	15
Other operating expenses	-10	-7	-11	-16	-147
Operating profit (EBIT)	**671**	**493**	**281**	**781**	**540**
Interest income and other similar items	8	11	15	7	5
Interest expenses and other similar expenses	-137	-109	-117	-117	-120
Profit after financial items	**542**	**395**	**179**	**671**	**425**
Taxes	-139	-99	-61	-181	-118
Net profit for the year	**403**	**296**	**118**	**490**	**307**
Attributable to:					
Parent Company shareholders	403	296	118	490	307

Condensed consolidated balance sheet

SEK M	2019	2018	2017	2016	2015
Intangible assets	7,072	6,946	6,634	6,663	6,343
Tangible assets	1,292	1,153	1,134	1,110	1,656
Right-of-use assets	1,158	–	–	–	–
Non-current financial receivables, interest-bearing	46	97	8	–	9
Financial assets	455	351	326	316	302
Total non-current assets	**10,023**	**8,547**	**8,102**	**8,089**	**8,310**
Inventories	1,144	1,117	1,104	1,044	1,194
Accounts receivable	2,001	1,802	1,898	2,277	1,584
Current financial receivables	27	10	–	1,397	1,477
Other current receivables	565	625	434	460	644
Cash and cash equivalents	662	961	672	1,446	808
Total current assets	**4,399**	**4,515**	**4,108**	**6,624**	**5,707**
Assets held for sale	–	74	–	–	–
TOTAL ASSETS	**14,422**	**13,136**	**12,210**	**14,713**	**14,017**
Shareholders' equity	5,914	5,427	5,074	10,658	10,227
Total shareholders' equity	**5,914**	**5,427**	**5,074**	**10,658**	**10,227**
Provisions for pensions, interest-bearing	140	27	61	36	98
Non-current financial liabilities	1,791	2,859	5,131	1,361	475
Non-current lease liabilities	885	41	–	–	–
Other provisions	167	225	187	195	186
Total non-current liabilities	**2,983**	**3,152**	**5,379**	**1,592**	**759**
Accounts payable	543	458	541	739	369
Current liabilities	–	–	–	–	384
Current financial liabilities	3,575	2,761	90	340	1,168
Current lease liabilities	313	10	–	–	–
Other non-interest-bearing liabilities	1,095	1,284	1,126	1,384	1,110
Total current liabilities	**5,525**	**4,513**	**1,757**	**2,463**	**3,031**
Liabilities held for sale	–	44	–	–	–
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**14,422**	**13,136**	**12,210**	**14,713**	**14,017**

Condensed consolidated statement of cash flows

SEK M	2019	2018	2017	2016	2015
Operating activities					
Operating profit (EBIT)	671	493	281	781	540
Add-back of amortization, depreciation and write-down	1,004	687	715	755	681
Other non-cash items	-54	-84	36	21	2
Expensed exceptional items[1]	53	130	250	67	186
Paid exceptional items	-73	-81	-63	-108	-166
Financial items	-120	-92	-102	-110	-115
Taxes paid	-193	-171	-135	-168	-162
Cash flow before changes to working capital	**1,287**	**882**	**982**	**1,238**	**966**
Changes in working capital					
Inventories	38	24	-103	-87	-78
Current receivables	-133	95	176	-345	115
Current liabilities	59	-10	-483	113	-192
Cash flow from operations	**1,252**	**991**	**572**	**919**	**811**
Investing activities					
Divested/Acquired operations	6	-144	–	-212	–
Acquired financial assets	-78	-16	–	–	–
Net investments	-729	-557	-652	-314	-516
Cash flow from investing activities	**-801**	**-717**	**-652**	**-526**	**-516**
Financing activities					
Change in interest-bearing liabilities	-672	171	5,131	-6	-17
Change in non-current receivables	-5	-22	-29	-47	-25
Dividend	-150	-136	–	–	–
Realized derivatives attributable to financing activities	65	–	–	–	–
Transactions with shareholders	–	–	-5,796	289	-808
Cash flow from financing activities	**-762**	**13**	**-694**	**236**	**-850**
Cash flow for the year	**-311**	**287**	**-774**	**629**	**-555**
Cash and cash equivalents at the beginning of the period	961	672	1,446	808	1,369
Cash flow for the year	-311	287	-774	629	-555
Translation differences	13	16	0	9	-6
Reclassification to assets held for sale	–	-14	–	–	–
Cash and cash equivalents at year-end	**662**	**961**	**672**	**1,446**	**808**

[1] Excluding write-downs on non-current assets.

Net sales by geographic area

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America	3,468	3,015	2,818	2,905	2,957
Western Europe	4,240	4,125	3,771	3,759	3,873
Rest of the World	1,217	1,077	1,099	1,144	1,285
Group	**8,925**	**8,217**	**7,688**	**7,808**	**8,115**

Key performance indicators for the Group

SEK M	2019	2018	2017	2016	2015
Sales measures					
Net sales	8,925	8,217	7,688	7,808	8,115
Net sales growth, %	8.6%	6.9%	-1.5%	-3.8%	7.2%
Organic growth in sales, %	3.9%	3.0%	-1.6%	-2.6%	-2.3%
Expense measures					
Selling expenses as a % of net sales	20.1%	20.2%	20.4%	17.8%	19.4%
Administrative expenses as a % of net sales	13.7%	14.8%	14.8%	13.0%	12.8%
Research and development costs as a % of net sales	1.6%	1.7%	1.7%	1.7%	1.5%
Earnings measures					
Operating profit (EBIT)	671	493	281	781	540
EBITA	963	798	596	1,147	733
Adjusted EBITA	*1,016*	*930*	*846*	*1,221*	*923*
EBITDA	1,675	1,180	996	1,536	1,221
EBITDA growth, %	42.0%	18.4%	-35.1%	25.8%	-23.1%
Adjusted EBITDA	1,728	1,312	1,246	1,610	1,411
Earnings per share, SEK	1.48	1.09	0.43	1.80	1.13
Margin measures					
Gross margin, %	43.5%	44.6%	44.6%	44.1%	44.3%
Operating margin, %	7.5%	6.0%	3.7%	10.0%	6.7%
EBITA margin, %	10.8%	9.7%	7.8%	14.7%	9.0%
Adjusted EBITA margin, %	11.4%	11.3%	11.0%	15.6%	11.4%
EBITDA margin, %	18.8%	14.4%	13.0%	19.7%	15.0%
Adjusted EBITDA margin, %	19.4%	16.0%	16.2%	20.6%	17.4%
Cash flow and return measures					
Return on shareholders' equity, %	7.1%	5.6%	1.5%	4.7%	2.9%
Cash conversion, %	74.7%	84.0%	57.4%	59.8%	66.4%
Operating capital, SEK M	11,082	9,946	10,317	11,055	11,168
Return on operating capital, %	6.5%	6.5%	5.9%	8.5%	6.5%
Capital structure					
Interest-bearing (+) net debt/(-) net receivables	5,903	4,630	4,602	-1,175	-579
Interest-coverage ratio, multiple	5.5x	6.2x	5.3×	8.2×	6.2×
Net debt/equity ratio, multiple	1.0x	0.9x	0.9×	-0.1×	-0.1×
Net debt / adjusted EBITDA, multiple	3.0x	3.5x	3.7×	-0.7×	-0.4×
Equity/assets ratio, %	41.0%	41.3%	41.6%	72.4%	73.0%
Equity per share, SEK	21.7	19.9	18.6	39.1	37.5
Other					
No. of shares	272,369,573	272,369,573	272,369,573	272,369,573	272,369,573
Number of employees, average	6,151	6,123	5,853	5,763	5,339

Key performance indicators for the Group, excluding IFRS 16

SEK M	2019	2018	2017	2016	2015
Earnings measures, excluding IFRS 16					
EBITDA	1,328	1,180	996	1,536	1,221
EBITDA growth, %	12.6%	18.4%	-35.1%	25.8%	-23.1%
Adjusted EBITDA	1,381	1,312	1,246	1,610	1,411
Margin measures, excluding IFRS 16					
EBITDA margin, %	14.9%	14.4%	13.0%	19.7%	15.0%
Adjusted EBITDA margin, %	15.5%	16.0%	16.2%	20.6%	17.4%
Cash flow and return measures, excluding IFRS 16					
Cash conversion, %	70.7%	84.0%	57.4%	59.8%	66.4%
Operating capital, SEK M	10,503	9,946	10,317	11,055	11,168
Return on operating capital, %	6.9%	6.5%	5.9%	8.5%	6.5%
Capital structure, excluding IFRS 16					
Interest-bearing (+) net debt/(-) net receivables	4,746	4,630	4,602	-1,175	-579
Interest-coverage ratio, multiple	7.4x	6.2x	5.3x	8.2x	6.2x
Net debt/equity ratio, multiple	0.8x	0.9x	0.9x	-0.1x	-0.1x
Net debt / adjusted EBITDA, multiple	3.4x	3.5x	3.7x	-0.7x	-0.4x
Equity/assets ratio, %	44.6%	41.3%	41.6%	72.4%	73.0%

Origin of key performance measures

Alternative performance measures refer to financial measures used by the company's management and investors to evaluate the Group's earnings and financial position, and that cannot be directly read or derived from the financial statements.

These financial measures are intended to facilitate analysis of the Group's performance. The alternative performance measures should not be considered substitutes, but rather a supplement to, the financial statements prepared in accordance with IFRS. The financial measures recognized in this report may differ from similar measures used by other companies.

The alternative performance measures recognized below have not been calculated in accordance with IFRS but have been presented since Arjo believes that they are important in connection with investors' assessments of the Company and the Company's share. The alternative performance measures are also presented in the company's other financial statements.

Sales measures

[illegible]	[illegible]	[illegible]	2017	[illegible]	[illegible]
(A) Net sales preceding year	8,217	7,688	7,808	8,115	7,568
Acquired/divested net sales for the period	-11	-3	–	40	-46
(B) Organically net sales for the period	320	231	-125	-210	-175
Effect of changes in exchange rates	398	301	5	-137	767
Net sales	8,925	8,217	7,688	7,808	8,115
(B/A) Organic growth in sales, %	*3.9%*	*3.0%*	*-1.6%*	*-2.6%*	*-2.3%*

Expense measures

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(A) Selling expenses	1,797	1,657	1,571	1,392	1,575
(B) Administrative expenses	1,223	1,219	1,136	1,016	1,039
(C) Research and development costs, net	139	141	134	133	118
(D) Net sales	8,925	8,217	7,688	7,808	8,115
(A/D) Selling expenses as a % of net sales	*20.1%*	*20.2%*	*20.4%*	*17.8%*	*19.4%*
(B/D) Administrative expenses as a % of net sales	*13.7%*	*14.8%*	*14.8%*	*13.0%*	*12.8%*
(C/D) Research and development costs net as a % of net sales	*1.6%*	*1.7%*	*1.7%*	*1.7%*	*1.5%*

Earnings and margin measures

SEK M	2019	2018	2017	2016	2015
(A) Operating profit (EBIT)	671	493	281	781	540
Add-back of amortization and write-down of intangible assets	292	305	315	366	193
(B) EBITA	963	798	596	1,147	733
Add-back of depreciation and impairment of tangible assets	712	382	400	389	488
(C) EBITDA	1,675	1,180	996	1,536	1,221
Adjustment for IFRS 16	-347	–	–	–	–
(D) EBITDA, excluding IFRS 16	1,328	1,180	996	1,536	1,221
Exceptional items	53	156	324	162	190
Add-back of write-down of restructuring and integration costs	–	-24	-74	-88	0
(E) Adjusted EBITA	1,016	930	846	1,221	923
(F) Adjusted EBITDA	1,728	1,312	1,246	1,610	1,411
Adjustment for IFRS 16	-347	–	–	–	–
(G) Adjusted EBITDA, excluding IFRS 16	1,381	1,312	1,246	1,610	1,411
(H) Net sales	8,925	8,217	7,688	7,808	8,115
(A/H) Operating margin, %	*7.5%*	*6.0%*	*3.7%*	*10.0%*	*6.7%*
(B/H) EBITA margin, %	*10.8%*	*9.7%*	*7.8%*	*14.7%*	*9.0%*
(C/H) EBITDA margin, %	*18.8%*	*14.4%*	*13.0%*	*19.7%*	*15.0%*
(D/H) EBITDA margin, %, excluding IFRS 16	*14.9%*	–	–	–	–
(E/H) Adjusted EBITA margin, %	*11.4%*	*11.3%*	*11.0%*	*15.6%*	*11.4%*
(F/H) Adjusted EBITDA margin, %	*19.4%*	*16.0%*	*16.2%*	*20.6%*	*17.4%*
(G/H) Adjusted EBITDA margin, %, excluding IFRS 16	*15.5%*	–	–	–	–

Cash flow and return measures

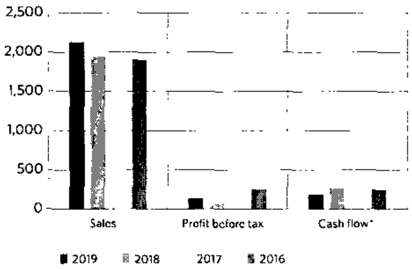
SEK M	2019	2018	2017	2016	2015
Calculation of cash conversion					
(A) Cash flow from operations	1,252	991	572	919	811
(B) EBITDA	1,675	1,180	996	1,536	1,221
(A/B) Cash conversion, %	*74.7%*	*84.0%*	*57.4%*	*59.8%*	*66.4%*
Calculation of cash conversion, excluding IFRS 16					
Cash flow from operations	1,252	991	572	919	811
Adjustment for IFRS 16	-313	–	–	–	–
(A) Cash flow from operations, excluding IFRS 16	939	991	572	919	811
EBITDA	1,675	1,180	996	1,536	1,221
Adjustment for IFRS 16	-347	–	–	–	–
(B) EBITDA, excluding IFRS 16	1,328	1,180	996	1,536	1,221
(A/B) Cash conversion, %, excluding IFRS 16	*70.7%*	*84.0%*	*57.4%*	*59.8%*	*66.4%*
Calculation of return on shareholders' equity					
(A) Net profit for the year	403	296	118	490	307
Shareholders' equity at beginning of the period	*5,427*	*5,074*	*10,658*	*10,227*	*10,602*
Shareholders' equity at the end of the period	5,914	5,427	5,074	10,658	10,227
(B) Average total shareholders' equity	5,671	5,251	7,866	10,443	10,415
(A/B) Return on total shareholders' equity, %	*7.1%*	*5.6%*	*1.5%*	*4.7%*	*2.9%*
Calculation of return on operating capital					
Total assets opening balance	13,136	12,210	14,713	14,017	14,822
Total assets closing balance	14,422	13,136	12,210	14,713	14,017
Adjustment for IFRS 16	-1,158	–	–	–	–
Total assets closing balance, excluding IFRS 16	13,264	13,136	12,210	14,713	14,017
Average total assets	13,779	12,673	13,462	14,365	14,420
Average total assets, excluding IFRS 16	13,200	12,673	13,462	14,365	14,420
Excluding average cash and cash equivalents	-812	-817	-1,058	-1,127	-1,089
Excluding average other provisions	-257	-278	-220	-191	-206
Excluding average other non-interest-bearing liabilities	-1,629	-1,632	-1,867	-1,992	-1,958
(A) Operating capital	11,082	9,946	10,317	11,055	11,168
(B) Operating capital, excluding IFRS 16	10,503	9,946	10,317	11,055	11,168
Operating profit (EBIT)	671	493	281	781	540
Add-back of exceptional items	53	156	324	162	190
(C) EBIT after add-back of exceptional items	724	649	605	943	730
(C/A) Return on operating capital	*6.5%*	*6.5%*	*5.9%*	*8.5%*	*6.5%*
(C/B) Return on operating capital, excluding IFRS 16	*6.9%*	*6.5%*	*5.9%*	*8.5%*	*6.5%*

Capital structure

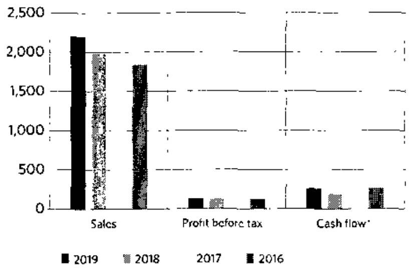
SEK M	2019	2018	2017	2016	2015
Calculation of interest-bearing net debt, net debt/equity ratio and interest-bearing net debt / Adjusted EBITDA					
Financial liabilities	5,300	5,671	5,221	1,701	1,643
Lease liabilities	1,198	–	–	–	–
Provisions for pensions, interest-bearing	140	27	61	36	98
Less financial receivables	-73	-107	-8	-1,466	-1,512
Less cash and cash equivalents	-662	-961	-672	-1,446	-808
(A) Interest-bearing (+) net debt/(-) net receivables	5,903	4,630	4,602	-1,175	-579
Adjustment IFRS 16, lease liabilities	-1,157	–	–	–	–
(B) Interest-bearing (+) net debt/(-) net receivable, excluding IFRS 16	4,746	4,630	4,602	-1,175	-579
(C) Shareholders' equity	5,914	5,427	5,074	10,658	10,227
(D) Adjusted EBITDA	1,728	1,312	1,246	1,610	1,411
Adjustment for IFRS 16	-347	–	–	–	–
(E) Adjusted EBITDA, excluding IFRS 16	1,381	1,312	1,246	1,610	1,411
(A/C) Net debt/equity ratio, multiple	*1.0x*	*0.9x*	*0.9x*	*-0.1x*	*-0.1x*
(B/C) Net debt/equity ratio, multiple, excluding IFRS 16	*0.8x*	*0.9x*	*0.9x*	*-0.1x*	*-0.1x*
(A/D) Interest-bearing net debt / Adjusted EBITDA, multiple	*3.0x*	*3.5x*	*3.7x*	*-0.7x*	*-0.4x*
(B/E) Interest-bearing net debt / Adjusted EBITDA, multiple, excluding IFRS 16	*3.4x*	*3.5x*	*3.7x*	*-0.7x*	*-0.4x*
Calculation of interest-coverage ratio					
Profit after financial items	542	395	179	671	425
(A) Addition of interest expenses	133	105	117	115	117
(B) Addition of interest expenses,, excluding IFRS 16	94	105	117	115	117
Add-back of exceptional items	53	156	324	155	186
(C) Profit after financial items plus interest expenses and add-back of exceptional items	728	656	620	941	728
Adjustment for IFRS 16	-33	–	–	–	–
(D) Profit after financial items plus interest expenses and add-back of exceptional items, excluding IFRS 16	695	656	620	941	728
(C/A) Interest-coverage ratio	*5.5x*	*6.2x*	*5.3x*	*8.2x*	*6.2x*
(D/B) Interest-coverage ratio, excluding IFRS 16	*7.4x*	*6.2x*	*5.3x*	*8.2x*	*6.2x*

Quarterly performance

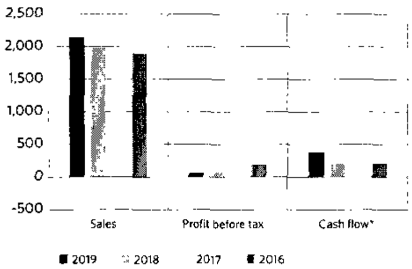
Quarter 1



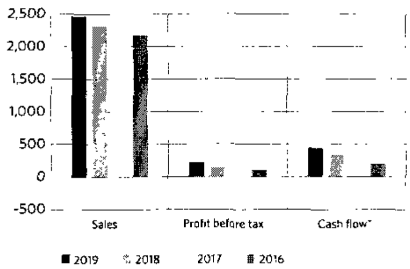
Quarter 2



Quarter 3



Quarter 4



*From operations.

The Group's 20 largest markets

	2019			2018			2017			2016			2015		
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA	2,765	31.0	1	2,390	29.2	1	2,242	29.2	1	2,331	29.9	1	2,377	29.3	1
UK	1,101	12.3	2	1,128	12.9	2	992	12.9	2	1,116	14.3	2	1,263	15.6	2
France	828	9.3	3	748	8.8	3	678	8.8	3	645	8.3	3	613	7.6	4
Canada	703	7.9	4	625	7.5	5	576	7.5	5	574	7.3	5	580	7.1	5
Germany	693	7.8	5	651	7.9	4	609	7.9	4	595	7.6	4	614	7.6	3
Australia	428	4.8	6	399	5.9	6	455	5.9	6	428	5.5	6	436	5.4	6
Netherlands	342	3.8	7	323	3.8	7	293	3.8	7	269	3.4	7	282	3.5	7
Italy	258	2.9	8	266	3.2	8	247	3.2	8	238	3.0	8	230	2.8	8
Austria	200	2.2	9	197	2.8	9	214	2.8	9	200	2.6	9	203	2.5	9
Belgium	183	2.1	10	186	2.4	10	181	2.4	10	181	2.3	10	193	2.4	10
Ireland	153	1.7	11	146	1.9	11	143	1.9	11	132	1.7	12	127	1.6	13
Switzerland	141	1.6	12	123	1.5	12	117	1.5	12	134	1.7	11	134	1.6	12
India	127	1.4	13	113	1.3	13	103	1.3	13	106	1.4	13	106	1.3	14
South Africa	92	1.0	14	98	1.1	14	84	1.1	15	86	1.1	16	99	1.2	15
Sweden	85	1.0	15	75	0.9	17	78	1.0	16	78	1.0	17	54	0.7	19
Hong Kong	82	0.9	16	87	1.1	15	31	0.4	24	59	0.8	18	79	1.0	17
Denmark	60	0.7	17	80	1.0	16	89	1.2	14	90	1.2	15	91	1.1	16
New Zealand	59	0.7	18	60	0.7	18	56	0.7	19	54	0.7	19	47	0.6	20
Singapore	55	0.6	19	56	0.7	20	68	0.9	17	51	0.7	20	64	0.8	18
Japan	54	0.6	20	36	0.4	23	38	0.5	20	26	0.3	23	32	0.4	21

Quality and environmental certifications 2019

City	Country	Product [illegible]	ISO 9001	ISO 13485	ISO 14001	[illegible]
Suzhou	China	VTE prevention, Pressure Injury Prevention	x	x	x	x
Magog	Canada	Patient handling	x	x	x	x
Poznan	Poland	Medical Beds, Patient Handling, Hygiene, Disinfection, VTE prevention	x	x	x	x
San Cristobal	Dominican Republic	Patient handling, VTE prevention	x	x	x	x
Cardiff	UK	Assembly and Doppler equipment for diagnostics	x	x	x	x

x = certified plant

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Definitions

Financial terms

Operating capital
Average total assets less cash and cash equivalents, other provisions, accounts payable and other non-interest-bearing liabilities.

Return on operating capital
Rolling 12 months' operating profit with add-back of acquisition, restructuring and integration costs in relation to operating capital.

Return on shareholders' equity
Rolling 12 months' profit after tax in relation to average shareholders' equity.

Cash conversion
Cash flow from operations in relation to EBITDA.

EBIT
Operating profit.

EBITA
Operating profit before amortization and write-down of intangible assets.

Adjusted EBITA
EBITA with add-back of acquisition, restructuring and integration costs.

EBITA margin
EBITA in relation to net sales.

Adjusted EBITA margin
Adjusted EBITA in relation to net sales.

EBITDA
Operating profit before amortization, depreciation and write-down.

Adjusted EBITDA
EBITDA with add-back of acquisition, restructuring and integration costs.

EBITDA margin
EBITDA in relation to net sales.

Adjusted EBITDA margin
Adjusted EBITDA in relation to net sales.

Net debt/equity ratio
Interest-bearing net debt in relation to shareholders' equity.

Organic change
A financial change adjusted for currency fluctuations, acquisitions and divestments.

Earnings per share
Profit for the period attributable to Parent Company shareholders in relation to average number of shares.

Interest-coverage ratio
Profit after financial items plus interest expenses and add-back of exceptional items in relation to interest expenses. Calculated based on rolling twelve-month data.

Operating expenses
Selling expenses, administrative expenses and research and development costs.

Operating margin
Operating profit in relation to net sales.

Equity/assets ratio
Shareholders' equity in relation to total assets.

Medical terms

Blood clot
Blood clots are formed when the blood coagulates, forming a clot that can block blood vessels and make it difficult for the blood to flow.

Compression therapy
Treatment technique which means that one uses outer pressure with a certain frequency and for a certain period of time to treat and prevent venous leg ulcers.

Deep vein thrombosis (DVT)
Formation of a blood clot in a deep leg vein.

Edema
Swelling due to accumulation of fluid in tissues.

Ergonomics
A science concerned with designing the job to fit the worker to prevent illness and accidents.

EU Medical Device Regulation (MDR)
Regulations created by the EU to ensure better protection for the public health and patient safety by establishing modernized and more robust EU legislation. All medical device manufacturers and distributors must comply with these new regulations that will come into force in May 2020.

IPC (intermittent pneumatic compression)
IPC is an established method for preventing VTE. Actively compressing the calf muscles, for example, imitates the pumping mechanism that normally occurs when walking or running, which increases blood flow and prevents blood clots from forming in the immobile patient.

Prevention
Preventive activity/treatment.

Pressure injuries
Sores that occur when blood flow to the skin is reduced by external pressure. Most common in patients with reduced mobility.

US Food and Drug Administration (FDA)
The US authority responsible for protecting the public health by carrying out regular inspections of, among other things, medical devices.

Venous leg ulcers
A wound on the lower leg, caused by insufficiency of the veins, that has not healed and is not expected to heal within six weeks.

VTE
The abbreviation VTE standards for venous thromboembolism - a blood clot in the veins.

Other information

Distribution policy
The printed version of Arjo AB's Annual Report is distributed only to shareholders who expressly request a copy. The Annual Report is also available in its entirety on the Group's website:
www.arjo.com

Reading guide
- The Arjo Group is referred to as Arjo in the Annual Report.
- Figures in parentheses pertain to operations in 2018, unless otherwise specified.
- Swedish kronor (SEK) is used throughout.
- Millions of kronor are abbreviated SEK M.
- All figures pertain to SEK M, unless otherwise specified.
- Information provided in the Annual Report concerning markets, competition and future growth constitutes Arjo's assessment and is based mainly on a combination of material compiled externally and internally.
- The totals in the tables and calculations do not always add up due to rounding differences. Each subtotal corresponds with its original source, which can lead to rounding differences in the totals.

Annual General Meeting
Arjo's Annual General Meeting will be held on Monday, June 29, 2020 at 11:00 a.m. in Malmö, Sweden. An invitation to the event will be issued no later than four weeks prior to the event.

For further information regarding the Annual General Meeting and registration, see Arjo's website, www.arjo.com.

Nomination Committee
Arjo's interim report for the third quarter of 2019 contained instructions for shareholders on how to proceed to submit proposals to Arjo's Nomination Committee and how to propose motions to be addressed at the Annual General Meeting.

Dividend
The Board of Directors and CEO propose a dividend for 2019 of SEK 0.65 per share (0.55), an increase of 18% compared with 2018. The total dividend thus amounts to approximately SEK 177 M (150).

The proposed dividend for 2019 is well in line with the target in Arjo's adopted dividend policy. The proposal is justified based on the combination of the Group's financial position and future development opportunities.

Financial information
Updated information on, for example, the Getinge share and corporate governance is available on Arjo's website www.arjo.com.

The Annual Report, year-end report and interim reports are published in Swedish and English and are available for download at www.arjo.com. The Annual Report can also be ordered from: Arjo AB, Att: Informationsavdelningen, Hans Michelsensgatan 10, SE-211 20 Malmö, Sweden. Tel: +46 (0) 10 335 4500.

April 27, 2020	Interim report, January-March
June 29, 2020	Annual General Meeting
July 17, 2020	Interim report, January-June
October 28, 2020	Interim report, January-September
February 3, 2021	Year-End Report 2020
April 2021	2020 Annual Report

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Arjo's work is based on genuine care for human health and well-being. Arjo is a market-leading supplier of medical devices and solutions that improve quality of life for patients with reduced mobility and age-related health challenges. The company's offering includes products and solutions for patient handling, hygiene, disinfection, medical beds, prevention of pressure ulcers, prevention of deep vein thrombosis and for obstetric and cardiac diagnostics.

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