arjo

Empowering movement

2020 ANNUAL REPORT

Contents

The formal Annual Report comprises pages 51–112. The statutory sustainability report and the sustainability report are presented on pages 30–45. The official audited version of the Annual Report is the Swedish version

Mobility drives healthier outcomes

There is a clear connection between mobility and people's physical and mental well-being. Creating the best opportunities for mobility is therefore at the very core of providing high-quality care. We have seen how empowering movement can quickly improve both clinical and financial outcomes. As a leading specialist in the field, we work continuously to promote mobility – with the aim of creating better results for patients, caregivers and the entire healthcare system.

Arjo's journey began with the entrepreneur and founder, Arne Johansson, in 1957. When he understood the burden his wife experienced as a nurse, he had found his mission in life. He decided to develop equipment that would make it safer to move patients, and support the healthcare professionals taking care of them. The first Arjo products saw the light of day, followed by many, many more. Today, our solutions help improve patient mobility in care settings around the world, and drive healthier outcomes for everyone involved.

The power of movement

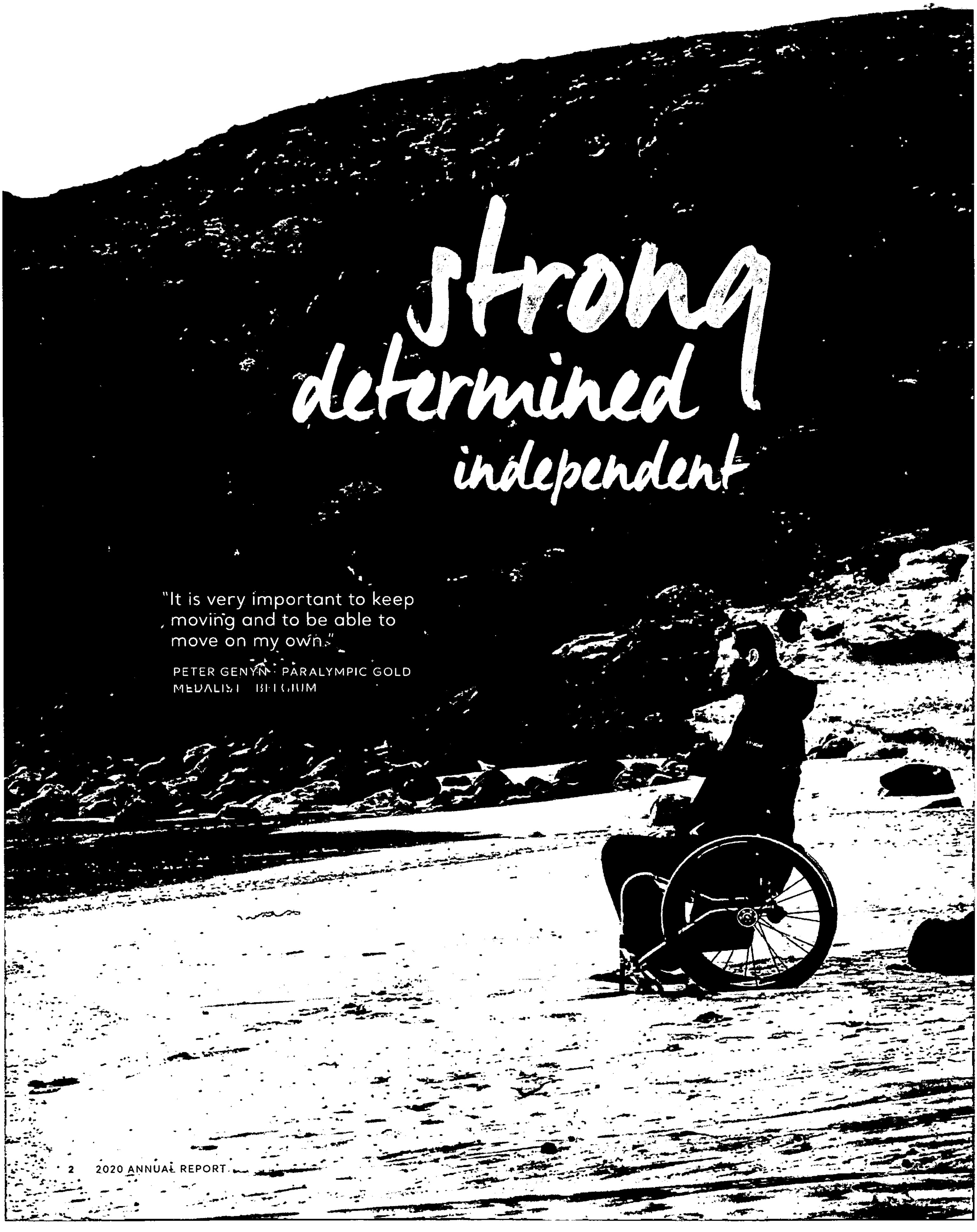
For more than 60 years, we have had a close cooperation with healthcare providers, giving us an in-depth understanding of their daily challenges. Together, we strive to minimize patient challenges such as loss of muscle strength, blood clots, pressure injuries, falls, anxiety and depression, as well as work-related injuries among staff. Our products and solutions are designed to promote a safe and dignified experience through patient handling, medical beds, personal hygiene, disinfection, diagnostics, and the prevention of pressure injuries and venous thromboembolism.

As a Mobility Outcome Partner for healthcare, we offer solutions where we, together with our customers, assess the unique needs of each care setting. Arjo develops tailored programs that, in addition to the right equipment, also ensure the right skills and work methods for staff. Working closely with customers, we assume responsibility for creating a change in care practices to achieve improved clinical and financial outcomes. Based on this holistic approach, we are addressing a market that is ten times larger than the market in which we currently operate.

>6,000
Employees globally

>100
Number of countries where Arjo sells products and services

9,078
Net sales, SEK M



strong determined independent

"It is very important to keep moving and to be able to move on my own."

PETER GENYN · PARALYMPIC GOLD MEDALIST · BELGIUM

Five reasons to invest in Arjo

1 Contributing to a sustainable future – for healthcare, society and the environment

The core of our business is to contribute to a sustainable healthcare system, using the right care skills, equipment and care settings. We take a holistic responsibility for reducing our environmental impact and ensuring a high level of business ethics.

2 Active on a market with attractive, long-term growth potential

The growing and aging global population leads to a continuously increasing need for healthcare. Arjo's addressable market is now growing an average of 3% per year. By offering outcome-based solutions that go beyond the actual product and by entering new areas, such as leg ulcer treatment, we cater to a far broader market with greater growth potential moving forward.

3 Global presence with leading market positions in both acute and long-term care

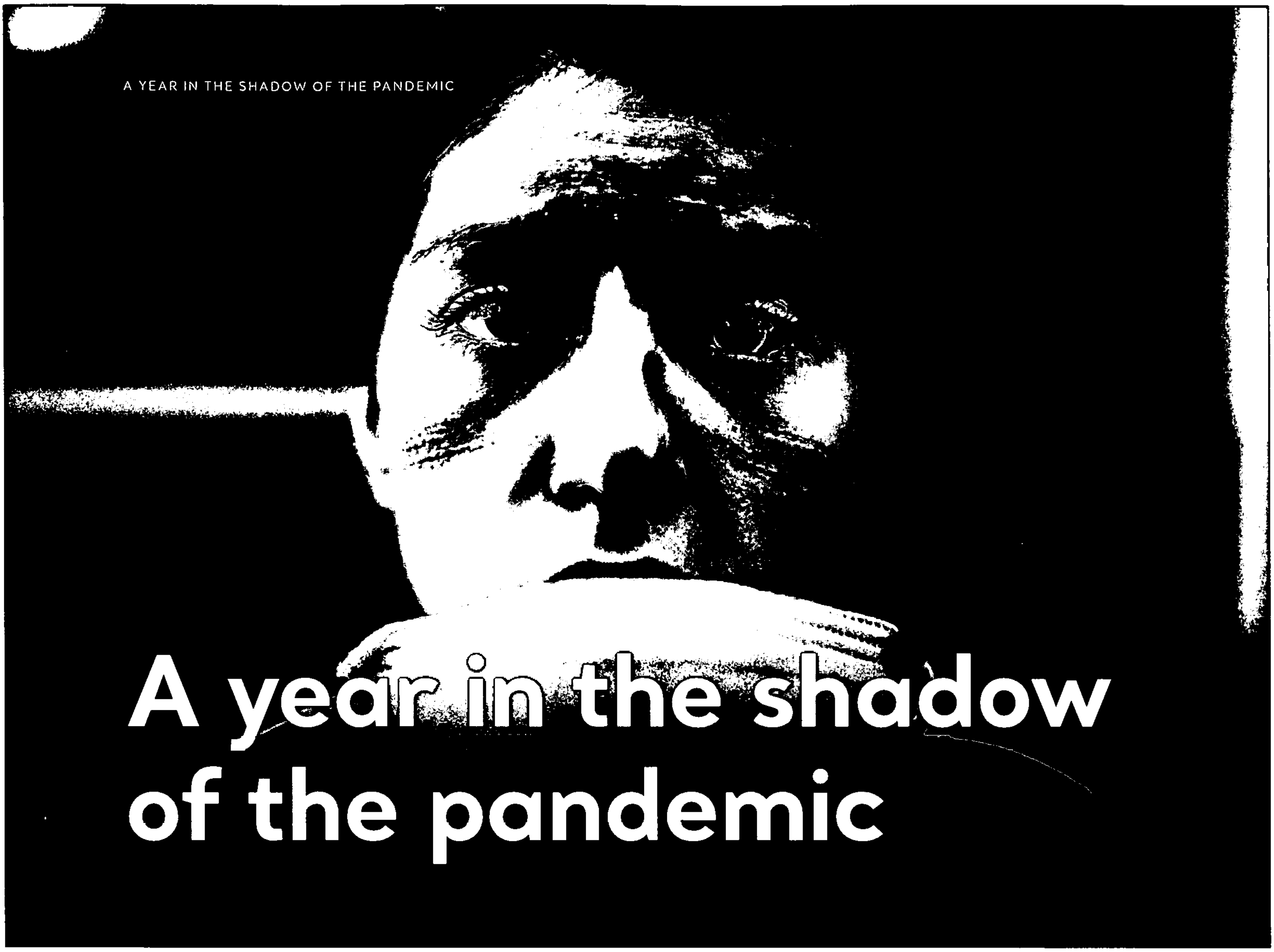
Arjo's products and services are sold in more than 100 countries. With more than 60 years of experience, we are one of the market leaders.

4 Profitable growth and strong cash flow

Since the listing in 2017, Arjo has reported average annual organic sales growth of 3.6%. In the same period, reported annual EBITDA growth was at an average just over 13%. At the end of 2020, cash flow from operations amounted to SEK 2,267 M, an increase of more than SEK 1 billion compared to year-end 2019.

5 Strong potential for the future – Arjo is well-positioned to become a leader in outcome-based solutions

Arjo's operations feature a long history of clinical know-how and an in-depth understanding of customer needs. Following the new strategy, the Group is moving away from selling products to increasingly offering outcome-based solutions. Arjo will continue to invest in geographic expansion, new technology and new business models, while continuing to enhance operational efficiency.



A year in the shadow of the pandemic

Looking back on 2020, we see a year unlike any other in modern times – where our lives and society were completely dominated by the pandemic. Healthcare around the world experienced extensive challenges, and everyone did their best to work together to find solutions to acute problems. For Arjo, it was a year in which we re-prioritized and coordinated our efforts to support the healthcare sector in specific areas related to Covid-19.

The coronavirus pandemic has changed healthcare significantly in a very short time. Major challenges arose in country after country, and were managed through both established and entirely new actions, with the intent of saving lives and providing high-quality healthcare.

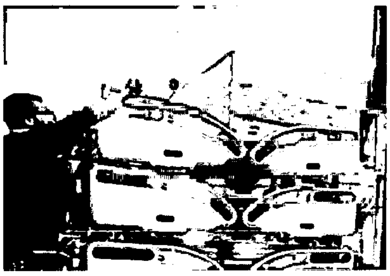
- Initially there was an urgent need for personal protective equipment and disposables, and massive efforts were made to secure supply.
- Hospitals around the world were forced to rapidly change their entire infrastructure to open more wards and manage the specific care and rehabilitation needs of Covid-19 patients.
- Digital solutions for providing easy and safe remote care were quickly implemented, offering much appreciated alternatives for both healthcare providers and patients.
- A greater need for collaboration and sharing knowledge between healthcare facilities resulted in the formation of global work focused on clinical expertise in Covid-19.
- The increasingly high pressure situation for healthcare professionals presented a need to protect their safety and ensure reasonable working conditions.

"We can take many learnings from the year. Our ability to navigate the complex and changing landscape, and commitment to support our customers and thereby our patients in this critical time, has elevated Arjo in many ways."

PAUL LYON · PRESIDENT GLOBAL SALES, ARJO.

Arjo geared up to support healthcare

In 2020, we leveraged the agility and flexibility of our organization to meet the changing needs, and pooled our resources in the areas where the healthcare sector needed them the most.



For example, our production units in Poznan, Poland, and Suzhou, China, worked day and night to meet the higher global demand for medical beds and therapeutic mattresses.

The rising need for acute care also generated an increased interest in our rental solutions. Through these solutions, we are able to offer our customers flexible access to a wide range of products, including medical beds, raising and standing aids, hygiene solutions and specialist care equipment.

New approach to training, support and service

Since physical meetings have not been possible, we developed a number of digital solutions, such as remote services and webinars on important subjects such as critical care and rehabilitation. Over 4,000 people took part in 14 webinars during the year.

Skills and solutions for improved care

A key insight gained from caring for seriously ill Covid-19 patients was that prone positioning helped increase their oxygen intake, so the use of ventilators could at times be avoided. However, without the necessary equipment, five people are needed to turn a patient, causing continuous disruptions and strain for personnel.

"With automated solutions such as Arjo RotoProne®, we can provide care for many patients in a safe way. it both frees up resources and provides opportunities for better care," says Greg Margolin, DO, FCCM, Adult Intesivist in the US.

Support and equipment for rehabilitation

The high number of Covid-19 patients resulted in a greater need for post-care rehabilitation. Arjo's standing, raising and walking aids coupled with the right skills and work methods help care professionals in supporting patients struggling to improve mobility. Read more about how mobility is a key to successful rehabilitation on pages 24–25.

Hygiene and infection control in focus

The pandemic brought a greater need for strict disinfection systems and a high level of infection control, setting new requirements for skills, materials and equipment. Arjo offers a series of solutions: everything from high-performance flusher-disinfectors to mattress covers with greater protection from disinfectant chemicals, and therapeutic surfaces that are easy to clean.

"We are very pleased with the great commitment Arjo has shown at all levels. It has helped us in providing high-quality care in challenging conditions. In the future, I see an increasing need for collaborations that include all players in the value chain, where companies such as Arjo can contribute with their expertise and solutions to further develop healthcare."

GAUTAM KHANNA · CEO OF HINDUJA HOSPITAL IN MUMBAI, INDIA.

Other key events 2020

February

WoundExpress™

Excellent results from evaluation study

Excellent initial results were presented at the Wound Care Today conference in 2020 for Arjo's new innovative WoundExpress therapy, following a multi-center clinical evaluation at ten clinics in the UK and Sweden.

■ READ MORE ON PAGE 27

March

Arjo supports UN Global Compact

By supporting the UN Global Compact, we work to incorporate the principles of this framework into our corporate culture and daily operations, at both global and local levels. Our involvement helps us to live up to our values and act as a socially responsible company.

May

Arjo educates the organization in MDR certification

Arjo has received certification under the new EU Medical Device Regulation (MDR), which comes into effect at the end of May 2021. Arjo started to digitally train the organization in 2020 to ensure that employees understand what the certification means for both us and healthcare.

May

Webinars to support healthcare during the pandemic

Arjo started a series of webinars together with renowned experts based on the WHO's Covid-19 guidelines to meet rising needs for information, knowledge and insights during the pandemic. Important expertise was shared on a variety of subjects from risk factors and treatment to supporting the mobilization and rehabilitation of Covid-19 patients.

September

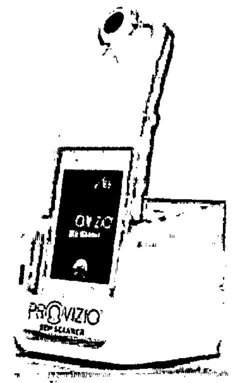
Partnership with BrainLit

Arjo signed an exclusive distribution agreement with BrainLit, an innovative Swedish lighting technology company. BrainLit's BioCentric Lighting™ system is an advanced, feedback-driven, self-learning system that creates natural light environments that contribute to improved health and well-being.

September

Production reached record volumes

The sharp increase in demand for products related to caring for Covid-19 patients resulted in Arjo ramping up production. An additional 35% of medical beds were produced in the second quarter compared with the same period in 2019, and 50% more in the third quarter. We also tripled the production of our Nimbus mattress system for active pressure redistribution.



October

Acquisition of equity stake in Bruin Biometrics (BBI)

Arjo acquired an equity stake in Bruin Biometrics (BBI), that develops solutions which, using the portable SEM Scanner, identify risks of pressure injuries. The acquisition gives Arjo exclusive global distribution rights and strengthens our offering in the quickly growing wound care segment.

■ READ MORE ON PAGE 26

November

New strategy for 2021–2030

– launched at this year's Capital Markets Day

Arjo arranged a virtual Capital Markets Day and presented its 2020 strategy and outlook for 2030. The new strategy builds on the strong foundation that has been established and also outlines important steps for becoming a Mobility Outcome Partner. Our new brand promise of Empowering Movement highlights and summarizes our belief that the right conditions for mobility are key to high-quality care.

■ READ MORE ON PAGES 14–23

December

Launch of the Arjo Sustainability Framework 2030

Ever since the company was founded in 1957, Arjo has devoted its efforts to making healthcare more sustainable. By launching the ambitious Arjo Sustainability Framework 2030, we have now taken the next step towards increased sustainability.

■ READ MORE ON PAGES 30–45

December

Acquisition of AirPal

– a US company focused on patient transfers

AirPal has developed and patented Air-Assisted Lateral Patient Transfer solutions that aim to minimize the risk of injury to both patients and caregivers. The acquisition expands Arjo's portfolio in the strategically important area of patient handling.

2021

JOACIM LINDOFF, PRESIDENT AND CEO

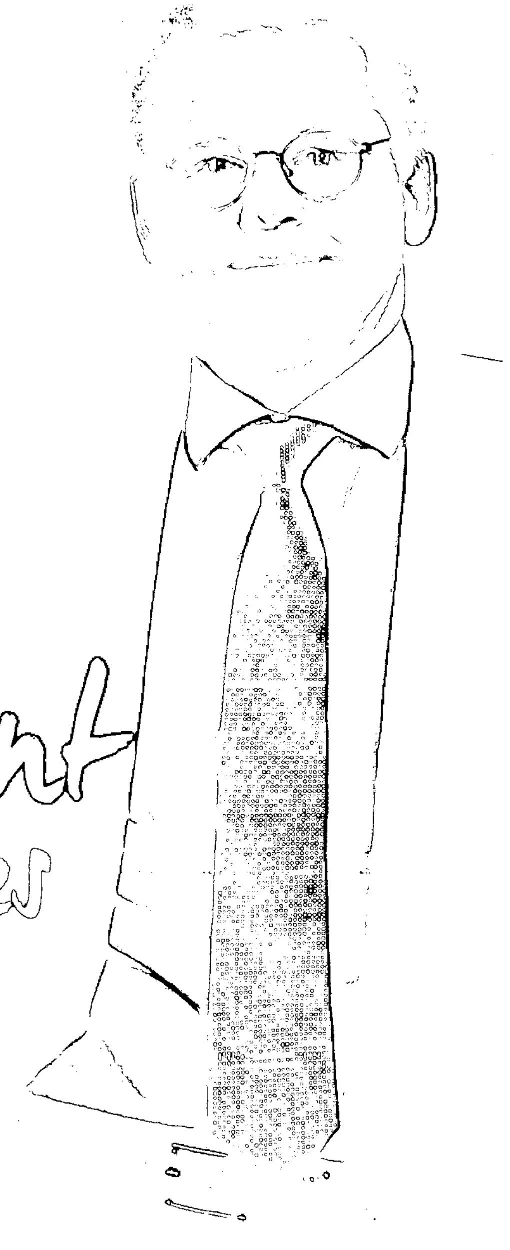
We will help shape the healthcare of the future

We put an exceptional year behind us, where we have adapted the business to the current circumstances and supported healthcare in a challenging time. At the same time, we exceeded the targets that we set at the beginning of the year. Three years have passed since we were listed in 2017, and we are a significantly stronger company today. We are now focusing on helping shape the healthcare of the future - at a time when the need for delivering more care with fewer resources has never been greater.

Looking back on 2020, I am especially proud of how we supported healthcare in this difficult time. The pandemic has tested the organization's capabilities, and we have proven that we have the stability and structure needed to rapidly redirect and adapt to new conditions. Our decentralized business model implies that responsibility and decisions lie close to customers. This enabled our organization to demonstrate a fantastic drive in navigating the market and capitalizing on the business opportunities that arose. We have learned a lot during the year - and found new ways to work together, meet our customers and solve their challenges. As a team, we have become closer in many aspects, and overall Arjo has now become a stronger organization. I am very proud of and grateful for the hard work of our organization, which has taken us through the year with great success.

Profitable growth and a strong financial position

The journey to build a profitable and growing Arjo continued during the year, and the Group grew organically by 3.9%. The pandemic brought new market dynamics, focusing mainly on meeting the acute care needs. Demand was high in our rental operations, especially in the US, and for medical beds. Simultaneously, hospitals and long-term care facilities restricted access, leading to a decline in sales within categories like patient handling, hygiene and service - all of which require in-person sales and on-site customer installations. Postponed elective care also had a negative effect on sales in the DVT category. All in all, we succeeded in navigating the short-term challenges associated with Covid-19, while continuing to pursue Arjo's long-term agenda.



focus commitment outcomes

"Mobility is a key factor in meeting many of healthcare's most costly challenges, and Arjo is well-positioned to support healthcare in providing high-quality care to more people with fewer resources."

JOACIM LINDOFF · PRESIDENT AND CEO

Group profitability trended well during the year and adjusted operating profit increased by more than 30%. We strengthened our financial position, and operating cash flow improved by more than SEK 1 billion on a full-year basis - which enables us to further invest in our future.

Responsibility for a sustainable future

During 2020, we further strengthened our ambition within the sustainability area. Creating conditions for a sustainable healthcare is at the core of our business, and we already assume a major responsibility for reducing our environmental footprint. With our new Arjo Sustainability Framework 2030, we are raising our ambitions regarding these important issues, ensuring that we work systematically toward set targets. Aligning with the Paris Climate Agreement, we will reduce our already low carbon emissions from production and transportation by 50%. We have zero tolerance of all forms of corruption, and put strict demands on our suppliers and partners to meet the same high level. In parallel, we are continuing to build a culture where diversity, equity and inclusion are central values.

A stronger and more comprehensive offering

The healthcare sector faces huge demographic challenges and we engage in a continuous dialog with our customers to ensure that our product development is at the forefront. WoundExpress is one such example, where we have identified a gap in the treatment of hard-to-heal leg ulcers, and developed a solution that reduces both patient suffering and significant healthcare costs.

With the addition of Bruin Biometrics (BBI) and AirPal, we have strengthened our competitiveness in pressure injury prevention and patient handling, two areas with great future potential. Initially focusing on the US and UK, we are now launching BBI's SEM Scanner, a therapy for the early identification of pressure injury risk. Together with our pressure injury prevention products, this can reduce both patient suffering and healthcare costs. Read more about the SEM Scanner and our solutions for the prevention and treatment of hard-to-heal wounds on page 26-27.

New strategy for meeting growing needs in healthcare

In November, we presented our new strategy for 2030. By moving away from selling products to increasingly offering more outcome-based solutions, we can address a market that is significantly larger than the market in which we currently operate. We will continue to improve operational efficiency, and also invest in geographic expansion, new technologies and new business models. Improving mobility is a key factor in meeting many of healthcare's most costly challenges, and Arjo is well-positioned to support healthcare in providing high-quality care to more people, while using resources more efficiently.

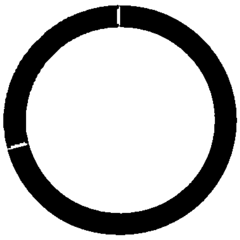
It is with pride that I look back on the journey we started in 2017, and the fact that we have delivered well above expectations on the targets we set in our Arjo 2020 plan. We are a significantly stronger company today, and are now entering the next phase of our journey toward continuing to build a sustainable and profitable Arjo.

Joacim Lindoff
President & CEO

Five success factors in 2020

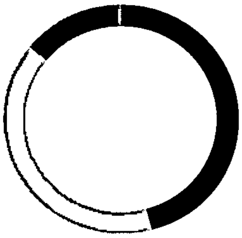
- Operations were adapted to support healthcare in a challenging time
- A decentralized organization enabled us to capitalize on business opportunities
- We navigated short-term Covid-19 challenges while investing in our future
- A strenghtened financial position resulting from dedicated work on operating capital
- We continued to invest in our future, and strengthened our competitiveness with the addition of Bruin Biometrics and AirPal

Key performance measures and financial targets



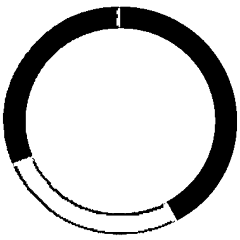
**SALES
BY CUSTOMER CATEGORY**

- Acute care, 71%
- Long-term care, 29%



**SALES
BY GEOGRAPHY**

- Western Europe, 46%
- North America, 40%
- Rest of the World, 14%



**SALES
BY SERVICE TYPE**

- Capital goods, 42%
- Rental, 27%
- Service, 16%
- Disposables, 15%

KEY PERFORMANCE MEASURES

	2020	2019
Net sales, SEK M	9,078	8,976
Organic growth in sales, %	3.9	3.9
EBITDA	1,838	1,675
EBITDA growth, %	9.8	12.6[1]
Adjusted EBITDA[2]	1,913	1,728
Adjusted EBITDA margin, %	21.1	19.2
Cash conversion, %	123.3	74.7
Net debt/adjusted EBITDA	2.9x	3,4x[3]
Equity/assets ratio, %	40.6	41.0
Net profit for the period, SEK M	526	403
Earnings per share, SEK[4]	1.93	1.48
Number of shares, thousands	272,370	272.370
Dividend per share, SEK[5]	0.85	0.65

[1] Excluding IFRS 16.
[2] Before exceptional items.
[3] Adjusted for impact of IFRS 16
[4] Before and after dilution.
[5] 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% per year

↓

Outcome: 3.9%

Net sales increased organically by 3.9% (3.9) in 2020 due to high demand for medical beds and in the rental operations in the US.

Target: >10%
profitability growth

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

↓

Outcome: 9.8%

EBITDA increased by 9.8% (12.6[1]), and was positively impacted by higher sales volumes, improved profitability in the rental operations in the US, and good cost control. EBITDA was held back slightly by negative currency effects.

Target: 70%
cash conversion

Cash conversion of more han 70%.

↓

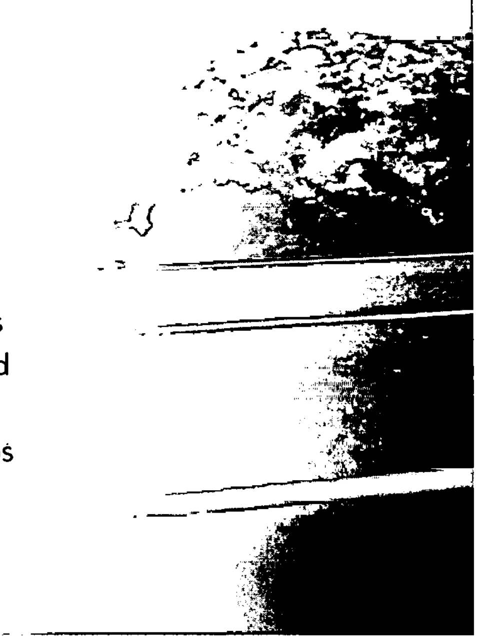
Outcome: +123.3%

For the full-year, cash conversion amounted to 123.3% (74.7), driven by the Group continuing to work well with working capital.

Arjo 2020

– back to profitable growth

When Arjo became a standalone company in December 2017, we launched a strategy based on five focus areas to return to profitable growth. We have reached our goal of three years profitable growth through a structured approach including a number of operative measures, development projects, launches and establishment of market presence. Today, Arjo is a stable and more efficient organization with a strong commercial focus. We have built a solid foundation for taking the next strategic steps toward becoming a Mobility Outcome Partner for healthcare.



In 2018-2020, we:

1

Improved customer value

- Launched a series of new products such as Sara® Flex, IndiGo®, Auralis® and WoundExpress®
- Developed solutions to meet customer needs in areas like early mobility and dementia
- Strengthened our offering through acquisitions and partnerships, for example, ReNu Medical, Atlas LiftTech, Bruin Biometrics (BBI) and AirPal

2

Strengthened commercial focus

- Turned around the business to create profitable growth and a stronger position in the US - one of our most important markets
- Established our own sales companies in several new markets, for example, Japan, China and Latin America, as well as a strong distributor network in Africa and Eastern Europe among other regions
- Invested in the long-term care segment to resume a leading market position

3

Increased operational agility

- Carried out several activities to optimize the use of the Group's resources, such as restructuring the rental operations to improve profitability
- Established a solid basis for quality and regulatory compliance, concentrating on, for example, the forthcoming EU Medical Device Regulation (MDR)
- Created a more agile cost base, which generated advantages, for example, in connection with the changes arising during the pandemic

PETER GENYN · PARALYMPIC GOLD MEDALIST · BELGIUM

4

Grew our business and people together

- Built an organization and work environment characterized by diversity, equity and inclusion
- Implemented a long-term agenda to ensure that Arjo is developing the necessary leadership and skills to meet current and future business needs
- Introduced an annual, global People Survey to listen to our employees and ensure the commitment needed to meet our strategic objectives

5

Built a sustainable and winning culture

- Implemented Arjo's Guiding Principles and Leadership Behaviors - shared core values to promote a customer-oriented, winning and sustainable corporate culture, in which we together create added value for healthcare

"When Arjo was established as a standalone company at the end of 2017, the Group's performance in the US had been declining for many years. By putting together a team with the right skills, we ensured that customers received the support they wanted, and the US is now one of Arjo's strongest-growing markets – with great potential going forward."

ANNE SIGOUIN · PRESIDENT, NORTH AMERICA

NEW STRATEGY FOR 2021-2030

Improved mobility in focus

Research shows that there is a clear connection between mobility and people's physical and mental well-being. As a leading Mobility Outcome Partner for healthcare, it is our mission to show how positive effects can be created by improving mobility.

Together with our customer, we perform an assessment of the unique needs of each care setting based on data regarding problem areas related to reduced mobility, such as work-related injuries among staff, and pressure injuries, venous leg ulcers and falls among patients. Arjo develops a tailored program that, in addition to the right equipment, also secures skills and working methods for personnel. Working closely with the customer toward joint goals, we assume responsibility for creating a change in care practice, thus achieving improved clinical and financial outcomes. Based on this holistic approach toward solving some of healthcare's major challenges, we are addressing a market that is ten times larger than the market in which we currently operate.

We are empowering movement towards:

Preventing immobility acquired conditions
Immobility acquired conditions such as pressure injuries and venous thrombo-embolism (VTE) cause patients enormous suffering and result in high cost for health-care providers. This is often entirely avoid-able with solutions for early mobility and patient repositioning.

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

*Cohen AT et al., 2007

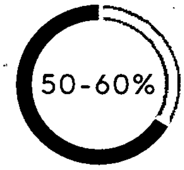
Aiding the return to mobility
Reduced mobility due to illness or injury accelerates muscular dystrophy, which can lead to a strenuous and prolonged recovery. Our products and systems are designed to help promote safe and early mobility.

↓40%

Critically ill patients experience a reduction in muscle strength of up to 40% in the first week of immobility*

*Topp R, et al. The effect of bed rest and potential of prehabilitation on patients in the intensive care unit. AACN Clin Issues. 2002;13(2):14

Eliminating work-related injuries
Each year, a large number of healthcare employees are affected by work-related injuries. By using the right equipment and settings designed to simplify safe patient transfers, many of these injuries can be completely avoided.



50-60% of all global healthcare professionals are affected by muscular skeletal disorders*

*American Nurses Association. Health and Safety Survey, 2011

Important benefits of mobility

- Stimulates blood circulation, the function of the heart and lungs, as well as bone and muscle structures
- Minimizes the risk of hospital-acquired conditions, both physical and mental
- Helps to improve self confidence and independence
- Shortens illness and injury recovery times
- Raises overall quality of life

Raising the quality of care and life
Healthcare is under pressure from the rising number of elderly people and increasingly complicated care needs. The right equipment, environment and skills can empower staff to provide person-centred care that improves clinical outcomes and reduces the risk of complications.

>60%

Dementia is a condition affecting more than 60% of long-term care residents*

*Alzheimer's Disease International, 2015

Improving efficiency and costs
Many care facilities struggle to find the capacity and resources needed to meet growing demands in healthcare today. With the right expertise, processes and equipment, they can reduce cost and increase efficiency.

The World Health Organization (WHO) predicts increased global demand for health and social care staff with the creation of 40 million new jobs by 2030.

"Movement is life. I think most of us take movement for granted. So the moment the ability isn't there anymore, we must do everything to get it back."

MIHAELA VACARU · ARJO ACADEMY · SWEDEN

hope
meaningful
passion

Our enablers for success

We have established a strong foundation based on three key enablers to ensure that we have the right conditions to become a leading Mobility Outcome Partner.

People & Organization

A critical factor for our success over the next few years is to ensure the right skills. A changed business model with a greater focus on outcome-based selling will place new demands on the organization, and competence mapping and development will therefore be important areas moving forward. We give our employees the scope to grow and actively take part in our broad, shared responsibilities.

Digitalization

Digital solutions are taking a more prominent role in the healthcare value chain, and this trend has accelerated further during the pandemic. In 2020, Arjo made significant advances in this area, for example by developing our offering of digital training courses, instructional videos, service and support, as well as managing internal processes. We are also establishing systems for collecting, analyzing and sharing data and insights, which is a prerequisite in offering our customers solutions based on clinical evidence.

Sustainability

Contributing to sustainable healthcare has been at the core of Arjo's offering since the company was founded in 1957, and is incorporated into our daily work. The Arjo Sustainability Framework 2030 is an ambitious agenda to further reduce our environmental footprint and increase our contribution to a circular economy. In addition, we are taking a greater responsibility in ensuring that we act and operate responsibly, and that we attract and retain key skills. The basis for our work is a culture that strongly features diversity, equity and inclusion.

■ READ MORE ON PAGES 30-45

New financial targets 2021–2023

– continued profitable growth

Sales growth

Average annual organic sales growth of 3-5% per year

EBITDA margin

Adjusted EBITDA margin of approximately 23% from full-year 2023

Cash conversion

Annual cash conversion of more than 80%

Dividend

The Group's dividend is to correspond to 30-60% of net profit after tax.

Solutions for healthcare's major challenges

50%
The target for 2030 is that outcome-based programs will account for about 50% of sales, relative to today's 5%.

Our new strategy is based on major challenges faced by healthcare: offering more people high-quality care with fewer resources – and this is where mobility is a key factor. Improved mobility prevents complications, shortens length of stay, raises quality of care and minimizes the number of work-related injuries among caregivers. Today, we are well-prepared to become a leading Mobility Outcome Partner that will take on this challenge together with our customers.

The global healthcare market is driven by underlying, long-term growth factors. Our strategy for 2021–2030 has been developed to meet healthcare's existing needs while taking the lead in finding new ways of working together.

Creating more value using fewer resources

Healthcare is experiencing major, complex challenges related to reduced mobility while resources remain limited. This requires new solutions that offer better results at a lower cost.

At Arjo, we are experts in creating conditions for improved mobility in care settings. Our products help solve problems with work-related injuries among personnel, as well as pressure injuries and leg ulcers, falls and venous thromboembolisms among patients. Our solutions involve the right equipment, skills and work methods that interact to create better clinical and financial outcomes for the healthcare sector.

Programs beyond the products

By looking beyond the product itself, we offer outcome-based programs that address other factors that increase cost. In close collaboration with care facilities, we analyze and assess their needs, provide equipment and customized training courses, implement new care practices, and measuring and follow-up the improvements.

With these outcome-based solutions and programs for healthcare's important challenges, Arjo can address a market that is both ten times larger and growing at double the rate of the market in which the Group currently operates. In pursuing this new strategy, we are taking a holistic approach to significantly increasing the company's potential over the next few years.

In the coming years, Arjo will focus on:

Continuing to build a strong foundation

- Driving efficiency improvements in, for example, purchasing and logistics
- Expanding geographically, with emerging markets in focus
- Evaluating new acquisition opportunities aimed at supplementing Arjo's offering and creating positive sales synergies

Investing to become a Mobility Outcome Partner

- Establishing a long-term, unique position as a partner to healthcare, by developing new technologies and business models that promote outcome-based solutions
- Preparing new outcome-based programs, for example, to prevent pressure injuries
- Investing in important factors that will enable long-term strategic advances, for instance, developing employees, increasing digitalization and sustainability

High costs resulting from reduced mobility

Work-related injuries among healthcare professionals as well as pressure injuries, venous leg ulcers and falls among patients cause a great deal of suffering and significant costs for the healthcare industry every year. A significant portion of these costs are related to reduced mobility.

- Work-related injuries among staff - more than SEK 75 billion per year globally[1]
- Pressure injuries - more than SEK 500 billion per year globally[2]
- Venous leg ulcers - more than SEK 300 billion per year globally[3]

[1] Impact of Safe Patient Handling Legislation on Musculoskeletal Disorders Among California Healthcare Workers. Lee et al. (2020)
[2] Delay et al. (2012), Padula et al. (2019), Deloitte (2014), Guest et al. (2018), Al Mutari (2018)
[3] NHS (2019); Wounds International (2015); Reeder et al. (2013); Guest et al. (2017); Corporate Development & Projects: Huntleigh Diagnostics

Market trends and growth factors

A growing and aging population
The world's population continues to grow and is becoming increasingly older. According to EU statistics, the share of population in Europe aged 60 and above is expected to increase from about 22% in 2010 to about 34% by 2050.

Increasing lifestyle-related conditions
A growing number of people with conditions such as obesity, diabetes and cardiovascular diseases is putting greater pressure on the healthcare sector. According to the World Health Organization (WHO), the number of obese people has increased threefold since 1975.

Transition to long-term care increasing
LTC

Since acute care costs more than long-term care, it is becoming more common for patients who require care over a longer period to be moved to long-term care facilities or home care.

Higher demand for healthcare in emerging markets
Higher prosperity in emerging markets is resulting in rising demand for healthcare. Lower purchasing power is compensated by the size and scope for continued growth.

Larger players increase demands on suppliers
Fewer, but larger healthcare players, with central purchasing departments entail benefits for medical-device suppliers with an extensive offering based on broad product portfolios.

Digital solutions increasingly important
Digitalization helps to create opportunities for preventive care and complete outcome-based solutions.

More prominent role for sustainability
The impact on climate and society is becoming increasingly important, and companies are expected to actively contribute to a more sustainable future.

Outcome-based programs for healthcare

– a smarter way of creating value

Healthcare is facing a growing need for patient care and rising costs. Our customers need support in solving a number of challenges in a new way so that they can optimize their operations with respect to patients, caregivers and resources. For this reason, a core element of Arjo's strategy for 2021–2030 is to expand our focus on outcome-based programs.

Today, Arjo offers well-established programs to reduce work-related injuries among healthcare professionals in the North American market. The programs were expanded geographically starting with a pilot in Australia, now followed by a roll-out in the major European markets that are mature for this type of business model. Simultaneously, we are also developing outcome-based programs in other areas related to reduced mobility.

A holistic approach to improved mobility

Safeguarding and increasing patient mobility is one of the most important factors in providing high-quality care in both the short and long term. Accordingly, Arjo's outcome-based programs adopt a holistic approach to equipment, work methods and care settings - focusing on promoting mobility.

As a basis for this work, we use our unique evidence-based model, Arjo Positive Eight, and the supporting Arjo Mobility Gallery in analyzing the unique challenges of each care unit. This provides us with an in-depth understanding of the customer's situation and improvement potential.

Investments in more sustainable outcomes

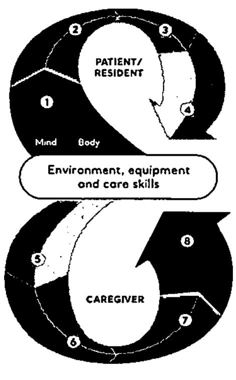
With this unique know-how, Arjo offers a partnership based on risk-sharing, and guarantees an agreed result as part of the outcome-based business model. Our customers can therefore rest assured that their investment will generate the desired value.

Arjo Positive Eight© – our philosophy in practice

Our evidence-based model, Arjo Positive Eight, describes the eight steps of a care process in which the right care setting, equipment and care skills create conditions for safeguarding and stimulating mobility. This provides positive feedback that leads to continuous improvements for patients, healthcare providers and healthcare facilities. The Positive Eight flow creates value at several levels:

Patient safety and mobility
By ensuring that each patient and resident is supported with the right equipment and caregivers have the right care skills, mobility can be maintained or improved , with reduced risk for injury.

Efficient working processes
Focusing on maintaining and promoting mobility keeps patients and residents moving, and reduces the burden of care.



Clinical outcomes
Clinical outcomes such as pressure injuries, falls, functional incontinence and urinary tract infections are all closely associated with immobility.

Financial outcomes
High costs are associated with undesirable patient outcomes related to immobility. Equally, the costs of caregiver injuries associated with supporting dependent patients and residents without the right processes and equipment results in negative financial impact to the organisation.

Staff safety and well-being
Preventing physical and psycho-social overload, which may lead to injury and absence when providing assistance with mobility and care tasks to patients and residents.

CASTLEMAINE HEALTH

Positive results already after ten months

The management at Castlemaine Health in Victoria, Australia had struggled with the number of work-related injuries being above average for a long time, resulting in high costs for sick leave, constant staff shortages and lost funding. To manage this, they signed up for a three-year program with Arjo in the autumn of 2019, with the first year as a pilot project.

"The collaboration with Arjo has consistently been open and positive, and a very valuable support for us in this challenging time of change. Among healthcare staff, there was initially opposition to yet another program, but this clearly changed when our staff experienced great benefits in their everyday work," says Diane Senior, Executive Director Clinical & Community, Castlemaine Health.

A full 58% reduction in injuries after ten months

Over the program's three-year period, Arjo guarantees a 60% reduction of work-related injuries among staff. Already after 10 months, a decrease of as much as 58% was noted, even under the unusually demanding conditions resulting from Covid-19.

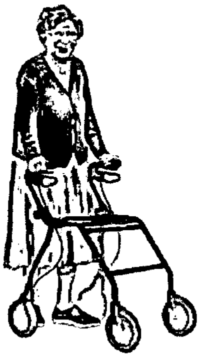
"Already a year into the project, we see clear results – both in the changed culture where care staff is engaged in their work environment in a completely new way, as well as from a financial perspective, where we have already received significant return on investment."

IAN FISHER · CEO, CASTLEMAINE HEALTH

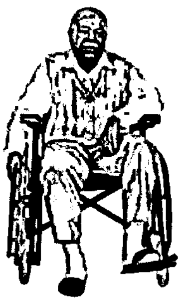
Mobility Gallery© – our model for individualized care

Patients and residents can have highly individual needs and therefore need different solutions. The Mobility Gallery divides them into five groups, based on their mobility and independence. This evidence-based model helps caregivers to map the needs of the ward, and safely and gently provide each patient with the right care. Stimulating mobility based on the patient's situation is crucial for providing high-quality care.

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.

Arjo's outcome-based programs

We see great potential for programs that address the major challenges of healthcare. Here are some examples:

Reducing work-related injuries when transferring patients
A well-established program is already in place and has shown good results for optimizing care flows and minimizing work-related injuries among staff. The program includes standing, raising and walking aids, hygiene aids, and the implementation of work processes based on the Arjo Positive Eight and Arjo Mobility Gallery.

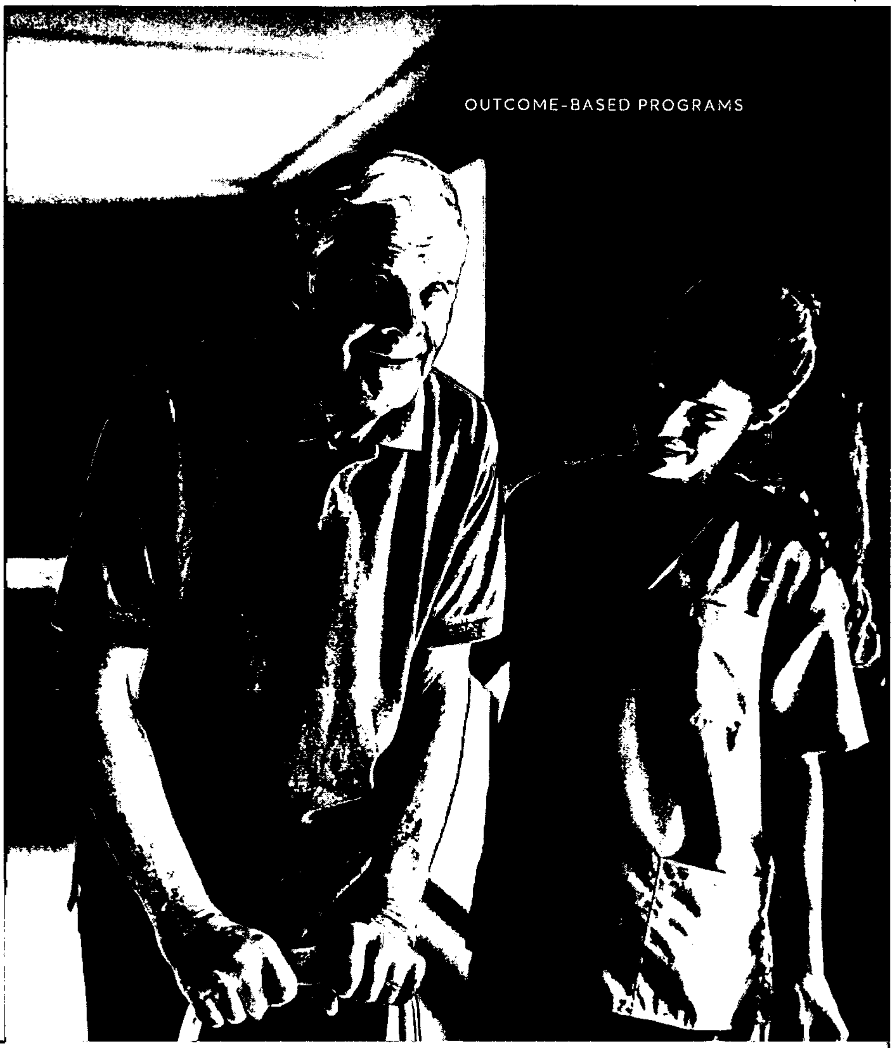
Preventing pressure injuries
The focus in 2021 will be on a program for preventing pressure injuries, comprising Arjo's therapeutic mattresses, support surfaces, and the Provizio® SEM Scanner. This combination makes it possible to prevent more pressure injuries, while reducing the need for treatment and costs.

Healing venous leg ulcers
Venous leg ulcers cause a great deal of suffering and result in very high healthcare costs. Our innovative WoundExpress therapy can accelerate the healing of venous leg ulcers with excellent results. We see WoundExpress as a core element of a program that can add great value for both patients and healthcare facilities.

Proven results at several levels
Patients are provided with a safer care setting that safeguards and improves their mobility, reduces the risk of falls and hospital-acquired conditions, shortens recovery times and improves their independence and quality of life.

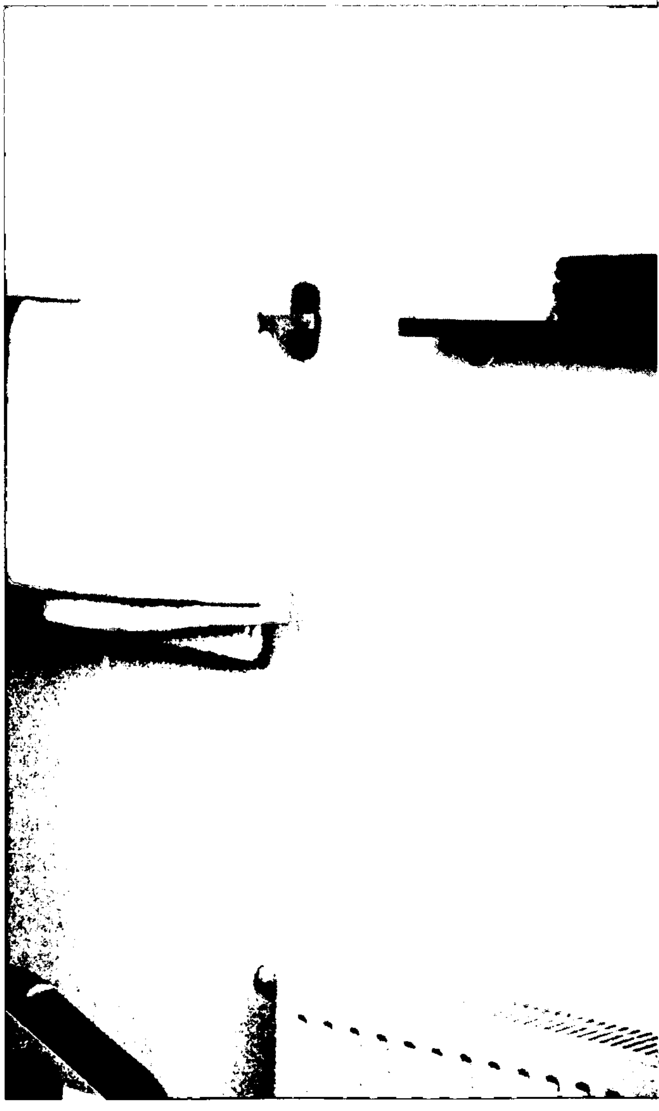
Healthcare professionals gain a safer work environment with a lower risk of strains and injuries, which also improves their work satisfaction.

The care facilities receive optimal value from their investment through higher efficiency and better use of resources.



Outcome-based programs implemented in three overall stages

1. We analyze and assess needs, identify areas for improvement and customize systems - in order to determine the desired outcomes together with our customers.
2. We implement solutions, provide training and promote a change in behavior.
3. We monitor, measure and evaluate results against agreed targets, and provide feedback.



ANMED HEALTH

Annual savings of USD 2.6 M

As South Carolina's largest independent, not-for-profit healthcare system, AnMed Health has been serving the region's residents for more than 100 years. After applying Arjo's outcome-based program, the facilities saw a 98% decrease in workers' compensation costs and an 82% decrease in patient handling-related injuries within two years.

"The partnership between AnMed Health and Arjo has been key to the success of our program. Ensuring our needs are being met, the program's strong service and clear communication has been present since day one."

TODD O'QUINN, DIRECTOR OF SAFETY AT ANMED HEALTH

Rehabilitation in focus

- mobility paves the way back to independence and quality of life

Rehabilitation is an important part of the care process in supporting patients return to a healthy everyday life, and the Covid-19 pandemic has increased its need within healthcare significantly. To fulfill this important task, healthcare needs more support. By offering the right equipment and work methods for improved mobility, Arjo can help promote successful rehabilitation, which creates value for both patients and caregivers.

"In each step of the rehabilitation of Covid-19 patients, our aim is for the patient to return home with a level of function similar to that prior to the illness. Our work revolves around active mobilization as early as possible, with respect to the patient's condition."

HEIDI ENGEL · INTENSIVE CARE SPECIALIST, PHYSICAL THERAPIST AND RESEARCHER INTO INTENSIVE CARE REHABILITATION

Risks related to immobility

Many intensive care patients undergo highly demanding treatments for a long time, but even a short period of inactivity affects the body in multiple ways:

- Loss of muscle strength
- Weaker bone structure
- Increased susceptability to inflammation
- Weaker immune system
- Impaired lung function
- Impaired controll of blood-sugar levels

These factors can cause serious and long-term functional impairments such as weakness and fatigue, limited stamina and reduced mobility. The risk of, for example, falls also increases, and can result in a broken leg, infections and other illnesses. In addition, anxiety and stress related to treatment and reduced mobility can negatively affect the patient, both mentally and cognitively.

There is a continuously high need for rehabilitation and the large number of Covid-19 patients means that this need is rising further. In combination, this puts additional pressure on health-care resources in an already strained situation and requires more effective rehabilitation processes.

Mobility creates value throughout the care process

Movement is, in many ways, decisive in a patient's recovery and rehabilitation. With the right skills among personnel and the right work processes, equipment such as standing, raising and walking aids can help caregivers support patients who are trying to regain and improve their mobility. At the same time, the physical burden on personnel is reduced, and therefore so is the risk of work-related injuries.

Successful rehabilitation also helps maintain the patient flow, making beds and care resources available to new patients.

"The goal of being able to walk unaided again is a very strong motivating factor for patients, and also leads to many other positive effects, both physical and mental," says Ulrika Olsson, physiotherapist, Director, Global Academy Europe and Head of Governmental Affairs at Arjo.

Arjo's solutions are derived from evidence-based models such as the Arjo Positive Eight and the Arjo Mobility Gallery, and have been developed with the aim of helping both patients and caregivers to take advantage of the power of movement.

■ READ MORE ON PAGES 20-21

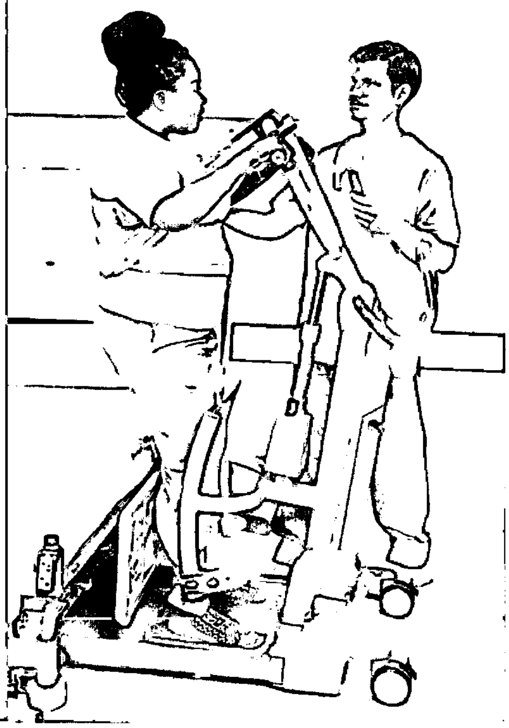
"The acute care needs resulting from the Covid-19 pandemic are now being transferred to the rehab sector, which is facing major challenges. More resources are required to meet the rising demands. Focusing on early mobility in the initial stages of illness is a good way of meeting patient needs throughout the care process."

KATHARINA STIBRANT SUNNERHAGEN · PROFESSOR OF REHABILITATION MEDICINE AT SAHLGRENSKA UNIVERSITY HOSPITAL, GOTHENBURG, SWEDEN.

What is rehabilitation?

While treatment aims to alleviate and/or cure an illness, rehabilitation focuses on regaining maximum function following an injury or illness, through exercises designed to optimize function and reduce obstacles. Measures to improve mobility are a central part of this and should be introduced as early as possible, as soon as it is regarded safe for the patient. The goal of rehabilitation is that the patient should be able to:

- Move as needed
- Communicate and interact with their surroundings
- Be independent



Solutions for preventing and treating hard-to-heal wounds

– one of the greatest challenges faced by healthcare

Arjo has extensive experience in preventing pressure injuries and vein thrombosis – expertise that led the company to develop solutions for wound care. The launch of WoundExpress™ is another step in ensuring that we remain relevant to our customers and continue to be part of designing the healthcare of the future.

Despite advances in technology, education and guidelines, pressure injuries and venous leg ulcers are still very common and serious problems. Hard-to-heal wounds cause a great deal of suffering for patients, sometimes even death, and entail significant costs to healthcare. With a growing and aging population, the problem is likely to increase in the future.

Strong incentive to reverse the trend

Annual costs for pressure injuries and venous leg ulcers amount to SEK 500 billion[1] and SEK 300 billion[2], respectively, worldwide. Major initiatives are now underway to reverse this trend. Countries like the US and the UK have taken a zero-tolerance stance on preventable pressure injuries, with fines for healthcare facilities that fail to meet these requirements.

[1] Delay et al. (2012), Padula et al. (2019), Deloitte (2014), Guest et al. (2018), Al Mutari (2018)
[2] NHS (2019); Wounds International (2015); Reeder et al. (2013); Guest et al. (2017); Corporate Development & Projects: Huntleigh Diagnostics

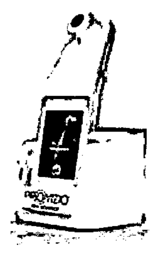
A unique system for preventing pressure injuries

Arjo has extensive experience in preventing pressure injuries and our offering already includes therapeutic mattresses, microclimate-adapted covers and solutions for transferring, repositioning and mobilizing patients. Arjo's exclusive distribution rights for Bruin Biometric's (BBI) Provizio® SEM Scanner supplement the portfolio by providing new opportunities to identify the risk of pressure injuries before they appear on the surface of the skin.

By measuring the sub-epidermal moisture biomarker (SEM), the risk of developing pressure injuries can be identified and the right preventive measures and treatment can be introduced in time. As a result, excessive patient suffering and high costs to healthcare can be avoided. This addition strengthens our offering in addressing unmet clinical needs in the wound care segment, and has enabled us to take important steps towards outcome-based solutions in this area.

Reducing suffering and saving money

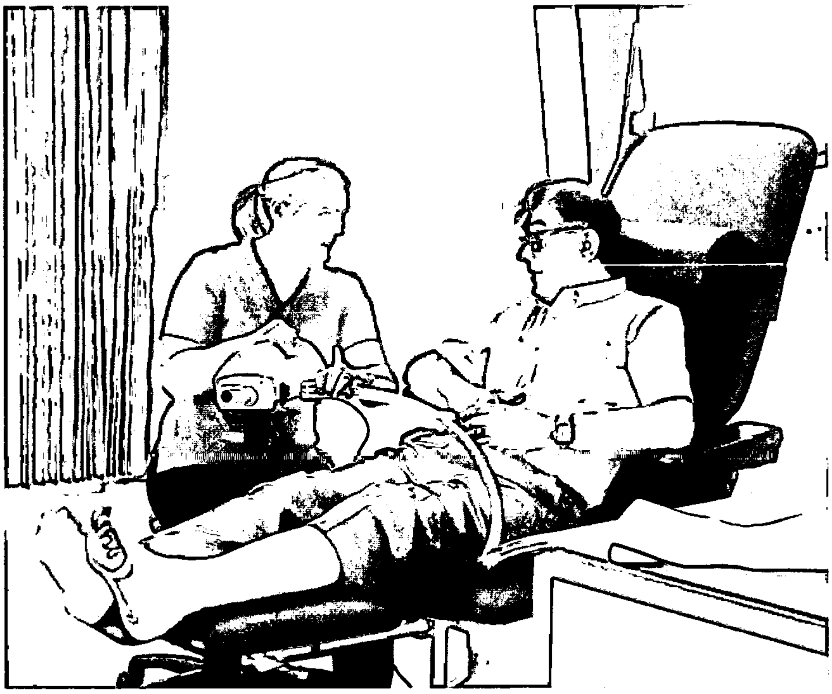
"Pressure injuries are one of the hospital-acquired conditions that can be prevented, which can help the millions of patients who are affected and prevent tens of thousands of deaths every year from related complications. By preventing pressure injuries, the healthcare sector can save tens of billions dollars every year," says Martin Burns, CEO of BBI.



What is a SEM Scanner?

Current methods for detecting pressure injuries depend on subjective, visual assessments. The Provizio® SEM scanner is a convenient, portable and wireless device that measures sub-epidermal moisture. The technology offers an objective and reliable examination that can help identify a higher risk of developing pressure injuries up to five days before they are visible to the naked eye, which significantly improves the treatment prognosis.

WoundExpress™ – for effective treatment of venous leg ulcers



95%

WoundExpress has been evaluated in a multi-center clinical evaluation study including two highly prestigious wound care facilities, the Welsh Wound Innovation Centre (WWIC) in Wales and Accelerate CIC in London. The results were very promising and were presented at the Wound Care Today conference in 2020. Over 95% of patients reported a significant improvement in wound healing and in a third of the cases, the wounds healed entirely. Furthermore, over 95% of patients reported a significant reduction of pain and increased quality of life. More clinical evaluations will be carried out to develop the application of WoundExpress.

Venous leg ulcers are usually caused by problems with blood circulation, and are a rapidly growing global problem. Traditional treatment entails significant costs with often unsatisfactory results. Those affected can experience pain and limited mobility, in some cases leading to depression, anxiety and social isolation, resulting in a drastically reduced quality of life.

New and simple treatment that accelerates healing

WoundExpress is a new, innovative system for treating lower leg wounds. Using a pump connected to a garment applied on the patient's thigh, blood flow to the leg ulcer is increased, which accelerates healing with excellent results. Unlike other therapies, the garment does not need to be placed directly over the wound so it is significantly less painful for the patient. The device is ideally suited for use at home, minimizing disruptions to the patient's lifestyle and daily activities. The accelerated wound healing also results in fewer dress changes, thereby reducing nursing time substantially, with significant cost benefits for care providers.

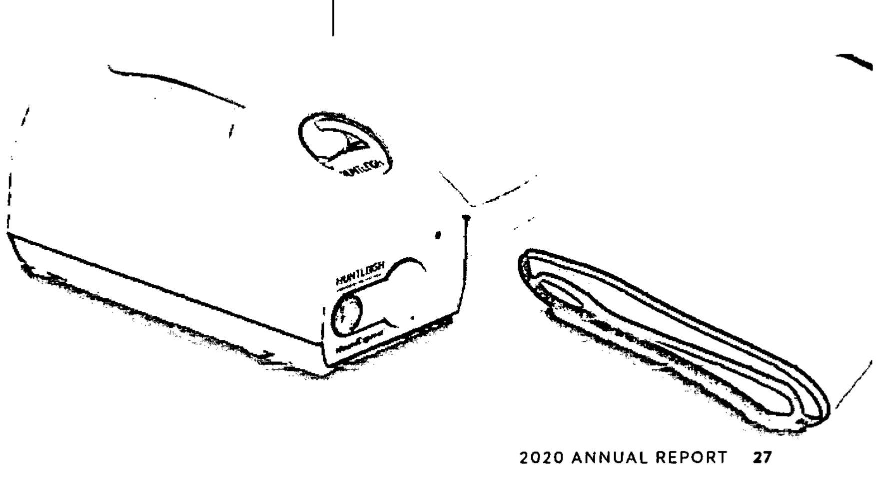
Significant growth potential in the future

"WoundExpress adds a new area to our already solid product portfolio, and we see major growth opportunities for this type of wound treatment. With WoundExpress, we're taking an important step to further improve clinical and financial results, by adding value for both patients and caregivers," says Arjo's President and CEO, Joacim Lindoff.

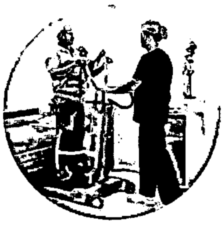
Arjo aims to establish WoundExpress as the standard of care, given the excellent results proven in studies.

"Many patients experience greater independence with WoundExpress, since they can perform the treatment themselves because the garment goes on the thigh."

MALIN WILSON · REGISTERED NURSE AT SKIN CLINIC, HELSINGBORG HOSPITAL



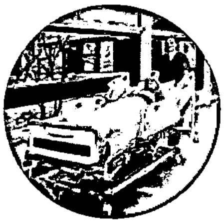
Broad offering of unique products and solutions



Patient handling
Arjo's broad range of lifting and transferring solutions includes ceiling lifts, standing and raising aids and slings, for safe, comfortable and dignified repositioning.

Pressure injury prevention
Arjo offers advanced systems for preventing and treating pressure injuries, for example, equipment for early indication and special mattresses for alternating pressure.

Leg ulcer treatment and prevention
Arjo offers a system of a pump and thigh garments for effective treatment of venous and arteriovenous leg ulcers.



Medical beds
Arjo's wide range of medical beds offers enhanced ergonomics, comfort, safety and ease of use. The technical performance features are adapted for a number of different purposes.

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

Hygiene
Arjo's bathing and shower systems enable safe and effective hygiene routines and a calming experience for patients.

Diagnostics
For more precise medical assessments, Arjo offers patient and fetus monitors, as well as ultrasound equipment and Doppler equipment for obstetric and cardiac diagnostics.

Disinfection
Arjo has flusher-disinfectors and associated chemicals for safe cleaning and disinfection.

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

Quality and safety are prerequisites for Arjo's operations. To meet the increasingly strict regulatory requirements in the medical device industry, our focus lies on continuously evaluating and improving our products and processes. We follow local and regional regulations in the markets that we serve, the three most important of which are:
• EU Medical Device Regulation (MDR) • US Food and Drug Administration (FDA) • Health Canada Medical Device Regulation

Our quality management systems are certified in accordance with the ISO 9001:2015 and ISO 13485:2016 standards.

free joyful independent

"It was only when I was going through my rehabilitation that I realised that I did not want to lose my independence. I wanted to be there for my family for as many years as possible."

GEORG · GRANDFATHER · GERMANY

A sustainable healthcare at our core

At Arjo, sustainability is in our DNA. Our role is to make more high-quality care available to more people, thereby contributing to a sustainable healthcare system that meets increasing global needs.

Sustainability is embedded in our history and culture. Ever since Arne Johansson, entrepreneur and Arjo's founder, designed a series of innovative equipment for patient transfers, we have devoted our energy to improving the conditions for mobility within the healthcare sector. In this way, we contribute with solutions that support our customers in their daily challenges, with the goal of creating more sustainable healthcare.

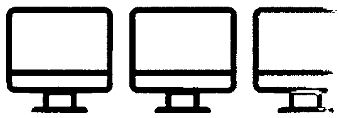
Sustainability on multiple levels
Arjo's broad offering of knowledge, equipment and solutions generates sustainable value at multiple levels in healthcare, thereby contributing to our customers' sustainability goals.

- We support patients and residents by creating opportunities for improved mobility and clinical outcomes, thereby reducing unnecessary physical and mental suffering.
- We support healthcare professionals by giving them opportunity to apply their professional skills to provide high quality care and at the same time reduce the risk of work-related injuries.
- By offering complete solutions based on the right equipment, skills and work methods, we contribute to developing effective processes within healthcare, benefitting society at large.
- Our environmental impact is limited, and we strive continuously to reduce our environmental footprint throughout the value chain.

Arjo's solutions, which offer increased sustainability in healthcare, are available in over 100 [illegible]

78%

Arjo's outcome-based programs have reduced the number of work-related injuries among healthcare professionals by an average of [illegible] at over [illegible] healthcare facilities around the world.



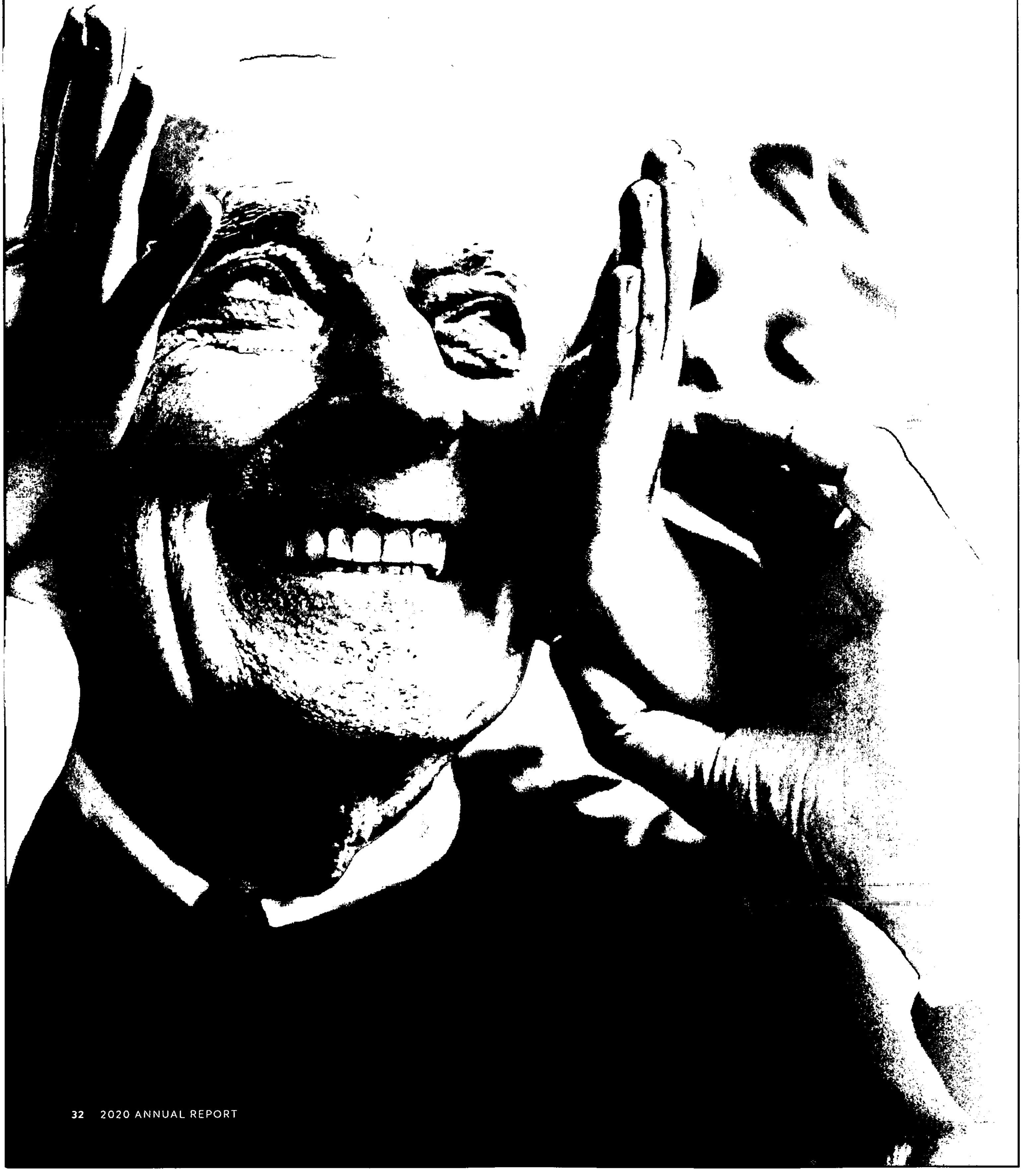
In 2020, we trained over 4,000 people in the care and rehabilitation of Covid-19 patients via digital webinars.

"Thanks to an energy and resource efficient production, and the long lifecycle of our products, our environmental footprint is fundamentally limited. We are now increasing our focus on key sustainability issues by lauching the Arjo Sustainability Framework 2030 — a solid agenda of initiatives and targets to consistently improve in this area."

MARION GULLSTRAND · EVP HUMAN RESOURCES & SUSTAINABILITY AT ARJO

0.4

Index for carbon emissions based on Scope 1 and 2 (Arjo's manufacturing units) is 0.4. Through sustainable use of energy and resources, Arjo strives to continuously reduce corporate carbon emissions.



Arjo Sustainability Framework 2030

– a solid agenda for continuous improvement

Sustainability is a fundamental element in our operations, and the Arjo Sustainability Framework 2030 provides a solid agenda with clear targets and activities to ensure continuous improvements. The framework derives from our materiality analysis and acknowledged global initiatives. The Arjo Sustainability Framework 2030 includes three focus areas:

A sustainable offering throughout the value chain

Climate impact
By 2030, Arjo will reduce corporate carbon emissions by 50%, aligning to the Paris Climate Agreement.

Circular economy
Arjo's contribution to a circular economy is to reduce resource consumption while improving performance and customer value.

A responsible company

Business ethics
As a company that engages with the public sector, Arjo has an ethical responsibility to employees, customers and business partners. The company has a zero-tolerance policy for all forms of corruption. We strive for high business ethics on all levels and to ensure that compliance is part of our daily work.

Responsibility for suppliers and business partners
Arjo's suppliers and business partners will contribute to our sustainability goals and follow Arjo's Business Partner Code of Conduct.

An attractive workplace

Employees and society
Arjo will continue to build a culture based on diversity, equity and inclusion. Sustainability is high on the agenda, and we take an active social responsibility in the communities in which we operate.

Health and safety
The health and safety of employees, visitors and partners is of high importance at Arjo, and we have a Zero Accident Vision for our workplace.

Arjo's offering of knowledge, equipment and solutions generates value that contributes to a sustainable future within healthcare.

Arjo conducted materiality analyses in 2018 and 2020 to identify the key elements of the Group's sustainability efforts. The analysis involved key personnel in the entire organization, including both the Arjo Management Team and the Board of Directors. We intend to perform a materiality analysis every second year and conduct an analysis involving external stakeholders in 2021.

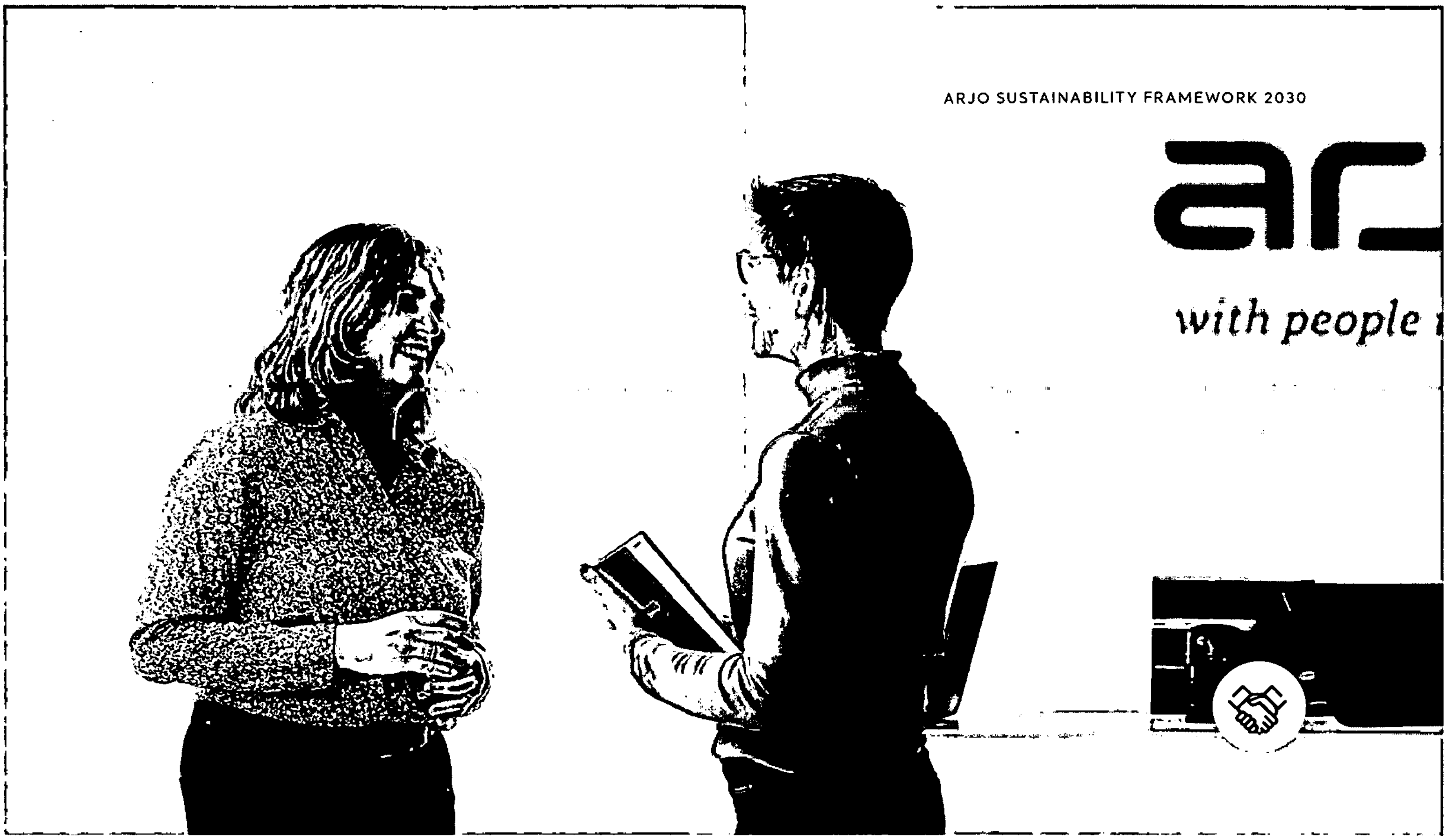
A sustainable offering throughout the value chain

We strive for a sustainable use of energy and resources in our operations, and enhance our competence within eco-design to continuously improve our work processes.

- In 2020, we further prioritized our work within product life cycle analysis (LCA), and supplemented internal expertise with external specialists.
- Our product development team focuses on, among other things, extending product lifecycle, reducing the need for spare parts, and minimizing the amount of packaging waste.
- In close collaboration with our suppliers, we regularly evaluate new and potentially more sustainable materials, as these become available for commercial use.

"In product development, sustainability is a fundamental aspect in the design process. Among other things, this means using material that can be recycled when possible, weighing in factors concerning final dismantling, and avoiding environmentally hazardous materials."

MAGNUS KARLBERG · VP PRODUCT DEVELOPMENT AT ARJO



A responsible company

Arjo's Business Compliance Committee leads and coordinates efforts within business ethics and compliance in the Group.

To further emphasize the importance of sound business ethics, a local committee has also been established in our largest market, the US. For other regions in need of additional support, we have a total of 14 business ethics ambassadors who serve as resources in properly navigating gray zones.

"The business ethics ambassadors provide valuable support to local level business, and serve as a link between the local organization and the central business ethics function," says Abdullah Ebrahim, President Arjo Africa and South Africa.

Training and processes

Group Finance has completed a digital training program in fraud and irregularities in order to enhance awareness and emphasize the importance of a sound internal control environment.

An audit process has also been implemented, in which distributors and other commercial intermediaries are evaluated from an ethical business perspective. Further, employees working with distributors in risk regions have completed a specially designed training program.

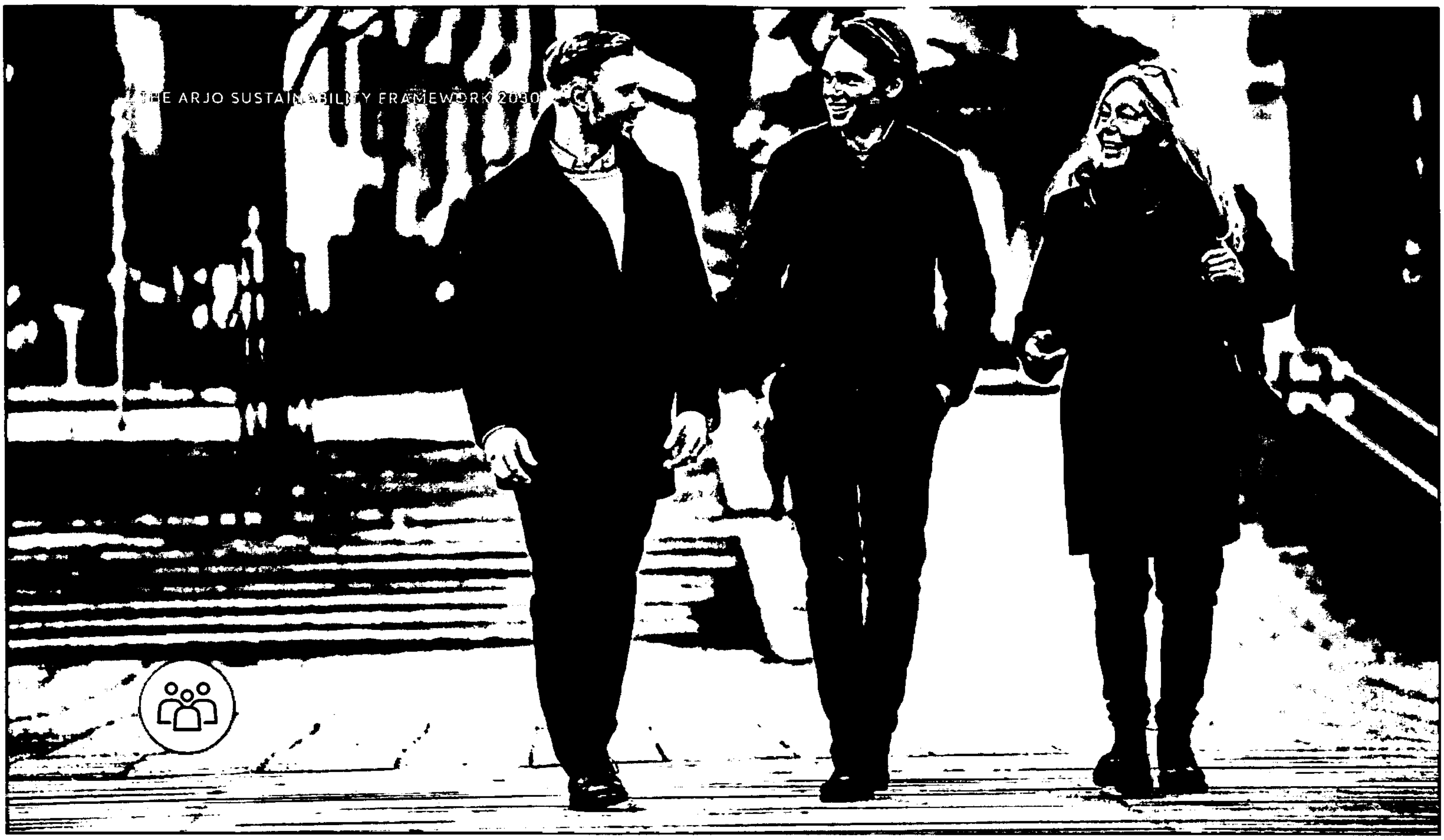
"Focus lies on supporting local sales companies in their risk assessments, and we can already see that the audit process has generated positive effects. We've been able to use the methodology in situations other than initially intended. Risk assessments have become more effective and the documentation requirement makes it easier to follow up on decisions," says Adam Leismark, VP Business Compliance at Arjo.

Arjo has developed a customized Code of Conduct for suppliers and business partners. Efforts to implement this and secure acceptance from all parties is now actively underway.

"This charts a clear course and many of our business partners appreciate the initiative. It makes it clearer and easier to work together for improved sustainability. Dialogs can now be conducted in an even more systematic and intentional manner."

JIMMY HERMANSSON · VP PROCUREMENT AT ARJO

Arjo collaborates with suppliers to safeguard supply chain during the pandemic. To secure the supply of products critical to our customers in healthcare, we supported our suppliers in managing any questions or issues raised by local authorities and license boards.



An attractive workplace

Arjo's culture is built on diversity, equity and inclusion, and we value health and safety for employees, visitors and partners.

Our community engagement is significant and we support a number of organizations in the markets in which we operate. Arjo also encourages its employees to participate actively in social initiatives that improve the local community. Some of our partnerships include:

- **Pratham, India** - within the framework of the Swedish Industry for Quality Education in India, we cooperate with the non-profit organization Pratham, working to improve the country's education system.
- **Dementia Australia** - aiming at increasing knowledge around dementia. Our employees get involved by, for example, participating in the running competition Dementia Australia Memory Walk and Jog.
- **Volunteer Time Off, Canada** - Arjo employees volunteer one day per year and participate in, for instance, the Alzheimer's Mini-Walk competition.
- **Förenade Care, Sweden** - Arjo's employees have the opportunity to volunteer their time and work one day per year at one of Förenade Care's 50 residential and homecare units.

Jaya Verma got a job at Arjo after years of searching. Despite more than 20 years of IT experience and several senior positions, it was difficult for the Indian IT specialist to find work in Sweden.

"I had applied for about 500 jobs over a two-year period, but didn't reiceve a single reply - until I came in contact with Arjo," says Jaya Verma.

She came to Arjo through Jobbsprånget, an internship program run by the Royal Swedish Academy of Engineering Sciences - and is now an analyst at Arjo's head office in Malmö.

"I am proud that Arjo works actively to promote diversity and inclusion. We are positive about welcoming newcomers, to create value for the company and the society we operate in. Arjo plans to continue working with Jobbsprånget in order to employ more highly qualified individuals who have recently come to Sweden."

KHALED GHAYOOMI · HR SPECIALIST AT ARJO

inspiring motivating fun

Marina Kroon began her career as a nurse anesthetist, and today works as product specialist in the prevention of blood clots at Arjo. During the pandemic, she provided her support to Jönköping Hospital as a nurse in the Covid-19 intensive care unit.

"I had the time, knowledge and experience so I signed on voluntarily – with full backing from Arjo. The times we could help patients who had been in medically induced coma for weeks to speak with their loved ones on FaceTime or phone were the most powerful. Those moments made everything worthwhile – and made me cry, every time."

MARTINA · ARJO PRODUCT SPECIALIST · SWEDEN

Clear governance ensures results

The sustainability efforts in our three focus areas are based on policies and clear governance involving all levels in the company - a systematic way of working enabling the implementation of key initiatives.

The Arjo Sustainability Framework 2030 is an integral part of our daily decisions and activities. Through a clear governance process, we make sure to work methodically and prioritize correctly to achieve the desired results.

A process involving all levels

Ultimate responsibility for the sustainability plans lies with the Arjo Management Team, and sustainability is a standing item on the agenda for every management team meeting. The CEO and Arjo Management Team are responsible for and participate actively in these efforts by deciding on targets, providing guidance moving forward, evaluating reported results, identifying items for improvement, as well as implementing plans and activities throughout the organization. Arjo's sustainability efforts are operationally managed by the EVP HR & Sustainability. At the start of 2021, a new sustainability forum was established, led by the EVP HR & Sustainability and aimed at reinforcing the implementation, development and governance of these efforts.

Arjo's Board of Directors monitors and participates actively in the sustainability work by receiving regular updates on the current status, target realization and plans for the future, as well as evaluating and providing input to the sustainability agenda twice a year.

Smart, cross-functional teams throughout the organization are in charge of leading projects, achieving targets and subsequent follow-up. Line managers are responsible for ensuring their employees understand and act in accordance with our Code of Conduct and sustainability agenda.

Internal data collection forms the basis of reporting, particularly via monthly reports that are compiled and presented to the Arjo Management Team every quarter, and to the Board of Directors every six months. Arjo is working to modify the reporting process in accordance with the Global Reporting Initiative (GRI) guidelines. As of 2022, reporting will adhere to GRI.

Guidelines for business ethics

Our sustainability efforts are governed by ethical standards. Arjo's Code of Conduct applies to all employees and we hold regular training sessions at all levels in the organization. Our principles are based on complying with all relevant, local laws in the countries where we operate. Arjo's anti-corruption policy has zero tolerance for all types of fraud and bribery. Employees can, via an anonymous whistleblower service, report suspected incidents of any violations of laws and regulations.

Arjo's Directive for Occupational Health and Safety aims to realize a high level of health and safety at the workplace. The directive provides a framework for identifying and managing physical and psychological satefy in the work enrivonment, as well as the employees' personal and collective wellbeing.

Arjo's Directive for Diversity, Equity and Inclusion aims to assume clear responsibility for our employees and the communities in which we operate. This is reflected in our commitments in the Arjo Sustainability Framework 2030, our Guiding Principles and Leadership Behaviors. By offering equal opportunities to all, we provide the right conditions for making the most of every employee's talent, potential and contribution to our operations.

International principles and global initiatives

Arjo's Code of Conduct and the Arjo Sustainability Framework 2030 are based on international principles and acknowledged global initiatives.

- UN Global Compact - Arjo supports and follows the ten principles that apply to human rights, labor, the environment and anti-corruption
- UN Climate Agreement - the Paris Climate Agreement
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work
- UN Sustainable Development Goals - based on our materiality analysis 2020, we have chosen to present our activities in relation to the SDGs that are most relevant to us.

"Sustainability is integrated in our work process - and we are convinced that our long-term success can only be realized by assuming responsibility for social, ethical and environmental aspects. The Arjo Management Team and Board of Directors are involved in the planning, implementation and evaluation of strategic directions moving forward, and our cross-functional teams are devoted to achieving our sustainability goals."

JOACIM LINDOFF, PRESIDENT & CEO OF ARJO

Arjo's sustainability goals 2021–2030

- activities, governance and outcome

A sustainable offering throughout the value chain

A responsible company

An attractive workplace

UN Sustainability Development Goals

By working in line with the UN SDGs, we reinforce the correlation between the company's and society's shared values. We have chosen to relate our activities to the following seven SDGs due to their relevance for our operations – and potential to support them through global and local initiatives.

Good health and well-being
Improving overall health for patients and residents, as well as work conditions for caregivers, is at the very core of our operations.

Quality education
Access to good quality education for all is one of the primary premises for prosperity, health and equal opportunities. We have a long tradition of targeted advisory and training initiatives for health-care professionals. Further, we support a research project within the Swedish Industry for Quality Education in India focused on children in grade school.

Gender equality
Arjo values its employees and advocates fairness, gender equality and non-discrimination. Our goal is to cultivate a diverse and inclusive workplace that maximizes every employee's talent, potential and contribution by providing equal opportunities for all.

Decent work and economic growth
The correlation between health, safety and development of our employees is central in our operations, and is backed by Arjo's Directive for Occupational Health and Safety. We emphasize the importance of sound work conditions and a healthy work-life balance.

Responsible consumption and production
Collaborating throughout the value chain to reduce emissions is central to global health in the long-term. We reduce emissions and steadily increase our knowledge pertaining to effective use of energy and resources, and we look for ways to apply the eco-design concept.

Climate action
Climate change has a significant impact on global health. Setting goals for carbon emission that are in line with the Paris Climate Agreement, and encouraging suppliers and business partners to do the same, is critical in realizing the ambition of good health for all.

Promote just, peaceful and inclusive societies
We are ethically responsibility for employees, customers and partners. Business ethics and well-defined principles for compliance are the foundation of Arjo's long-term business relations. We continue to strive for high business ethics on all levels and to ensure that compliance is part of our daily work.

A sustainable offering throughout the value chain

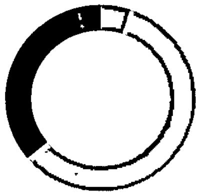
Our fundamental view

Arjo continuously conducts controls and improvements in its operations to reduce the company's climate footprint. This work is carried out in line with the goals of the Paris Climate Agreement, and we are convinced that a circular economy is the key to long-term sustainable development.

Our key goal is to lower our total carbon emissions by 50% by 2030[1], from 100,000 tons (2019) to 50,000 tons per year, and increase our contribution to a circular economy.

Governance

Arjo's Board of Directors monitors progress twice per year, and is responsible for contributing to and approving the plans. As a standing item on a monthly agenda, the Arjo Management Team follows the implementation of the plans across the company. Smart, cross-functional teams drive initiatives and projects that proactively contribute to the agenda's key goals. At the beginning of 2021, a new sustainability forum was established under the management of EVP HR & Sustainability to facilitate a continued strong governance process in the area.



CARBON EMISSIONS, %

- Production 5%
- Vehicles 32%
- Transport 59%
- Business travel 4%

Goals by 2030	Key activities	Status 2020
Production (Scope 1, 2)*		
Reduce carbon emissions from production by 50%, i.e. a 7% reduction per year (equivalent to 4,000 ton CO_2-e**, baseline 2019)	• Energy-efficiency enhancement program initiated at each production unit • Transition to renewable energy underway • Starting 2021, all units to be included in the energy-efficiency plan	• Share of renewable energy: 20% • All production units are ISO 14001 certified and work in a structured manner with continuous improvements • CO_2 emissions in relation to net sales: 0.4 ton CO_2-e*/MSEK • Total emissions from production: [illegible] ton CO_2-e • For information about emissions between 2018 and 2020, refer to page 45
Vehicles (Scope 1)		
Reduce carbon emissions from vehicles by 50% (equivalent to 22,000 ton CO_2-e, baseline 2019)	• Gradual transition to low emission vehicles starting in 2021	• Average emission for passenger cars and vans: 169 gram CO_2-e/km (baseline 2020) • Total emissions: 20,000 ton CO_2-e
Transport (Scope 3)		
Reduce carbon emissions from transportation by 50% (equivalent to 41,000 ton CO_2-e, baseline 2019)	• Air transport minimized • Increased efficiency through consolidation of customer deliveries • Continued collaboration with suppliers to reduce carbon emissions	• Emissions: 37,000 ton CO_2-e • Carbon emissions from transport have declined by 10%
Business travel (Scope 3)		
Reduce carbon emissions from business trips by 50% (equivalent to 20,000 ton CO_2-e, baseline 2019)	• Reduced travel and increased number of digital meetings, and opting for sustainable alternatives such as rail instead of air travel	• Emissions: 2,800 ton CO_2-e • Carbon emissions from business trips have declined by 86% • Updated Meeting and Travel Directive aims to contribute to more sustainable travel
Waste management - hazardous and non-hazardous (Scope 3)		
Reduce environmental impact from waste (hazardous and non-hazardous) by 50% (baseline to be defined in 2021)	• Waste management improved through the use of the waste hierarchy principle based on the strategy to minimize, reuse and recycle material	• The baseline for this goal will be defined in 2021 • For information about waste management between 2018 and 2020, refer to page 45
Packaging (Scope 3)		
All packaging will be made of 100% recycled or recyclable material (baseline to be defined in 2021)	• Reduction of total amount of packaging • Increased share of recycled or recyclable packaging • Increased demands on sub-suppliers regarding recycled and recyclable packaging	• Own packaging in Arjo's production: approximately 6% plastic and 94% carton
Circular economy		
Reduce total resource consumption while simultaneously improving performance and customer value	• All new product development follows eco-design principles • Continuous product lifecycle analyses followed-up by plans to reduce footprint • Implementation of cross-functional lifecycle analysis training starting in 2021	• Life cycle analyses initiated for some parts of Arjo's portfolio in 2020 and efforts will continue in 2021

*According to the international standard for measuring greenhouse gas emissions, the GHG Protocol, greenhouse gas emissions are divided into three scopes:
• Scope 1: Direct emissions (such as from company-owned vehicles and oil furnaces)
• Scope 2: Indirect emissions from grid-connected energy consumption (from purchased electricity, district heating, cooling and steam)
• Scope 3: Other indirect emissions (such as from purchased transport, goods, material and services)

**CO_2-e (carbon dioxide equivalent) is a measure used to compare and/or calculate emissions from various greenhouse gases on the basis of their global-warming potential.

Note 1: The areas that Arjo has identified as primary for reducing carbon emissions are production, vehicles, transport and business travel since these areas are under our own control. Emissions were estimated using tools from the GHG Protocol, Scope 3, for transport and business travel. Emissions from production are compiled based on mapping from every production unit. Emissions from vehicles are calculated on budgeted mileage and the car manufacturer's emissions levels.

A responsible company

Our fundamental view

Sound business ethics and well-defined principles for compliance are the core of Arjo's long-term business relations. Our ambition is to influence other stakeholders in contributing to the development of a fair global market.

Arjo does business across the globe and has a broad network of suppliers and business partners. We place the same high demands on them as on our own business, and have zero tolerance for all forms of corruption, fraud and bribery.

Governance

Arjo's Board of Directors approves the Code of Conduct and monitors compliance regularly. The Arjo Management Team is responsible for the implementation and adoption of the Code of Conduct, including the establishment and review of targets for improvement. The CEO is Chairman of Arjo's Business Compliance Committee[1], tasked with safeguarding that the company does business at the highest ethical level, and adheres to the laws, regulatory frameworks and standards that apply in the countries in which we operate[2]. The Committee held four minuted meetings in 2020. A global function manages supplier audits, using an approval process for all new suppliers while continuously auditing all suppliers. Furthermore, all suppliers and business partners that are to work with Arjo are required to sign and follow a customized Code of Conduct.

Goals by 2030	Key activities	Status 2020
Code of Conduct		
100% of employees receive training in Arjo's Code of Conduct	• All employees have access to digital and on-site training which is repeated regularly • In a number of countries (when permitted by law), the Code of Conduct constitutes a part of select personnel's employment contracts	• The proportion of employees who have received training: 82%
Business ethics		
All managers and their teams understand and behave in accordance with Arjo's policies and directives on business ethics	• Training of all managers and their teams based on the newly drafted Business Compliance Policy • Training includes a review of the rules pertaining to anti-corruption, competition law, export and sanctions, as well as whistleblowing	• The new Business Compliance Policy policy was presented in 2020, and implementation and training are scheduled for 2021
Incidents and whistleblowing		
All Arjo employees can report an incident or concerns about serious misconduct that may be suspected, prevented or rectified	• Global system for the whistleblower service including regular employee training about the Code of Conduct processes[3]	• Three incidents of fraud reported and investigated in 2020. In two of the incidents, it emerged that employees acted in breach of the company's rules and Code of Conduct, and these individuals' employment was terminated. None of the involved had senior positions and none of the incidents are deemed to have a essential impact on the company's operations
Fraud prevention		
All Group Finance employees understand the meaning of fraud, and how it should be prevented and identified in the workplace	• Targeted training for all Group Finance employees, aimed at cultivating a culture of fairness and ethics coupled with a robust internal control environment[4]	• In 2020, 100% of all Group Finance employees (over 200 people) received training
High ethics among business partners		
• All Arjo business partners are evaluated and audited according to a specially designed process[5] • In high-risk regions, a more detailed process is carried out using a specific analysis and monitoring tool	• Implementation of the auditing processes, including targeted training • Establishment of business ethics ambassadors, who support local organizations in high-risk regions	• 85 Arjo employees received training in the new audit process • 14 business ethics ambassadors have been appointed and trained within the company, and serve as an integrated part of operations
Supplier assessment		
90% of Arjo's total purchases to be made from suppliers who have signed the customized Code of Conduct for suppliers and business partners	• Continuous audits of suppliers and business partners	• 82% of Arjo's total purchases made from suppliers who have signed our customized Code of Conduct for suppliers and business partners • In 2020, 24 assessments of suppliers and business partners were performed. The pandemic caused some delays and outstanding assessments will be performed in 2021

NOTE 1: The Business Compliance Committee makes decisions pertaining to Arjo's business ethics strategy, and is comprised of the CEO (Chairman), EVP Legal & Business Compliance (Vice Chairman), CFO, EVP Marketing Communication & PR, EVP HR & Sustainability, VP Director Internal Control & Process Development, and other members who are appointed as needed. The VP Business Compliance convenes and records the meetings, which are to be held at least four times every year.
NOTE 2: Together with the Internal Control function, the Committee's key role is to identify risks related to Arjo's operations, prepare and implement directives and procedures, and ensure that these are updated and accessible.
NOTE 3: The system means that employees can make a report of concern or of suspicion regarding serious misconduct. The handling of incidents is coordinated in consultation between the business compliance team and the Group HR department. No employees will be subject to demotion, disciplinary measures or other negative consequences for reporting their concerns or suspicions in good faith.
NOTE 4: The most common way to discover fraud at the workplace is through employee tip-offs. By training finance employees in the prevention of fraud, Arjo emphasizes the importance of understanding what fraud in the workplace is and boosts insight in reporting mechanisms. Through swift action, losses can be minimized in respect to money, reputation and necessary monitoring measures that may harm the company.
NOTE 5: The audit processes aim to minimize the risk of contact with unsuitable companies and individuals, and to safeguard that Arjo has a transparent and uniform management process for this in every aspect of the company's operations.

An attractive workplace

Our fundamental view

Arjo's culture is built on diversity, equity and inclusion, a responsibility that extends to the societies in which we operate. It is the foundation of the Arjo Sustainability Framework 2030 as well as Arjo's Guiding Principles and Leadership Behaviors.

We value our employees and endeavor to cultivate fair and non-discriminatory work conditions, while offering a diverse and inclusive workplace[1].

Governance

Annual targets are set as part of the strategic HR efforts, and include activities promoting diversity and inclusion, succession planning and talent programs, employee development, as well as occupational health and safety.

Arjo's Board of Directors contributes to the plan and approves it twice a year. The Arjo Management Team has overall responsibility for implementing the plan, and regularly follows-up reports from operations. Line managers and employees have operational responsibility for implementing the plan, and that tools and resources are supplied. Outcomes are followed-up regularly by HR at global and local levels.

Goals by 2030	Key activities	Status 2020
Occupational health and safety		
• Zero Accident Vision • Support and resources for personal health at the workplace	• Establish a company-wide safety culture through improvement programs and preventive measures at all units • Regular internal and external audits of work environment	• Accidents per 100 employees: 2.4 • Global directives and an Occupational Health and Safety Handbook is implemented starting January 2021
Employee development		
• An environment in which individuals with advanced knowledge and the right skills stay and develop with the company • Average staff turnover: 8.5% • 100% of Arjo employees participate in the annual global People Survey	• Talent programs (global and local) • Succession planning to ensure skill development and secured resources • Annual global People Survey conducted to map engagement • Mentorship programs	• Staff turnover: 7.9% • Talent programs postponed due to the pandemic and will be conducted in 2021 • Participation in the annual global People Survey: 89% (88% in 2019)
Diversity, equity and inclusion		
The total workforce to be comprised of minimum 40% female employees, with 50% female managers in senior positions, and an even gender distribution in global and local talent programs	• Recruitment processes that ensure diversity and equity • Local and global talent programs that contribute to goals • Training in Arjo Guiding Principles and Leadership Behaviors • New directive for diversity, equity and inclusion to be implemented in 2021	• Percentage of women in the total workforce: 38% • Percentage of female managers in senior positions: 37% • Percentage of women in the Management Team: 50% • Percentage of women in the Board of Directors: 29% • Percentage of female participants in talent programs (2019): 45%

NOTE 1: It is our goal to offer a workplace that attracts, develops and retains employees while developing employee talent, potential and contribution by providing equal opportunities for all. Our health and safety efforts aim to establish a company-wide culture of safety through improvement programs and preventive measures at all units.

happy driven tired

"The emotional aspect of mobility is far more important than just being able to move around."

FEMME · DEVOTED FOOTBALL MOM · BELGIUM

Arjo's sustainability goals 2018–2020

1 Reduce energy consumption

In production, energy consumption is to be reduced by 5% in MWh/MSEK by 2020, with 2018 as the base year.

2 Reduce carbon emissions

Emissions from production are to be reduced by 5% measured in tons of CO_2/MSEK by 2020, with 2018 as the base year.

3 Reduce the amount of hazardous waste

The amount of hazardous waste is to be reduce by 10% by 2020, with 2018 as the base year.

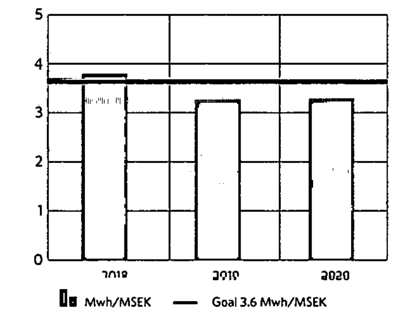
4 Increase recycling of non-hazardous waste

The goal is for 75% of non-hazardous waste to be recycled by 2020, with 2018 as the base year.

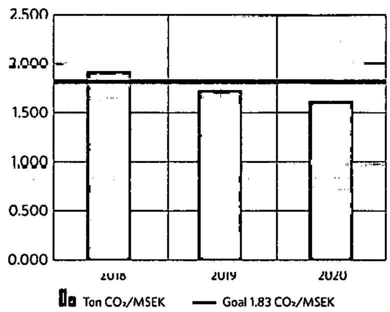
Results of environmental activities

Arjo works actively to make improvements to production in accordance with established environmental goals. During the year, Arjo increased its net sales by 3.9% organically, but nonetheless, energy consumption and carbon emissions remained at the same level as in 2019. Hazardous waste comprises less than 1% of Arjo's total waste and was further reduced in 2020. Recycling increased during the year. Arjo met all environmental goals for 2020 and the results are presented in the graphs below.

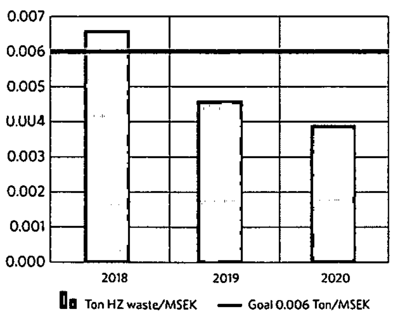
1 Energy consumption



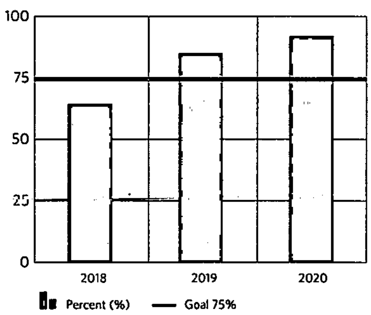
2 Carbon emissions



3 Hazardous waste



4 Recycling



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 2020 on pages 30-45 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, March 25, 2021
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Auditor in Charge

Cecilia Andrén Dorselius
Authorized Public Accountant

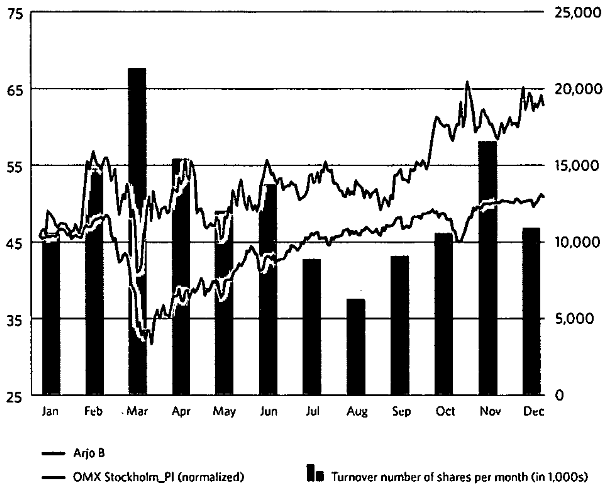
The Arjo share this year

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 2020 was favorable with an increase of 39.5%. The number of shareholders on December 31, 2020 was 36,531.

Share trend

At year-end, the Arjo share was listed at SEK 62.85, which was an increase of 39.5% during the year.

The highest price paid for the Arjo share in 2020 was SEK 67 on November 2 and the lowest was SEK 38.02 on March 16, 2020. At year-end, market capitalization amounted to SEK 17.1 billion, compared with SEK 12.3 billion at the end of 2019. The turnover of shares on Nasdaq for the year totaled 150.3 million.



Share capital and ownership structure

At year-end 2020, 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, with a holding 25.0% of the capital and 53.2% of the votes at year-end 2020.

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 30-60% 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 and ABG Sundal Collier.

0.85
Proposed dividend per share, SEK

1.93
Earnings per share, SEK

17.1
Market capitalization, SEK billion

Share capital distribution

	Series A	Series B	Total
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%
% of votes	41.8%	58.2%	100%

Five largest countries – capital, %

Sweden	64.8%
USA	16.4%
Norway	3.8%
Finland	3.0%
UK	2.3%

Share data

	2020	2019
Earnings per share after tax	1.93	1.48
Market price, December 31	62.85	45.06
Cash flow from operations/share	8.32	4.60
Dividend	0.85[1]	0.65
Dividend yield, %	1.4	1.4
Price/earnings ratio	32.6	30.4
Equity per share	20.7	21.7
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	64.8
of whom,	
private individuals	10.6%
institutions	10.5%
mutual funds	17.1%
other	26.6%
Foreign owners	35.2%
of whom,	
institutions	9.6%
mutual funds	25.2%
other	0.4%

Arjo's largest owners at December 31, 2020

	Series A shares	Series B shares	Capital, %	Votes, %
Carl Bennet	18,217,200	49,902,430	25.0%	53.2%
Fourth Swedish National Pension Fund		19,124,898	7.0%	4.4%
Swedbank Robur funds		14,412,147	5.3%	3.3%
Handelsbanken Fonder		8,538,110	3.1%	2.0%
AMF Pension & Fonder		8,327,997	3.1%	1.9%
Vanguard		8,210,564	3.0%	1.9%
Norges Bank		7,382,672	2.7%	1.7%
Nordea funds		7,127,220	2.6%	1.6%
Dimensional Fund Advisors		5,461,000	2.0%	1.3%
BlackRock		4,908,343	1.8%	1.1%

Ownership structure 2020 (based on no. of votes)

Shares	Capital, %	Votes, %	Shareholders	Shareholders, %
1-1,000	2.6%	1.7%	30,300	82.9%
1,001-5,000	3.8%	2.4%	5,076	13.9%
5,001-20,000	2.8%	1.7%	825	2.3%
20,001-100,000	3.3%	2.1%	195	0.5%
100,001-500,000	7.5%	4.7%	81	0.2%
500,001-5,000,000	21.9%	13.7%	45	0.1%
5,000,001-20,000,000	28.9%	18.0%	8	0.0%
20,000,001-	25.0%	53.2%	1	0.0%
Anonymous ownership	4.1%	2.6%	n/a	n/a
Total	**100.0%**	**100.0%**	**36,531**	**100.0%**

2020 Annual Report

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. The Group's solutions for patient handling, hygiene, disinfection, diagnostics, treating leg ulcers, prevention of pressure injuries and deep vein thrombosis, and our medical beds are all designed to promote mobility, safety and dignity in all care situations. Fundamentally, it means contributing to improved quality of care and enhanced efficiency, resulting in reduced healthcare costs.

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

Organization

Approximately 96% of sales are conducted through Arjo's own sales companies and the remaining 4% through distributors in markets for which Arjo 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 1.1% to SEK 9,078 M (8,976). Adjusted for corporate acquisitions, divestments and exchange-rate fluctuations, net sales rose by 3.9%.

Western Europe represented the Group's largest market, with 45.7% (46.4) of sales, followed by North America with 39.9% (39.3) and Rest of the World with 14.4% (14.4).

Exceptional items

During the year, the Group had exceptional items of SEK 78 M (53). Most of the expenses for the year comprise efficiency measures in Europe.

Exceptional items can be specified as follows: restructuring costs (67), acquisition expenses (4) and damage claims and disputes (7).

EBITDA

EBITDA before exceptional items amounted to SEK 1,913 M (1,728). The EBITDA margin before exceptional items was 21.1% (19.2).

Operating profit

The Group's operating profit increased to SEK 866 M (671), corresponding to 9.5% (7.5) of net sales.

Net financial items

Net financial items amounted to SEK -164 M (-129).

Profit after financial items

The Group's profit after financial items increased to SEK 702 M (542), corresponding to 7.7% (6.1) of net sales.

Taxes

The Group's tax expense amounted to SEK 175 M (139), corresponding to 25.0% (25.6) of profit after financial items (see Note 11).

Tied-up capital

Inventories amounted to SEK 1,039 M (1,144) and accounts receivable to SEK 1,500 M (2,001). The average consolidated operating capital was SEK 11,408 M (11,082). Return on working capital was 8.3% (6.5). Goodwill totaled SEK 5,161 M (5,413) at the end of the fiscal year.

Investments

Investments amounted to SEK 805 M (750), of which SEK 296 M (231) pertains to intangible assets and SEK 509 M (519) to tangible assets. Investments primarily pertained to equipment for rental, IT projects and distribution rights in BBI.

Financial position and equity/assets ratio

Shareholders' equity at year-end amounted to SEK 5,630 M (5,914), corresponding to an equity/assets ratio of 40.6% (41.0). The Group's net debt totaled SEK 5,067 M (5,903), corresponding to a net debt/equity ratio of 0.9 (1.0). Net debt/adjusted EBITDA before exceptional items was 2.9% (3.0).

Cash flow

Cash flow from operations amounted to SEK 2,267 M (1,252). The cash conversion was 123.3% (74.7).

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 48-49.

Group-wide events during the year

MDR audit

Arjo has been certified under the EU's new Medical Device Regulation (MDR). Due to the pandemic, the EU decided to postpone the introduction of the Regulation from 2020 to 2021, which means it will now come into effect in May 2021. Arjo started to digitally train the organization in 2020 to ensure that employees understand what the certification means for both the company and healthcare.

Acquired and divested operations

Acquisition of equity stake in Bruin Biometrics (BBI)

In October, Arjo acquired a 10% equity stake in Bruin Biometrics (BBI), a US-based company developing solutions for diagnosing patients with an elevated risk of developing pressure injuries. The deal gives Arjo exclusive global distribution rights for BBI's portable SEM Scanner, which allows early identification of pressure injury risk and thereby reduces patient suffering and healthcare costs. BBI has found itself in a start-up phase with limited sales, with annual sales amounting to approximately SEK 15 M. The acquisition is expected, primarily through the distribution agreement, to have a positive impact on Arjo's net sales and earnings per share beginning in 2021, and will contribute substantially to both net sales and EPS development from 2023 and onwards. This acquisition entitles Arjo to a permanent BBI board seat and veto rights for a number of important legal business and operational matters. Therefore, Arjo is considered to have a significant influence in BBI and the holding is recognized as participations in associated companies using the equity method. The purchase price amounts to SEK 214 M, of which SEK 135 M refers to participations in associated companies and SEK 79 M to distribution rights. The value of the participations at year-end amounted to SEK 120 M. The change was attributable to currency effects. Income from participations was insignificant for the period.

Acquisition of AirPal

In December, Arjo acquired operations in AirPal, a privately owned US-based company specializing in Air-Assisted Lateral Transfer solutions for patients. The acquisition strengthens Arjo's patient handling portfolio and is part of the Group's long-term strategic focus toward driving healthier outcomes for people facing mobility challenges, and will help advance Arjo's agenda toward increased profitable growth. Focus will initially be on the US market, with geographic expansion continuing in such counties as the UK and Australia. Annual sales amount to approximately SEK 40 M. The deal is an asset purchase agreement and involves an upfront payment of SEK 49 M, and also includes an earn-out tied to performance in 2021 to 2023 valued at SEK 36 M. The value of the net assets amounts to SEK 85 M.

Research and development

The foundation of all research and development at Arjo is an in-depth understanding of the customer's daily lives and 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. During the year, Arjo's research and development costs amounted to SEK 202 M (212), corresponding to 2.2% (2.4) of net sales. Of this amount SEK 114 M (139) was expensed during the year.

Personnel

Arjo has employees from throughout the world and the Group's development depends on them. Arjo's Guiding Principles permeate the entire business and aim to promote a customer-oriented culture that forms the basis of sustainable profitable growth. In addition to a strong customer focus, Arjo's culture is built on diversity, equity and inclusion, and puts a premium on good health and safety for employees, visitors and partners. Arjo endeavors to be an attractive company in which all employees have equal opportunities, regardless of age, ethnicity, religion or gender. For further information, refer to Arjo's sustainability report. At December 31, 2020, there were 6,214 (6,141) employees, of whom 191 (186) were employed in Sweden. Arjo has employees in a total of 30 countries.

Remuneration to senior executives

The 2020 AGM approved the proposed guidelines for executive remuneration. These guidelines apply up until the 2024 AGM on the condition that no amendments are proposed, and are described below. See Note 6 for a description of the amounts expensed under these guidelines.

Guidelines for executive remuneration – Arjo AB

1. Scope of the guidelines, etc.

These guidelines refer to remuneration and other employment conditions for the individuals who are members of the Arjo Management Team during the validity of the guidelines, in the following referred to 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 the company is able to recruit and retain qualified personnel. The basic principle is that remuneration and other terms and conditions of employment for senior executives shall be based on market conditions and be competitive in all markets where Arjo operates, to ensure that competent and skillful employees can be attracted, motivated and retained. Individual levels of remuneration shall be based on experience, competence, responsibility and performance and be market-conforming in the country in which the senior executive is employed.

3. Principles for various types of remuneration

The total remuneration to senior executives shall be on market terms and comprise basic salary (fixed cash salary), variable remuneration, pension benefits 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

The fixed remuneration for each position is determined based on a global position evaluation system and external market payroll data. The fixed remuneration, meaning the basic salary, shall be based on the individual executive's area of responsibility, authority, competence and performance.

Variable remuneration

The allocation of basic salary and variable remuneration shall be proportional to the responsibility and authority of the executive. The variable remuneration shall always be limited in advance to a maximum amount and be connected to predetermined and measurable criteria, designed with the purpose of promoting the company's business strategy and long-term value creation.

The company's sustainability work is incorporated in the ongoing operations of the company. If the company's key guidelines for sustainability work or ethical guidelines are not followed, the company may refrain from paying variable remuneration or reclaim the paid remuneration. The annual variable remuneration is constructed in such a way that it supports Arjo's strategy to develop products and solutions on a long-term basis which contribute to improve care outcomes, create a more efficient care process, enable a better work environment for healthcare professionals and increase the quality of life for patients. If the above activities are conducted in an efficient and sustainable way, it will result in improved financial results and increased capital efficiency, which form the basis for the variable remuneration.

Annual variable remuneration (STIP)

For senior executives, the annual variable remuneration (annual bonus) shall be capped at 50% of the fixed annual basic salary, except in cases where the nature and competition situation of the position, as well as the country of employment, so require. In such cases the annual variable remuneration shall be capped at 80% of the fixed annual basic salary. The variable remuneration shall be based on the objectives set by the Board of Directors. The objectives are related to earnings, volume growth, working capital and cash flow. All members of the group management have the same goals for annual variable remuneration with the purpose of promoting the shareholders' interests, the company's core values, and jointly strive to achieve the company's business strategy, long-term interests and a sustainable development of the company.

Variable long-term cash bonus (LTIP)

In addition to basic salary and the annual variable remuneration above, senior executives can obtain a variable long-term bonus (LTI bonus), awarding clear target based and measurable achievements, and which is conditional upon continued employment at the end of the performance period of the LTI bonus (with certain customary 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 potential acquisitions, divestments, restructuring costs and/or other material non-recurring costs. By connecting the targets to shareholder interests, common interests are created which further aim at promoting Arjo's business strategy and long-term interests.

The performance period for the LTI bonus shall be at least three fiscal years and the LTI bonus shall be capped at 100% of one year's basic salary for each three-year period, i.e. one third of the annual basic 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 shall keep these shares for at least three years from the time of investment.

Determination of the outcome for variable remuneration, etc.
When the measurement period of the criteria for awarding variable cash remuneration has been finalized, the Board of Directors shall, based on a proposal from the Remuneration Committee, determine whether the criteria have been satisfied. When determining the satisfaction of the criteria, the Board of Directors, may based on a proposal from the Remuneration Committee, grant exceptions from the set criteria on the basis of what is mentioned in item 5 below. For the satisfaction of financial objectives, the evaluation shall be based on the latest financial information made public by the company, taking into account any adjustments that the Board of Directors has determined in advance when implementing the program. Variable cash remuneration can be paid after the completion of a measurement period (annual variable remuneration) or be subject to deferred payment (LTI bonus).

Arjo actively works with ensuring that the company is managed in the most sustainable, responsible and efficient way possible and that applicable legislation and other regulations are complied with. Arjo also applies internal rules which include a code of conduct and different steering documents on group level (policies, instructions and guidelines) in several areas. Variable remuneration shall not be awarded, or variable remuneration may be reclaimed, if the senior executive has acted contrary to these rules, principles or the company's code of conduct. In case earnings before taxes are negative, variable remuneration shall not be awarded. The Board of Directors shall have the possibility, pursuant to applicable law or contractual provisions, to in whole or in part reclaim variable remuneration paid on incorrect grounds (clawback).

Other variable remuneration
Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made for the purpose of recruiting or retaining executives. Such remuneration may not exceed an amount corresponding to 50% of the basic salary and may not be paid more than once each year and per each individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the Remuneration Committee. In addition to the variable remuneration above, share-related or share price-related incentive programs as resolved from time to time, may be set up according to the above.

Pension
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 salary. Variable cash remuneration shall not qualify for pension benefits.

Other senior executives shall be covered by ITP 1 or ITP 2 and the pension benefits shall be premium defined. Variable cash remuneration shall only qualify for pension benefits to the extent required by mandatory collective agreement provisions as applicable to the executive. Should that be the case, it should be considered when forming the total remuneration package. The pension premiums for premium defined pension shall amount to a maximum of 30% for parts exceeding the cap in 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, to the extent possible, the overall purpose of these guidelines.

Other benefits
Other benefits such as company car, extra health insurance or occupational health service may be provided to the extent this is considered customary for senior executives holding equivalent positions on the labor market on which the employee operates. The total value of these benefits shall amount to not more than 10% of the fixed basic salary.

Terms of notice
Senior executives shall be employed until further notice. Upon termination of the CEO's employment, if such termination is determined by the company, the notice period shall be twelve (12) months. The notice period may not exceed twelve (12) months if notice of termination of other senior executives' employment is made by the company. The notice period may not to exceed six (6) months, without any right to severance pay, when termination is made by the executive.

Senior executives may be compensated for a non-compete undertaking after the termination of the employment, however, only to the extent severance pay is not paid during the same period of time. The purpose of such remuneration shall be to compensate the senior executive for the difference between the monthly basic salary at the time of termination of the employment, and the (lower) monthly income which is obtained, or could be obtained, by a new employment agreement, assignment or own business. The remuneration may be paid during the period the non-compete undertaking is applicable, and no longer than a period of twelve (12) months after the termination of the 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 of Directors has previously established a Remuneration Committee. The Committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration These guidelines are subject to review on annual basis by the Board of Directors and submitted for resolution by the annual general meeting when changes are proposed, or at east every four years. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the executive management, 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 of Directors' processing 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.

Sustainability agenda

Arjo endeavors to build up a sustainable, 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 offering of know-how, equipment and solutions generates values that contribute to a sustainable future within healthcare. Based on a regular materiality analysis, an active sustainability agenda is pursued through the Arjo Sustainability Framework 2030 in three focus areas: a sustainable offering throughout the value chain, a responsible company and an attractive workplace. Arjo ensures that approved activities are implemented through clear governance and a systematic work process. The sustainability agenda is pursued by the Management Team, and the Board regularly studies reports to support the development of key initiatives. Arjo is working to modify the sustainability reporting process in accordance with the Global Reporting Initiative (GRI) guidelines, and reports will be prepared in accordance with GRI from 2022.

Read more about the Group's sustainability efforts on pages 30–45.

Environmental impact

Arjo works systematically to reduce the Group's environmental footprint throughout the value 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 follow 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. These management systems provide solid conditions for structured and proactive environmental work. The management systems also include regular updates to the environmental impact of the facilities.

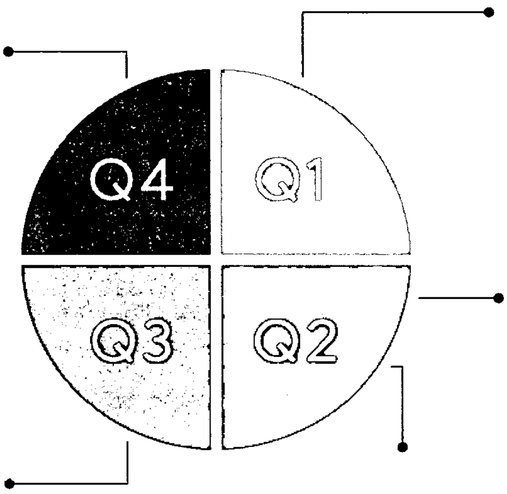
The key goal is to reduce Arjo's total CO_2 emissions by 50% by 2030, with 2019 as the base year. To reduce the company's climate impact, focus is primarily directed to minimizing energy consumption and CO_2 emissions in the areas of production, vehicles, transportation and business travel, reducing the amount of hazardous and non-hazardous waste and increasing the contribution to the circular economy.

Further information concerning Arjo's environmental work is presented on page 41.

Risk management

Arjo is exposed to a number of strategic, operational, financial and compliance-related risks. The Management Team performs a risk assessment every year led by the CFO and the Internal Control function, in accordance with the company's directive on risk management and internal control. The purpose of the assessment is to identify and analyze the company's most material risks and any events that could impact Arjo's ability to carry out the company's strategy and achieve defined objectives and visions. The results of the risk assessment comprise a risk register containing descriptions of the company's most critical risks, how they are managed by the responsible function(s) and an evaluation of the probability that these risks may arise in a specific time period and their impact on the company. Identifying risks from a Group perspective enables management and the Board to examine and adapt to key risks and assess how the company respond to and monitor these. The main risks are then illustrated in a risk map that shows residual risk, meaning the risk remaining after control activities have taken place, which is presented to the Audit

Risk assessment 2020



January 2020
Arjo's risk assessment for 2019 was presented to the Audit Committee by the company's CFO and Internal Control.

April–May 2020
When the new CFO joined the company, the CFO and Internal Control performed a risk assessment with each member of the Management Team and relevant people in their organizations.

As part of this risk assessment, risk managers were tasked with the following:
- Identifing material risks in their area of responsibility
- Defining how risks are managed and monitored in their organization
- Assessing the impact and probability of the risks (low 1 – high 5) after mitigating actions

May 2020
A consolidated risk map was presented to and examined by the Management Team.

July 2020
The highest ranked risks on Arjo's risk map were presented to the Chairman of the Audit Committee by the CFO and Internal Control.

October 2020
The highest ranked risks on Arjo's risk map were presented to the Board by the company's CFO.

Committee by the CFO and Internal Control, and to the Board by the company's CFO.

Arjo's risk assessment process is outlined in the illustration on page 54.

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 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 and conditions of ill health 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 damage claims. Such claims could involve large financial amounts, result in significant legal expenses and negatively affect the company's reputation and customer relationships. Arjo limits the risk of product liability and other damage claims related to its products and their use through the company's extensive quality and safety activities. A comprehensive insurance program is in place to cover any liability risks (including product liability) to which the Group is exposed.

Protecting and managing the infringement 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, design and trademarks. The Group is also dependent upon know-how and trade secrets that cannot be protected under intellectual property law.

In 2020, the Group prepared improved its instructions on how to prevent, investigate and manage potential cases of infringement. In addition, improved procedures have been implemented to ensure efficient maintenance of the existing portfolio of rights.

Coronavirus (Covid-19)
The corona pandemic impacts both the Group's customers in the healthcare sector and society as a whole. The restrictions and recommendations introduced by the authorities to restrict the rate of infection could lead to limited accessibility and difficulties for the company to reach customers. It could also lead to lower demand for the products and services that are not prioritized during a crisis, or higher demand that cannot be met. The pandemic could also present a risk for some of the company's employees who are exposed to the virus through their work environment, which imposes strict requirements on the operations as regards a high level of expertise and precautionary measures. Covid-19 could also impact the Group's supply chain. which may lead to delays to deliveries and production disruptions. In addition, coronavirus may also entail fluctuations in the financial system, which could result in indirect or direct financing difficulties for the company. The Group is closely monitoring developments and is successively making the necessary business decisions to ensure production and deliveries to the healthcare sector in this serious situation. Arjo is following the guidelines set by the authorities in the geographical areas in which the company operates, and providing its personnel with equipment and training to manage the risk of exposure and ensure a safe and secure work environment. Arjo to date has not experienced any major production disruptions due to the pandemic. The organization is managing the situation well and is maintaining a close dialog with subsuppliers to ensure access to key components. Production capacity for medical beds has been increased to meet higher demand. Arjo is working proactively to ensure financial contingency in this uncertain time and is continuing to closely monitor developments.

Risk of cyber attacks
Arjo is dependent on IT and its surrounding infrastructure and thus is exposed to the risk of cyber attacks. These attacks may comprise trojans, ransomware, malware or data hacking which could involve the aim of intrusion, data corruption, data theft, threats or taking over a system. They could also take on the form of phishing via e-mail that leads to revealing confidential information, downloading malicious code, financial payments or collecting authentication information (user name and password). The risk of cyber attacks also arises if access controls are not handled correctly and unauthorized users gain access to areas of systems that they are not permitted to enter.

Arjo works actively on risk assessments of its IT infrastructure and sensitive data and has defined mitigating processes and controls, known as IT General Control (ITGC) to protect the company. The control environment includes firewalls, patch management, virus programs, penetration and recovery tests and automated scanning of incoming and outgoing e-mail traffic to identify phishing. To restrict access to the system and data, access controls are used, for example, employees' VPN accounts linked to the company's HR system. Arjo's Chief Information Security Officer (CISO) held a number of training courses on IT security during the year to increase know-how, encourage caution and ensure that employees are aware of and follow the company's IT policy and directives. The internal control environment is evaluated by the company's CISO every year and partly by the external auditors.

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 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 where Arjo operates. Arjo's product range is subject to legislation, including EU Directives 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 significant efforts and resources to implementing and applying guidelines to ensure regulatory compliance. Annual audits are performed by designated accreditation bodies to ensure compliance for continued CE marking of Arjo's products and international legal requirements, including the FDA, MDSAP and EU MDR.

In 2020, Arjo continued efforts to meet the requirements of the EU MDR that is scheduled to come into force in May 2021. Arjo has had an organization-wide plan in place since 2017 to ensure MDR compliance and has achieved MDR certification following a successful QMS audit at the end of 2019 and audit of product documentation in 2020.

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) from BSI The 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, credit and counterparty risk, and tax risk, of which currency is the most important 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 28.

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.

Arjo hedges the most important currency exposures in the period when the transaction occurs. Hedging took place using currency forward contracts. For more information, see Note 28 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 2020.

	Change	SEK M
Price change	±1%	±91
Cost of goods sold	±1%	±50
Salary costs	±1%	±34
Interest rates	+1% percentage point	±50

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 2020. The impact of a ±1 percentage point change in interest rates on equity is about SEK 40 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 value. 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.

Outlook 2021
Organic sales growth for 2021 is expected to be in the interval of the Group's new target of 3-5% per year.

Corporate governance at 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 2020 Corporate Governance Report is presented here.

Introduction

Arjo is a global supplier of medical devices and solutions that creates improved clinical and financial outcomes for healthcare through improved mobility, and thus contributes to a sustainable healthcare system. Arjo creates value by preventing complications and improving the quality of care for patients, and enabling a better work environment with a lower risk of injury and higher efficiency for healthcare professionals. 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 by ensuring 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. 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 is based on Swedish legislation such as the Companies Act and the Annual Accounts Act, and external governing instruments, including Nasdaq Stockholm's Rule Book for Issuers, and the Swedish Corporate Governance Code (the "Code"). The Code is based on the "comply or explain" principle, which means that a company that applies the Code does not always have to comply with every rule in the Code and instead can choose alternative solutions that are deemed to be more suitable to the company's specific circumstances. This requires that each deviation is reported, the chosen solution is described and that an explanation for the deviation is presented. Arjo did not deviate from the Code's rules in 2020. The company complies with the Swedish Securities Council's statement on good practice in the Swedish stock market. 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 under corporate governance.

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 that wish to participate in a general meeting shall be recorded in a print-out or other representation of the entire share register as per the record date of the general meeting, as determined in accordance with the Swedish Companies Act and notify the company of their intention to participate by the date specified in the notice convening the Meeting. The last mentioned day must not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the Meeting.

Shareholders

For more information about the shareholders and the share, see pages 48–49 and www.arjo.com.

2020 Annual General Meeting

The AGM was held on June 29, 2020. The AGM resolved to adopt the income statement and balance sheet presented and to approve the Board's proposed appropriation of profits.

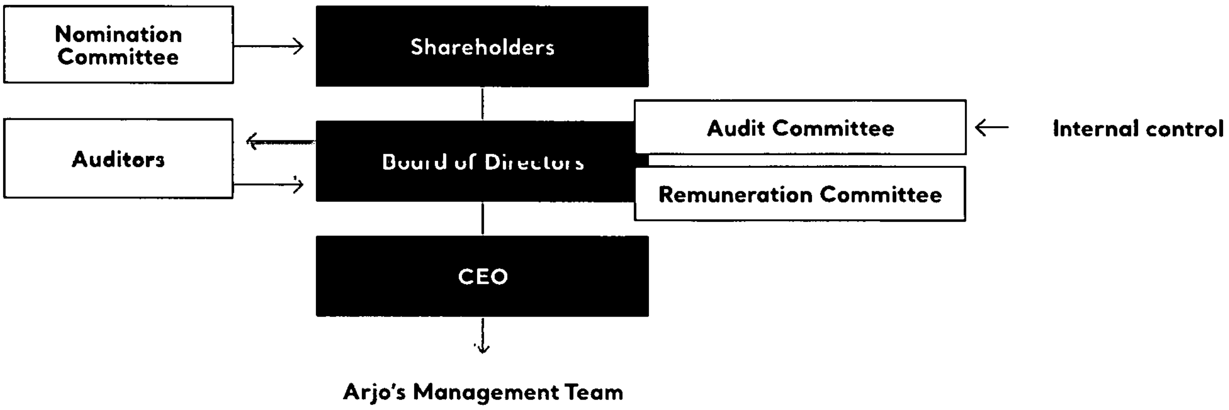
2021 Annual General Meeting

Arjo's Annual General Meeting will be held virtually on April 27, 2021 with the option of postal voting. For further information, see Arjo's website, www.arjo.com.

Nomination Committee

In accordance with the resolution of Arjo's 2020 Annual General Meeting, the Nomination Committee in respect of the Annual General Meeting shall be composed of members appointed by the three largest shareholders in terms of voting rights, based on a list of owner-registered shareholders from Euroclear Sweden AB or other reliable ownership information, as of August 31 of each year, and the Chairman of the Board of Directors. In addition, if the Chairman of the Board, in consultation with the member appointed by the largest shareholder in terms of voting rights, deems it appropriate, it shall include an, in relation to the company and its major shareholders, independent representative of the minor shareholders as a member 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

Arjo's corporate governance



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.

Nomination Committee ahead of 2021 Annual General Meeting
Ahead of the 2021 Annual General Meeting, Arjo's Nomination Committee comprised Chairman Carl Bennet (Carl Bennet AB), Per Colleen (Fourth Swedish National Pension Fund), Marianne Nilsson (Swedbank Robur), as well as Board Chairman Johan Malmquist. After consulting with the Chairman of the Nomination Committee, the Chairman of the Board did not consider it necessary to appoint a representative for the minor shareholders ahead of the 2021 Annual General Meeting. 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 2021 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 interviewed one of 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 2021 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 and Committees in 2020

			Committees		Attendance at meetings		
	Year elected	Independent	Audit Committee	Remuneration Committee	Board meetings	Audit Committee	Remuneration Committee
Johan Malmquist, Chairman of the Board	2017	Yes		Chairman	15/15		3/3
Carl Bennet	2017	No[1)]		Member	15/15		3/3
Carola Lemne	2017	Yes	Member		13/15	4/4	
Ulf Grunander	2017	Yes	Chairman		15/15	4/4	
Eva Elmstedt	2017	Yes	Member		15/15	4/4	
Joacim Lindoff	2017	No[2)]			15/15		
Dan Frohm	2019	No[1)]	Member		15/15	4/4	
Board members and deputies appointed by employees[3)]							
Sten Börjesson	2017				14/15		
Ingrid Hultgren	2017				13/15		
Kajsa Haraldsson	2017				12/15		
Eva Sandling Gralén	2018				15/15		
Jimmy Linde	2020				1/15		

1) Not independent in relation to the company's major shareholders
2) Not independent in relation to the company and management
3) Ingrid Hultgren stepped down as Board member in October 2020 and was replaced by Kajsa Haraldsson, former deputy. At the same time, Jimmy Linde took the role of deputy.

Work of the Board of Directors in 2020

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

April
- Interim Report Q1
- Report from Audit Committee

June
- Statutory Board meeting

July
- Interim Report Q2
- Report from Audit Committee

September
- Review of the strategy
- Approval of the Sustainability Framework 2030

October
- Approval of new financial targets (2021-2023)
- Interim Report Q3
- Report from Audit Committee
- Review of the company's risk map
- Review of Business Compliance

December
- Review of sustainability work
- Adoption of 2021 budget
- Adoption of long range plan (LRP) for 2023
- Succession planning and Talent Management
- Report from Remuneration Committee

In addition to the Board meetings described above, the Board held regular Board and information meetings focusing on the company's handling of the pandemic. Furthermore, the Audit Committee held four meetings and the Remuneration Committee held three.

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 June 29, 2020, 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 Group General Counsel 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 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 62-63.

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"). 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 June 29, 2020 and convened 15 times in 2020, with an average attendance rate of 97% 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 Internal Control Group function. 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 2020, 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 2020, the Committee held four minuted meetings, including informal contact when necessary. The attendance of members at the Committee meetings are presented in the table on page 58.

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. Other executives of Arjo participate in Audit Committee meetings as rapporteurs for special issues.

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. In 2020, the Committee held three minuted meetings, including informal contact when necessary. The attendance of members at the Committee meetings are presented in the table on page 58.

Remuneration of Board of Directors

It was resolved that fees, excluding Committee fees, would be paid to the Board in the total amount of SEK 4,475,000, of which SEK 1,425,000 to the Chairman and SEK 610,000 to each of the other Board members who are elected by the AGM and are not employed by the Group.

Furthermore, the AGM decided that remuneration for the work of the Audit Committee was to be paid in the amount of SEK 254,000 to the Chairman and SEK 127,000 to each of the other members, and that remuneration for the work of the Remuneration Committee was to be paid in the amount of SEK 132,000 to the Chairman and SEK 97,000 to each of the other members. For complete information regarding remuneration of senior executives, see Note 6.

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 at year-end 2020 comprised the CFO, EVP Legal & Business Compliance, 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. These persons are presented on pages 64–65. For information regarding remuneration, any share-related incentive programs and terms of employment for the CEO and other senior executives, see Note 6 starting on page 80.

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

Fees for Board and Committee work 2020 (SEK)

Name	Board fee	Committee fee	Total
Johan Malmquist	1,425,000	132,000	1,557,000
Carl Bennet	610,000	97,000	707,000
Eva Elmstedt	610,000	127,000	737,000
Ulf Grunander	610,000	254,000	864,000
Carola Lemne	610,000	127,000	737,000
Dan Frohm	610,000	127,000	737,000

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. 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 2020, the Internal Control Group function implemented a governance, risk management and compliance (GRC) tool to work on a broad front to examine processes digitally 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 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 2020
Every year, the Internal Control Group function performs a self-assessment of the internal control environment of every company. The self-assessment encompasses the control environment related to the financial reporting, for example, controls in the sales process, purchasing process, inventory management and accounting process, and "soft controls" (tone of the top) regarding compliance with internal policies and directives, such as in the HR process. The self-assessments are supplemented with Internal Control auditing and monitoring selected units and processes as necessary. In 2020, Covid-19 led to certain restrictions in visiting companies and for on-site follow ups, and so audits were mainly performed digitally. As a supplement to examining the internal control environment, Internal Control together with Business Compliance held virtual training courses in fraud and irregularities for all of the Group's finance functions in order to enhance awareness and emphasize the importance of a sound internal control environment. This year's self-assessments and monitoring concluded that the Group has a satisfactory control environment for covering material risks related to the financial reporting.

Continuing work
Arjo's continuing work on internal control will remain concentrated on risk assessment, control activities and follow-up/monitoring. In 2021, this work will be performed using the governance, risk and compliance (GRC) tool that was implemented at the end of 2020 and that is expected to simplify dialog with the companies and provide a more structured and clear overview of the company's risks, controls and potential areas for improvement. Outcomes and any deviations in the control environment are followed up and reported to the process manager and subsequently to the CFO and Audit Committee.

Board of Directors

Born 1961.

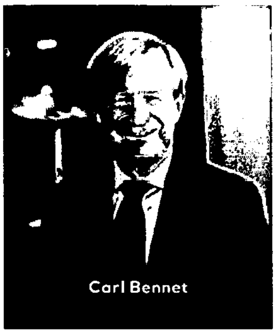
Chairman of the Board and Board member since 2017. Chairman of the Remuneration Committee.

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), Dunker-intressena, 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 Lingstad Papper.

Shareholding (own and related parties): [illegible] series B shares and 2,380,952 synthetic share options.



Born 1951.

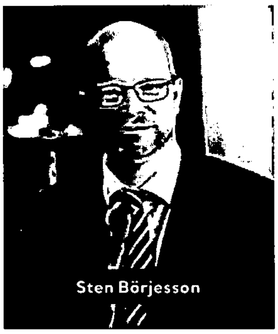
Vice Chairman of the Board since 2018 and Board member since 2017. Member of the Remuneration Committee.

Education and professional experience: B.Sc. in Economics, University of Gothenburg. Ph.D. h.c. (Med.), Sahlgrenska Academy, University of Gothenburg and Dr. Tech. h.c., Luleå University of Technology. Previous 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 AB (publ) and L E Lundbergföretagen AB (publ).

Previous assignments/positions (past five years):
-

Shareholding (own and related parties):
18,217,200 series A shares and 42,202,430 series B shares via Carl Bennet AB.



Born 1967.

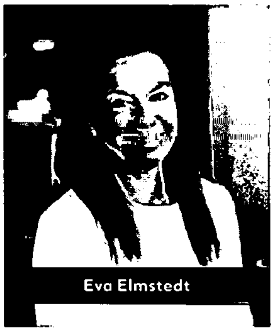
Employee representative (deputy Board member) since 2021.

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): Employee representative, Board member of Arjo AB 2017–2020. Board member (employee representative) of Getinge AB 2007–2015.

Shareholding (own and related parties): -



Born 1960.

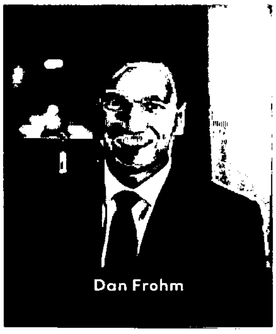
Board member since 2017. Member of the Audit Committee.

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, 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: M.Sc. 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), Lifco 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, member since 2021.

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: Deputy Board member of Davidshall Progressio Management AB

Previous assignments/positions (past five years): Employee representative, deputy Board member Arjo AB 2018–2020.

Shareholding (own and related parties):
3,000 series B shares.

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, member since 2020.

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): Employee representative, deputy Board member Arjo AB 2017–2020.

Shareholding (own and related parties): 224 series B shares.

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.

Ingrid Hultgren was a member of the Board until October 2020.

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 Director General 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

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

Born 1973.

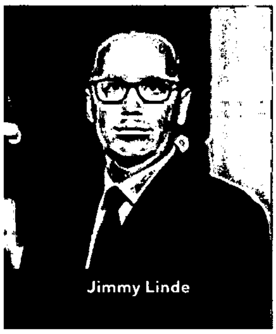
President & CEO since 2017.

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.

Shareholding (own and related parties): 33,288 series B shares and 1,190,476 synthetic share options.



Born 1971.

Employee representative (deputy Board member) since 2020.

Education and professional experience: M.Sc. in Engineering, Chemical Engineering, Faculty of Engineering, Lund University. Previous experience at AstraZeneca 1996–2017. Employed in Arjo's subsidiary, ArjoHuntleigh AB.

Other ongoing assignments/positions:

Previous assignments/positions (past five years): –

Shareholding (own and related parties): 1,500 series B shares.

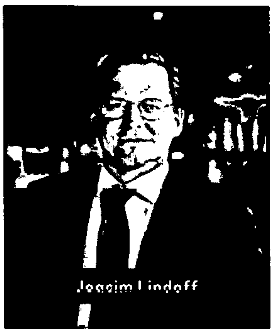
Auditors

Öhrlings PricewaterhouseCoopers

Magnus Willfors, Authorized Public Accountant, Auditor in Charge

Cecilia Andrén Dorselius, Authorized Public Accountant

Arjo Management Team

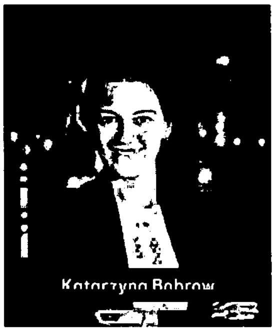


Born 1973.

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): 33,288 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.

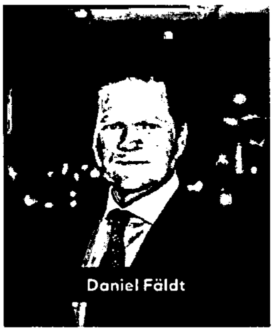
Shareholding (own and related parties): 3,300 series B shares and 261,904 synthetic share options.

Born 1976.

EVP 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): -



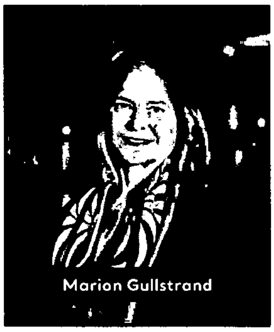
Born 1976.

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): 16,000 series B shares.

Daniel Fäldt assumed the role as CFO i March 2020.

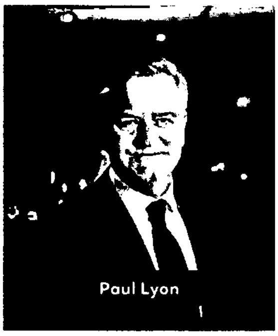


Born 1957.

EVP HR & Sustainability.

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): 2,000 series B shares and 714,285 synthetic share options.



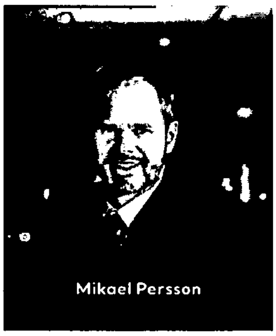
Paul Lyon

Born 1962.

President Global Sales.

Education and professional experience: Bachelor's degree in engineering, Western Australian Institute of Technology. FAIM, MAICD, Global Executive Management Programs – Harvard Business School, Chalmers University of Technology and Indian Institute of Management 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): 5,000 series B shares and 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.

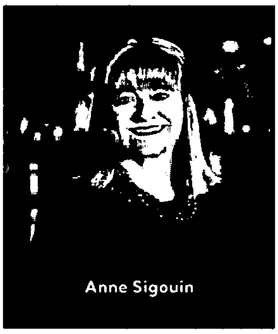
Kornelia Rasmussen

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): 6,500 series B shares and 714,285 synthetic share options.



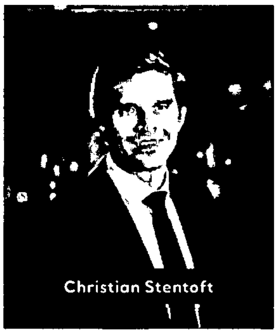
Anne Sigouin

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): 3,125 series B shares and 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): 7,168 series B shares and 714,285 synthetic share options.

Annual remuneration report 2020

Introduction

This report describes how the principles of remuneration for senior executives at Arjo, adopted by the annual general meeting 2020, were implemented in 2020. The report also provides information on remuneration to the CEO and a summary of Arjo's application of the performance criteria for awarding variable cash remuneration. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 6 (Employee costs) on pages 82-84 in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available on pages 57-65 in the annual report 2020.

Remuneration of the board of directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 6 on page 82 84 in the annual report 2020, this information can also be found as an appendix to this report.

Key developments 2020

The CEO summarizes Arjo's overall performance in his statement on page 8 in the annual report 2020.

Arjo's principles of remuneration for senior executive: scope, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. The basic principle is that remuneration and other terms and conditions of employment for senior executives shall be based on market conditions and be competitive in all markets where Arjo operates, to ensure that competent and skillful employees can be attracted, motivated and retained. Individual levels of remuneration shall be based on experience, competence, responsibility and performance and be market-conforming in the country in which the senior executive is employed.

The CEO of Arjo has during 2020 received the following remuneration components: base salary, short term incentive (based on EBITDA and Working Capital), Long Term incentive (based on EPS), Benefits and pension contributions.

The principles of remuneration for senior executives are found on pages 52-53 in the annual report 2020.

Description of significant changes to the guidelines and consideration of the opinions of the shareholders

During 2020, the company has complied with the applicable remuneration guidelines adopted by the general meeting. No deviations from the principles have been decided and no derogations from the procedure for implementation of the principles have been made.

No opinions on the remuneration guidelines were presented.

Share-based remuneration

Arjo does not have long-term share-based incentive plans. Of note, Arjo's principal owner - Carl Bennet AB - has offered Arjo Management synthetic share options in the past, with a term of three years. Arjo's Board and the Arjo 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. The CEO of Arjo owns 1,190,476 such stock options.

Application of performance criteria

The performance measures for the CEO's variable remuneration have been selected to deliver the Arjo strategy and to encourage behavior that is in the long-term interest of the Arjo. In the selection of performance measures, the strategic objectives and short-term and long-term business priorities for 2020 have been taken into account.

ARJO Long Term Incentive-Program (LTIP)

The Arjo Board decided to introduce three year long term incentive programs year 2018, 2019 and 2020. The programs are cash-based and encompasses 50-55 participants. The incentive program is an addition to the annual base and variable salary.

Objective

The incentive programs are targeted and have a long-term content. The aim of the programs is to strengthen commitment and reward and retain key leaders and employees who can exercise the greatest influence over Arjo's mid and long-term performance.

Goal

Each 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 programs are calculated every year and accumulated over the three-year period. Any outcome for the program that started 2018 will be paid in 2021 provided that the participant remains employed at the company on the payment date.

Table 1 – Total remuneration of the CEO (SEK)

Table 1 below sets out total remuneration expenses for Arjo's CEO during 2020, 2019 and 2018 (SEK).

Name of Director, position	Financial year	Fixed remuneration		Variable remuneration		Extra-ordinary items	Pension expenses	Total remuneration	Proportion of fixed and variable remuneration
		Basic pay	Other benefits	One-year variable	Multi-year variable				
Joacim Lindoff CEO	2020	8,130,000	118,592	6,426,000	2,258,678*	0	2,409,750	19,343,020	55/45
	2019	7,803,000	142,209	650,000	0	0	2,295,000	10,890,209	94/6
	2018	7,472,499	135,321	3,465,890	420,517	0	2,241,750	13,735,977	72/28

* Vested amount for year 2020 from Arjo LTI program 1-3, of which SEK 714,268 to be paid during 2021

Table 2a - Performance of the CEO in the reported financial year
Set out in Table 2a below is a description of how the criteria for payment of variable short-term compensation have been applied during the financial year.

Name of Director, position	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome
Joacim Lindoff CEO	Adjusted earnings before interest, tax depreciation and amortization (EBITDA)*	70%	a) SEK 1,964 M b) SEK 5,341,612 M
	Working Capital (R12)	30%	a) 133 days b) SEK 1,084,388

* Adjusted for exceptional items and translated at last year's exchange rates.

Table 2b - Performance of the CEO in the reported financial year
Set out in Table 2b below is a description of how the criteria for payment of variable long-term compensation have been applied during the financial year.

Name of Director, position	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	a) Measured performance and b) actual award/ remuneration outcome
Joacim Lindoff CEO	Earnings per share (adjusted EPS) year 2020*: Target 1.80 (Program 1 2018-2020)	33.3%	a) 2.36 b) SEK 714,268 (earned)
	Earnings per share (adjusted EPS) year 2020*: Target: 1.80 (Program 2 2019-2021)	33.3%	a) 2.36 b) SEK 756,311 (granted)
	Earnings per share (adjusted EPS) 2020*: Target 1.80 (Program 3 2020-2022)	33.3%	a) 2.36 b) SEK 788,099 (granted)

* Adjusted for exceptional items and translated at last year's exchange rates.

Comparative information on the change of remuneration and Arjo performance

Table 3 - Change of remuneration and Arjo performance over the last two reported financial years (RFY)

Annual change	2019 vs 2018	2020 vs 2019	2020)
Joacim Lindoff, CEO	SEK -2,691,024	SEK +8,452,811	SEK +19,343,020
Arjo's performance			
Group operating profit	MSEK +178	MSEK +195	MSEK +866
Group net sales	MSEK +708	MSEK +102	MSEK +9,078
Average remuneration on a full-time equivalent basis of employees			
Employees of the Arjo* %	SEK +50,811	SEK +72,653	Average total remuneration is SEK 874,288 for 2020
Employees of the Arjo* Actual numbers	173 vs 150	179 vs 173	179 employees

* The average remuneration of a full-time equivalent for RFY 2018, 2019 includes all employees in Sweden (excluded Group Management), annual base salary during 2018, 2019, pension contributions during 2018, 2019 and actual variable pay paid out during 2018, 2019 but it relates to performance for the preceding year according to Arjo STIP Plan.

* The average remuneration of a full-time equivalent for RFY 2020 includes all employees in Sweden (excluded Group Management) annual base salary during 2020, pension contributions during 2020 and target of variable pay during 2020 since it is not yet calculated and paid out.

Proposed appropriation of profit

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

The following profit in the Parent Company is at the disposal of the Annual General Meeting:

Retained earnings	4,367,064,227
Net profit for the year	14,537,788
Total	**4,381,602,015**

The Board and Chief Executive Officer propose that a dividend of SEK 0.85 per share shall be distributed

to shareholders	231,514,137
to be carried forward	4,150,087,878
Total	**4,381,602,015**

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, March 25, 2021

Johan Malmquist
Chairman of the Board

Carl Bennet
Vice Chairman of the Board

Eva Elmstedt

Dan Frohm

Ulf Grunander

Kajsa Haraldsson

Carola Lemne

Eva Sandling Gralén

Joacim Lindoff
President & CEO

Our auditor's report was submitted on March 25, 2021
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Auditor in Charge

Cecilia Andrén Dorselius
Authorized Public Accountant

Consolidated financial statements

Consolidated income statement

SEK M	Note	2020	2019
Net sales	2, 3	9,078	8,976
Cost of goods sold	4	-4,952	-5,039
Gross profit		**4,126**	**3,937**
Selling expenses	4	-1,796	-1,849
Administrative expenses	4	-1,258	1,223
Research and development costs	4, 30	-114	-139
Exceptional items	4, 5	-78	53
Other operating income		7	8
Other operating expenses		-22	-10
Operating profit (EBIT)	3, 4, 5, 6, 7, 8, 14	**866**	**671**
Interest income and other similar items	9	5	8
Interest expenses and other similar expenses	10	-169	-137
Profit after financial items		**702**	**542**
Taxes	11	-175	-139
Net profit for the year		**526**	**403**
Attributable to:			
Parent Company shareholders		526	403
Earnings per share, SEK[1]	12	1.93	1.48
– weighted average number of shares for calculation of earnings per share (thousand)	12	272,370	272,370

[1] Before and after dilution.

Consolidated statement of comprehensive income

SEK M	Note	2020	2019
Net profit for the year		**526**	**403**
Other comprehensive income			
Items that cannot be restated in profit			
Actuarial gains/losses pertaining to defined-benefit pension plans		133	-167
Tax attributable to items that cannot be restated in profit	11	-24	28
Items that can later be restated in profit			
Translation differences	19	-853	394
Hedges of net investments	19	75	-38
Cash-flow hedges	19, 28	-	51
Tax attributable to items that can be restated in profit	11	35	31
Other comprehensive income for the period, net after tax		**-634**	**233**
Total comprehensive income for the year		**-107**	**637**
Comprehensive income attributable to:			
Parent Company shareholders		-107	637

Consolidated balance sheet

SEK M	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	3, 4, 13	6,834	7,072
Tangible assets	3, 4, 12	1,282	1,292
Right-of-use assets	3, 4, 14	1,044	1,158
Non-current financial receivables, interest-bearing	21	1	8
Non-current lease receivables	14, 21	21	38
Non-current receivables for pensions, interest-bearing	21, 23	33	-
Other financial assets	28	134	122
Participations in associated companies	15	120	-
Deferred tax assets	11	258	333
Total non-current assets		**9,728**	**10,023**
Current assets			
Inventories	16	1,039	1,144
Accounts receivable	17, 28	1,500	2,001
Current tax assets		71	83
Current financial receivables, interest-bearing	21	14	13
Current lease receivables	14, 21	13	14
Derivatives, current	28	19	8
Other current receivables		282	261
Prepaid expenses and accrued income	18	220	213
Cash and cash equivalents	20, 21, 28	972	662
Total current assets		**4,130**	**4,399**
TOTAL ASSETS		**13,858**	**14,422**

CONSOLIDATED BALANCE SHEET, CONTINUED

SEK M	Note	2020	2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	19	91	91
Other reserves	19	172	915
Retained earnings		5,367	4,908
Equity attributable to the Parent Company shareholders		**5,630**	**5,914**
Non-current liabilities			
Non-current financial liabilities	21, 28	2,018	1,791
Non-current lease liabilities	14, 21	802	885
Provisions for pensions, interest-bearing	21, 23	37	140
Deferred tax liabilities	11	94	110
Other provisions, non-current	22	64	57
Total non-current liabilities		**3,014**	**2,983**
Current liabilities			
Other provisions, current	22	75	45
Current financial liabilities	21, 28	3,051	3,575
Current lease liabilities	14, 21	296	313
Accounts payable	28	504	543
Current tax liabilities		22	45
Derivatives, current	28	32	50
Other liabilities		293	225
Accrued expenses and deferred income	24	941	730
Total current liabilities		**5,214**	**5,525**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**13,858**	**14,422**

For information about pledged assets and contingent liabilities, see Note 25.

Changes in shareholders' equity for the Group

SEK M	Share capital	Reserves[1]	Retained earnings	Total
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**
Opening balance at January 1, 2020	**91**	**915**	**4,908**	**5,914**
Net profit for the year	-	-	526	526
Other comprehensive income for the year	-	-743	109	-634
Dividend	-	-	-177	-177
Closing balance at December 31, 2020	**91**	**172**	**5,367**	**5,630**

[1] For reserves, see also Note 19.

Cash-flow statement

SEK M	Note	2020	2019
Operating activities			
Operating profit (EBIT)		866	671
Add-back of amortization, depreciation and write-down		973	1,004
Other non-cash items	29	56	-54
Expensed exceptional items[1]		71	53
Paid exceptional items		64	73
Interest paid		-101	-124
Interest received		5	8
Other financial items		-28	-4
Taxes paid		-132	-193
Cash flow before changes to working capital		**1,646**	**1,288**
Changes in working capital			
Inventories		-30	38
Current receivables		214	-133
Current liabilities		438	59
Cash flow from operations		**2,267**	**1,252**
Investing activities			
Divested / Acquired operations	26	-58	6
Acquisitions of participations in subsidiaries		-135	-
Acquired financial assets		-4	-78
Investments in intangible and tangible assets		-807	-758
Divestment of intangible and tangible assets		23	29
Cash flow from investing activities		**-981**	**-801**
Financing activities			
Raising of loans	21	8,574	9,645
Repayment of interest-bearing liabilities	21	-8,782	-9,993
Repayment of lease liabilities		-327	-325
Change in pension assets/liabilities		1	-1
Change in interest-bearing receivables		8	-4
Dividend		-177	-150
Realized derivatives attributable to financing activities		-250	65
Cash flow from financing activities		**-954**	**-762**
Cash flow for the year	21	**332**	**-311**
Cash and cash equivalents at the beginning of the period		662	961
Cash flow for the year		332	-311
Translation differences		-22	13
Cash and cash equivalents at year-end	29	**972**	**662**

[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 51.

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 2019, 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 13)

Participations in associated companies. Under the shareholder agreement with Bruin Biometrics LLC (BBI), Arjo has a permanent BBI Board seat and veto rights for a number of important operational and legal business matters. Accordingly, Arjo has made the assessment that it has a significant influence over BBI despite holding only 10% of the number of votes.

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 23).

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 16).

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 11).

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.

Arjo deemed it reasonably certain that it will exercise the option of extending certain leases for buildings.

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.

NOTE 1 CONTINUED

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, 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.

For long-term intra-Group loans of subsidiaries, Arjo applies the rules on expanded net investments, which means that translation differences on these intra-Group loans are recognized in the same way as the translation effects on the subsidiaries' net assets.

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, see Note 22 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 24 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. Some of the Group's foreign subsidiaries have received aid from local authorities due to Covid-19 but this does not total a significant amount. 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 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

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. Sale and leaseback and sublease

Prior to the transition to IFRS 16, 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 expenses 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 after the transition 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 expenses 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 2020.

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.

Associated companies
Associated companies are those companies in which the Group has a significant but not a controlling influence, which usually applies to shareholdings of between 20% and 50% of the votes, but could also apply to cases in which consideration is given to operational and legal agreements under which Arjo believes that is has a significant influence despite holding less than 20% of the number of votes. Holdings in associated companies are recognized according to the equity method.

This method entails that holdings in associated companies are initially recognized at cost in the Group's balance sheet. The carrying amount is subsequently increased or decreased to take into account the Group's share of the profit and other comprehensive income from its associated companies after the acquisition date. The Group's share of profit is included in the Group's profit and the Group's share of other comprehensive income is included in other comprehensive income in the Group. Dividends from associated companies are recognized as a reduction of the carrying amount of the investment. When the Group's share of losses in an associated company is the same size or exceeds the holdings in this associated company (including all non-current receivables that in reality comprise part of the Group's net investment in this associated company), the Group does not recognize any additional losses unless the Group has undertaken commitments or made payments on behalf of the associated company.

Unrealized gains on transactions between the Group and its associated companies are eliminated to the same extent as the Group's holding in the associated company. Unrealized losses are also eliminated unless the transaction comprises an indication of impairment of the asset transferred. The accounting policies for associated companies have been adjusted if necessary to ensure that they correspond to the Group's accounting policies.

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 17 Accounts receivable and Note 28 Financial risk management.

Financial assets measured at fair value through profit or loss. Financial assets in this category comprise derivatives and participations in unlisted companies. Derivatives 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. Participations in unlisted companies are recognized as financial assets and measured at fair value, see Note 28 for further details.

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 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 that Arjo uses for hedging transactions in foreign currency (cash-flow hedging) are measured at fair value in the balance sheet. Arjo no longer applies hedge accounting for these derivatives since December 2019 since hedging does not take place until the transaction arises. Changes in value for the period are thus recognized 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 28 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

NOTE 1 CONTINUED

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 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 page 122.

New accounting policies applied by Arjo in 2020

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

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, 2021 had a material impact on Arjo's financial statements.

Note 2 Net sales by type of revenue

SEK M	2020	2019
Product sales	5,168	5,373
Service incl. spare parts	1,426	1,504
Rental	2,483	2,100
Total	**9,078**	**8,976**

Note 3 Segment reporting

Arjo's operations comprise one operating segment. Net sales, intangible assets, tangible assets and right-of-use 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		Assets	
SEK M	2020	2019	2020	2019
North America	**3,619**	**3,525**	**2,312**	**2,476**
of which, US	*2,931*	*2,817*	*1,699*	*1,810*
Western Europe	**4,149**	**4,161**	**6,148**	**6,287**
of which, UK	*1,100*	*1,101*	*1,140*	*1,278*
of which, Sweden	*79*	*85*	*3,698*	*3,602*
Rest of the World	**1,310**	**1,291**	**699**	**758**
Total	**9,078**	**8,976**	**9,159**	**9,521**

Note 4 Costs by cost category

SEK M	2020	2019
Costs by cost category		
Salaries and remuneration	-2,752	-2,695
Social security expenses	-548	-539
Pension expenses	-136	-150
Amortization and impairment of intangible assets	-284	-292
Depreciation and impairment of tangible assets	-689	-712
Goods and services	-3,789	-3,915
Total	**-8,198**	**-8,302**

SEK M	2020	2019
Amortization, depreciation and write-downs		
Cost of goods sold	-601	-620
Selling expenses	-158	-172
Administrative expenses	-205	-201
Research and development costs	-5	-11
Exceptional items	3	-
Total	**973**	**1,004**

Note 5 Exceptional items

SEK M	2020	2019
Acquisition expenses	-4	-
Damage claims and disputes	-7	-
Restructuring and integration costs	-67	-53
Total	**-78**	**-53**

Restructuring costs

Of restructuring costs, SEK 60 M relates to an efficiency program in Europe. The program is expected to generate full-year savings of about SEK 50 M, of which about SEK 35 M already in 2020. The total cost for this program is expected to amount to approximately SEK 75 M. The remainder will be charged to earnings in 2021.

The Group's central logistics hub was relocated from the UK to Sweden at the end of the year. This move is expected to generate administrative efficiency improvements combined with organizational synergies. Restructuring costs in 2020 amounted to SEK 7 M.

Note 6 Employee costs

Group, SEK M	2020 Board and CEO[1]	2020 Other	2020 Total	2019 Board and CEO[1]	2019 Other	2019 Total
Salaries and remuneration	93	2,659	2,752	89	2,606	2,695
Social security expenses	17	531	548	15	524	539
Pension expenses	7	129	136	5	145	150
Total	**117**	**3,318**	**3,436**	**109**	**3,275**	**3,384**

[1] Pertains to remuneration of Board and CEO of subsidiaries in the Group.

Average number of employees

Number	2020 Men	2020 Women	2020 Total	2019 Men	2019 Women	2019 Total
Australia	148	66	214	150	67	217
Belgium	53	20	73	53	21	74
Brazil	8	4	12	12	5	17
Denmark	13	8	21	17	13	30
Dominican Republic	228	460	688	175	443	618
France	371	123	494	364	126	490
United Arab Emirates	10	1	11	10	2	12
Netherlands	106	60	166	104	60	164
Hong Kong	14	9	23	13	9	22
India	137	30	167	139	28	167
Ireland	22	4	26	20	3	23
Italy	81	38	119	85	38	123
Japan	14	5	19	12	5	17
Canada	248	142	390	257	139	396
China	78	122	200	104	129	233
Mexico	2	3	5	-	-	-
Norway	9	8	17	9	8	17
New Zealand	25	7	32	26	7	32
Poland	290	478	768	289	472	761
Switzerland	41	12	53	42	11	53
Singapore	31	10	41	30	12	42
Spain	20	13	33	18	9	27
UK	673	288	961	689	293	982
Sweden	96	93	189	96	89	185
South Africa	58	32	90	57	33	90
South Korea	2	-	2	2	-	2
Czech Republic	7	7	14	7	7	14
Germany	313	92	405	305	90	395
USA	682	182	864	628	213	841
Austria	93	21	114	00	19	107
Total	**3,873**	**2,338**	**6,211**	**3,800**	**2,351**	**6,151**

Distribution of senior executives at the closing date, %

Gender distribution in all companies in the Group

	2020	2019
Women:		
Board members of the Parent Company	29%	29%
Board members in all companies in the Group	9%	12%
Other members of the company's management, incl. CEO	27%	26%
Men:		
Board members of the Parent Company	71%	71%
Board members in all companies in the Group	91%	88%
Other members of the company's management, incl. CEO	73%	74%

Remuneration and other benefits for senior executives in 2020, SEK 000s

	Board fee[1]	Basic pay	Variable remuneration, short term	Variable remuneration, long term	Other benefits	Pension expenses	Total
Johan Malmquist, Chairman of the Board	1,557						1,557
Carl Bennet, Board member	707						707
Eva Elmstedt, Board member	737						737
Ulf Grunander, Board member	864						864
Carola Lemne, Board member	737						737
Dan Frohm, Board member	737						737
CEO		8,130	6,426	2,259[2]	119	2,410	19,344
Other senior executives, employed in Arjo AB		9,109	4,155	2,042[3]	484	2,159	17,949
Other senior executives, employed in other Group companies		11,637	6,626	3,087[4]	879	1,502	23,731
Total	**5,339**	**28,876**	**17,207**	**7,388**	**1,482**	**6,071**	**66,363**

[1] Also includes fees for work on Board Committees and corresponds to what was resolved at the preceding AGM.
[2] Of this amount, SEK 714 K will be paid in 2021. The remainder will be paid, conditional on continued employment, in the amount of SEK 756 K in 2022 and SEK 788 K in 2023.
[3] Of this amount, SEK 537 K will be paid in 2021. The remainder will be paid, conditional on continued employment, in the amount of SEK 629 K in 2022 and SEK 877 K in 2023.
[4] Of this amount, SEK 963 K will be paid in 2021. The remainder will be paid, conditional on continued employment, in the amount of SEK 994 K in 2022 and SEK 1,130 K in 2023.

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

	Board fee[1]	Basic pay	Variable remuneration, short term	Variable remuneration, long term	Other benefits	Pension expenses	Total
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 and corresponds to what was resolved at the preceding AGM.

Comments on the table

- Short-term variable remuneration refers to the 2020 fiscal year's expensed bonus, which was paid in 2021.
- 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 (10 individuals)

NOTE 6 CONTINUED

Remuneration of senior executives

Principles: The 2020 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 64-65. 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 80% 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 2020 was based on financial targets set by the Board. The performance-based annual bonus for the CEO is not to exceed 80% of fixed annual salary. For other senior executives, bonuses for 2020 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 2020 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 2020, 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

The Arjo Board introduced three-year long-term incentive programs for 2018, 2019 and 2020. The programs are cash-based and encompasses 50-55 participants. The incentive programs are an addition to annual variable salary.

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

Targets. The programs extend for three years and remuneration may total a maximum of four 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 each program is calculated every year and accumulated over a three-year period. Any outcome will be paid in subsequent years 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 7 Fees to auditors

SEK M	2020	2019
Fee to PwC		
Fee and expense reimbursement:		
Auditing assignments[1]	-9	-9
Tax consultancy services	0	0
Other services[2]	-2	0
Total	**-11**	**-9**

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

[2] Of which SEK 2 M (0) 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 matters regarding accounting standards, corporate acquisitions and IT.

Note 8 Exchange-rate gains and losses, net

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

SEK M	2020	2019
Cost of goods sold	–	-50
Other operating income and expenses	-10	-3
Financial items	-23	-1
Total	**-33**	**-54**

Note 9 Interest income and other similar items

SEK M	2020	2019
Interest income	5	8
Total	**5**	**8**

Note 10 Interest expenses and other similar expenses

SEK M	2020	2019
Interest expenses, financial liabilities	-108	-94
Interest expenses, leases	-34	-39
Currency losses	-23	-1
Other	-3	-3
Total	**-169**	**-137**

Note 11 Tax

SEK M	2020	2019
Current tax expense	-113	-156
Deferred tax	-62	17
Total	**-175**	**-139**
Relationship between tax expenses for the year and recognized profit after financial items, SEK M		
Recognized profit after financial items	702	542
Tax according to current tax rate in Sweden 21.4% (21.4)	-150	-116
Adjustment for tax rates in foreign subsidiaries	-4	-4
Adjustment of tax expenses from earlier years	0	-1
Tax effect of non-deductible costs	-23	-14
Tax effect of non-taxable income	16	20
Adjustment for changed tax rates	-2	0
Changed value of temporary differences	3	5
Other	-15	-29
Recognized tax expense	**-175**	**-139**

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	2020	2019
Deferred tax: actuarial gains/losses pertaining to defined-benefit pension plans	-24	28
Deferred tax: hedges of net investments and cash-flow hedges	35	-34

SEK M	2020	2019
Deferred tax assets relate to the following temporary differences and loss carryforwards		
Deferred tax assets relating to:		
Non-current assets	145	153
Financial receivables and derivatives	-	1
Current assets	46	56
Provisions	47	65
Loss carryforwards	199	235
Other	36	12
Offset	-215	-189
Deferred tax assets	**258**	**333**
Deferred tax liabilities relate to the following temporary differences		
Deferred tax liabilities relating to:		
Non-current assets	-300	-277
Financial receivables and derivatives	-	0
Current assets	0	0
Provisions	0	-5
Other	-9	-17
Offset	215	189
Deferred tax liabilities	**-94**	**-110**
Maturity structure for loss carryforwards, SEK M		
Due within 5 years	33	32
Due in more than 5 years	139	163
No due date	629	775
Total	**801**	**970**

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

Note 12 Earnings per share

Earnings per share before and after dilution amounted to SEK 1.93 (1.48). The calculation of earnings per share relating to the Parent Company shareholders is based on the following information:

SEK M	2020	2019
Earnings (numerator)		
Earnings relating to the Parent Company shareholders, which form the basis for calculation of earnings per share	526	403
Number of shares (denominator)		
Weighted average number of ordinary shares for calculation of earnings per share	272,369,573	272,369,573

Note 13 Intangible assets and tangible assets

SEK M	Goodwill	Brands	Capitalized development costs	Customer relation-ships	Intangible assets, other	Total
INTANGIBLE ASSETS						
Cost, Jan 1, 2020	**5,590**	**736**	**853**	**868**	**1,893**	**9,941**
Investments	-	-	80	-	216	296
Acquisitions	31	-	-	40	10	81
Sales/disposals	-	-	-	-	-6	-6
Reclassifications	-	-	1	0	2	3
Translation differences	-341	-7	-19	-85	-49	-501
Accumulated cost, Dec 31, 2020	**5,280**	**729**	**915**	**824**	**2,066**	**9,814**
Amortization and impairment, Jan 1, 2020	**-178**	**-461**	**-512**	**-613**	**-1,105**	**-2,869**
Amortization for the year	-	-38	-65	-34	-143	-281
Impairment	-	-	-	-	-3	-3
Sales/disposals	-	-	-	-	6	6
Translation differences	59	2	12	60	34	167
Accumulated amortization and impairment, Dec 31, 2020	**-119**	**-497**	**-565**	**-588**	**-1,211**	**-2,980**
Closing carrying amount, Dec 31, 2020	**5,161**	**232**	**350**	**236**	**855**	**6,834**

SEK M	Goodwill	Brands	Capitalized development costs	Customer relation-ships	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**

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, 2020	**387**	**237**	**930**	**4,200**	**19**	**5,772**
Investments	21	10	34	374	70	509
Sales/disposals	-1	0	-35	-271	0	307
Reclassifications	3	-1	31	-5	-30	-3
Translation differences	-34	-24	-69	-351	-4	-481
Accumulated cost, Dec 31, 2020	**375**	**222**	**892**	**3,947**	**54**	**5,490**
Depreciation and impairment, Jan 1, 2020	**-176**	**-176**	**-741**	**-3,389**	**–**	**-4,482**
Depreciation for the year	-14	-14	-64	-272	–	-364
Impairment	–	–	0	–	–	0
Sales/disposals	0	0	34	245	–	279
Reclassifications	0	0	-5	4	–	–
Translation differences	16	18	56	269	–	358
Accumulated depreciation and impairment, Dec 31, 2020	**-174**	**-172**	**-720**	**-3,143**	**–**	**-4,208**
Closing carrying amount, Dec 31, 2020	**202**	**50**	**172**	**804**	**54**	**1,282**

[1] Of which, land amounted to SEK 11 M in 2020.

[2] These assets primarily comprise beds and mattresses.

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.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

NOTE 13 CONTINUED

Impairment testing

SEK M	2020	2019
Goodwill and intangible assets with an indefinite useful life	5,203	5,461

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% (8.3) 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% (9.3).

Intangible assets

There are a limited number of intangible assets, in the form of trademarks with a carrying amount of SEK 43 M (47), 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 14 Leases

Arjo as a lessee

Amounts recognized in the balance sheet

SEK M	2020	2019
Right-of-use assets		
Buildings and land	743	865
Cars and other vehicles	281	282
Other	19	11
Total	**1,044**	**1,158**
Lease liabilities		
Current	285	300
Non-current	787	856
Total	**1,072**	**1,156**

Additional right-of-use assets in 2020 amounted to SEK 266 M (163). The cash outflow amounted to SEK 312 M (313).

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

SEK M	2020	2019
Due within 1 year	289	317
Due within 1 to 2 years	229	247
Due within 2 to 3 years	171	184
Due within 3 to 4 years	130	141
Due within 4 to 5 years	100	113
Due in more than 5 years	253	339
Total	**1,172**	**1,341**

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

Amounts recognized in profit or loss

SEK M	2020	2019
Depreciation of right-of-use assets		
Buildings and land	-159	-163
Cars and other vehicles	-160	-164
Other	-6	-6
Total	**-325**	**-333**
Interest expenses attributable to leases	-34	-39
Expenses attributable to short-term leases (included in cost of goods sold, selling expenses, administrative expenses, research and development costs)	-8	-9
Expenses attributable to low-value leases that are not short-term leases (included in cost of goods sold, selling expenses and administrative expenses)	-7	-6

Arjo as a lessor, operating leases

Amounts recognized in the balance sheet are stated in Note 13 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

SEK M	2020	2019
Due within 1 year	350	351
Due within 1 to 2 years	218	304
Due within 2 to 3 years	144	208
Due within 3 to 4 years	82	16
Due within 4 to 5 years	75	5
Due in more than 5 years	3	4
Total	**873**	**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	2020	2019
Current	13	14
Non-current	21	38
Total	**34**	**52**

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

2020, SEK M	Undiscounted payments	Interest effect	Discounted payments
Due within 1 year	13	0	13
Due within 1 to 2 years	13	0	13
Due within 2 to 3 years	8	-1	7
Due within 3 to 4 years	1	0	1
Due within 4 to 5 years	-	-	-
Total	**35**	**1**	**34**

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 (1).

Lease liabilities in the balance sheet

SEK M	2020	2019
Current	11	13
Non-current	15	29
Total	**26**	**42**

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

SEK M	2020	2019
Due within 1 year	12	13
Due within 1 to 2 years	12	13
Due within 2 to 3 years	3	12
Due within 3 to 4 years		4
Due within 4 to 5 years	-	1
Total	**27**	**43**

Interest expenses amounted to SEK 1 M (1) and cash outflow to SEK 13 M (12).

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

SEK M	2020	2019
Current	2	2
Non-current	5	7
Total	**7**	**9**

Note 15 Participations in associated companies

Acquisition of equity stake in Bruin Biometrics (BBI)
During the year, Arjo acquired a 10% equity stake in Bruin Biometrics (BBI), a US-based company developing solutions for diagnosing patients with an elevated risk of developing pressure injuries. The deal gives Arjo exclusive global distribution rights for BBI's portable SEM scanner, which allows early detection of pressure injury risk and thereby reduces patient suffering and healthcare costs. BBI has found itself in a start-up phase with limited sales, with annual sales amounting to approximately SEK 15 M. The acquisition is expected, through the distribution agreement, to have a positive impact on Arjo's net sales and earnings per share beginning in 2021, and will contribute significantly to both net sales and EPS development from 2023 and onwards.

This acquisition entitles Arjo to a permanent BBI board seat and veto rights for a number of important legal business and operational matters. Therefore, Arjo is considered to have a significant influence in BBI and the holding is recognized as participations in associated companies using the equity method. The purchase price amounts to SEK 214 M, of which SEK 135 M refers to participations in associated companies and SEK 79 M to distribution rights.

Change in recognized amounts in associated companies

SEK M	2020
Opening cost, associated companies	-
Acquisition of participations	135
Share of associated companies' profit for the year	-
Other comprehensive income	-15
Carrying amount at year-end	**120**

There were no material receivables or liabilities to BBI at the end of the year.

Condensed financial information for the Arjo Group's associated companies is presented below:

SEK M	2020
Condensed income statement	
Net sales	12
Operating loss	-122
Net loss for the period	-122
Other comprehensive income	-122
Net loss for the period	**-122**
Condensed balance sheet	
Non-current assets	4
Current assets	101
Total assets	**105**
Shareholders' equity	82
Non-current liabilities	7
Current liabilities	16
Total shareholders' equity and liabilities	**105**

Note 16 Inventories

SEK M	2020	2019
Raw materials	304	473
Work in progress	16	13
Finished products	719	658
Total	**1,039**	**1,144**

Of the Group's inventories, SEK 1,020 (1,132) is measured at cost and SEK 19 M (12) at net realizable value. At December 31, 2020, the Group's provisions for obsolescence totaled SEK 114 M (99).

Note 17 Accounts receivable

SEK M	2020	2019
Accounts receivable before provisions	1,572	2,087
Provisions for doubtful receivables	-72	-86
Total	**1,500**	**2,001**

Accounts receivable net, after provisions for doubtful receivables, theoretically constitutes the maximum exposure for the calculated risk of losses. 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	2020	2019
Not fallen due	1,048	1,294
Fallen due 1–5 days	113	156
Fallen due 6–30 days	144	200
Fallen due 31–60 days	93	106
Fallen due 61–90 days	39	66
Fallen due, more than 90 days	135	265
Total	**1,572**	**2,087**

At December 31, 2020, the Group's provisions for doubtful receivables totaled SEK -72 M (-86). A maturity analysis of these accounts receivable is presented below:

SEK M	2020	2019
Not fallen due	-3	-2
Fallen due 1–5 days	0	0
Fallen due 6–30 days	-4	0
Fallen due 31–60 days	0	0
Fallen due 61–90 days	-1	-2
Fallen due, more than 90 days	-63	-81
Total	**-72**	**-86**

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

SEK M	2020	2019
EUR	503	630
USD	551	777
GBP	216	295
CAD	114	120
SEK	7	10
Other currencies	181	253
Total	**1,572**	**2,085**

Changes in provisions for doubtful receivables are as follows:

SEK M	2020	2019
At beginning of the year	**86**	**132**
Provision for expected losses	-20	-23
Confirmed losses	27	38
Payment made for reserved receivable	1	36
Translation differences	6	-5
Amount at year-end	**72**	**86**

Note 18 Prepaid expenses and accrued income

SEK M	2020	2019
Accrued income	54	75
Prepaid leasing expenses	8	8
Prepaid insurance expenses	18	19
Prepaid bank fees	12	16
Prepaid IT expenses	50	54
Other	78	42
Total	**220**	**213**

Note 19 Shareholders' equity

Specification of other reserves	Hedge reserve		Translation reserve		Hedges of net investments		Total	
SEK M	2020	2019	2020	2019	2020	2019	2020	2019
Opening balance	–	**-40**	**1,007**	**645**	**-92**	**-62**	**915**	**543**
Change for the year	–	51	–	–	75	-38	75	13
Tax attributable to items that can be restated in profit	–	-11	50	-31	-14	8	35	-34
Translation difference for the year	–	–	-853	394	–	–	-853	394
Closing balance	–	–	**204**	**1,007**	**-31**	**-92**	**172**	**915**

Class of shares	A	B	Total
Quotient value per share	0.33	0.33	
December 31, 2019	18,217,200	254,152,373	272,369,573
December 31, 2020	**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, 2020, 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, 2020, distributed over 272,369,573 shares with a quotient value of SEK 0.33 per share.

Note 20 Unutilized overdraft facilities and credit facilities

Contracted, unutilized overdraft facilities totaled SEK 4,092 M (4,590) on December 31, 2020 (of which, SEK 3,054 M (3,576) comprised back-up for the commercial paper program). There are also granted, unutilized overdraft facilities of SEK 203 M (208).

Note 21 Consolidated interest-bearing net debt

SEK M	Jan 1, 2020	Cash flows	Non-cash items: Other non-cash items	Non-cash items: Exchange-rate differences	Dec 31, 2020
Non-current and current financial liabilities	5,365	-184	1	-114	5,068
Less non-interest-bearing financial liabilities	-65	-24	–	7	-82
Non-current and current lease liabilities	1,198	-327	319	-92	1,098
Provisions for pensions, interest-bearing	140	1	-100	-4	37
Total interest-bearing liabilities	**6,638**	**-535**	**220**	**-202**	**6,122**
Non-current and current financial assets	-73	19	–	4	-50
Pension assets	–	0	-33	0	-33
Cash and cash equivalents	-662	-332	–	22	-972
Total interest-bearing assets	**-735**	**-313**	**-33**	**26**	**-1,055**
Net interest-bearing liabilities	**5,903**	**-848**	**187**	**-176**	**5,067**

SEK M	Jan 1, 2019	Cash flows	Non-cash items: Other non-cash items	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 cash equivalents	-961	311	–	12	662
Total interest-bearing assets	**-1,068**	**315**	**30**	**-12**	**-735**
Net interest-bearing liabilities	**5,883**	**-358**	**314**	**64**	**5,903**

Note 22 Other provisions

SEK M	Restructuring	Guarantees	Personnel	Other	Total
Value according to opening balance 2020	**6**	**18**	**9**	**69**	**102**
Provisions	24	11	4	40	79
Used amount	-17	-3	-2	-10	-32
Changes in connection with acquisitions	-	-	-	-	-
Unutilized funds restored	0	-1	-	-1	-2
Reclassifications	-	-	-	0	0
Translation differences	-1	-2	-1	-5	-8
Value according to closing balance 2020	**12**	**23**	**10**	**93**	**139**
Of which:					
Current					75
Non-current					64
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	0	-4	0	-3	-7
Reclassifications	-	-1	-	-61	-62
Translation differences	0	2	1	5	8
Value according to closing balance 2019	**6**	**18**	**9**	**69**	**102**
Of which:					
Current					45
Non-current					57

Expected timing of outflow:

SEK M	2020	2019
Within 1 year	75	47
Within 3 years	10	6
Within 5 years	18	17
> 5 years	36	32
Total	**139**	**102**

Note 23 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:

2020, SEK M	Funded pension plans	Unfunded pension plans	Total
Present value of commitments	-2,394	-31	-2,425
Fair value of plan assets	2,421	–	2,421
Net asset/liability in the balance sheet	**27**	**-31**	**-4**

2019, SEK M	Funded pension plans	Unfunded pension plans	Total
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**

SEK M	2020	2019
Pension commitments		
Opening balance	**-2,550**	**-2,042**
Costs for service in the current year	-2	-2
Interest expenses	-48	-59
Paid benefits	82	54
Exchange-rate differences	235	-155
Gain/(loss) attributable to changed demographic assumptions	92	-1
Gain/(loss) attributable to changed financial assumptions	-274	-334
Experience-based gains/(losses)	39	-11
Closing balance	**-2,425**	**-2,550**

SEK M	2020	2019
Plan assets		
Opening balance	**2,410**	**2,067**
Interest income	42	55
Administrative costs pertaining to plan assets	0	0
Fees paid by employer	4	4
Paid benefits	-79	-53
Exchange-rate differences	-232	157
Return on plan assets	276	175
Restriction in plan surpluses with regard to asset ceilings	0	5
Closing balance	**2,421**	**2,410**

The defined-benefit pension commitment and composition of plan assets

2020, SEK M	Present value of commitments	Fair value of plan assets	Net provisions for pensions
Sweden	-62	57	-5
Germany	-10	–	-10
UK	-2,331	2,364	33
Italy	-22	–	-22
Total	**-2,425**	**2,421**	**-4**

2019, SEK M	Present value of commitments	Fair value of plan assets	Net provisions for pensions
Sweden	-56	56	0
Germany	-10	–	-10
UK	-2,462	2,354	-108
Italy	-22	–	-22
Total	**-2,550**	**2,410**	**-140**

UK	2020	2019
Significant actuarial assumptions, %		
Discount rate	1.3	2.0
Expected salary increase rate	–	–
Expected inflation	2.3	2.2

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 23 CONTINUED

Sensitivity of defined-benefit commitments to changes in the significant assumptions, UK

2020, SEK M	Expected value of pension commit-ments	Changed com-pared with used calculation assumptions
Pension commitments according to original valuation	-2,331	
Discount rate +1 percentage point	-1,876	455
Inflation +1 percentage point	-2,653	-322

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

SEK M	2020	2019
Securities	2,403	2,393
Properties	5	6
Cash and cash equivalents and similar assets	5	4
Other	7	7
Total	**2,421**	**2,410**

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

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 2020 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 2020, Alecta's surplus in the form of the collective consolidation level was approximately 148% (148). 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 actu-arial calculation assumption, which does not correspond with IAS 19.

Note 24 Accrued expenses and deferred income

SEK M	2020	2019
Salaries	411	304
Social security expenses	77	56
Commission and bonuses to customers	45	31
Interest expenses	0	2
Consultancy fees	39	25
Freight costs	16	15
IT expenses	10	6
Deferred income	109	106
Other	234	185
Total	**941**	**730**

Deferred income, specification of changes for the year

SEK M	2020	2019
Opening balance	106	79
Provision for the year	193	232
Utilized amount for the year	-179	-210
Translation differences	-11	5
Closing balance	**109**	**106**

Note 25 Pledged assets and contingent liabilities

Pledged assets
The Group has no pledged assets.

Contingent liabilities

SEK M	2020	2019
Guarantees	15	19
Total	**15**	**19**

Note 26 Acquired/divested operations

Acquired operations in 2020

AirPal

In December, Arjo acquired operations in AirPal, a privately owned US-based company specializing in Air-Assisted Lateral Transfer solutions for patients. The acquisition strengthens Arjo's patient handling portfolio and is part of the Group's long-term strategic focus toward driving healthier outcomes for people facing mobility challenges, and will help advance Arjo's agenda toward increased profitable growth. Focus will initially be on the US market followed by the UK and Australia. Annual sales amount to approximately SEK 40 M.

The deal is an asset purchase agreement and involves an upfront payment of SEK 49 M, and also includes an earn-out tied to performance in 2021 to 2023 valued at SEK 36 M. The value of the net assets amounts to SEK 85 M.

Divested operations 2019

Acare Medical Science Co., Ltd

In February 2019, 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. The divestment did not result in any significant capital gains. 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 of 2019. Cash and cash equivalents in Acare on the divestment date amounted to SEK 5 M.

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

Note 27 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 8.

SEK M	2020	2019
Sales	39	64
Purchases of goods	-3	-4
Accounts receivable	1	14
Other current receivables	7	–
Non-current financial liabilities	–	29
Accounts payable	6	0
Other non-interest-bearing liabilities	–	6

Note 28 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 also to currency derivatives. The Group has additional 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.

NOTE 28 CONTINUED

Net investments in foreign operations	2020	2019
Amount recognized, loans	1,225	1,061
Amount recognized, derivatives	–	-5
Amounts recognized in MUSD[1]	–	58
Amounts recognized in MEUR	122	50
Hedge ratio	1:1	1:1
Change in the carrying amount of the loan due to Changes in exchange rates since January 1	84	38
Change in value of the hedged item to determine effectiveness	84	38
Weighted average for forward rates for the year (including forward points)		
SEK/USD	–	9.26
SEK/EUR	–	10.52

[1] The Group had loans in USD in 2019 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 until 2020 took place via a UK company with GBP as its functional currency. The most important currencies against the GBP are presented in the table on the right. The transaction exposure of forecasted flows is not hedged, and instead the Group hedges transactions from the period in which the receivables and liabilities arise. For 2021, the Intra-Group product flows will continue to take place via a Swedish company with SEK as its functional currency.

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 – 2020

Currency	Net volume	Derivatives	Effect on net profit for the year, +/- 5% (SEK M)	Impact on equity (SEK M)
PLN	-783	821	2	–
CNY	-296	228	-3	–
USD	751	-918	-8	–
EUR	582	-600	-1	–
CAD	-183	99	-4	–
AUD	144	-118	1	–

Sensitivity analysis, transaction exposure – 2019

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

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

Outstanding derivative instruments – 2020

SEK M	Asset	Liability	Nominal amount	Maturity structure <1 year	1-3 years	3-5 years
Currency derivatives – non-hedge accounting	19	32	3,282	3,282	–	–
Total	**19**	**32**	**3,282**	**3,282**	**–**	**–**
Of which, short-term	19	32				
Of which, long-term	–	–				

Outstanding derivative instruments – 2019

SEK M	Asset	Liability	Nominal amount	Maturity structure <1 year	1-3 years	3-5 years
Currency derivatives – hedges of net investments	–	5	527	527	–	–
Currency derivatives – non-hedge accounting	8	45	3,252	3,238	14	–
Total	**8**	**50**	**3,778**	**3,765**	**14**	**–**
Of which, short-term	8	50				
Of which, long-term	–	–				

Distribution of currency for outstanding derivative instruments

	2020		2019	
	Nominal amount	Fair value	Nominal amount	Fair value
AUD	111	0	186	0
CAD	403	-2	330	1
CNY	60	0	33	0
EUR	560	-5	981	4
GBP	962	-11	1,394	-37
PLN	185	-2	239	0
USD	787	7	303	2
Other	214	0	312	-3
Total, SEK M	**3,282**	**13**	**3,778**	**41**

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. Of this amount, approximately EUR 50 M was repaid during the year and replaced with new lines of credit in the same amount. Arjo also established a commercial paper program of SEK 4,000 M after it was listed. At year-end 2020, SEK 3,054 M (3,576) had been issued. The carrying amount was SEK 3,049 M (3,573).

The table below presents Arjo's credit facilities and loans as per December 31, 2020.

Type	Currency	Amount, MLC	Utilized	Due
Revolving credit facility, 5 years	EUR	500	140	2022
Revolving credit facility, 3+1+1 years	EUR	50	17	2022
Revolving credit facility, 2.5 years	EUR	20	11	2022
Revolving credit facility, 2 years	EUR	30	25	2022
Commercial paper	EUR	150	111	2021
Commercial paper	SEK	2,500	1,945	2021

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

Type	Currency	Amount, MLC	Utilized	Due
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

At the end of the period, Arjo had four revolving credit facilities denominated in EUR. Two of these are agreements with a bank syndicate and an international bank, and two are agreements each with an international bank. Based on these agreements, Arjo believes that it has a highly diversified loan portfolio with 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. Work on signing new agreements for credit facilities will start in 2021. 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.

Based on this commercial paper program, Arjo can finance its operations in SEK and EUR for one 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 by the Board of Directors.

All external bank loans carried variable interest (3 month or 1 month LIBOR and STIBOR) at December 31, 2020. 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, 2020, 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 50 M on an annual basis, which would impact net profit and equity in the amount of SEK ± 40 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, 2020, the total counterparty exposure in derivative instruments was SEK -13 M (-42). 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 nine different banks, whose credit ratings are between AA- and BBB-.

NOTE 28 CONTINUED

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. Many private customers also receive remuneration from publicly financed insurance reimbursement systems, which reduces the risk. The Covid-19 pandemic meant that healthcare in society was a priority area in Arjo's markets and received increased funding. Accordingly, the pandemic did not entail any significant risk of credit losses for Arjo. 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.

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 additional purchase considerations related to the acquisition of ReNu and AirPal in the US, which is at level 3 of the fair value hierarchy. The change in the liability for the year is attributable to the acquisition of AirPal (SEK +36 M), payment for ReNU (SEK -9 M) and exchange-rate fluctuations. The liability for additional purchase considerations was calculated based on contractual terms in the acquisition agreements and is based on forecasted results in acquired companies.

The Group has holdings in unlisted companies in level 3 of the fair value hierarchy. The carrying amount of the holdings is the same as the fair value.

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

Financial instruments by category

2020 Financial assets, SEK M	Assets measured at amortized cost	Assets at fair value through profit or loss	Derivatives used for hedging purposes	Total
Derivative instruments	–	19	–	19
Other financial assets	–	134	–	134
Accounts receivables and other financial receivables	1,536	–	–	1,536
Cash and cash equivalents	972	–	–	972
Total	**2,508**	**153**	**–**	**2,661**

Financial instruments by category

2020 Financial liabilities, SEK M	Liabilities measured at amortized cost	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Total
Borrowings	4,987	–	–	4,987
Derivative instruments	–	32	–	32
Accounts payable and other financial liabilities	504	–	–	504
Additional purchase consideration	–	82	–	82
Total	**5,491**	**114**	**–**	**5,605**

Financial instruments by category

2019 Financial assets, SEK M	Assets measured at amortized cost	Assets at fair value through profit or loss	Derivatives used for 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	**2,684**	**130**	**–**	**2,814**

Financial instruments by category

2019 Financial liabilities, SEK M	Liabilities measured at amortized cost	Liabilities at fair value through profit or loss	Derivatives used for hedging purposes	Total
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**

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, 2020, SEK M	Less than 6 months	7-12 months	1-2 years	2-5 years	> 5 years
Bank loans	–	–	-1,930	–	–
Commercial paper	-2,552	-502	–	–	–
Leases	-146	-144	-229	-401	-253
Other financial liabilities	-17	-1	-35	-37	
Derivative instruments, outflows	-739	-21	-12	–	–
Derivative instruments, inflows	2,253	–	12	–	–
Accounts payable	-504	–	–	–	–
Total	**-1,705**	**-668**	**-2,194**	**-438**	**-253**

At December 31, 2019, SEK M	Less than 6 months	7-12 months	1-2 years	2-5 years	> 5 years
Bank loans	-23	-22	-766	-1,034	–
Commercial paper	-3,516	-60	–	–	–
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**

Note 29 Supplementary disclosures to the cash-flow statement

Cash and cash equivalents

SEK M	2020	2019
Cash and bank balances	972	662
Total	**972**	**662**

Adjustments for items not included in cash flow

SEK M	2020	2019
Change in reserve[1]	48	-73
Gain from divestment/disposal of non-current assets	8	19
Total	**56**	**-54**

[1] Primarily refers to inventories and customer reserves.

Note 30 Capitalized development costs

SEK M	2020	2019
Research and development costs, gross	-202	-212
Capitalized development costs	88	73
Research and development costs, net	**-114**	**-139**

Note 31 Events after the end of the fiscal year

There were no significant events after the end of the fiscal year.

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Parent Company financial statements

Parent Company income statement

SEK M	Note	2020	2019
Administrative expenses	2, 3, 4	-165	-155
Restructuring costs		-3	–
Other operating income	5	133	114
Operating loss		**-35**	**-41**
Income from participations in Group companies	6	115	310
Interest income and similar profit items	7	19	13
Interest expenses and similar loss items	8	-80	-88
Profit after financial items		**19**	**194**
Taxes	9	-5	-14
Net profit for the year[1]		**15**	**180**

[1] Also comprehensive income for the year

Parent Company balance sheet

SEK M	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets	10	381	340
Participations in Group companies	11	5,862	6,294
Other financial assets		98	94
Deferred tax assets	9	2	2
Total non-current assets		**6,343**	**6,730**
Current assets			
Financial receivables, Group companies		1,212	1,427
Other receivables from Group companies		61	59
Other receivables		12	6
Prepaid expenses and accrued income		18	29
Cash and cash equivalents		-	-
Total current assets		**1,303**	**1,521**
TOTAL ASSETS		**7,646**	**8,250**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted shareholders' equity			
Share capital		91	91
Non-restricted shareholders' equity			
Retained earnings		4,367	4,364
Net profit for the year		15	181
Total shareholders' equity		**4,472**	**4,635**
Provisions			
Other provisions		1	1
Total provisions		**1**	**1**
Current liabilities			
Interest-bearing financial loans	12	3,049	3,573
Accounts payable		10	15
Other liabilities to Group companies		70	10
Other liabilities		16	1
Accrued expenses and deferred income	13	27	15
Total current liabilities		**3,172**	**3,614**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**7,646**	**8,250**

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, 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**
Opening balance at January 1, 2020	**91**	**4,544**	**4,635**
Net profit for the year	-	15	15
Dividend to shareholders	-	-177	-177
Closing balance at December 31, 2020	**91**	**4,382**	**4,472**

Parent Company cash-flow statement

SEK M	Note	2020	2019
Operating activities			
Operating loss		-35	-41
Add-back of amortization, depreciation and write-down		79	68
Other non-cash items		0	1
Dividend received		990	205
Interest received and similar items		19	13
Interest paid and similar items		-80	-88
Taxes paid		-4	-7
Cash flow before changes to working capital		**969**	**151**
Cash flow from changes in working capital			
Current receivables		3	-10
Current liabilities		82	-9
Cash flow from operations		**1,054**	**132**
Investing activities			
Acquisition of intangible assets	10	-121	-59
Divested / Acquired subsidiaries		-480	-2
Acquisitions of other companies		-4	-78
Cash flow from investing activities		**-605**	**-139**
Financing activities			
Change in interest-bearing loans		-524	813
Change in interest-bearing receivables		252	-656
Dividend		-177	-150
Cash flow from financing activities		**-449**	**7**
Cash flow for the year		**0**	**0**
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at year-end		**-**	**-**

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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 and write-downs

SEK M	2020	2019
Intangible assets	-80	-68
Total	**-80**	**-68**
Amortization and write-downs by cost category		
Administrative expenses	-76	-68
Restructuring costs	-3	-
Total	**-80**	**-68**

Note 3 Fees to auditors

SEK M	2020	2019
Fee and expense reimbursement:		
Auditing assignment	-3	-3
Auditing activities other than auditing assignments	-	-
Tax consultancy services	0	-
Other services	0	0
Total	**-3**	**-3**

Pertains to remuneration to Öhrlings PricewaterhouseCoopers AB.

Note 4 Employee costs

Average number of employees

Sweden	2020	2019
Men	2	3
Women	2	2
Total	**4**	**5**

Gender distribution

%	2020	2019
Women:		
Board members	29	29
Other members of senior management	56	40
Men:		
Board members	71	71
Other members of senior management	44	60

Salaries, other remuneration and social security expenses

2020, SEK 000s	Board and CEO	Other senior executives	Total
Salaries and remuneration	22,273	15,790	38,063
Social security expenses	7,250	5,485	12,735
Pension expenses	2,410	2,159	4,569

2019, SEK 000s	Board and CEO	Other senior executives	Total
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

Note 5 Other operating income

SEK M	2020	2019
Sale of services to other Group companies	133	114
Total	**133**	**114**

Note 6 Income from participations in Group companies

SEK M	2020	2019
Dividend	990	205
Impairment	-912	–
Group contributions	37	105
Total	**115**	**310**

Note 7 Interest income and similar profit items

SEK M	2020	2019
Currency gains	0	0
Interest income	19	13
Total	**19**	**13**

Note 8 Interest expenses and similar loss items

SEK M	2020	2019
Interest expenses	-76	-72
Currency losses	-3	-16
Total	**-80**	**-88**

Note 9 Tax

SEK M	2020	2019
Current tax expense	-5	-7
Deferred tax	0	-7
Total	**-5**	**-14**

Relationship between tax expenses for the year and recognized profit after financial items:		
Recognized profit after financial items	19	194
Tax according to current tax rate	-4	-42
Tax effect of non-deductible costs	-208	-10
Tax effect of non-taxable income	212	44
Other	-5	-7
Recognized tax expense	**-5**	**-15**

Deferred tax assets in the balance sheet amounted to SEK 2 M (2) and were attributable to temporary differences.

Note 10 Intangible assets

SEK M	2020	2019
Software		
Opening cost	486	427
Investments	121	60
Sales/disposals	–	-1
Closing accumulated cost	**607**	**486**
Opening amortization	-146	-78
Amortization for the year	-76	-68
Impairment for the year	-3	–
Accumulated amortization and impairment	**-226**	**-146**
Closing planned residual value	**381**	**340**

Note 11 Participations in Group companies

Parent Company's holdings	Reg. office/Country	Corporate Registration Number	No. of participations 2020	No. of participations 2019	Percentage holding	Carrying amount, SEK M 2020
Arjo Belgium N.V.	Belgium	418.919.541	39,120	39,120	62	8
Arjo Danmark A/S	Denmark	26 67 05 78	2,500		100	3
Arjo Dominican Republic	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	18078186-000-02-20-3	25,000	25,000	100	47
ArjoHuntleigh Healthcare India Private Limited	India	U85199MH2002PTC135700	1,905,709	1,905,709	100	–
Arjo (Ireland) Limited	Ireland	238034	33,336	33,336	100	37
Arjo Italia Spa	Italy	5503160011	1,000,000	1,000,000	100	94
Arjo Japan K.K.	Japan	2010401135243	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	241
Arjo (Suzhou) Medical Equipment Trading Co., Ltd	China	91320594MA1UQ6DX7G	1	1	100	35
ArjoHuntleigh AB	Malmö, Sweden	556304-2026	–	50,000	–	–
Arjo Treasury AB	Malmö, Sweden	556475-7242	2,225	2,225	100	9
Arjo IP Holding AB	Malmö, Sweden	556247-0145	3,000	–	100	40
Arjo México Equipos Médicos S.A. de C.V	Mexico	AMF190724UM7	99	99	99	2
Arjo Nederland BV	Netherlands	69089396	18	18	100	808
Arjo Norge AS	Norway	994290177	100,000	100,000	100	1
ArjoHuntleigh Polska Sp.zo.o.	Poland	253572	100	–	100	0
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 Limited	UK	1891943	85,390,762	85,390,762	100	2.356
Arjo Korea Co., Ltd	South Korea	110111-5012995	1,000	1,000	100	20
Arjo Taiwan Limited	Taiwan	83536401	0	–	100	0
Arjo Czech Republic s.r.o.	Czech Republic	46962549	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	FN426044d	1	1	39	8
Total carrying amount						**5,862**

The table above includes all directly owned subsidiaries.

SEK M	2020	2019
Cost		
Opening cost	6,294	6,292
Investments	955	2
Shareholders' contributions	20	0
Divestments	-495	–
Impairment	-912	–
Closing accumulated cost	**5,862**	**6,294**

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
556520-1440, Malmö

Australia
Arjo Australia Pty Ltd
Arjo Hospital Equipment Pty Ltd
Joyce Healthcare Group Pty Ltd

Belgium
Arjo Belgium N.V.

Brazil
Arjo Brasil Equipamentos Médicos Ltda.

Denmark
Arjo Danmark A/S

Dominican Republic
Arjo Dominican Republic

France
Arjo France S.A.S.

United Arab Emirates
Arjo Middle East FZ-LLC

Hong Kong
Arjo Hong Kong Limited

India
ArjoHuntleigh Healthcare India Private Limited

Ireland
Arjo (Ireland) Limited

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. zo.o.

Switzerland
Arjo Switzerland AG

Singapore
Doxuan Medical Equipment Pte Ltd
Arjo South East Asia Pte. Ltd.

Spain
Arjo Iberia S.L.

UK
Huntleigh Technology Limited[1)]
1st Call Mobility Limited
ArjoHuntleigh International Limited[1)]
Arjo UK Limited
Huntleigh Diagnostics Limited[1)]
Huntleigh Healthcare Limited
Huntleigh International Holdings Limited[1)]
Huntleigh Luton Limited[1)]
Huntleigh Properties Limited[1)]
Huntleigh (SST) Limited[1)]
Pegasus Limited[1)]

South Africa
Arjo Africa Exports (Pty) Ltd
ArjoHuntleigh South Africa Pty Ltd
Huntleigh Africa Provincial Sales Pty Ltd
Huntleigh Africa Pty Ltd

South Korea
Arjo Korea Co., Ltd

Taiwan
Arjo Taiwan Limited

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 12 Interest-bearing financial loans

SEK M	2020	2019
Commercial paper program	3,049	3,573
Total	**3,049**	**3,573**

The Parent Company established a commercial paper program in 2018 with a framework amount of SEK 4,000 M. Issues totaling SEK 3,054 M (3,576) were implemented.

Note 13 Accrued expenses and deferred income

SEK M	2020	2019
Salaries	12	7
Social security expenses	7	4
Consultancy fees	3	1
Accrued IT expenses	4	1
Other accrued expenses and other deferred income	-	2
Total	**27**	**15**

Note 14 Pledged assets and contingent liabilities

Pledged assets
The Parent Company had no pledged assets in 2020 or 2019.

Contingent liabilities, SEK M	2020	2019
Guarantees		
Guarantees for subsidiaries	2,110	1,707
Other	32	50
Total contingent liabilities	**2,142**	**1,757**

Note 15 Proposed allocation of profits

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

SEK	
Retained earnings	4,367,064,227
Net profit for the year	14,537,788
Total	**4,381,602,015**
The Board and Chief Executive Officer propose that a dividend of SEK 0.85 per share shall be distributed to shareholders	231,514,137
To be carried forward	4,150,087,878
Total	**4,381,602,015**

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 2020 except for the corporate governance statement on pages 57-65. The annual accounts and consolidated accounts of the company are included on pages 51-65 and 68-109 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 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 57-65. 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 13.* Goodwill and other intangible assets with an indefinite useful life represent a significant part of the balance sheet of Arjo and amount to MSEK 5,203 (MSEK 5,461) as of 31 December 2020. The Company annually performs an 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 13 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.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-50, 66-67 and 113-125. 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 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of 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 57-65 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 RevR 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 29 June 2020 and has been the company's auditor since 21 December 2016.

Malmö 25 March 2021
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	2020	2019	2018	2017	2016
Net sales	9,078	8,976	8,217	7,688	7,808
Cost of goods sold	-4,952	5,039	-4,555	-4,260	-4,366
Gross profit	**4,126**	**3,937**	**3,662**	**3,428**	**3,442**
Selling expenses	-1,796	-1,849	-1,657	-1,571	-1,392
Administrative expenses	-1,258	-1,223	-1,219	1,136	-1,016
Research and development costs	-114	-139	-141	-134	-133
Exceptional items	78	53	-156	-324	101
Other operating income	7	8	11	29	58
Other operating expenses	-22	-10	-7	11	-16
Operating profit (EBIT)	**866**	**671**	**493**	**281**	**781**
Interest income and other similar items	5	8	11	15	7
Interest expenses and other similar expenses	-169	-137	-109	-117	-117
Profit after financial items	**702**	**542**	**395**	**179**	**671**
Taxes	-175	-139	-99	-61	-181
Net profit for the year	**526**	**403**	**296**	**110**	**490**
Attributable to:					
Parent Company shareholders	526	403	296	118	490

Condensed consolidated balance sheet

SEK M	2020	2019	2018	2017	2016
Intangible assets	6,834	7,072	6,946	6,634	6,663
Tangible assets	1,282	1,292	1,153	1,134	1,110
Right-of-use assets	1,044	1,158	-	-	-
Participations in associated companies	120		-	-	-
Non-current financial receivables, interest-bearing	55	46	97	8	-
Financial assets	393	455	351	326	316
Total non-current assets	**9,728**	**10,023**	**8,547**	**8,102**	**8,089**
Inventories	1,039	1,144	1,117	1,104	1,044
Accounts receivable	1,500	2,001	1,802	1,898	2,277
Current financial receivables	27	27	10	–	1,397
Other current receivables	592	565	625	434	460
Cash and cash equivalents	972	662	961	672	1,446
Total current assets	**4,130**	**4,399**	**4,515**	**4,108**	**6,624**
Assets held for sale	-	-	74	-	-
TOTAL ASSETS	**13,858**	**14,422**	**13,136**	**12,210**	**14,713**
Shareholders' equity	5,630	5,914	5,427	5,074	10,658
Total shareholders' equity	**5,630**	**5,914**	**5,427**	**5,074**	**10,658**
Provisions for pensions, interest-bearing	37	140	27	61	36
Non-current financial liabilities	2,018	1,791	2,859	5,131	1,361
Non current lease liabilities	802	885	41	–	-
Other provisions	158	167	225	187	195
Total non-current liabilities	**3,014**	**2,983**	**3,152**	**5,379**	**1,592**
Accounts payable	504	543	458	541	739
Current financial liabilities	3,051	3,575	2,761	90	340
Current lease liabilities	296	313	10	-	–
Other non-interest-bearing liabilities	1,363	1,095	1,284	1,126	1,384
Total current liabilities	**5,214**	**5,525**	**4,513**	**1,757**	**2,463**
Liabilities held for sale	-	-	44	-	-
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**13,858**	**14,422**	**13,136**	**12,210**	**14,713**

Condensed consolidated statement of cash flows

SEK M	2020	2019	2018	2017	2016
Operating activities					
Operating profit (EBIT)	866	671	493	281	781
Add-back of amortization, depreciation and write-down	973	1,004	687	715	755
Other non-cash items	56	-54	-84	36	21
Expensed exceptional items[1]	71	53	130	250	67
Paid exceptional items	-64	-73	-81	-63	-108
Financial items	-124	-120	-92	-102	-110
Taxes paid	-132	-193	-171	135	168
Cash flow before changes to working capital	**1,646**	**1,287**	**882**	**982**	**1,238**
Changes in working capital					
Inventories	-30	38	24	-103	-87
Current receivables	214	-133	95	176	-345
Current liabilities	438	59	-10	-483	113
Cash flow from operations	**2,267**	**1,252**	**991**	**572**	**919**
Investing activities					
Divested/Acquired operations	-58	6	-144	-	-212
Acquisitions of participations in subsidiaries	-135	-	-	-	-
Acquired financial assets	-4	-78	-16	-	-
Net investments	-784	-729	-557	-652	-314
Cash flow from investing activities	**-981**	**-801**	**-717**	**-652**	**-526**
Financing activities					
Change in interest-bearing liabilities	-535	-672	171	5,131	-6
Change in non-current receivables	8	-5	-22	-29	-47
Dividend	-177	-150	-136	-	-
Realized derivatives attributable to financing activities	-250	65	-	-	-
Transactions with shareholders	-	-	-	-5,796	289
Cash flow from financing activities	**-954**	**-762**	**13**	**-691**	**236**
Cash flow for the year	**332**	**-311**	**287**	**-774**	**629**
Cash and cash equivalents at the beginning of the period	662	961	672	1,446	808
Cash flow for the year	332	-311	287	-774	629
Translation differences	-22	13	16	0	2
Reclassification to assets held for sale	-	-	-14	-	-
Cash and cash equivalents at year-end	**972**	**662**	**961**	**672**	**1,446**

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

Net sales by geographic area

SEK M	2020	2019	2018	2017	2016
North America	3,619	3,525	3,015	2,818	2,905
Western Europe	4,149	4,161	4,125	3,771	3,759
Rest of the World	1,310	1,291	1,077	1,099	1,144
Group	**9,078**	**8,976**	**8,217**	**7,688**	**7,808**

Key performance indicators for the Group

SEK M	2020	2019	2018	2017	2016
Sales measures					
Net sales	9,078	8,976	8,217	7,688	7,808
Net sales growth, %	1.1%	8.6%	6.9%	-1.5%	-3.8%
Organic growth in sales, %	3.9%	3.9%	3.0%	-1.6%	-2.6%
Expense measures					
Selling expenses as a % of net sales	19.8%	20.6%	20.2%	20.4%	17.8%
Administrative expenses as a % of net sales	13.9%	13.6%	14.8%	14.8%	13.0%
Research and development costs gross as a % of net sales	2.2%	2.4%	2.5%	2.7%	2.5%
Earnings measures					
Operating profit (EBIT)	866	671	493	281	781
Adjusted operating profit (EBIT)	943	724	649	605	942
EBITA	1,150	963	798	596	1,147
Adjusted EBITA	1,224	1,016	930	846	1,221
EBITDA	1,838	1,675	1,180	996	1,536
EBITDA growth, %	9.8%	42.0%	18.4%	-35.1%	25.8%
Adjusted EBITDA	1,913	1,728	1,312	1,246	1,610
Earnings per share, SEK	1.93	1.48	1.09	0.43	1.80
Margin measures					
Gross margin, %	45.5%	43.9%	44.6%	44.6%	44.1%
Operating margin, %	9.5%	7.5%	6.0%	3.7%	10.0%
Adjusted operating margin, %	10.4%	8.1%	7.9%	8.0%	12.1%
EBITA margin, %	12.7%	10.7%	9.7%	7.8%	14.7%
Adjusted EBITA margin, %	13.5%	11.3%	11.3%	11.0%	15.6%
EBITDA margin, %	20.3%	18.7%	14.4%	13.0%	19.7%
Adjusted EBITDA margin, %	21.1%	19.2%	16.0%	16.2%	20.6%
Cash flow and return measures					
Return on shareholders' equity, %	9.1%	7.1%	5.6%	1.5%	4.7%
Cash conversion, %	123.3%	74.7%	84.0%	57.4%	59.8%
Operating capital, SEK M	11,408	11,082	9,946	10,317	11,055
Return on operating capital, %	8.3%	6.5%	6.5%	5.9%	8.5%
Capital structure					
Interest-bearing (+) net debt/(-) net receivables	5,067	5,903	4,630	4,602	-1,175
Interest-coverage ratio, multiple	6.5x	5.5x	6.2x	5.3x	8.2x
Net debt/equity ratio, multiple	0.9x	1.0x	0.9x	0.9x	-0.1x
Net debt / adjusted EBITDA, multiple	2.9x	3.0x	3.5x	3.7x	-0.7x
Equity/assets ratio, %	40.6%	41.0%	41.3%	41.6%	72.4%
Equity per share, SEK	20.7	21.7	19.9	18.6	39.1
Other					
No. of shares	272,369,573	272,369,573	272,369,573	272,369,573	272,369,573
Number of employees, average	6,211	6,151	6,123	5,853	5,763

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.

Key performance measures for 2020 and 2019 include IFRS 16 amounts. Other years are excluding IFRS 16. For effects of the transition, see the 2019 Annual Report.

Sales measures

SEK M	2020	2019	2018	2017	2016
(A) Net sales preceding year	8,976	8,217	7,688	7,808	8,115
Acquired/divested net sales for the period	–	-11	-3	–	40
(B) Organic net sales for the period	348	320	231	-125	-210
Effect of changes in exchange rates	-246	399	301	5	-137
Restatement of net sales in the US market	–	51	–	–	–
Net sales	9,078	8,976	8,217	7,688	7,808
(B/A) Organic growth in sales, %	*3.9%*	*3.9%*	*3.0%*	*-1.6%*	*-2.6%*

Expense measures

SEK M	2020	2019	2018	2017	2016
(A) Selling expenses	1,796	1,849	1,657	1,571	1,392
(B) Administrative expenses	1,258	1,223	1,219	1,136	1,016
(C) Research and development costs, gross	202	212	201	204	199
(D) Net sales	9,078	8,976	8,217	7,688	7,808
(A/D) Selling expenses as a % of net sales	*19.8%*	*20.6%*	*20.2%*	*20.4%*	*17.8%*
(B/D) Administrative expenses as a % of net sales	*13.9%*	*13.6%*	*14.8%*	*14.8%*	*13.0%*
(C/D) Research and development costs gross as a % of net sales	*2.2%*	*2.4%*	*2.5%*	*2.7%*	*2.5%*

Earnings and margin measures

SEK M	2020	2019	2018	2017	2016
(A) Operating profit (EBIT)	866	671	493	281	781
Add-back of amortization and write-down of intangible assets	284	292	305	315	366
(B) EBITA	1,150	963	798	596	1,147
Add-back of depreciation and impairment of tangible assets	688	712	382	400	389
(C) EBITDA	1,838	1,675	1,180	996	1,536
Exceptional items	78	53	156	324	162
Add-back of write-down of restructuring and integration costs	-3	-	-24	-74	-88
(D) Adjusted operating profit (EBIT)	943	724	649	605	942
(E) Adjusted EBITA	1,224	1,016	930	846	1,221
(F) Adjusted EBITDA	1,913	1,728	1,312	1,246	1,610
(G) Net sales	9,078	8,976	8,217	7,688	7,808
(A/G) Operating margin, %	*9.5%*	*7.5%*	*6.0%*	*3.7%*	*10.0%*
(B/G) EBITA margin, %	*12.7%*	*10.7%*	*9.7%*	*7.8%*	*14.7%*
(C/G) EBITDA margin, %	*20.3%*	*18.7%*	*14.4%*	*13.0%*	*19.7%*
(D/G) Adjusted operating margin, %	*10.4%*	*8.1%*	*7.9%*	*8.0%*	*12.2%*
(E/G) Adjusted EBITA margin, %	*13.5%*	*11.3%*	*11.3%*	*11.0%*	*15.6%*
(F/G) Adjusted EBITDA margin, %	*21.1%*	*19.2%*	*16.0%*	*16.2%*	*20.6%*

Cash flow and return measures

SEK M	2020	2019	2018	2017	2016
Calculation of cash conversion					
(A) Cash flow from operations	2,267	1,252	991	572	919
(B) EBITDA	1,838	1,675	1,180	996	1,536
(A/B) Cash conversion, %	*123.3%*	*74.7%*	*84.0%*	*57.4%*	*59.8%*
Calculation of return on shareholders' equity					
(A) Net profit for the year	526	403	296	118	490
Shareholders' equity at beginning of the period	5,914	5,427	5,074	10,658	10,227
Shareholders' equity at the end of the period	5,630	5,914	5,427	5,074	10,658
(B) Average total shareholders' equity	5,772	5,671	5,251	7,866	10,443
(A/B) Return on total shareholders' equity, %	*9.1%*	*7.1%*	*5.6%*	*1.5%*	*4.7%*
Calculation of return on operating capital					
Total assets opening balance	14,422	13,136	12,210	14,713	14,017
Total assets closing balance	13,858	14,422	13,136	12,210	14,713
Average total assets	14,140	13,779	12,673	13,462	14,365
Excluding average cash and cash equivalents	-817	-812	-817	-1,058	-1,127
Excluding average other provisions	-223	-257	-278	-220	-191
Excluding average other non-interest-bearing liabilities	-1,692	-1,629	-1,632	-1,867	-1,992
(A) Operating capital	11,408	11,082	9,946	10,317	11,055
Operating profit (EBIT)	866	671	493	281	781
Add-back of exceptional items	78	53	156	324	162
(B) EBIT after add-back of exceptional items	943	724	649	605	943
(B/A) Return on operating capital	*8.3%*	*6.5%*	*6.5%*	*5.9%*	*8.5%*

Capital structure

SEK M	2020	2019	2018	2017	2016
Calculation of interest-bearing net debt, net debt/equity ratio and interest-bearing net debt / Adjusted EBITDA					
Financial liabilities	4,987	5,300	5,671	5,221	1,701
Lease liabilities	1,098	1,198	–	–	–
Provisions for pensions, interest-bearing	37	140	27	61	36
Less financial receivables	-83	-73	-107	-8	-1,466
Less cash and cash equivalents	-972	-662	-961	-672	-1,446
(A) Interest-bearing (+) net debt/(-) net receivables	5,067	5,903	4,630	4,602	-1,175
(B) Shareholders' equity	5,630	5,914	5,427	5,074	10,658
(C) Adjusted EBITDA	1,913	1,728	1,312	1,246	1,610
(A/B) Net debt/equity ratio, multiple	*0.9x*	*1.0x*	*0.9x*	*0.9x*	*-0.1x*
(A/C) Interest-bearing net debt / Adjusted EBITDA, multiple	*2.9x*	*3.0x*	*3.5x*	*3.7x*	*-0.7x*
Calculation of interest-coverage ratio					
Profit after financial items	702	542	395	179	671
(A) Addition of interest expenses	143	133	105	117	115
Add-back of exceptional items	78	53	156	324	155
(B) Profit after financial items plus interest expenses and add-back of exceptional items	922	728	656	620	941
(B/A) Interest-coverage ratio	*6.5x*	*5.5x*	*6.2x*	*5.3x*	*8.2x*

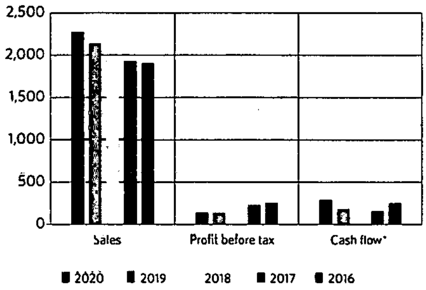
Quality and environmental certifications 2020

Quality and environmental certifications 2020	Global certifications	Certification of production units				
Site	ArjoHuntleigh AB	Suzhou, China	Poznan, Poland	Magog, Canada	San Cristobal, Dominican Republic	Cardiff, UK
ISO 9001	x	x	x	x	x	x
ISO 13485	x	x	x	x	x	x
MDSAP	x	x	x			x
CE (MDD)	x	x	x	x	x	x
CE (MDR)	x	x	x	x	x	x
ISO 14001		x	x	x	x	x

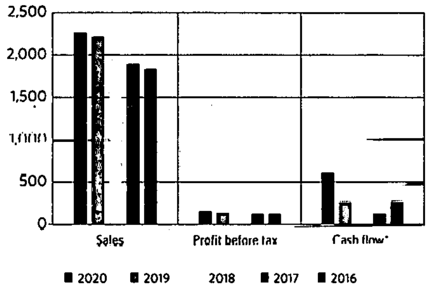
x – certified plants

Quarterly performance

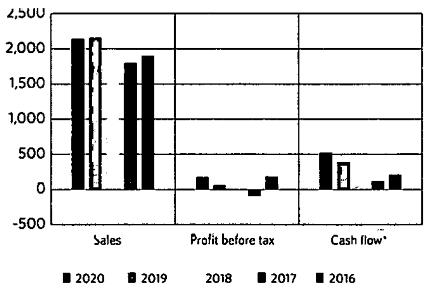
Quarter 1



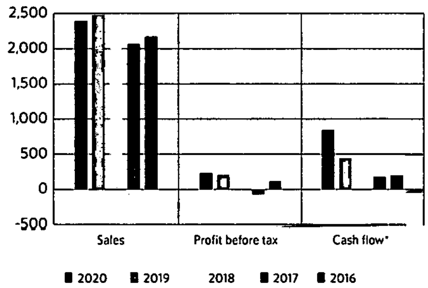
Quarter 2



Quarter 3



Quarter 4



*From operations.

The Group's 20 largest markets

	2020			2019			2018			2017			2016		
Country	SEK M	%	#	SEK M	%	#	SEK M	%	#	SEK M	%	#	SEK M	%	#
USA	2,931	32.3	1	2,817	31.4	1	2,390	29.2	1	2,242	29.2	1	2,331	29.9	1
UK	1,100	12.1	2	1,101	12.3	2	1,128	12.9	2	992	12.9	2	1,116	14.3	2
France	842	9.3	3	828	9.2	3	748	8.8	3	678	8.8	3	645	8.3	3
Canada	688	7.6	4	708	7.9	4	625	7.5	5	576	7.5	6	574	7.3	5
Germany	655	7.2	5	693	7.7	5	651	7.9	4	609	7.9	4	595	7.6	4
Australia	417	4.6	6	428	4.8	6	399	5.9	6	455	5.9	6	428	5.5	6
Netherlands	329	3.6	7	342	3.8	7	323	3.8	7	293	3.8	7	269	3.4	7
Italy	250	2.7	8	258	2.9	8	266	3.2	8	247	3.2	8	238	3.0	8
Austria	200	2.2	9	200	2.2	9	197	2.8	9	214	2.8	9	200	2.6	9
Belgium	158	1.7	10	183	2.0	10	186	2.4	10	181	2.4	10	181	2.3	10
Ireland	153	1.7	11	153	1.7	11	146	1.9	11	143	1.9	11	132	1.7	12
Switzerland	150	1.6	12	141	1.6	12	123	1.5	12	117	1.5	12	134	1.7	11
Spain	128	1.4	13	53	0.6	21	47	0.6	21	32	0.4	23	32	0.4	22
South Africa	125	1.4	14	92	1.0	14	98	1.1	14	84	1.1	15	86	1.1	16
India	92	1.0	15	127	1.4	13	113	1.3	13	103	1.3	13	106	1.4	13
Hong Kong	91	1.0	16	82	0.9	16	87	1.1	15	31	0.4	24	59	0.8	18
Sweden	79	0.9	17	85	1.0	15	75	0.9	17	78	1.0	16	78	1.0	17
Japan	62	0.7	18	54	0.6	20	36	0.4	23	38	0.5	20	26	0.3	23
New Zealand	57	0.6	19	59	0.7	18	60	0.7	18	56	0.7	19	54	0.7	19
Singapore	54	0.6	20	55	0.6	19	56	0.7	20	68	0.9	17	51	0.7	20

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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 exceptional items 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 exceptional items.

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 exceptional items.

EBITDA margin
EBITDA in relation to net sales.

Adjusted EBITDA margin
Adjusted EBITDA in relation to net sales.

Exceptional items
Total of acquisition, restructuring and integration costs as well as major items.

Net debt/equity ratio
Interest-bearing net debt in relation to shareholders' equity.

Net debt / adjusted EBITDA, multiple
Average net debt in relation to rolling 12 months' adjusted EBITDA.

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 and other terms

Blood clots
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.

Deep vein thrombosis (DVT).
Deep vein thrombosis is the most common form of vein thrombosis and means the formation of a blood clot in a deep leg vein.

Ergonomics
A science concerned with designing the job to fit the worker to prevent illness and accidents.

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.

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.

EU Medical Device Regulation (MDR)
Regulations created by the EU to ensue better protection for the public health and patient safety by establishing modernized and more robust EU legislation.

Mobility
The body's ability to move or actively perform a movement.

Prevention
Preventive activity/treatment.

Rehabilitation
Exercises that are designed to optimize the function and reduce obstacles, with the aim of regaining maximum function following an injury or illness.

SEM scanner (sub epidermal moisture)
A hand-held, portable and wireless device that measures sub-epidermal moisture, which allows early detection of pressure injury risk.

Scope 1, 2, 3
According to the international framework to measure greenhouse gas emissions, the GHG Protocol, greenhouse gas emissions are divided into three scopes:
- Scope 1: Direct emissions (such as from company-owned vehicles and oil furnaces)
- Scope 2: Indirect emissions from grid-connected energy consumption (from purchased electricity, district heating, cooling and steam)
- Scope 3: Other indirect emissions (such as from purchased transport, goods, material and services)

Pressure injuries
Sores that occur when blood circulation in an area is reduce due to continuous pressure against the skin, which is often the result of reduced mobility.

Venous and arteriovenous leg ulcers
Ulcers on the feet and lower leg that do not heal within six weeks due to a lack of blood flow in the veins or in both the veins and arteries.

Venous thromboembolism (VTE)
A venous thrombosis means a blood clot in the vein system. Often occurs in deep leg veins (deep vein thrombosis).

Edema
Swelling due to accumulation of fluid in tissues.

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 2019, 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
The Annual General Meeting will be held virtually on April 27, 2021 with the option of postal voting. For further information about the AGM and registration, see Arjo's website, www.arjo.com.

Nomination Committee
Arjo's interim report for the third quarter of 2020 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 2020 of SEK 0.85 per share (0.65), an increase of 30.8% compared with last year. The total dividend thus amounts to approximately SEK 232 M (177).

The proposal is justified based on the combination of the Group's financial position and future development opportunities. The proposed dividend for 2020 is well in line with the target in Arjo's adopted dividend policy.

Financial information
Updated information on, for example, the Arjo 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.

The following information will be published for the 2021 fiscal year:

April 27, 2021	Interim report, January-March
April 27, 2021	Annual General Meeting
July 15, 2021	Interim report, January-June
October 28, 2021	Interim report, January-September
February 3, 2022	Year-End Report 2021
April 2022	2021 Annual Report

At Arjo, we believe that empowering movement within healthcare environments is essential to quality care. Our products and solutions are designed to promote a safe and dignified experience through patient handling, medical beds, personal hygiene, disinfection, diagnostics, and the prevention of pressure injuries and venous thromboembolism. With over 6,000 people worldwide and 60 years caring for patients and healthcare professionals, we are committed to driving healthier outcomes for people facing mobility challenges.

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arjo