Atos

Breathing–Speaking–Living
atosmedical.com

Annual Report 2019

Lary 1 AB

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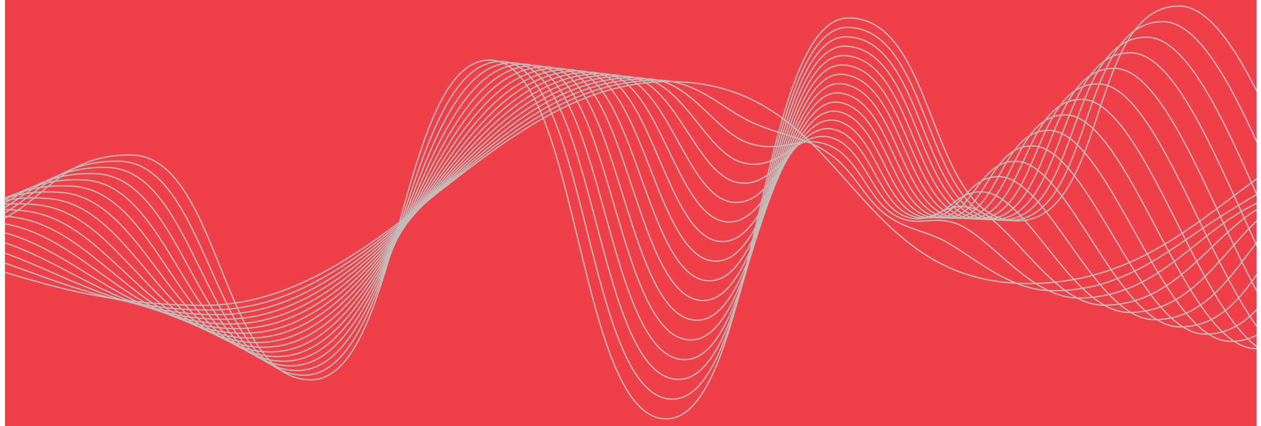


We are Atos Medical

Atos Medical was born out of a desire to make life easier for people living with a neck stoma. Since our foundation in 1986, we have cemented ourselves as the leaders in neck stoma care, with a world leading position in laryngectomy care.

Today, Atos Medical continues to serve the needs of more than 100,000 people with a neck stoma globally. We want to remain at the forefront and this involves first-rate product development, based on profound clinical research and customer insights, as well as customer care, with education of both professionals and patients. These are integral parts of our business.

This Annual Report is issued by Lary 1 AB. Lary 1 AB is the top parent company in a group of companies referred to as the Atos Medical Group. In this report, we use "Atos Medical", "us", "the company" etc., as synonyms for the Group.

Breathing–Speaking–Living

We are passionate about making life easier for people living with a neck stoma, by providing personalized care and innovative solutions.

Atos Medical in brief

Our portfolio

Our comprehensive portfolio has evolved over the last 30 years to give a voice to people who breathe through a stoma.

Read more on page 9.

Our customers

In recent years we have invested in understanding our customers' needs and gaining an insight into how to better serve them.

Read more on pages 10–11.

Our strategy

In 2019 we launched a new strategy "Succeeding through Personalized Care", further emphasizing our continued strong customer centric focus. A deep insight into our customers' situation enables us to address the needs of each individual customer and it facilitates a strong collaboration with health care professionals, so they can help their patients breathe, speak and live.

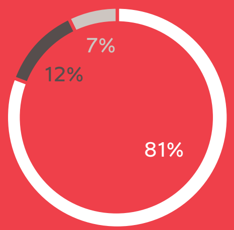
Read more on pages 14–15.

Our values – We care

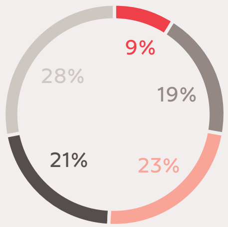
Our values represent commitments to all our stakeholders. By living our values, we demonstrate that we care about our customers and each other. This makes us proud to serve our customers every day.

Highlights 2019

Revenue by segment



Revenue by geography



Financial summary

SEKm	2019	2018	2017
Revenue	1 736	1 608	1 267
EBIT	295	186	145
Adjusted EBITDA	671[1]	574[2]	471[2]
EBITDA	594[1]	446	392
Adjusted EBITDA %	38,7%	35,7%	37,2%
EBITDA %	34,2%	27,7%	30,9%

Reported growth of 8% in 2019, organic growth in comparable currency is ~6%

1) Adjusted EBITDA and EBITDA for 2019 is positively affected by the IFRS16 implementation with SEK 37m

2) Adjusted EBITDA has been restated compared to annual report 2018 as non comparable items have been reduced by SEK 36m in 2018 and by SEK 33m in 2017 which has be restated to ordinary costs

“2019 was a successful year where we enhanced the strong commitment to our customers and we delivered double-digit growth in our Lary business. With a new Management in place, we invested in strengthening our foundation, for a sustainable business model and a strong future.”

Lars Frederiksen, Chairman

Creating customer value for a stronger future

Our future success will come from prioritizing customer needs in everything we do and I am excited about the strong business potential.

2019 was a remarkable year for Atos Medical

Joining Atos Medical in March 2019, my first year as the CEO has given me valuable insights into the challenges our customers face following a laryngectomy. The appreciation by patients and health care professionals of the difference Atos Medical makes for people living with a neck stoma makes me proud, and drives the ambition to secure that many more have access to care.

In recent years, we have experienced strong growth, and the laryngectomy business now represent more than 80% of our total revenue. In 2019, we launched our new strategy "Succeeding through Personalized Care. Our aim is to leverage our strong direct-to-consumer set-up, while optimizing the balance between direct support to users and assistance to health care professionals.

We will join forces to enhance the quality of how customers breathe, speak and live.

Our commitment to the community

Customers remain in the center of everything we do. We have 30 years' experience in our field, our people engage every day directly with users and in order to better understand their needs, we conducted a global in-depth study of 1,800 laryngectomees. All this gives us a lot of insights, which we actively use to guide ground-breaking innovation and personalized care. I am excited to introduce our strengthened customer-centric purpose, "Breathing – Speaking – Living", which emphasizes our commitment to better customer care, and highlights that we provide much more than giving voice.

Investing to accelerate growth

We are 800 colleagues in 22 countries, who are engaged and passionate about serving an increasing number of customers. Total revenue increased to SEK 1,7bn at 8% growth, and our core business, Laryngectomy, grew 10% organically, especially driven by strong growth in new markets, like Brazil and Australia and Southern Europe.

We are constantly challenging ourselves to improve how we serve our customers. In 2019, we have continued to invest in building capabilities and strengthening our business foundation. Our key focus is to build a scalable, customer-oriented and cost-efficient set-up, where we also leverage the digital opportunities.

Profitability continues to improve with a reported EBITDA of SEK 594m or 34% EBITDA margin an increase of 7%-points, despite significant investments in strengthening our foundation.

In 2019, we strengthened the organization, our capabilities and leadership. We welcomed almost 200 new colleagues and promoted 50 talented colleagues. We have formed an experienced and diverse Global Management Team that leads and sets the global direction for a promising future, and who thrive to bring our unique purpose and values to life in our culture every day.

Looking ahead

Our future success will come from prioritizing customer needs in everything we do. Combining a deep expertise in serving people living with a neck stoma, our innovation mindset and our skilled and engaged employees makes me excited about the future. We have many attractive opportunities in existing and new markets and opportunities in high potential adjacent business areas. I look forward to continuing our important journey, creating a prosperous and sustainable future.

A sincere thank you to all my colleagues, who are bringing our values to live when serving customers every day. On behalf of Atos Medical's Board of Directors, Management and employees, I would like to thank customers and stakeholders for the strong partnership and collaboration in 2019.

Britt Meelby Jensen
CEO

We listen

At Atos Medical, we are open-minded and curious. We actively seek to learn from each other and our customers. We use the understanding we gain to challenge each other to always improve.

“Working as an Speech therapist, my job is about communication, human relationships and empathy. I’ve been working with Atos for 12 years and they are always there to answer my questions. I also feel comfortable asking them to come and meet my patients, because I know they are respectful. Together we can always find a solution.”

Stéphanie Poulain, Speech therapist
Bordeaux, France

Our product portfolio
– continuous improvement for better care

Our product portfolio has developed over the last 30 years to give a voice to people who breathe through a stoma.

The Provox® range enables people to speak after a total laryngectomy, despite having no voice box. It also allows people to restore their lung health while breathing through their stoma day and night.

Over the decades, clinicians and users have increasingly recognized the strong benefits and life changing impact of voice and lung rehabilitation. Typically, people undergo a total laryngectomy following larynx cancer or hypopharyngeal cancer, also known as throat cancer, while other indications such as human papillomavirus (HPV) are on the rise.

Products to suit different needs

To restore voice and lung health, the Provox range offers different voice prostheses (VPs) for speaking and options for breathing through Heat and Moisture Exchangers (HMEs). While the first Provox voice prosthesis was developed and launched in the 1990s, today, the Provox range offers several voice prostheses to suit different needs and clinical settings.

Following user demand, the HME range has developed into a portfolio consisting of HMEs for different situations and times of the day. All HMEs are attached with an adhesive or with an alternative device such as a tube to cover the stoma and provide a sufficient seal. We also provide various accessories such as cleaning devices and skin products to care for the stoma and the skin around the stoma, and to ensure correct function and optimal performance of the devices.

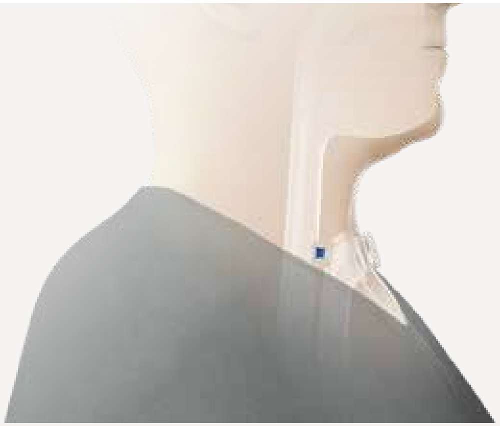
Full product range for tracheostomy care

In connection with the acquisition of Heimomed in 2018 our product portfolio was expanded with a wide range of tracheostomy (trach) products, such as tracheostomy tubes, speaking valves and HMEs. With a broader tracheostomy assortment, we will increase our ability to help more people breathing through a tracheostoma to achieve a higher quality of life.

Total laryngectomy is a life changing procedure leading to permanent changes in speaking and breathing. Our product portfolio restores the ability to speak and helps the user to breathe better after a total laryngectomy.


Before total laryngectomy


After total laryngectomy


After total laryngectomy, using Provox products

Our customers
– understanding the needs for better care

Pilar's story

Pilar is 54 years old. She lives in Barcelona, has two daughters and works as a dance teacher. Before her surgery Pilar really enjoyed her life, spending a lot of time with her friends and family and on the dance floor.

Two years ago, Pilar was diagnosed with cancer, which was a big blow to her and her family. Despite her physician attempting to avoid surgery by putting her through chemo- and radiotherapy, it was eventually decided that she needed a total laryngectomy. Having gone through a difficult recovery process with lots of ups-and-downs, Pilar is now living a very social life. By sharing her story and experiences with fellow users, Pilar is part of the Atos Medical community. She loves dancing and teaches different classes. "I feel that I have been given a second chance," she says. "I enjoy my life; and thanks to my new voice, I can continue living it."

Pilar's journey through total laryngectomy recovery – like that of most laryngectomees – took twists and turns as she moved through the four phases

Location	In hospital		At home	
User phase	Getting Ready	Gaining Control	Establishing Normal	Living well

Surgery

Coming home was traumatic, not just for Pilar but also for her family. She had a lot of questions that worried her, causing a lot of anxiety and restlessness. She was very scared of coughing and not being able to breathe; these kind of concerns were constantly with her.

With help from Atos Medical's Speech Therapy Service, Pilar learned to use her new voice, breathe properly, coordinate the movement of her new way of speaking and to articulate better so that people could understand her more easily.

Pilar is enjoying life today with her two daughters. She loves dancing and does what she wants, using a suite of products to adapt to different situations.

"It was tough, and I felt very bad after the chemo- and radiotherapy when I realized I had to undergo a total laryngectomy."

Pilar had chemo-and radiotherapy that unfortunately couldn't cure her disease.

Pilar had a lot of questions when she was informed that she would need a total laryngectomy. She went to a Lary club to request information about the rehabilitation process. At the club, it was recommended she visit Atos Medical's Speech Therapy Service.

"My first question directly after surgery was 'Can I speak again?'. At that time, I didn't think about anything else."

"I use Provox XtraFlow during the day, it's best for me when I'm dancing. During the evening and night when I'm relaxing at home, I switch to Provox XtraMoist."

"Acceptance is perhaps the most difficult of the stages, but it is vital to continue with your life."

"I am a normal person with some difficulties. Like everyone else."

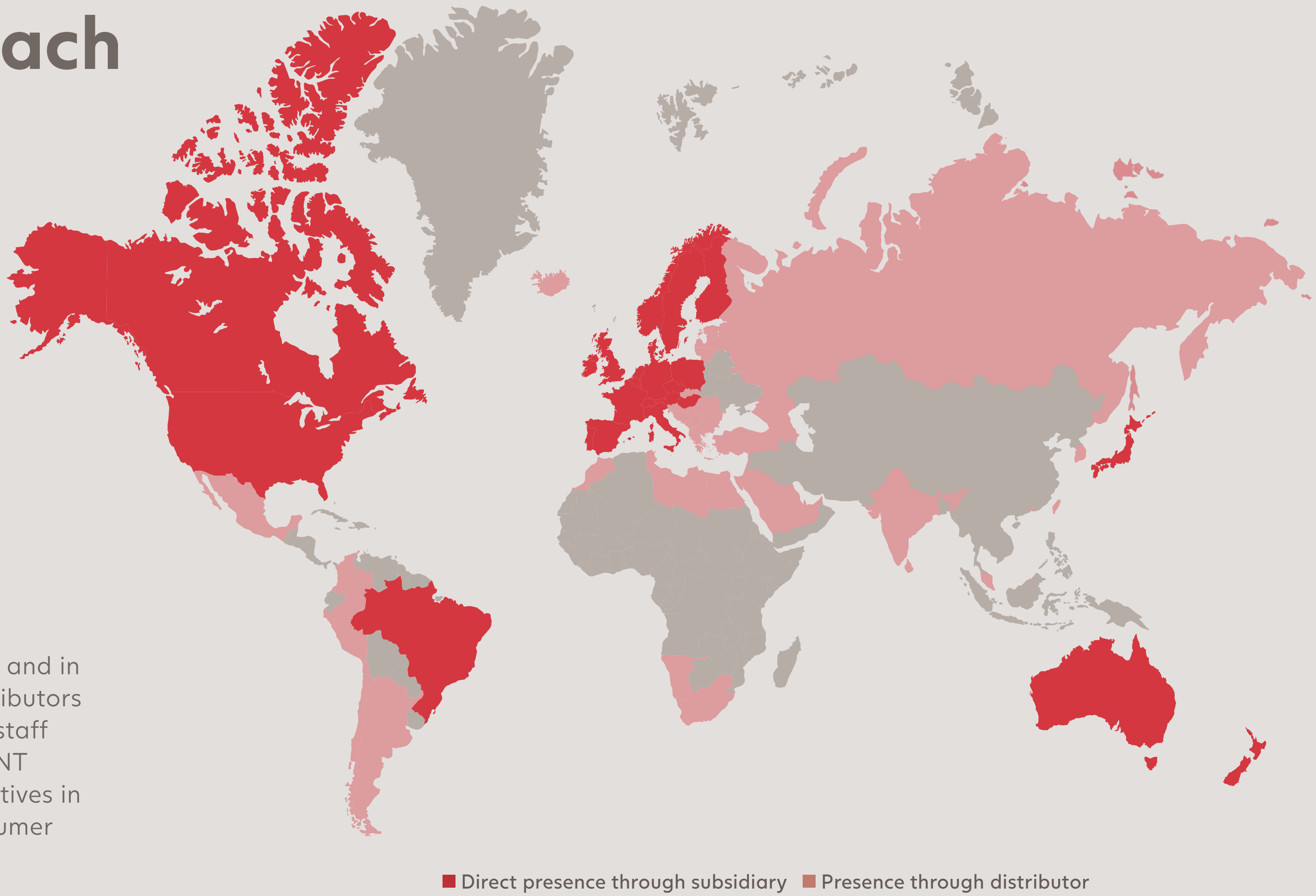
We inspire

At Atos Medical, we work with passion and dedication. We have ambitious goals and set the highest standards for ourselves. We aim to offer a compelling picture of the future that motivates others to take action.

“Every day I go home inspired when I have visited “my” customers at home or have spoken to them at a ‘My Voice Meeting’. If I realize that I can help them by giving the right explanation about the use and diversity of our Provox products, which improves their quality of life, my day has been a success! Together with the healthcare professional, I am building an improved future for our users.”

Joleen Heymeijer, Product Specialist

Our global reach



Global reach with direct presence in 22 countries

We are directly present in 22 countries and in addition to this we have exclusive distributors covering more than 50 countries. Our staff comprises one of the world's largest ENT sales forces with ~200 field representatives in addition to a full scale Direct-to-Consumer setup with ~200 FTEs.

Our strategy – Succeeding through Personalized Care

In 2019, we launched our strategy "Succeeding through Personalized Care", further emphasizing our continued patient and customer centric focus. Our updated strategy builds on a thorough understanding of our customers' situation to make sure we address the needs of each individual customer that we serve.

In addition, the strategy addresses the three main value drivers of the business:

- **New Patient Acquisition – expanding the number of customers we serve**
- **Retention – retaining our customers for life**
- **Consumption – ensuring that our products are used compliantly and correctly**

Our 2020 vision is built upon 3 strategic priorities with 7 supporting Must Win Battles:

1 Serve all lary patients early and maintain for life

- **Engage with all lary patients early after surgery**
- **Partner with clinicians to provide better patient care**
- **Retain customers for life through personalized care**

2 Expand through continuous product advancement

- **Optimize customer experience through product usage and engagement**
- **Accelerate innovation leadership**

3 Secure strong foundation for accelerated growth

- **Build reliable and simple business processes supported by corporate infrastructure**
- **Retain engaged employees**

1 Serve all lary patients early and maintain for life

We engage with laryngectomized (lary) patients early in their patient journey, immediately before or after the surgery. We support patients directly and we also work with clinicians, assisting them in their important role of taking active part in accelerating their patients' journey towards a high quality of life after a total laryngectomy.

We have colleagues with clinical expertise and experience and we provide education and support in strong collaboration with clinicians, helping patients to achieve good product habits. In 2019, we increased our focus on building strong relationships with clinicians to ensure that patients receive the best possible care.

a. Engage with all lary patients early after surgery

b. Partner with clinicians to provide better patient care

c. Retain customers for life through personalized care

2 Expand through continuous product advancement

During the past few years, we have invested in a Direct-to-consumer setup in all our markets and today interact with thousands of patients globally. We invest in improving our engagements through our current channels, and we are expanding to new digital channels, to engage with our customers based on their individual preferences. In 2019, we launched our app and our investments in this area will continue in 2020.

To strengthen our market leader position, we strive to remain at the forefront of product innovation. We are continuing to develop our pipeline of products and services, based on our customer insights gained through decades of experience and a recently conducted global study of 1,800 laryngectomees.

a. Optimize customer experience through product usage and engagement

b. Accelerate innovation leadership

3 Secure strong foundation for accelerated growth

As we continue our growth journey, we depend on skilled and engaged employees as well as the right infrastructure of processes and structures, to support this growth.

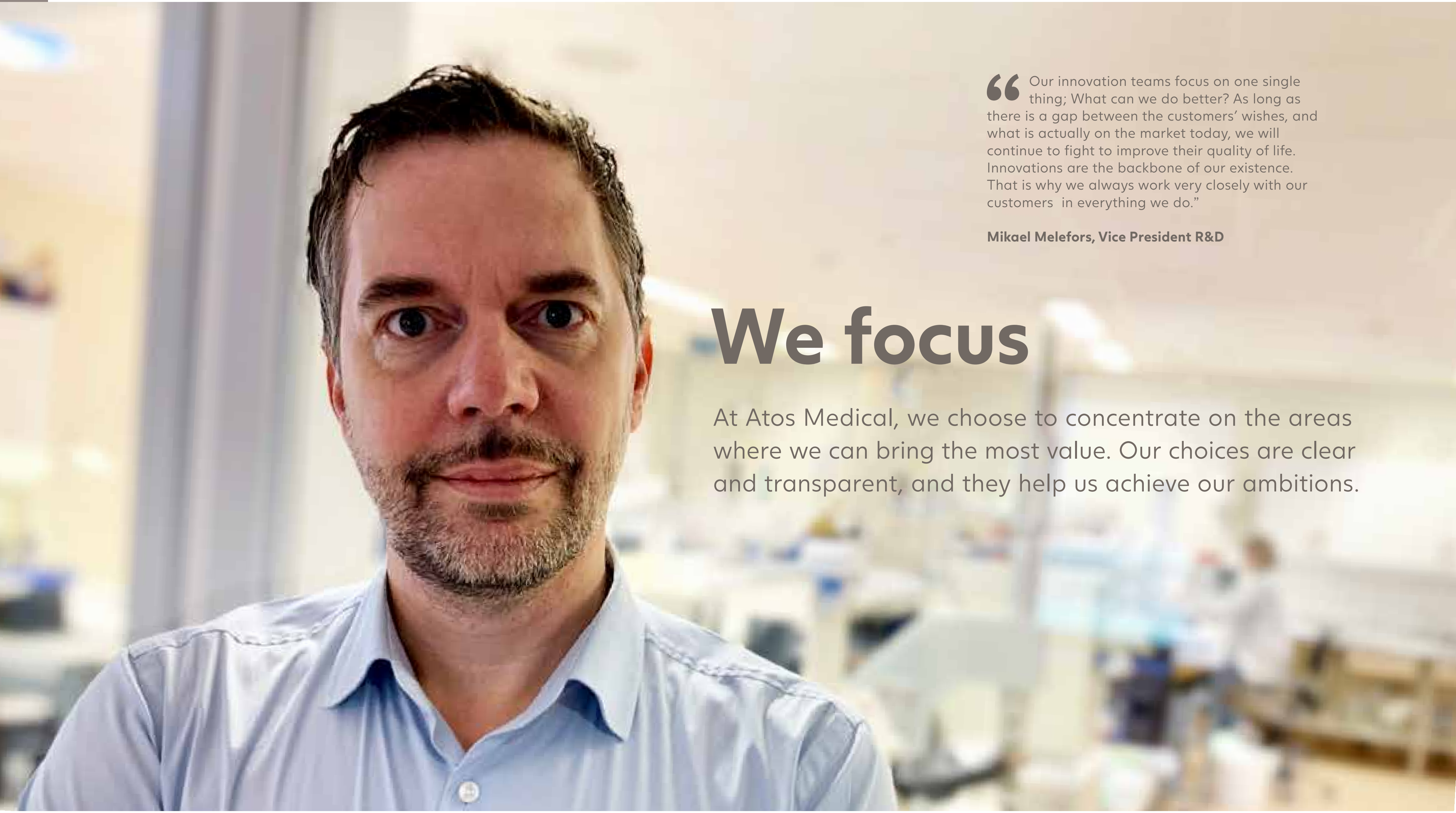
In 2019, we increased investments in our corporate infrastructure to get better access and transparency to our sales and customer data. We continue this focus in 2020, to improve how we serve our customers.

On the people side, we are investing in further improving our working environment, e.g. introducing our own "Leading the Atos Way" leadership development program. This is summarized in the following two Must Win Battles:

a. Build reliable and simple business processes supported by corporate infrastructure

b. Retain engaged employees

This new strategy sets the direction for our business in 2020 and beyond, and we believe it covers all aspects required for our continued growth and market leadership, as it focuses on our main business driver, our customers.



“Our innovation teams focus on one single thing; What can we do better? As long as there is a gap between the customers’ wishes, and what is actually on the market today, we will continue to fight to improve their quality of life. Innovations are the backbone of our existence. That is why we always work very closely with our customers in everything we do.”

Mikael Melefors, Vice President R&D

We focus

At Atos Medical, we choose to concentrate on the areas where we can bring the most value. Our choices are clear and transparent, and they help us achieve our ambitions.

Our Innovation Leadership
– delivering on customer needs

Giving people a voice since 1986

1986

Atos Medical was founded in the south of Sweden by the brothers Gert and Jan-Ove Persson.

1990

Through R&D in cooperation with the Netherlands Cancer Institute, we launched the first Provox® voice prosthesis with the aim of improving voice rehabilitation after total laryngectomy.

1996

Starting in the mid-1990s, we began our international expansion with subsidiaries in Europe and the United States.

2003

Designed to prevent early leakage, Provox® ActiValve® was introduced as our most advanced voice prosthesis until then, incorporating magnets to prevent inadvertent opening.

2010

For improved humidification and pulmonary rehabilitation, we introduced Provox® XtraFlow™ and Provox® XtraMoist™ HMEs for use in various situations.

2012

To meet growing demand, we expanded our R&D and manufacturing site in Hörby, which now houses injection molding, assembly, tooling, quality control, packaging, warehousing and over 150 of our employees.

2014

To give more people the freedom to speak hands-free, we launched Provox® FreeHands FlexiVoice™, and with Provox® StabiliBase™ we introduced our most advanced adhesive, providing added stability when speaking hands-free.

2016

We introduced Provox® Coming Home® to facilitate return from hospital for users, and to present them and their caregivers with sample products and relevant information in an intuitive, step-by-step manner for guidance and support.

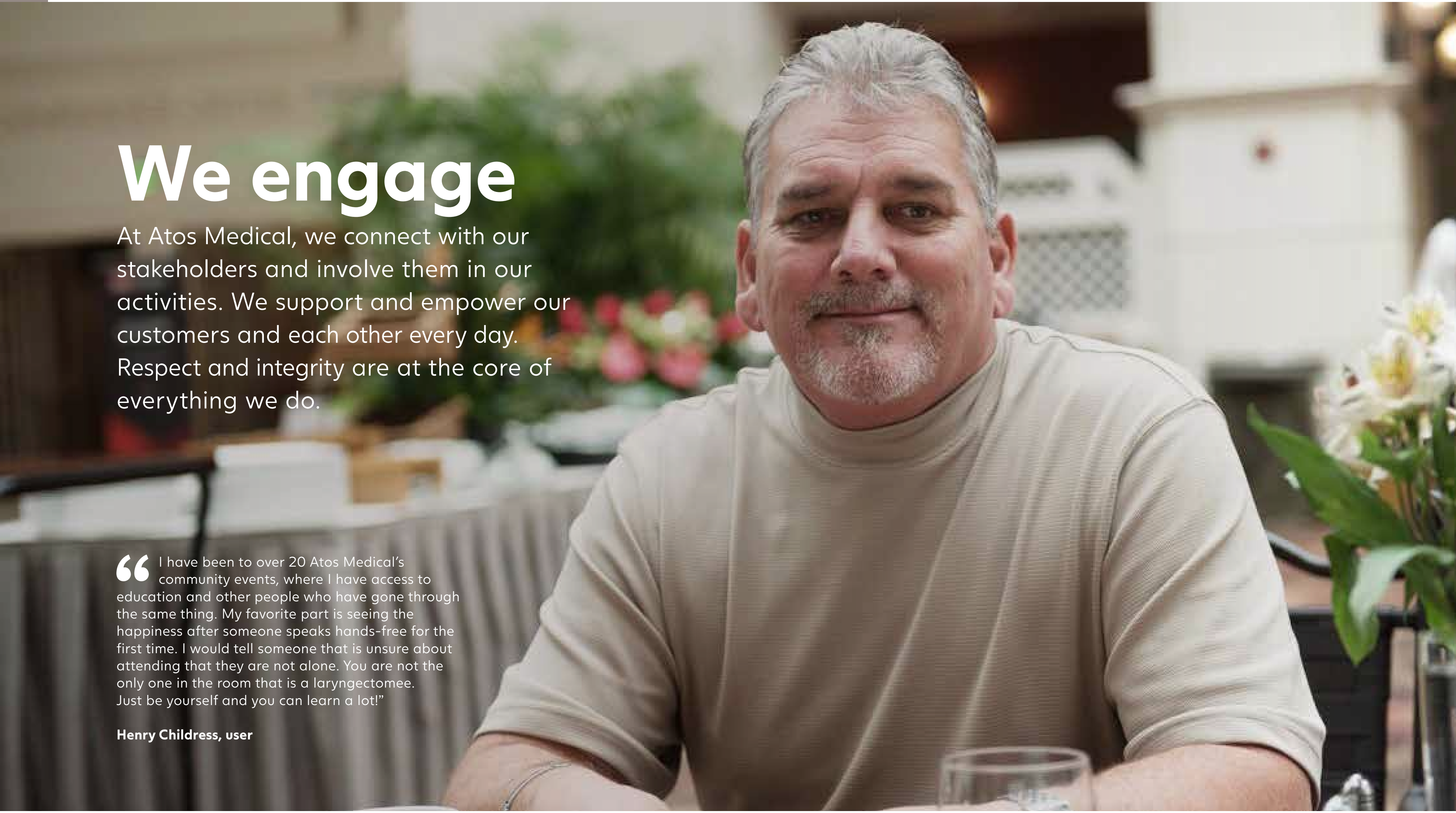
2017

We launched Provox® Luna®, a night-time solution to help users have better nights and prepare for better days.

We fully committed ourselves to our users through community events, home visits, service calls and direct delivery across all our markets.

2018

In connection with the acquisition of Heimomedin 2018 our product portfolio was expanded with a wide range of tracheostomy products, such as tracheostomy tubes, speaking valves and HMEs.



We engage

At Atos Medical, we connect with our stakeholders and involve them in our activities. We support and empower our customers and each other every day. Respect and integrity are at the core of everything we do.

“I have been to over 20 Atos Medical’s community events, where I have access to education and other people who have gone through the same thing. My favorite part is seeing the happiness after someone speaks hands-free for the first time. I would tell someone that is unsure about attending that they are not alone. You are not the only one in the room that is a laryngectomee. Just be yourself and you can learn a lot!”

Henry Childress, user

People make the difference

Our people are the strength and the key to our on-going success. We create the best customer experience and thereby successful business through our 800 skilled and engaged employees worldwide. Our unique purpose is a strong driver for employee engagement, and a strong lever in attracting future talent.

Atos Medical's aspiration is to create a culture built on purpose, pride and sustainable growth. We believe that an open work environment and challenging roles and development opportunities all contribute to high employee engagement. Working at Atos Medical means working within a diverse, global organization with incredible opportunities. During 2019, we promoted more than 50 employees, a strong testament to our talent pool.

We strongly believe that our best work is co-created. It is only when we build on each other's ideas, skills and experiences, within and across teams, that truly innovative products and solutions are created. One example is the establishment of global cross functional and cross territory teams, who have now developed new and improved tools and ways of working.

Great leadership drives engagement, excellent customer experience and strong business performance. We are developing the "Leading the Atos Way" program, which will be launched early 2020. The program will establish a clear view of what great leadership at Atos Medical looks like and will give leaders across all countries concrete tools to evolve and enhance the way they lead their teams towards top performance.

We listen to our people. The first global Employee Engagement Survey was launched in 2018 and it is now embedded as a recurring event at Atos Medical. We are very proud that our overall satisfaction and motivation score has improved 4 points since last year, which shows significant progression and brings us above the global benchmark. This is a strong indicator of the value of listening to our employees and actively addressing their input.

Atos Medical's strong focus on developing leadership capabilities, enhancing engagement and evolving skills and new ways of working, will lead to a unique, high-performance culture built on pride, purpose and sustainable growth.

800
employees worldwide

90%
are proud to work for Atos Medical

88%
feel a sense of commitment

50
employees promoted 2019

Sustainability

Atos Medical is committed to sustainable and ethical business practices and we have adopted the UN Sustainable Development Goals (SDGs) as our framework. To seize the most material business opportunities presented by the SDGs and to reduce risks, we define our priorities based on an assessment of their positive and negative, current and potential impact on the SDGs across our value chains.

To bolster our chance of meeting our goals, we integrate sustainability into our core business and governance. We ensure that our goals have a strong link to our customer-centric purpose and strategy: to address the needs of our customers with personalized care, helping them breathe, speak, and live. Our sustainability framework is built on three pillars: People, Planet, and Business Ethics that support the UN 2030 Agenda for Sustainable Development, in particular the following SDGs:

3 GOOD HEALTH AND WELL-BEING

"We contribute to the well-being of our customers through personalized care, empowering them to breathe, speak, and live healthy lives"

8 DECENT WORK AND ECONOMIC GROWTH

"We provide a good workplace and equal opportunities; we systematically improve working environment and work safety in all of our organization"

People

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

"Our approach to environmental challenges is ambitious and precautionary, and we seek to use resources efficiently"

Planet

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

"Respect and integrity are at the core of everything we do; and we work to promote ethics and to reduce corruption and bribery"

Business Ethics

2019 ESG Performance

We work systematically with sustainability targets guided by the strategic priorities in the three pillars. We aim to ensure that our goals include opportunities to make positive contributions to the SDGs as well as to reduce current and potential negative impacts.
In 2019, we made progress in the following areas:

Business Ethics

We updated our Code of Conduct to more clearly reflect our commitment to ethical interactions with both patients and healthcare professionals, and show our commitment to European and US industry ethics standards

We further strengthened our GDPR compliance efforts, building and training a network of Data Protection Officers in our subsidiaries to deliver on our promise to safeguard our customers' personal data

We rolled all distributors into our due diligence system to detect and prevent corruption and unethical behavior in our distribution chain

Planet

We renewed the energy mapping of our production site in Sweden to identify good practices as well as opportunities for reducing our energy consumption levels

We carried through initiatives to recycle all packaging materials to deliver on our pledge to use resources responsibly

We followed through on our plan for moving from parcel to full pallet delivery, and from air freight to bulk transportation to reduce the environmental impact of product freight

People

We passed an unannounced MDSAP Audit re-certifying us for compliance with ISO 13485, and regulations in Australia, Brazil, Canada, Japan, the EU, and the US, delivering on our promise for high quality, and safe products

We further strengthened our GDPR compliance efforts, building and training a network of Data Protection Officers in our subsidiaries to deliver on our pledge to safeguard our customers' personal data

We took action based on the 2018 employee survey, and improved the 2019 score by 6%, being true to our promise for a good and inspiring workplace

Organization and Reporting

Sustainability (ESG) activities are anchored with members of the Global Leadership Team, and overseen by the Risk, ESG, and Compliance Committee. Performance is monitored on defined KPIs, and is reported quarterly to the Audit Committee, while the Board of Directors assesses the strategic ESG priorities annually. Environmental, Social, and Governance risks are integrated in Atos Medical's general risk reporting and risk management system, cf. p 25.

The statutory Sustainability Report, which tracks concrete KPIs for 2019 and presents focus areas for 2020, of the Atos Medical Group in accordance with the Swedish Financial Statements Act is available at www.atosmedical.com

Corporate Governance

Atos Medical's Corporate Governance processes are aimed at continuously directing, controlling, and improving strategy and decision-making, defining clear responsibilities and identifying and evaluating opportunities and risks for the Group. Our Governance processes are centered around our purpose of making life easier for people living with a neck stoma, by providing personalized care and innovative solutions. Corporate Governance is exercised by our Shareholders, and the Group's two-tier management.

Shareholders

The shareholders have ultimate authority over the Company and exercise their rights at the General Meeting, which approve the annual reports, resolve on any amendments to the Articles of Association, and elect board members as well as the independent auditor.

> PAI Partners, a leading European private equity firm, has been the majority shareholder of the Atos Medical Group since 2016. PAI is one of the oldest and most experienced firms in European private equity, and is characterised by an industrial approach to ownership combined with a sector-focused organisation. PAI provides companies with the financial and strategic support required to pursue their development and enhance strategic value creation. PAI manages and advises close to €14 billion of dedicated buyout funds. Since 1994, PAI has completed 75 LBO transactions in 11 European countries, representing circa €55 billion in transaction value. PAI has 86 experienced professionals from 15 countries and teams in Paris, London, Luxembourg, Madrid, Milan, Munich, Stockholm and New York City.

Management

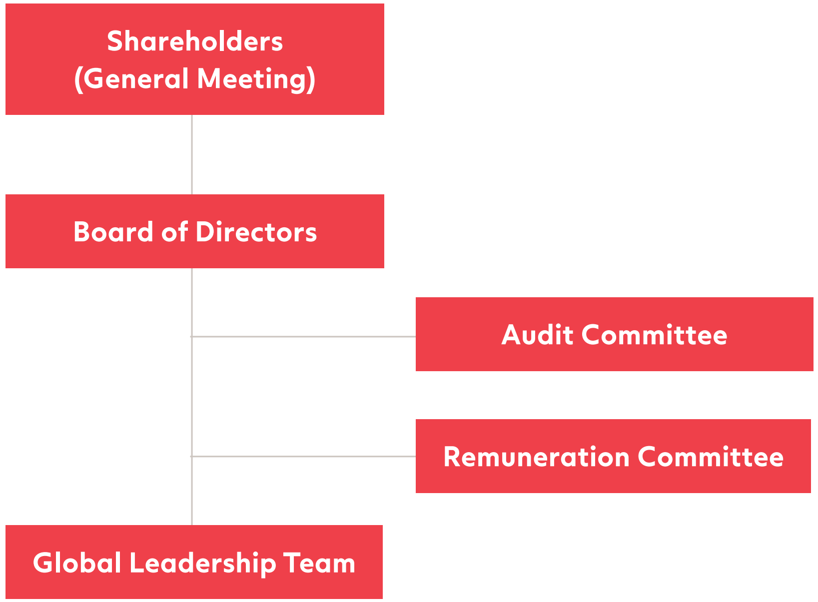
Atos' two-tier management structure consists of the Board of Directors (BoD) and the Global Leadership Team (GLT). The two bodies are separate and have no overlapping members. The GLT oversees day-to-day management, while the BoD supervises the GLT and is responsible for the overall management and strategic direction.

Board of Directors

The Board has six members, of whom four are elected by the shareholders and two by the employees Sweden (cf. p. 23). All shareholder-elected members of the Board of Directors serve for one-year-terms and may stand for re-election at each annual General Meeting. The Board convenes at least four times per year.

Board Committees

The Board has established two committees: **The Audit Committee** (AC) and the **Remuneration Committee** (RemCo). The AC consists of three Board members who convene together with members of management and the External Auditor in conjunction with all Board Meetings. The AC assists the Board on the financial reporting and audit process, internal controls and risk management, and oversees the Group's legal compliance program and monitors progress on ESG/Sustainability KPIs. The RemCo consists of two Board members and convenes twice per year to support the Board establishing, implementing and executing its remuneration policy for management.



Global Leadership Team

The Global Leadership Team (GLT) consists of the CEO, the CFO and eight other members (p. 24). The GLT is responsible for the day-to-day management and compliance with guidelines and follow-up on recommendations from the Board of Directors. The GLT presents, submits, and recommends proposals for Atos' overall strategy and long term objectives to the Board. The GLT prepares management and operational reporting to the Board on an ongoing basis, and provides Risk, ESG, and Compliance reports at regular intervals.

More information on Risk Management on p. 25 and on Sustainability on p. 20. Atos Medical is not required to follow the Swedish Corporate Governance Code, and is not a subject to statutory corporate governance reporting.

Board of Directors

Lars Frederiksen

Chairman of the Board (Independent)

Other board assignments
Chairman, Hedorf Foundation. Member of the Board of Directors Tate & Lyle. Member of the Board of Directors Falck. Chairman of the Board of Directors Matas A/S. Chairman Committee for Good Corporate Governance.
Chairman, Danish Committee for Good Corporate Governance

Ragnar Hellenius

Vice chairman of the Board
Partner, PAI partners.
Head of the Nordic team.

Other board assignments
Member of the Board of Directors PAI Partners AB, ADB Safegate (2014-2017) and Perstorp Holding AB.

Frédéric Stévenin

Board member
Partner & Chief Investment Officer,
PAI Partners.

Other board assignments
Chairman of the Supervisory Board B&B. Member of the Supervisory Board Elitech, Ethypharm and Labeyrie. Chairman of the Board Labeyrie. Member of the Board of Directors Froneri, Kaufman & Broad, Roompot and Marcolin. Member of the Supervisory board of Zahneins.

Andreas Kumeth

Board member
Principal, PAI Partners. Member of the Healthcare team.

Other board assignments
Member of the Board of Directors B&B. Member of the Supervisory board of Zahneins.

Göran Jönsson

Union representative
Global ERP System Owner,
Atos Medical since 2002.

Karin Johansson

Union representative
Senior Risk Manager,
Atos Medical since 2004.

The Board of Directors as reflected on this page are appointed in Lary 3 AB.

Leadership Team

Britt Meelby Jensen

CEO since 2019, joined Atos Medical in 2019.

Egil M. Madsen

CFO since 2019, joined Atos Medical in 2019.

Ulrik Berthelsen

Chief Commercialization & Innovation Officer since 2016, joined Atos Medical in 2016.

Dorthe Rønnau

Senior Vice President, HR & Communications since 2016, joined Atos Medical in 2016.

Martin Richardson

Senior Vice President, Operations & Quality since 2017, joined Atos Medical in 2017.

Christian Skak Olufsen

Vice President, General Counsel, Legal Affairs and Compliance since 2016, joined Atos Medical in 2016.

Mark Reade

Senior Vice President, North America since 2015, joined Atos Medical in 2015.

Christian Zischeck

Senior Vice President, Europe Central since 2019, joined Atos Medical in 2019.

Pascale Chapuis

Senior Vice President, Europe North and South since 2019, joined Atos Medical in 2017.

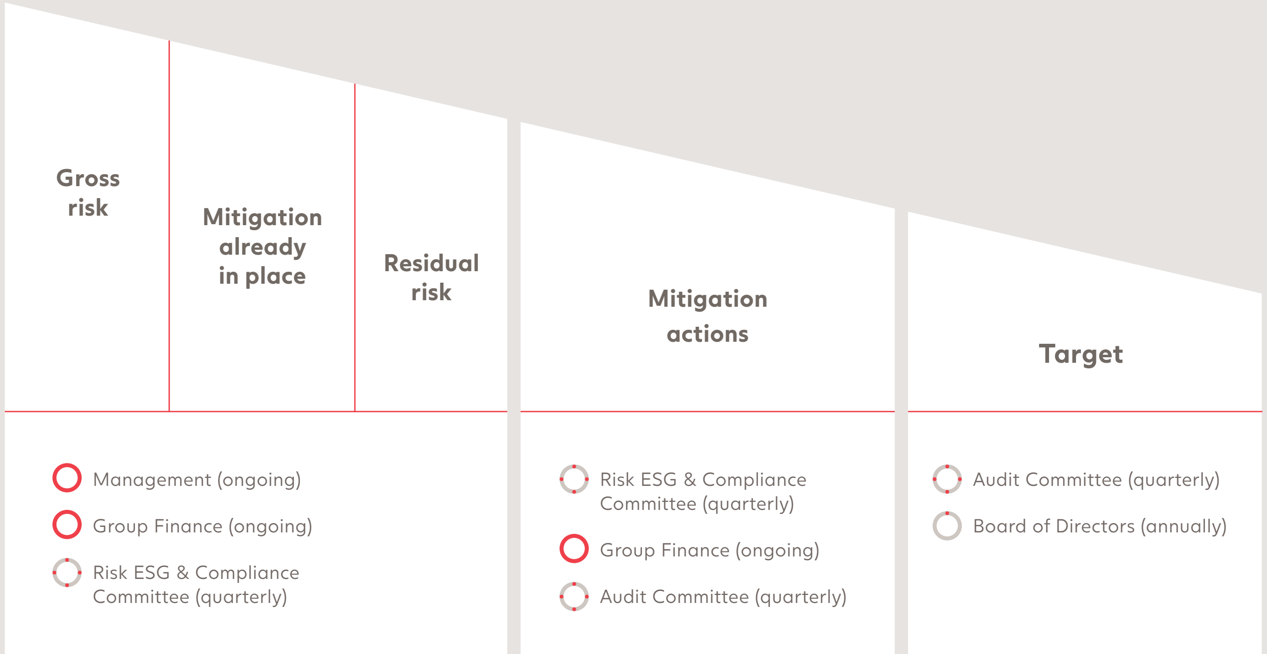
Sune Schmoelker

Senior Vice President, New Markets since 2019, joined Atos Medical in 2016.

Risk Management

Atos Medical maintains a robust enterprise risk management process to strategically and proactively manage strategic, operational, and financial risks to secure the sustainability of our business.

The overall objective of the risk management process is to identify risks that may threaten the our strategy by impeding our long term ability to win our Must Win Battles, operational risks that may impact short term targets, as well as risks relating to financial exposure. We quantify the impact and likelihood of identified risks, and then define adequate, concrete, mitigating actions and assign clear ownership in in the organization. Risks are monitored and regularly reported to the Audit Committee and the Board of Directors to provide them with a strategic tool for assessing whether target risks are at acceptable levels, and whether the defined responses are adequate (cf. figure below).



Strategic Risks

- Competitor Threat
- Technology Disruption
- Market Structure Risk

Operational Risks

- Production Disruption
- Supplier Disruption
- Quality and Product Safety
- Data Protection Risk
- IT Infrastructure Risk
- Cyber Security Risk

Financial Risks

- Currency Risk – Transaction Exposure
- Currency Risk – Translation Exposure
- Interest Rate Risk
- Liquidity and Financing Risk
- Credit and Counterparty Risk

Brexit risk response

In order to prepare for a potential no-deal Brexit that would lead to a hard customs border, export bottlenecks and potentially non-harmonized medical device regulations in the future, we have been following UK National Health Service directions for increased stock levels. Atos monitors the ongoing exit negotiations between the UK and the EU closely to be able to adapt to all new export or regulatory requirements.

Strategic Risks	Mitigating actions / policies
Competitor Threat. A new, low cost competitor with a global distribution set-up could impact the business. An existing competitor could improve their product portfolio and expand their distribution set-up.	Securing the highest product quality while maintaining best-in-class production costs. Strong innovation to deliver new, leading edge products. Engaging directly with customers – both patients and HCPs – to be their preferred partner.
Technology Disruption. A novel, currently unproven technology could change the industry and impact the business negatively if Health Care Professionals (HCPs) and users move to new technologies.	Constantly monitoring the R&D environment and keeping a strong focus on product quality and innovation to be leading edge in the field.
Market Access Risk. Changes in health insurance levels, payor budget restrictions as well as complex reimbursement and healthcare regulation challenges could impact our business negatively.	Developing and improving products with added value backed by clinical evidence. Maintaining best-in-class cost structure to reduce insurance and reimbursement sensitivity. Maintaining reimbursement and healthcare regulations competences and processes.

Operational Risks	Mitigating actions / policies
Production Disruption. Most products are manufactured in Hörby, Sweden; A catastrophic event could lead to significant property damage, short term loss of revenue, and long term loss of business.	Maintaining fire and emergency protocols that are always up-to-date. Maintaining adequate insurance. Maintaining contingency plans to secure access to sourcing.
Supplier Disruption. An interruption at a major supplier (e.g. catastrophic events or bankruptcy) could impact the business negatively through short term loss of business.	Having adequate contracts in place with suppliers and performing supplier audits. Keeping suppliers of production materials at low volume, and focusing on in-sourcing large volume supply. Maintaining adequate insurance.
Quality and Product Safety. A product non-conformity leading to a major product recall or an adverse effect related to an Atos Medical product that negatively impacts the life and health of one or more patients could impact our business negatively through recall costs, financial and reputational damage, and short and long term loss of business.	Operating an MDSAP and ISO-compliant quality management system and preparing it for the new MDR. Undergoing audits and inspections as well as internal quality audits on an ongoing basis. Identifying issues, finding and correcting root causes. Maintaining adequate insurance.
Data Protection Risk. The Group processes large amounts of sensitive personal data, including patient health information. A major leak, a major breach, or systematic data protection failures could impact the business directly (fines) and indirectly (lack of trust leading to loss of business).	Maintaining GDPR and HIPAA compliant Personal Data Protection policies, Data Processing Agreements. Maintaining global and local processes, and having in place forms and policies for patient consent. Training all employees, globally and locally. Maintaining organizational and technical security measures.

Operational Risks	Mitigating actions / policies
IT Infrastructure Risk. Day-to-day operations are dependent on IT infra-structure, incl. CRM, ERP, and BI; disruption due to system failure or break-down could impact the group through direct repair and re-establishment costs, short term loss of revenue, and long term loss of business.	Outsourcing IT operations to realize scale and expertise benefits. Ensuring technical and organization security (incl. back-up, recovery, and re-instatement). Auditing suppliers.
Cyber Security Risk. Day-to-day operations are dependent on IT infrastructure, incl. CRM, ERP, and BI; disruption due to hostile intervention such as e.g. ransomware attacks could impact the group through direct reestab-lishment costs, short term loss of revenue, and long-term loss of business.	Keeping IT operations outsourced to realize scale, expertise, and security maintenance. Maintaining technical and organization security (incl. back-up, recovery, and re-in-statement). Auditing suppliers. Testing cyber-resilience.
Financial Risks	**Mitigating actions / policies**
Currency Risk – Transaction Exposure. The largest exposure to currency risk stems primarily from the group's purchases and sales denominated in foreign currencies, so-called transaction exposure.	Pursuant to the group's policy, this transaction exposure has not been hedged via the use of currency derivatives.
Currency Risk – Translation Exposure. Currency risks also appear as a result of the translation of the income statements and balance sheets of foreign subsidiaries into the group's functional currency (SEK).	Pursuant to the group's policy, hedging of net investments is not performed. The group's organizational structure, which to a large extent consists of centralized production in Sweden and subsidiaries that serve solely as sales units, limits the translation exposure.
Interest Rate Risk. Interest rate risk refers to the risk that either the fair market value or future cash flow fluctuates as a result of changes in prevailing market interest rates. The group is primarily exposed to interest rate risk through its debt financing. Since the loans have variable interest rates, the group's future financial expenses are affected by fluctuations in the prevailing market rates.	Pursuant to the financial policy, 45% of the interest rate risk (excl. PIK loan) is hedged. Hedge accounting has not been used.
Liquidity and Financing Risk. The risk that the group has issues meeting its obligations with respect to its financial debts. Financing risk refers to the risk that the group is unable to raise adequate financing at a reasonable cost.	Liquidity planning and monitoring is centrally managed. Financing requirements are regulated by a loan agreement with a bank syndicate, which also ensures additional financing for acquisitions, etc.
Credit and Counterparty Risk. The risk that the counterparty in a trans-action causes the group to incur a loss by failing to perform its contractual obligations. The group's exposure to credit risk is primarily attributable to accounts receivable.	Credit reports are run for new sales as needed. A large part of the group's sales are made to public sector institutions, such as hospitals or government agencies in the various countries, which limits risk.

Directors' Report

The Board of Directors and the CEO of Lary 1 AB hereby present the financial statements and consolidated financial statements for the 01.01.2019-31.12.2019 financial year.

The Group

The nature and focus of the business

Lary 1 AB carries on holding operations in the Lary 1 Group (also known as Atos Medical). Atos Medical develops, produces and sells medical technology products mainly in the areas of laryngectomy and tracheostomy.

In a total laryngectomy, the entire larynx is surgically removed and the airways are separated from the mouth, nose and esophagus. Instead, the person breathes through a stoma in the throat. While it is life saving, the operation affects several important functions such as speech, breathing, swallowing and sense of smell. Usually, a person undergoes a total laryngectomy after laryngeal cancer or esophageal cancer, also called throat cancer, while other causes are increasing, such as papillomavirus (HPV). Tracheostomy is a surgical procedure where an opening in the trachea is made in the throat just below the larynx to facilitate breathing. In a tracheostomy, the larynx is not surgically removed.

Atos Medical's products allow people to speak after a total laryngectomy even though they no longer have a larynx. They also allow people to breathe through their stoma during the day and night while their lung health recovers. To restore voice and lung health, Atos Medical offers different voice prostheses for speech and various heat and moisture exchangers for breathing.

Atos Medical is a market-leader in the areas of laryngectomy and tracheostomy. Sales are carried on through own subsidiaries or branches in 22 countries worldwide. The branches are located in Switzerland and Portugal.

Sales also take place via distributors in a large number of countries. For an overview of Atos Medical's subsidiaries, see Note 14.

Ownership structure

Lary 1 AB is 96.7% owned by Financiere Lary S.a.r.l as of the end of 2019. The remaining 3.3% is owned by employees and officers of the Atos Medical Group. Financiere Lary S.a.r.l is owned by funds controlled by and/or advised by PAI Partners SAS.

Significant events during the financial year

On March 1, 2019, Britt Meelby Jensen started as new CEO of the Atos Medical Group. She comes most recently from a position as CEO of the Danish biotech company Zealand Pharma A/S, which is listed on Nasdaq in both Copenhagen and New York.

The Group has also made some changes in Group management, including changes in the roles as CFO and regional responsibility. For an overview of senior executives, see page 24.

No other significant events occurred during the financial year.

Multi-year summary

(SEKm)	2019	2018	2017
Net revenue	1,736	1,608	1,267
Operating profit/loss	295	186	145
Earnings after financial items	-248	-388	-199
Total assets	10,186	9,900	9,242
Equity ratio	35%	37%	40%
Average number of employees	809	710	600

Sales increased by 8% and amounted to SEK 1,736m (1,608m). The laryngectomy area showed continued good growth of 13%. The company's strategy to provide service to patients direct lyhas been maintained. Southern Europe and New Markets were the geographical areas with the strongest growth.

The Group's operating profit increased to SEK 295m (186m), and thus the operating margin increased to 17% (12%). Costs for sales, administration and research/development amounted to 63% of net sales (66%). Sales costs have increased as a result of continued investment in the expansion of the commercial organization, while administrative costs have decreased between the years. The 2018 administrative expenses were negatively affected by restructuring costs, mainly related to the acquisition of the Heimomed Group (SEK 98m).

Net financial costs amounted to SEK -543m (-575m). The Group's net financial costs were impacted by SEK -144m (-216m) of currency effects due to the revaluation of liabilities in foreign currency (EUR, USD and GBP).

Thec ompany expectsc ontinuedgood development of operatingpr ofit. After several years of investingin thec ommercialor ganization, various investments are now also un derway to improve thec ompany's infrastructure in terms of systems and processes.

Research and development

Atos Medical conducts active research and product development to further develop the product portfolio. Technologies and product improvements are patented. The costs for research and development amounted to SEK 21m (20m).

Investments and acquisitions

No company acquisitions were made during the year. The Group's investments in intangible fixed assets amounted to SEK 42m (70m) and investments in tangible fixed assets amounted to SEK 36m (46m). In regard to intangible assets, the largest item is capitalized development expenditure for new products.

Liquidity, financing and financial position

Atos Medical has a loan agreement with a consortium of banks. This is described in more detail in Note 3. At year-end, consolidated cash and cash equivalents totaled SEK 373m (128m) and interest-bearing liabilities totaled SEK 5,606m (5,159m).

Cash flow from operating activities for the year improved and amounted to SEK 356m (184m), mainly due to the improved operating profit. Cash flow for the year from investment activities amounted to SEK -78m (-407m). In 2018, subsidiaries were acquired, which affected cash flow by SEK -285m. Similarly, cash flow from financing operations was reduced to SEK -37m (261m), where the previous year was affected by the raising of loans amounting to SEK 245m as a result of the business acquisitions.

At year-end, the Group's total assets amounted to SEK 10,186m (9,900m). The increase is mainly due to the transition to IFRS16 which has led to the recognition of right of use assets, but is also due to an increased cash balance.

Significant risks and uncertainties

The Group's operations are exposed to various risks. These risks are both strategic, operational and financial. The risks are assessed as unchanged compared to the previous year. For a more detailed description of the company's risks, see the section titled Risk management on pages 25-27 and Note 3.

Employees

Average number of employees during the year totaled 809 (710). It is mainly Atos Medical's subsidiaries in Europe that have increased the number of employees. The Group is actively developing its employees and will in 2020 launch a leadership program for Atos Medical's leaders globally. More information regarding employees can be found in section Our people on page 19.

Environment and Sustainability Report

Atos Medical's Sustainability Report is available on the company's website www.atosmedical.com. The company does not carry on any activity requiring official notification. The work concerning the environment is described in more detail in the company's Sustainability Report.

Parent Company

Lary 1 AB has the purpose of directly or via subsidiaries to own and manage fixed and movable property and securities. The company shall also coordinate the activities of the company's subsidiaries and/or other companies that are in group or other interest with the company and conduct other related activities. Lary 1 AB is 96.7% owned by Financiere Lary S.a.r.l as of the end of 2019. The remaining 3.3% is owned by employees and officers of the Atos Medical Group. Financiere Lary S.a.r.l is owned by funds controlled by and/or advised by PAI Partners SAS.

Multi-year summary

(000s SEK)	2019	2018	2017
Net revenue	0	0	0
Operating profit/loss	-1,188	74	-455
Cash and cash equivalents	53,599	54,267	28,324
Interest-bearing liabilities	0	0	0
Investments	0	0	0

Proposed allocation of profit

The following funds (SEK) are available for distribution by the Annual General Meeting:

Share premium reserve	3,809,782,142
Retained earnings	0
Net income/loss	0
The Board of Directors and the CEO propose that the following sum be carried forward:	3,809,782,142

In regard to the Group's and the company's earnings and financial position in general, we refer to the following income statement and balance sheet, notes to the financial statements and disclosures.

Consolidated profit and loss statement

(000s SEK)	Note	2019	2018
Net revenue	5	1,736,400	1,607,910
Cost of goods sold		-355,214	-371,639
Gross profit		**1,381,186**	**1,236,271**
Sales expenses		-821,050	-766,041
General and administrative expenses		-243,783	-271,788
Research and development expenses		-20,616	-19,812
Other operating income		2,427	12,447
Other operating expenses		-2,849	-4,899
Operating profit(loss)	6.7.8.9.10	**295,315**	**186,178**
Financial income	11	–	2,156
Financial expenses	12	-542,867	-576,822
Earnings before taxes		**-247,552**	**-388,488**
Income tax	13	-83,427	84,297
NET EARNINGS(LOSS) FOR THE YEAR		**-330,979**	**-304,191**
Attributable to:			
Parent company's stockholders		-330,979	-304,191

Consolidated report on comprehensive income

(000s SEK)	2019	2018
Net earnings(loss) for the year	**-330,979**	**-304,191**
Other comprehensive income		
Components that may be reallocated to the current year's net earnings(loss):		
Annual currency translation gain(loss) due to translation of foreign operations	193,003	287,105
Total of components that may be re-allocated to the current year's net earnings(loss)	193,003	287,105
Total – Other comprehensive income for the year, net after taxes	**193,003**	**287,105**
COMPREHENSIVE INCOME FOR THE YEAR	**-137,976**	**-17,086**
Attributable to:		
Parent company's stockholders	-137,976	-17,086

Consolidated report on the financial position

(000s SEK)	Note	12/31/2019	12/31/2018
ASSETS			
Fixed assets			
Intangible assets	15		
Goodwill		5,436,873	5,285,928
Trademarks		1,445,160	1,407,603
Customer relationships		1,445,905	1,593,504
Technology		704,546	723,087
Other intangible assets		20,094	17,737
		9,052,578	**9,027,859**
Property, plant, and equipment			
Buildings and land	16	49,744	63,289
Machinery and other technical installations	16	37,170	26,688
Inventory and equipment	16	60,772	58,553
Right of use assets	9	105,040	–
New facilities under construction	16	25,231	26,136
		277,957	**174,666**
Long-term financial assets			
Other financial assets	17	2,881	5,096
		2,881	**5,096**
Deferred tax assets	13	**50,241**	**151,593**
Total Fixed assets		**9,383,657**	**9,359,214**
Current assets			
Inventory	18	**87,305**	**96,548**
Receivables			
Accounts receivables	19	280,225	269,434
Current tax assets		25,360	18,052
Other receivables		16,109	11,261
Prepaid expenses and accrued income	20	19,446	17,993
		341,140	**316,740**
Cash and cash equivalents		**373,479**	**127,763**
Total current assets		**801,924**	**541,051**
TOTAL ASSETS		**10,185,581**	**9,900,265**

(000s SEK)	Note	12/31/2019	12/31/2018
EQUITY AND LIABILITIES			
Equity	21		
Shareholder's equity		38,424	38,424
Other paid-in capital		3,809,782	3,809,782
Translation reserve		585,081	392,078
Retained earnings including net earnings(loss) for the year		-913,234	-577,852
Equity attributable to the parent company's shareholders		**3,520,053**	**3,662,432**
Total equity		**3,520,053**	**3,662,432**
Long-term debt			
Liabilities to credit institutions	22	5,566,334	5,144,281
Deferred tax liabilities	13	847,007	874,356
		6,413,341	**6,018,637**
Current liabilities			
Liabilities to credit institutions	22	39,373	14,283
Accounts payable		46,660	51,745
Current tax liabilities		25,110	15,520
Other current liabilities		23,673	25,344
Accrued expenses and prepaid income	23	117,371	112,304
		252,187	**219,196**
TOTAL EQUITY AND LIABILITIES		**10,185,581**	**9,900,265**

Consolidated statement of changes in equity

(000s SEK)	Share capital	Other paid-in capital	Translation reserve	Retained earnings Including net earnings (loss) for the year	Total shareholder's equity attributable to the parent company's stockholders
Shareholder's equity on Jan. 1. 2018	**38,272**	**3,783,934**	**104,973**	**-271,701**	**3,655,478**
Net earnings(loss) for the year	–	–	–	-304,191	-304,191
Other comprehensive income for the year, net after taxes	–	–	287,105	–	287,105
Comprehensive income for the year	**–**	**–**	**287,105**	**-304,191**	**-17,086**
Other changes in Equity					
Ownership transactions:					
Issue of new shares	152	25,848	–	–	26,000
Transaction with minority*	–	–	–	-1,960	-1,960
Total shareholder transactions	**152**	**25,848**		**-1,960**	**24,040**
Shareholder's equity on Dec. 31. 2018	**38,424**	**3,809,782**	**392,078**	**-577,852**	**3,662,432**
Shareholder's equity on Jan. 1. 2019	**38,424**	**3,809,782**	**392,078**	**-577,852**	**3,662,432**
Other changes in Equity					
Change in accounting principles IFRS16	–	–	–	-4,403	-4,403
Net earnings(loss) for the year	–	–	–	-330,979	-330,979
Other comprehensive income for the year, net after taxes	–	–	193,003	–	193,003
Comprehensive income for the year	**–**	**–**	**193,003**	**-330,979**	**-137,976**
Ownership transactions:					
Total shareholder transactions	**–**	**–**	**–**	**–**	**–**
Shareholder's equity on Dec. 31. 2019	**38,424**	**3,809,782**	**585,081**	**-913,234**	**3,520,053**

* refers to share of profit for minority in Iskia in connection with the acquisition of the minority

Consolidated cash flow report

(000s SEK)	Note	2019	2018
Operating activities			
Operating profit(loss)		295,315	186,178
Adjustment for items not included in cash flow:			
Depreciation and write-downs		298,257	259,772
Unrealized exchange rate gains(losses)		11,744	-3,683
Proceeds from the sale of fixed assets		1,032	135
Interest received		–	2,156
Interest paid		-209,173	-201,279
Financial expenses paid		-983	-2,160
Income tax paid		-24,234	-55,813
Cash flow from operating activities before changes in working capital		**371,958**	**185,306**
Changes in working capital			
Decrease(+)/increase(-) in inventory		13,092	8,684
Decrease(+)/increase(-) in accounts receivables		-3,123	-15,041
Decrease(+)/increase(-) in other current receivables		-10,438	-14,838
Decrease(-)/increase(+) in accounts payable		-18,010	-7,442
Decrease(-)/increase(+) in other current liabilities		2,273	27,050
Cash flow from operating activities		**355,752**	**183,719**

(000s SEK)	Note	2019	2018
Investment activities			
Acquisition of subsidiaries	25	–	-285,370
Acquisition of and investment in intangible assets	15	-41,901	-75,284
Sales of intangible assets		7	–
Acquisition of property, plant, and equipment	16	-36,382	-46,471
Sales of property, plant, and equipment		844	–
Investments in other long-term financial assets		-881	77
Cash flow from investment activities		**-78,313**	**-407,048**
Financing activities	26		
Assumed loans		–	245,350
Primary share offering		–	26,000
Repayments of debt		-37,334	-8,537
Paid minority share of profit in Iskia		–	-1,960
Cash flow from financing activities		**-37,334**	**260,853**
Net increase(decrease) in cash flow		**240,105**	**37,524**
Cash and cash equivalents at beginning of year		**127,763**	**86,136**
Exchange rate changes on cash and cash equivalents		**5,611**	**4,103**
Cash and cash equivalents at end of year		**373,479**	**127,763**

Consolidated notes

Note 1 General information

Lary 1 AB, EIN ("organisationsnummer") 559064-1527, is a stock corporation registered in Sweden with a registered office in Malmö. The address of the main office is Box 31053, 20049, Malmö, Sweden. The corporation and its subsidiary's ("the group's" or "Atos Medical's") business involves the development, manufacturing, sale, and distribution of medical devices, primarily relating to laryngectomy procedures. The composition of the group is described in Note 14.

Lary 1 AB, the parent company of the Atos Medical Group, is a stock corporation that was 96.7% owned by Financiere Lary S.a.r.l as of the end of 2019. The remaining 3.3% is owned by employees and officers of the Atos Medical Group. PAI Partners supports Financiere Lary S.a.r.l via the PAI Europe – VI fund. The company has the purpose of directly or via subsidiaries to own and manage fixed and movable property and securities. The company shall also coordinate the activities of the company's subsidiaries and/or other companies that are in group or other interest with the company and conduct other related activities.

The annual report and consolidated financial statements were approved for release by the board on April 21, 2020. The consolidated profit and loss statement, comprehensive income report, and report on the financial position as well as the parent company's P&L statement and balance sheet will be subject to approval at the general assembly on April 21, 2020.

Note 2 Significant accounting principles

The consolidated financial statements for Lary 1 have been prepared in accordance with EU-approved International Financial Reporting Standards (IFRS). Pursuant to the rules of exemption for non-listed companies, Lary 1 has chosen not to apply IAS 33 Earnings Per Share and IFRS 8 Operating Segments. Additionally, the group is applying the Annual Accounts Act ("Årsredovisningslagen") and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

The financial reports are presented in Swedish kronor, the parent company's functional currency and the reporting currency of both the parent company and the group. All amounts, unless otherwise indicated, are rounded to the nearest thousand.

New, amended standards and improvements that came into force in 2019 are IFRS 16 Leases.

Effective January 1, 2019, IFRS 16 Leases replace the existing IFRS standards related to reporting leasing contracts, such as IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

IFRS 16 primarily affects lessees and the main effect is that all leasing contracts previously reported as operating leases must be reported in a manner similar to that of financial leasing contracts. This means that assets and liabilities must also be reported for operating leases, as well as the cost of depreciation and interest – which is different from old practice since leased assets and related liabilities were not reported and leasing expenses were recognized on a straight-line basis as leasing costs.

As an operating lessee, the group is affected by the introduction of IFRS 16. In the Note 9 the effects of the implementation of IFRS 16 are described.

Fixed assets and long-term debt essentially consist of amounts expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities essentially consist of amounts expected to be recovered or paid within 12 months of the balance sheet date.

In the consolidated financial statements, items are valued at their acquisition cost, aside from certain financial instruments that are valued at their fair market value through profit or loss. The essential accounting principles applied are described below.

New, amended standards and interpretations that have not yet entered into effect

The new, amended standards and interpretations that have been issued, but which enter into force for fiscal years beginning after January 1, 2019, have not yet been adopted by the group. Management estimates that the new, amended standards that have yet to enter into force will not have any significant effect on the group's financial reports once they are applied for the first time.

Consolidated financial statements

Subsidiaries are companies that are under the controlling interest of Lary 1 AB. A controlling interest exists if Lary 1 AB has an influence on the investment object, is exposed to or entitled to a variable rate of return from its engagement, and can apply its influence over the investment to affect this return. In the assessment of whether a controlling interest exists, the existence of any voting shares or de facto control is considered.

Subsidiaries are included in the consolidated financial statements from the date of their acquisition up to the date when the parent company no longer has a controlling interest in the subsidiary. The accounting principles for subsidiaries have been adjusted as needed in order to agree with the group's accounting principles. All intra-group transactions, balances, and unrealized profits and losses attributable to intra-group transactions have been eliminated from the consolidated financial statements.

Business combinations

Mergers and acquisitions are reported pursuant to the acquisition method.

The purchase price for the acquired business is valued at the fair market value at the time of acquisition, which is calculated as the sum of the fair market values at the time of acquisition of all acquired assets, accrued or assumed liabilities, as well as shares of equity issued in exchange for control of the acquired business. Acquisition-related expenses are reported in the profit and loss statement when they occur.

The purchase price also includes the fair market value at the time of acquisition of any assets or liabilities resulting from an agreement with a conditional purchase price. Changes in the fair market value of a conditional purchase price acquisition arising due to additional information about facts and conditions that were in existence at the time of the acquisition and were received after the acquisition date qualify as adjustments during the appraisal period and are retroactively adjusted with a corresponding adjustment of goodwill. Conditional purchase price acquisitions that are classified as equity are not revalued and the subsequent adjustment is recognized in equity. Any other changes to the fair market value due to a conditional additional purchase amount are reported in the profit and loss statement.

Identifiable acquired assets and assumed liabilities are reported at fair market value on the date of acquisition with the following exceptions:

- Deferred tax assets or tax liabilities or assets or liabilities attributable to the acquired company's wage agreements with employees are reported and valued in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits, respectively.

- Liabilities or equity instruments attributable to the acquired company's share-based awards or to the exchange of the acquired company's share-based awards with the acquiring company's share-based assets are valued at the time of acquisition in accordance with IFRS 2 Share-based Payment.

- Assets (or disposal groups) classified as "Held for sale" pursuant to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are valued in accordance with the IFRS standard.

In the case of business acquisitions where the sum of the purchase price, any non-controlling interest, and the fair market value of prior share holdings on the acquisition date exceeds the fair market value of identifiable acquired net assets at the time of acquisition, the difference is reported as goodwill in the "Report on the financial position". If the difference is negative, this is reported as a "gain from a low-cost acquisition" directly in the profit and loss statement after verification of the difference.

For each business acquisition, existing non-controlling share holdings in the acquired company are valued at either fair market value or the value of the proportionate share of those non-controlling holdings in the acquired company's identifiable net assets.

Goodwill

Goodwill appearing in the consolidated financial statements consists of the difference between the acquisition cost and the group's share of the fair market value of an acquired subsidiary's identifiable assets and liabilities on the date of the acquisition. At the time of acquisition, goodwill is reported at acquisition cost, but after the first reporting date, it is valued at acquisition cost less any accumulated impairment charges. When assessing the need for impairment, goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition. A cash-generating unit to which goodwill has been allocated is tested annually for impairment or more frequently if there is an indication that the cash-generating unit needs to be impaired. If the recoverable amount for a cash-generating unit is lower than its carrying amount, the impairment loss is first allocated to the carrying amount of goodwill allocated to the cash-generating unit and subsequently to other assets, based on the carrying amount of the respective asset relating to the cash-generating unit. Any impairment of goodwill is immediately reported as an expense and is not reversed.

When selling a cash-generating unit, any goodwill allocated to the cash-generating unit is included in the calculation of capital gain or loss on the sale.

Revenue

Revenues are recognized in order to depict a transfer of the promised goods with an amount that reflects the payment to which the company is expected to be entitled in exchange for the goods. The identification of the revenue is based on the customer contracts and the performance obligations defined in the contracts. Revenue must be recognized when the performance obligation has been met and control of the goods has been transferred to the customer.

The group's performance obligation consists of the sale of medical technology products that are largely produced at the facilities in Hörby (Sweden). Atos Medical fulfills its performance obligation when the goods have been delivered to the customer and it is also then that the revenue is recognized. The Group sells both directly to patients and to hospitals and distributors. When the goods have been delivered to the customer, Atos Medical has no outstanding performance obligations and the revenues are recognized at a specific time. The transaction price falls due for payment within 30-60 days depending on the type of customer concerned. In many cases, it is a state or private insurance institution that is liable for payment when it comes to goods that give patients the right to reimbursement from them.

As the group produces and supplies medical technology products, there are a number of quality requirements and quality controls that must be implemented before the products can be sold and delivered to patients. This means that the group has very few returns and defective products and, based on the history, no provisions are made for returns. The group also provides no guarantees for the products as each product is quality assured before delivery, which ensures quality and intended use.

Dividend and interest income

Dividend income is recognized once the owner's right to receive payment has been established.

Interest income is recognized evenly over its effective term via application of the effective interest method.

Leasing contracts

The group assesses whether a contract is, or contains, a lease agreement at the beginning of the contract. The group recognizes a right of use asset and a corresponding lease liability for all leases in which the group is lessee, except for short-term leases (leases with a leasing period of a maximum of 12 months) and for leases where the underlying asset is of low value. For leasing contracts that meet the criteria for the relief rules, the group recognizes leasing fees as a straight-line operating cost over the lease period, unless another systematic method of accruing the lease fee gives a more accurate picture of how the economic benefits from the underlying asset are consumed by the lessee.

The leasing liability is initially valued at the present value of future lease payments that have not been paid at the start date of the lease, discounted with the implicit interest rate, or if it cannot be easily determined, the incremental loan interest rate. The incremental loan interest rate is the interest rate that a lessee would have to pay for financing through loans during a corresponding period, and with similar collateral, for the right of use of an asset in a similar economic environment.

Leasing fees included in the valuation of lease liabilities include the following;

- fixed fees (including fixed fees for its substance), after deduction of any benefits in connection with the signing of the lease to be obtained;

- variable leasing fees that depend on an index or price initially valued using the index or price at the commencement date;

- amounts expected to be paid by the lessee under residual value guarantees;

- the exercise price for an option to buy if the lessee is reasonably sure to take advantage of such an opportunity; and

- penalty fees that are payable upon termination of the lease, if the lease period reflects that the lessee will take advantage of an opportunity to terminate the lease.

Leasing liabilities are presented as part of liabilities to credit institutions in the report on financial position. Leasing liabilities are recognized in the subsequent period by increasing the debt to reflect the effect of interest and being reduced to reflect the effect of leasing fees paid. Leasing liabilities are revalued with a corresponding adjustment of the right of use asset according to the rules found in the standard. No such adjustments have been made during the current period.

The right of use assets are initially recognized at the value of the lease liability, with the addition of leasing fees paid on or before the start date of the lease and initial direct expenses. The right to use asset is recognized in the subsequent period at cost less depreciation and write-downs.

If the group incurs obligations for dismantling of a leased asset, restoration of land or restoration and renovation of access to condition agreed in a contract, a provision for such obligations is recognized in accordance with IAS 37. Such provisions are included in the acquisition value of the rights of use asset, unless they are linked to the production of inventories.

The right of use assets are depreciated over the estimated useful life or, if shorter, over the agreed lease term. If a lease transfers ownership at the end of the lease term or if the acquisition value includes a probable exercise of a call option, the rights of use assets are depreciated over the useful life. Depreciation begins on the start date of the lease.

The right of use assets are presented on a separate line in the report on financial position. The group applies the principles in IAS 36 for impairment of right of use assets and reports this in the same way as described in the principles for tangible fixed assets recognized in accordance with IAS 16. Variable leasing fees that do not depend on an index or price are not included in the valuation of leasing liabilities and rights of use assets. Such leasing fees are reported as an expense in operating profit in the period in which they arise.

IFRS 16 contains a practical relief rule which means that the lessee does not have to separate service components from the leasing fee applicable per asset class. The group has applied this relief rule for the following asset classes;

– Real estate / office space
– Vehicles
– IT equipment / Other

2018 Comparative year – Leasing contracts

The group has chosen a modified retrospective transition solution, meaning that comparative periods are note being restated. For 2018 the group has applied the former standard IAS 17 Leasing contracts which means that a financial leasing contract is an agreement where the financial risks and benefits associated with the ownership of an asset are essentially transferred from the lessor to the lessee. Other leasing contracts are classified as operating leases. The group holds only operating leases. Leasing fees for operating leases are expensed on a straight-line basis over the lease term unless another systematic approach provides a better reflection of the financial benefit to the user over time.

Foreign currency

Items contained in the financial reports of various group business units are reported in the currency used in the main economic environment in which each respective unit primarily conducts its business (functional currency). In the consolidated financial statements, all amounts are converted to Swedish kronor (SEK), which is the parent company's functional and reporting currency.

Foreign currency transactions for the various business units are converted into the respective unit's functional currency according to the exchange rates in effect on the date of the transaction. On each balance sheet date, foreign currency monetary items are converted at the exchange rate in effect on that date. Non-monetary items valued at fair market value in a foreign currency are converted at the exchange rate in effect at the time a fair market value was determined. Non-monetary items valued at their historical cost in a foreign currency are not recalculated.

Exchange rate differences are recognized during the period in which they appear in the profit and loss statement, except for hedging transactions that satisfy the conditions for hedge accounting of cash flow or net investments, where profits and losses are reported in "Other comprehensive income".

In the consolidated financial statement, the assets and liabilities of foreign subsidiaries are converted into Swedish kronor using the exchange rate in effect on the balance sheet date. Income and expense items are converted at the average exchange rate during the period unless the rate has fluctuated significantly during the period, in which case, the exchange rate on the transaction date is used. Any translation differences that arise are reported in "Other comprehensive income" and transferred to the group's translation reserve. Upon divestment of a foreign subsidiary, such translation differences are reported in the profit and loss statement as part of the capital gain/loss.

Goodwill and adjustments to fair market value from the acquisition of a foreign company are treated as the acquired company's assets and liabilities and are converted at the exchange rate in effect on the balance sheet date.

Borrowing costs

Borrowing costs directly attributable to the purchase, construction, or production of an asset that requires a considerable amount of time to complete for its intended use or sale are incorporated in the asset's acquisition cost until the date the asset is completed for its intended use or sale. Interest income from temporary placement of any borrowed funds for the aforementioned assets is deducted from the borrowing costs included in the asset's acquisition cost. Other borrowing costs are reported in the profit and loss statement for the period in which they were incurred.

Employee compensation

Compensation to employees in the form of wages, bonuses, paid vacations, paid sick leave, etc. as well as retirement benefits is recognized as it is incurred. Retirement benefits and other post-employment compensation are classified as defined-contribution or defined-benefit retirement plans. The ITP plan offered through Alecta is a defined-benefit retirement plan. However, pursuant to UFR 10, the plan is reported as if it were a defined-contribution plan. For more information, see Note 10.

Defined-contribution plans

The group pays set fees to a separate independent legal entity for defined-contribution plans and is not obliged to pay any additional fees. These costs are recognized as the benefits are earned, which normally coincides with the dates when the premiums are paid.

Taxes

The tax expense consists of the sum of current and deferred taxes.

Current taxes

Current taxes are calculated on the taxable income for the period. Taxable income differs from the reported profit or loss in the income statement as it has been adjusted for non-taxable income and non-deductible expenses as well as income and expenses that were taxable or deductible in other periods. The group's actual tax liability is calculated according to the tax rates in effect on the balance sheet date.

Deferred taxes

Deferred tax is reported on temporary differences between the carrying amount of assets and liabilities in the financial statements and the taxable value used for calculating taxable profit. Deferred taxes are reported in accordance with the "balance sheet method". In principle, deferred tax liabilities are recognized for any taxable temporary differences, while deferred tax assets are recognized for any deductible temporary differences where it is likely that the amounts can be applied against future taxable surpluses. Deferred tax liabilities and deferred tax assets are not recognized if the temporary difference is attributable to goodwill or is incurred as a result of a transaction constituting the initial recognition of an asset or liability (that is not a business combination) and does not affect the reported or taxable income at the time of the transaction.

Deferred tax liabilities are reported as taxable temporary differences attributable to investment in subsidiaries, except in cases where the group can control the timing of the reversal of the temporary differences and it is unlikely that such a reversal will occur in the foreseeable future. With regard to such investments, deferred tax assets attributable to deductible temporary differences will only be recognized to the extent it is likely that these amounts may be applied against future taxable surpluses and that this is not likely to happen in the foreseeable future.

The carrying amount of deferred tax assets is assessed on each reporting date and reduced insofar it becomes unlikely that sufficient taxable surpluses will be available to be offset, in whole or in part, by the deferred tax asset.

Deferred taxes are calculated using the expected tax rates for the period in which the assets were recovered or liabilities adjusted based on the prevailing or announced tax rates (and tax laws) in effect on the balance sheet date.

Deferred tax assets and tax liabilities are offset since they relate to income tax debited by the same authority and since the group intends to adjust the tax with a net amount.

Current and deferred taxes for the period
Current and deferred taxes are reported as an expense or income item in the profit and loss statement, except where the taxes are attributable to transactions reported in "Other comprehensive income" or directly posted to "Shareholder's equity". In such cases, the taxes are also reported in "Other comprehensive income" or directly posted to "Shareholder's equity". For current and deferred taxes originating from the recognition of business combinations, the tax effect must be reported in the acquisition estimate.

Property, plant, and equipment (PP&E)

Property, plant, and equipment is reported at its acquisition cost less any accumulated depreciation and/or impairment charges.

The acquisition cost consists of the purchase price, expenses directly attributable to delivering and/or installing the asset and equipping it for use, as well as estimated expenses for disassembly and removal of the asset and restoration of the installation site to its original state. Additional expenses are either included in the asset value or reported as a separate asset when it is likely that future economic benefits attributable to the item will inure to the benefit of the group and that the acquisition cost for such expenses can be reliably calculated. All other expenses for repairs and maintenance as well as incremental expenses are reported in the profit and loss statement for the period in which they were incurred.

Where the difference in the wear and tear of a PP&E asset's significant components is considered to be substantial, the asset is divided into its components.

Depreciation of PP&E is reported such that the asset's acquisition cost, reduced by the calculated residual value at the end of its useful lifespan, is amortized on a straight line basis over its estimated useful life. Depreciation begins when the PP&E asset can be put into use. The useful lifespans of property, plant, and equipment are estimated at:

Buildings	25 years
Machinery and other technical installations	3-8 years
Inventory and equipment	3-8 years

Land is not depreciated.

Estimated useful lifespans, residual values, and depreciation methods are reviewed at least at the end of each accounting period; the effect of any changes in estimates is reported in future periods.

The carrying amount of a PP&E asset is deducted from the balance sheet in the event of any decommissioning or disposal or if no future economic benefits are expected from the decommissioning/disposal of the asset. The profit or loss obtained from decommissioning or disposing of the asset, amounting to the difference between any net income obtained from the disposal and the carrying amount of the asset, is recognized in the profit and loss statement during the period in which the asset is removed from the balance sheet.

Intangible assets

Acquisition via separate purchases
Intangible assets with defined useful lifespans that have been acquired separately are reported at their acquisition cost less any deductions for accumulated depreciation and/or impairment charges. Depreciation is recognized on a straight-line basis over the asset's estimated useful lifespan. Estimated useful lifespans and depreciation methods are reviewed at least at the end of each fiscal year; the effect of any changes in estimates is reported in future periods.

Acquisition as a part of a business combination
Intangible assets that have been acquired through a business combination are identified and reported separately from goodwill where they meet the definition of an intangible asset and their fair market value can be reliably calculated. The acquisition cost of such intangible assets is their fair market value at the time of the business combination.

Like separately purchased intangible assets, after the initial reporting date, intangible assets acquired through a business combination are reported at their acquisition cost less any deductions for accumulated depreciation and/or impairment charges.

Trademarks
The group's trademarks were acquired through mergers and acquisitions and have been valued at their fair market value at the time of each business combination. After the initial reporting date, the trademarks are reported at their acquisition cost less any deductions for accumulated impairment charges. The group's trademarks are considered to have an indefinite useful lifespan and are subject to review for impairment whenever there is an indication of impairment, or at least on an annual basis.

The acquired trademarks in the group derive from the acquisition of the Atos Medical group in 2016. The assessment that the useful life of these trademarks are indefinite is based on the following circumstances. These are well-established trademarks within their respective areas, which the group intends to maintain and further develop. The trademarks are considered to be of significant economic significance as they form an integral part of the product offering to the market, by signaling quality and innovation in the products. The trademarks are considered to affect the pricing and competitiveness regarding the products. Due to their connection with the ongoing operations, these are considered to have an indefinite useful life and are expected to be used as long as relevant activities are in progress.

Taking into account the assessment that the cash flows attributable to the trademarks can not be distinguished from other cash flows within the respective cash-generating unit, impairment test for both goodwill and trademarks are jointly carried out by calculating the recoverable amount of the cash-generating units where the goodwill and the trademarks are allocated.

Customer relationships
Customer relationships are reported at their acquisition cost less any accumulated depreciation and/or impairment charges. Depreciation is recognized on a straight-line basis over the estimated useful life of the customer relationship, which has been set at 10-12 years. The estimated useful life is based on the remaining lifespan of the patients using the group's products, which is an average of 8-9 years after they start using the products. However, the relationships are considered to have a longer useful life than this since the collaboration with hospitals and other customers is considerably longer.

Technology
The group's technology consists of intellectual property rights, including patents and know-how related to specific product groups. Patents and similar rights acquired via business combinations are reported at their fair market value at the time of the merger or acquisition. Technology is reported at its acquisition cost less any accumulated depreciation and/or impairment charges. Depreciation is recognized on a straight-line basis over the estimated useful life of the technology, which has been set at 13-25 years. The estimated useful life is based on the lifespan of patents as well as the calculated useful life of the products.

Internally-generated intangible assets derived from the group's product development (development of new products and production processes) are only reported if the following conditions have been met:

- It is technically feasible to completely produce the intangible asset and use or sell it.
- The group intends to produce the intangible asset and use or sell it.
- The conditions are in place to use or sell the intangible asset.
- The intangible asset is likely to be able to generate future economic benefits.
- There are adequate technical, financial, and other resources to completely develop the intangible asset and use or sell it, and
- The expenses attributable to the intangible asset during its development can be reliably calculated.

If it is not possible to report an internally-generated intangible asset, the development costs are reported as an expense during the period in which they are incurred.

After the initial reporting date, internally-generated intangible assets are reported at acquisition cost less any deductions for accumulated depreciation and/or impairment charges. The estimated useful lifespan is 3-5 years. Estimated useful lifespans and depreciation methods are reviewed at least at the end of each fiscal year; the effect of any changes in estimates is reported in future periods. Yearly, the value of the internally-generated intangible assets under development are tested for impairment, and thereafter if there is an indication that the assets needs to be impaired.

Other intangible assets
Other intangible assets mainly consist of capitalization of the development costs of the group's business systems. These assets are valued at their acquisition cost less any deductions for accumulated depreciation. Depreciation is recognized on a straight-line basis over the asset's estimated useful lifespan, which is normally 5 years.

Impairment of property, plant, and equipment and intangible assets, excluding goodwill

On each balance sheet date, the group analyzes the carrying amounts for tangible and intangible assets in order to assess whether these assets have become impaired. If this is the case, the asset's recoverable amount is calculated in order to determine the amount of any impairment charge. Where it is not possible to calculate a recoverable amount for a particular asset, the group calculates the recoverable amount for the cash-generating unit the asset belongs to.

Intangible assets with undefined useful lifespans and intangible assets that are not yet ready for use must be reviewed either on an annual basis or whenever there is an indication of impairment to see if impairment is required.

The recoverable amount is the larger of the fair market value less sales costs or its useful value. In calculating the useful value, the future estimated cash flow is discounted to its net present value using a discount rate before taxes that reflects current market perceptions of the time value of money as well as the risks associated with the asset.

If the recoverable amount for an asset (or cash-generating unit) is calculated at a lower value than the carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to the recoverable amount. An impairment charge must be immediately recognized in the profit and loss statement.

Where an impairment charge is later reversed, the asset's (or cash-generating unit's) carrying amount is increased to the reassessed estimated recovery value (ERV), but the increased carrying amount may not exceed the carrying amount that would have been calculated if no impairment charges had been applied to the asset (or cash-generating unit) in prior years. A reversal of an impairment charge is reported directly in the profit and loss statement.

Financial instruments

A financial asset or liability is recognized on the balance sheet when the group becomes subject to the instrument's contractual terms. A financial asset is removed from the balance sheet when all benefits and risks associated with the ownership rights have been transferred. A financial liability is removed from the balance sheet when the obligation in the contract is fulfilled or otherwise terminated.

On each balance sheet date, the group assesses whether there are any objective indications that a financial asset or group of financial assets is in need of impairment due to events that have occurred. Examples of such events include a materially impaired financial condition of the counterparty or non-payment of overdue amounts.

Financial instruments are initially measured at fair value and thereafter on an ongoing basis at fair value or amortized cost, depending on the classification. All financial derivative instruments are recognized on an ongoing basis at fair value. Purchases and sales of financial assets are recognized on the trade date, which is the date on which the group commits to buy or sell the asset. The group applies the policy of reporting reserves for expected credit losses for financial assets and receivables classified at amortized cost.

Classification of financial instruments
Debt instruments: the classification of financial assets that are debt instruments is based on the group's business model for managing the asset and the nature of the asset's contractual cash flows:

The instruments are classified at:
• amortized cost

• fair value via other comprehensive income, or

• fair value via the income statement

Financial assets classified at amortized cost are initially measured at fair value plus transaction costs. Accounts receivable are recognized initially at invoiced value. After initial recognition, the assets are valued according to the effective interest method. Assets classified at amortized cost are held according to the business model to collect contractual cash flows that are only payments of principal amounts and interest on the outstanding capital amount. The assets are covered by a loss provision for expected credit losses.

The group does not have any assets classified at fair value via other comprehensive income.

Fair value via the income statement is all other debt instruments that are not valued at amortized cost or fair value via other comprehensive income. Financial instruments in this category are initially recognized at fair value. Changes in fair value are recognized in the income statement. The group's debt instruments are classified at amortized cost, except for debt instruments held for trading. No debt instruments were recognized at fair value during the year.

Equity instruments: classified at fair value via the income statement.

Derivatives: Derivative instruments are recognized in the balance sheet as per the contract date and are valued at fair value, both initially and in subsequent revaluations. Derivatives not identified as hedging instruments are classified in the balance sheet as financial assets and liabilities valued at fair value via the income statement. Gains and losses as a result of changes in fair value are recognized in the income statement's financial items in the period in which they occur. Derivative instruments are primarily used to protect the group's exposure to interest rate fluctuations. In cases where the available borrowing form does not directly correspond in terms of interest and/or currency to the desired structure of the loan portfolio, different forms of derivatives are used. Interest rate swaps are then used to obtain the desired interest rate fixing.

Currently, the group does not have any derivative instruments that are hedged.

Provision for expected credit losses
The group's financial assets and receivables, except for those classified at fair value via the income statement, are subject to impairment for expected credit losses. Impairment for credit losses in accordance with IFRS9 are forward-looking and a loss provision is made when there is any exposure to credit risk, usually on initial recognition. Expected credit losses reflect the present value of all cash flow deficits relating to any stoppage of payments. Impairment requirements are taken into account for different maturities depending on the asset class and on any credit deterioration since the date of initial recognition. Expected credit losses reflect an objective, probability-weighted outcome that takes into account most scenarios based on reasonable and verifiable forecasts.

The simplified model is applied to accounts receivable. A loss provision is recognized, in the simplified model, for the expected residual maturity of the receivable or asset. See also Note 19.

The financial assets are recognized in the balance sheet at amortized cost, i.e. net of gross value and loss provision. Changes in the loss provision are recognized in the income statement in EBIT for accounts receivable and as a financial expense or income for other provisions. The group's credit exposure is shown in Note 3 and in Note 19.

Definition of bankruptcy
The group considers that the following are bankruptcy for internal credit risk management purposes because historical experience indicates that financial assets that meet any of the following criteria are generally not recoverable;

• when there is a breach of financial terms by the debtor; or

• information generated internally or obtained from external sources indicates that the debtor is unlikely to pay his creditors, including the group, in full (without taking into account collateral held by the group).

Regardless of the above analysis, the group considers that default has occurred when a financial asset is more than 90 days past due unless the group has reasonable and verifiable information to show that a more delayed default criterion is more appropriate.

Calculation of fair value
The fair value of listed financial instruments is based on current market quotations on the balance sheet date. For unlisted financial instruments, or if the market for a specific asset is not active, the value is determined by applying adopted valuation techniques, whereby the group makes assumptions based on the market conditions prevailing at the balance sheet date. Market interest rates form the basis for the calculation of the fair value of long-term loans. For other financial instruments whose market value is not specified, fair value is deemed consistent with the carrying value.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies have been translated at the closing rate on the balance sheet date. Exchange rate differences on operating receivables and operating liabilities are included in EBIT, while exchange differences on financial receivables and liabilities are reported in financial items.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is recognized in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or at the same time to realize the asset and settle the liability. The legal right may not be dependent on future events and it must be legally binding on the company and the counterparty both in the normal business operations and in the event of any suspension of payments, insolvency or bankruptcy. In order to limit credit risks in receivables from banks relating to derivative instruments, the group has entered into netting agreements, under ISDA agreements, with most of its counterparties.

Inventory

Inventory is valued at the lower of the weighted average cost and the net realizable value. The net realizable value is the estimated sales price after deductions for estimated completion costs and any estimated sales-related costs.

Provisions

Provisions are reported when the group has an existing obligation (legal or informal) as a result of an event that has occurred, where it is likely that an outflow of resources is required to settle the obligation and the amount can be reliably estimated.

The allocated amount is the best estimate of the amount required to settle the existing obligation by the balance sheet date, taking into account any risks or uncertainties associated with the obligation. When a provision is calculated by estimating the payments needed to settle the obligation, the amount reported must equal the current value of these payments.

Where part or all of an amount required to settle a provision is expected to be reimbursed by a third party, the reimbursement must be reported separately as an asset in the "Report on the financial position" whenever it is virtually certain it will be received if the company settles the obligation and the amount can be reliably calculated.

Cash flow

The group's report on cash flow shows the changes in the company's cash and cash equivalents during the fiscal year and has been prepared in accordance with the indirect method. The reported cash flow only includes transactions that resulted in proceeds or payments.

Important determinations and assumptions for accounting purposes

The preparation of financial reports requires the company's management to make qualified assessments and estimates that affect assets and liabilities as well as income and expenses reported during the period, along with other information provided in the financial statements. These estimates are based partly on past experience and partly on expectations of future events and are reviewed periodically. If other assumptions are made or other conditions emerge, the actual outcome could differ from these estimates and assessments.

Where applicable, assessments and assumptions that could have a significant impact on the group's results and financial position have been listed in the respective notes. Estimates and assessments that could have a meaningful impact on the group's results and financial position include the valuation of identifiable assets and liabilities from acquisitions (Note 25), goodwill (Note 15), and intangible assets with indefinite useful lives (Note 15) as well as deferred taxes (Note 13).

Note 3 Financial risk management and financial instruments

Through its activities, the Atos Medical Group is exposed to various types of financial risks, such as market, liquidity, and credit risks. The market risks primarily consist of interest rate and currency risks. The corporation's Board of Directors is ultimately responsible for the risk exposure, risk management, and monitoring of the group's financial risks, but this responsibility is primarily carried out by the Audit Committee. The framework that applies for risk exposure, risk management, and monitoring of the financial risks is implemented by the board in the form of a financial policy that is revised on an annual basis. With this financial policy, the board has delegated responsibility for everyday risk management to the company's CFO, who monitors compliance with applicable frameworks, rules, and the financial policy itself, through the company's finance function. Ongoing market operations within the framework of the policy are carried out by the centralized treasury function. The board is able to pass resolutions for arbitrary departures from the established financial policy.

Market risks

Currency risks

Currency risk refers to the risk that either the fair market value or future cash flow fluctuates as a result of changes in exchange rates. Through its activities, Atos Medical is exposed to various types of currency risks. The group's exposure to currency risk stems from the group's purchases and sales denominated in foreign currencies, so-called transaction exposure. These currency risks consist partly of risk from fluctuations in the value of financial instruments, accounts receivable as well as accounts payable and partly of the currency risk in cash transactions. Currency risks also appear as a result of the translation of the income statements and balance sheets of foreign subsidiaries into the group's functional currency, the Swedish krona. These risks are referred to as translation exposure. The group is also exposed to currency risks with regard to the cash flow from loans and investments denominated in foreign currency, so-called financial exposure.

Transaction exposure

Transaction exposure involves the risk that net income is negatively affected by fluctuations in the exchange rates of cash flow denominated in foreign currencies. The group's incoming cash flow is mainly in EUR, GBP, and USD, while its outgoing cash flow includes mainly these currencies as well as SEK, since the group has centralized manufacturing mainly in Sweden and the subsidiaries are supplied with products for sale in the local currency by this unit. The manufacturing unit mainly accrues costs in SEK. In all other respects, subsidiaries' costs and sales are substantially in the same currency. The group pays interest on the loans on a monthly basis and the payments are made in the main currencies EUR, GBP and USD. Pursuant to the group's policy, this transaction exposure has not been hedged via the use of currency derivatives. The group is therefore affected by fluctuations in these exchange rates since the manufacturing structure results in a net transaction exposure.Transaction exposure within the group is managed via a multi-currency cash pool linked to a credit line in SEK. Within the group, an internal monthly payment schedule for subsidiaries is employed to ensure that foreign cash flow is monitored. The group then carries out purchase or sales transactions in applicable currencies on an ongoing basis to ensure that the monthly cash pool is in net SEK.

The table below shows the nominal net amounts of the significant cash flows that make up the transaction exposure. This exposure is indicated based on the group's cash flow for the most significant currencies. The amounts are in SEK translated at the closing rate of December 31.

Currency	2019	2018
EUR	283,049	137,073
GBP	113,074	79,481
USD	27,671	-8,314

On the balance sheet date, the net book value of the group's total monetary assets (+) and liabilities (-) used in the translation to SEK amounted to (the amounts are in SEK translated to the closing rate of December 31):

Currency	12/31/2019	12/31/2018
EUR	-3,300,829	-3,319,652
GBP	-896,449	-787,540
USD	-929,840	-862,080

Translation exposure

Translation exposure involves the risk that the value of the group's foreign currency-denominated net investments are negatively affected by exchange rate fluctuations. The group consolidates its net assets in SEK on the balance sheet date. This risk is referred to as the translation exposure and, pursuant to the group's policy, so-called hedging of net investments is not employed.

The table below shows the translation exposure for net investments in foreign currencies (the amounts are in SEK translated at the closing rate of December 31).

Currency	12/31/2019	12/31/2018
EUR	3,807,404	3,799,053
GBP	1,207,805	1,134,130
USD	1,364,924	1,366,349

Financial exposure

The group's financial exposure mainly consists of foreign-currency denominated loans, where the distribution of loan structures is essentially adapted to the currency denominations of the sales. Interest payments are made on a monthly basis for foreign currency loans, which reduces the net exposure linked to the foreign currency transaction exposure. These amounts are included in the table above, which shows total net monetary assets and liabilities. Hedge accounting has not been used.

Under "Market risks sensitivity analysis" below, the effects of exchange rate changes relative to the Swedish krona is presented for the most significant foreign currencies.

Interest rate risks

Interest rate risk refers to the risk that either the fair market value or future cash flow fluctuates as a result of changes in prevailing market interest rates. The group is primarily exposed to interest rate risk through its debt financing. Since the loans have variable base interest rates, the group's future financial expenses are affected by fluctuations in the prevailing market rates. As of the balance sheet date, the corporation's interest-bearing debt amounted to SEK 5,605,707k (5,158,564k) at an average interest rate of 6.63% (6.68%) before and 6.23% (6.42%) after the effect of derivatives. In order to lower the interest rate risk, the group employs swap agreements, where variable interest rates are swapped out with fixed interest rates. Pursuant to the financial policy, 45% of the interest rate risk (excl PIK loan) is hedged. Hedge accounting is not used for these derivative instruments. The coupon payments are recognized in the net interest income/expense and the change in fair market value is accounted for in the income statement.

The table below shows the group's financial liabilities divided into relevant maturity groupings based on their contractual maturities, including the effect of derivatives (the amounts are in SEK translated at the closing rate of December 31).

Maturity	2020
Liabilities	
SEK	4,459
EUR	3,594,604
GBP	983,249
USD	1,023,395

The effects of changes in the prevailing market interest rates are shown below under "Market risks sensitivity analysis".

Market risks sensitivity analysis

The sensitivity analysis for currency risk shows the group's sensitivity to an increase or decrease of 10% in the Swedish krona relative to the most significant currencies. The transaction exposure shows how the group's net profit/loss after income taxes would be affected by a change in the exchange rate. This also includes outstanding foreign currency-denominated accounts receivable and accounts payable on the balance sheet date. The translation exposure shows how the group's net profit/loss after income taxes and shareholder's equity would be affected by a change in the exchange rate.

The sensitivity analysis for interest rate risk shows the group's sensitivity to an increase or decrease of 100 points in the applicable prevailing market rates. The interest rate sensitivity is based on the effect a change in the prevailing market interest rate would have on net profit/loss after income taxes, both with respect to interest income and expense as well as unrealized changes in the fair market value of derivatives. The sensitivity analysis is based on an interest rate scenario that the company's management feels is a reasonable assumption for the next 12 months, where all other factors, e.g. exchange rates, remain unchanged.

SEKm	2019 Effect on net profit/loss	2019 Effect on OCI	2018 Effect on net profit/loss	2018 Effect on OCI
Transaction exposure				
EUR +/- 10%	+/- 302	–	+/- 318	–
GPB +/- 10%	+/- 78	–	+/- 71	–
USD +/- 10%	+/- 90	–	+/- 87	–
Translation exposure				
EUR +/- 10%	–	+/- 381	–	+/- 380
GPB +/- 10%	–	+/- 121	–	+/- 113
USD +/- 10%	–	+/- 136	–	+/- 137
Interest (excluding hedging instruments)				
Financial expenses +100 points	-55	–	-52	–
Financial expenses -100 points	+55	–	+52	–
Interest (including hedging instruments)				
Financial expenses +100 points	-49	–	-46	–
Financial expenses -100 points	+52	–	+49	–

Liquidity and financing risks

Liquidity risk refers to the risk that the group has issues meeting its obligations with respect to its financial debts. Financing risk refers to the risk that the group is unable to raise adequate financing at a reasonable cost.

The group's liquidity risk and liquidity planning is centrally managed. Liquidity needs for the upcoming year are reviewed at least annually in connection with budgeting. Liquidity planning is done monthly in connection with intra-group payments and transfers and also on an ongoing basis with a longer-term view based on the group's financial developments and planned activities. Liquidity planning is done to ensure that the group's liquidity risk is managed and no unnecessary costs arise from the financing of group activities. The objective is for the group to manage its financial obligations under all reasonably plausible financial scenarios without considerable unforeseen expenses. The group's policy of managing liquidity risks centrally results in any excess liquidity in the business being used to minimize outstanding loan amounts through the centralized cash pool structure.

The group's overall financing is regulated by an agreement with a bank syndicate. The agreement does not contain any direct covenants, but does have restrictions on short-term loans in excess of a specified threshold amount. The interest rates are based on the group's debt-to-equity ratio (net debt to EBITDA), which is currently at an acceptable level. In the credit agreement with the bank syndicate, there is an opportunity ta agree on additional credit facilities for financing future business acquisitions. The credit agreement has a remaining term of 2.5-5 years (3.5-6 years).

Credit lines	Nominal	Nom. SEK (in thousands)	Drawn	Available
PIK credit line, EUR	22,470	234,439	234,439	–
PIK credit line, GBP	45,727	558,530	558,530	–
PIK credit line, USD	61,935	577,057	577,057	–
First lien credit line, EUR	301,180	3,142,397	3,142,397	–
Second lien credit line, EUR	15,908	165,978	165,978	–
Second lien credit line, GBP	32,513	397,129	397,129	–
Second lien credit line, USD	42,855	399,288	399,288	–
Other credit lines, EUR	1,401	14,617	14,617	–
Overdraft facility, SEK	300,000	300,000	–	300,000
Total		**5,789,435**	**5,489,435**	**300,000**
Available cash and cash equivalents				373,479
Total		**5,789,435**	**5,489,435**	**673,479**

The group's financial liabilities excluding derivatives amounted to SEK 5,605,707k (5,158,564k) as of the balance sheet date. The distribution of maturities of contractual payment obligations for the group's financial liabilities excluding derivatives is presented in the tables below. The amounts in these tables are not discounted values and, if applicable, also contain interest payments, which means that these amounts cannot be reconciled against the amounts reported on the balance sheet. Interest payments are determined based on the applicable conditions on the balance sheet date. Amounts in foreign currencies are translated into Swedish kronor at the exchange rate in effect on the balance sheet date.

The group's loan agreements don't include any special conditions that could result in payment due dates being significantly earlier than what appears in the tables.

12/31/2019	Within 3 months	3–12 months	1–5 years	More than 5 years	Total
Liabilities to credit institutions	49,527	148,582	4,681,487	2,406,931	7,286,527
Leasing liabilities	6,583	22,089	53,603	29,493	111,768
Accounts payable	46,660	–	–	–	46,660
Other current liabilities	23,673	–	–	–	23673
Total	**126,443**	**170,671**	**4,735,090**	**2,436,424**	**7,468,628**

As of the balance sheet date, the net fair market value of the swaps amounted to SEK -642k (2,548k), due on July 31, 2020.

Credit and counterparty risk
Credit risk refers to the risk that the counterparty in a transaction causes the group to incur a loss by failing to perform its contractual obligations. The group's exposure to credit risk is primarily attributable to accounts receivable. To limit this risk, credit reports are run for new sales as needed. The financial situations of existing customers are also monitored on an ongoing basis in order to identify any early warning signs. A large part of the group's sales are made to public sector institutions, such as hospitals or government agencies in the various countries. The group's largest customer (NHS, the health insurance authority in the UK) accounts for 9% (9%) of sales.

Otherwise, the accounts receivable are spread over a large number of customers with no single customer accounting for a significant portion of the total accounts receivable. Likewise, accounts receivable are not concentrated within a specific geographic area. The group thus considers the concentration risks to be limited.

The group's maximum exposure to credit risk is estimated to correspond to the carrying amounts of all financial assets and appears in the table below.

	12/31/2019	12/31/2018
Other long-term receivables	2,881	2,548
Accounts Receivables	280,225	269,434
Derivative instruments	–	2,548
Other current receivables	16,109	11,261
Cash and cash equivalents	373,479	127,763
Maximum exposure to credit risk	**672,694**	**413,554**

For more information on the accounts receivable, refer to Note 19.

Classification of financial instruments

The reported values of financial assets and financial liabilities broken down by valuation category, pursuant to IFRS 9, are shown in the table below.

12/31/2019	Assets and liabilities valued at fair market value via the income statement	Financial assets and liabilities valued at acquisition cost	Reported amount
Financial assets			
Other long-term receivables	–	2,881	2,881
Accounts receivables	–	280,225	280,225
Other receivables	–	16,109	16,109
Cash and cash equivalents	–	373,479	373,479
	–	**672,694**	**672,694**
Financial liabilities			
Long-term liabilities to credit institutions	–	5,565,692	5,565,692
Current liabilities to credit institutions	–	39,373	39,373
Derivative instruments	642	–	642
Accounts payable	–	46,660	46,660
Other current liabilities	–	23,673	23,673
	642	**5,675,398**	**5,676,040**

12/31/2018	Assets and liabilities valued at fair market value via the income statement	Financial assets and liabilities valued at acquisition cost	Reported amount
Financial assets			
Other long-term receivables	–	2,548	2,548
Derivative instruments	2,548	–	2,548
Accounts receivables	–	269,434	269,434
Other receivables	–	11,261	11,261
Cash and cash equivalents	–	127,763	127,763
	2,548	**411,006**	**413,554**
Financial liabilities			
Long-term liabilities to credit institutions	–	5,144,274	5,144,274
Current liabilities to credit institutions	–	14,283	14,283
Accounts payable	–	51,475	51,475
Other current liabilities	–	25,351	25,351
	–	**5,235,383**	**5,235,383**

Net gains/losses on financial assets and financial liabilities broken down by valuation category, pursuant to IFRS9, are shown in the table below.

	2019	2018
Fair market value via the income statement	-3,190	-711
Loans and accounts receivables	-9,685	-24,768
Exchange rates effects	-147,021	-208,076
	-159,896	**-233,555**

Exchange rate effects above refer to loan receivables / accounts receivable and financial liabilities reported at accrued acquisition value.

Mark-to-market valuation of financial instruments

Financial assets and liabilities either valued at fair market value on the balance sheet or provided with information about their fair market value are classified into three different levels based on the information used to mark them to market.

Level 1 – Financial instruments marked to market based on observable (unadjusted) listed prices on an active market for equivalent assets and liabilities. A market is considered to be active if listed prices from an exchange, broker, industry group, pricing service, or supervisory authority are easily and regularly available and such prices represent actual and regularly occurring arms-length market transactions.

Level 2 – Financial instruments marked to market on the basis of valuation models based on other observable data for assets or liabilities aside from the listed prices included in Level 1, either directly (i.e., as price quotes) or indirectly (i.e., derived from price quotes). Examples of observable data for Level 2 include:

- Listed prices for similar assets and liabilities
- Data that can form a basis for price assessment, e.g., market interest rates and yield curves

Level 3 – Financial instruments marked to market on the basis of valuation models, where essential inputs are based on non-observable data.

Financial assets and liabilities marked to market on the balance sheet consist of derivatives in the form of interest rate swaps. For other financial assets and liabilities, the reported amounts are estimated to be fair approximations of the fair market values since the maturities and/or mark-to-market interest rate adjustment periods are less than three months, whereby the discounted fair market value (FMV) based on prevailing market conditions is not estimated to have a significant effect.

Interest rate swaps are valued according to the procedure for Level 2. These are so-called OTC instruments and are valued using discounted cash flow (DCF) models based on contractual cash flow as well as interest and exchange rates determined on the basis of actual market listings on the balance sheet date.

Note 4 Management of capital

The objective for capital management is to ensure that the group is able to continue its business operations in order to generate reasonable returns for shareholders and provide benefits to other stakeholders.

The group defines capital as shareholders equity plus liabilities to credit institutions and monitors its debt to adjusted EBITDA level on an ongoing basis.

At the end of the fiscal year, the debt-to-equity ratio amounted to:

	12/31/2019	12/31/2018
Loans	5,605,707	5,158,564
Cash and cash equivalents	-373,479	-127,763
Net liabilities	5,232,228	5,030,801
Total shareholder's equity	3,520,053	3,662,432
Total shareholder's equity and liabilities	**8,752,281**	**8,693,233**
Debt-to-equity ratio	59.8%	57.9%
Average Net debt / Adjusted EBITDA	7.7	8.2

Note 5 Net revenue

The group's revenue consists of sales of medical devices. All revenues are recognized at the time when control of the products is transferred to the customer, which normally occurs on delivery. The group's revenue is reported at a specific time. Thus, no part of the transaction price is allocated to uncompleted performance obligations in future accounting periods.

The tables below show the group's revenue broken down by product category, geographical market and sales channel.

Income per product category	2019	2018
Laryngectomy	1,406,548	1,240,704
Tracheostomy	209,161	236,993
Other net sales	113,201	124,597
Other income	7,490	5,616
Total	**1,736,400**	**1,607,910**

Income per geographical area	2019	2018
North America	333,822	289,199
Southern Europe	365,733	309,220
Other Europe	926,913	924,014
Other Markets	109,932	85,477
Total	**1,736,400**	**1,607,910**

Income per sales channel	2019	2018
Direct to consumer*	862,927	833,600
Hospitals	478,797	420,446
Other channels	387,186	348,248
Other income	7,490	5,616
Total	**1,736,400**	**1,607,910**

*delivered to consumer, paid via reimbursement

Note 6 Operating costs breakdown

(000s SEK)	2019	2018
Employee compensation (Note 10)	-559,434	-528,385
Depreciation (Note 7)	-298,275	-259,772
Cost of material	-229,581	-247,575
Consulting fees	-73,875	-76,494
Travel expenses	-37,101	-34,313
Outbound freight	-33,734	-31,761
Rent and other costs for rented premises	-11,344	-25,223
Other external expenses related to SG&A and research and development	-197,319	-225,757
Other operating expenses	-2,849	-4,899
Total	**-1,443,512**	**-1,434,179**

Note 7 Depreciation and write-downs

(000s SEK)	2019	2018
Cost of goods sold	-57,100	-55,738
Sales expenses	-213,917	-176,582
General and administrative expenses	-27,258	-27,452
Total	**-298,275**	**-259,772**

Not 8 Compensation to auditors

(000s SEK)	2019	2018
Deloitte AB		
Audit assignments	-2,576	-2,373
Auditing activities in addition to audit assignments	-348	-532
Tax consulting	-1,519	-1,354
Other services	-555	-444
Other auditors		
Audit assignments	-106	-276
Tax consulting	-965	-492
Other services	-844	-533
Total	**-6,913**	**-6,004**

Audit assignments refers to the auditor’s compensation for statutory audits. The work includes inspection of the annual report, the consolidated financial statements, the bookkeeping, and the management of the board and CEO as well as fees for audit advice supplied in connection with the audit assignment.

Auditing activities in addition to audit assignments relates to work tasks that pop up, which are carried out by the company’s auditor, along with advising or other assistance brought about by observations made during the audit inspection. Tax consulting is reported separately. Other services mainly includes advice in connection with financial matters.

Note 9 Leasing contracts

With effect from January 1, 2019, Atos Medical apply IFRS 16 for reporting leasing contracts. The standard mean that all leases to which Atos Medical is a party are recognized in the balance sheet, partly as a fixed asset (the right to use a leased object) and partly as a financial liability (obligation for future rental payments). Relief rules exist for short-term lease contracts and low-value leasing contracts where such assets are exempt from being recognized in the balance sheet.

For leasing contract previously classified as operating leases with application of IAS 17, Atos Medical decided to choose a modified retrospective transition solution with the cumulative effect of an initial application of IFRS 16 on the first day of application, with comparative periods not being restated. The leasing liability is valued at the present value of the remaining leasing payments on the first day of application discounted with the applied discount rate and the right of use asset is valued at a carrying amount as if IFRS 16 had been applied since the initial date discounted with the applied discount rate. The cumulative effect of initial application is recognized as an adjustment of the opening balance for retained earnings on the first application date of January 1, 2019.

The following relief rules have been applied in connection with the transition. Leases that are terminated within 12 months of the first application date have been excluded and treated as short-term contracts. Initial direct expenses have been excluded from the valuation of the right of use asset. Subsequent estimations have been made in connection with the valuation of leases as per the first date of application.

The leasing contracts included in the consolidated balance sheet as a consequence of the introduction of IFRS 16 relate to office and warehouse premises, production premises, vehicles and IT-related equipment.

Amount in the Consolidated report on the financial position

Right of use assets OB/CB per leasing group

	Buildings	Vehicles	IT-equipment	Other	Total
Opening balance 01/01/2019	86,829	25,269	1,598	1,884	115,580
Investments	11,187	12,713	490	–	24,390
Depreciation	-17,015	-15,152	-441	-522	-33,130
Terminated contracts	-117	-909	–	–	-1,026
Exchange rate differences	-474	-272	-8	-20	-774
Total	**80,410**	**21,649**	**1,639**	**1,342**	**105,040**

The Right of use assets are included in the Property, plant and equipment in the Consolidated report on the financial position.

Leasing liability in the Consolidated report on the financial position

	01/01/2019	12/31/2019
Short-term liability	27,850	29,576
Long-term liability	90,825	82,192
Total	**118,675**	**111,768**

The leasing liabilities are included in the Liabilities to credit institutions in the Consolidated report of the financial position.

Equity
The effect in the group equity due to the implementation of IFRS16 is SEK -4 403k.

Amount in the Consolidated profit and loss statement

	2019
Depreciation Right of use assets	-33,130
Interest expenses Leasing liability	-5,594

For the Group, costs for short-term leasing contracts and low-value leasing contracts are of minor value and are therefore not relevant to report.

Note 10 Number of employees, employee compensation costs, and senior executives

Average number of employees in 2019

	Women	Men	Total
Parent company			
Sweden	–	–	–
Total – Parent company	**–**	**–**	**–**
Subsidiaries			
North America	120	53	173
Europe Central	122	84	206
Europe North & South	215	149	364
New Markets	36	30	66
Total – Subsidiaries	**493**	**316**	**809**
Total – Group	**493**	**316**	**809**

Average number of employees in 2018

	Women	Men	Total
Parent company			
Sweden	–	–	–
Total – Parent company	**–**	**–**	**–**
Subsidiaries			
North America	115	59	174
Europe Central	86	76	162
Europe North & South	193	136	329
New Markets	23	22	45
Total – Subsidiaries	**417**	**293**	**710**
Total – Group	**417**	**293**	**710**

Board members and other senior executives

	12/31/2019	12/31/2018
Parent company		
Women:		
Board of directors	–	–
Men:		
Board of directors	3	3
Other senior executives incl. CEO	–	–
Total – Parent company	**3**	**3**
Group		
Women:		
Board of directors	–	–
Other senior executives incl. CEO	3	1
Men:		
Board of directors	–	–
Other senior executives incl. CEO	7	7
Total – Group	**13**	**11**

Salaries and benefits

	2019	2018
Parent company	**–**	**–**
Subsidiaries		
Salaries and other benefits	-445,086	-431,146
Social welfare taxes	-90,551	-77,888
Retirement benefit costs	-23,797	-19,351
Total salaries and benefits for the group	-445,086	-431,146
Total social welfare taxes for the group	-90,551	-77,888
Total retirement benefit costs for the group	-23,797	-19,351
Total – Group	**-559,434**	**-528,385**

Distribution of salaries and other benefits between senior executives

	2019	2018
Group		
Salaries and benefits to Board and CEO*	-8,059	-16,110
including bonuses, profit sharing and similar benefits to Board and CEO	-604	-219
Salaries and benefits to other senior executives (9 individuals),**	-24,344	-20,624
including bonuses, profit sharing and similar benefits to other senior executives	-4,872	-5,095
Costs for retirement benefits to other senior executives	-653	-506
Total – Group	**-33,056**	**-37,240**

* In 2018 the salaries and benefits to CEO includes the termination payment for Claus Bjerre
** In 2019 one of the senior executives have not been employed by the company and are therefore not reported in the table above.

Retirement benefits

The cost this year for defined-contribution retirement plans is SEK -23,797k (-19,351k).

For civil servants in Sweden, the ITP 2 plan's defined-benefit retirement commitments for retirement and family pensions (alternatively, family pensions) are secured by an insurance policy from Alecta. According to a statement by the Swedish Financial Reporting Board, UFR 10 Reporting of the Retirement Plan, ITP 2, which is financed via insurance in Alecta, is a defined-benefit plan that covers multiple employers. For the 2019 fiscal year, the company has not had access to the information needed to be able to report its proportionate share of the plan's assets, liabilities, and costs, making it impossible to recognize the plan as a defined-benefit plan. The ITP 2 retirement plan, which is secured by an insurance policy from Alecta, has therefore been reported as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is individually calculated and depends inter alia on wages, previously earned retirement benefits, and expected remaining length of service. The fees expected for ITP 2 insurance policies signed with Alecta for the next reporting period are SEK 5,6m (5,4m). The group pays an insignificant amount of this plan.

The collective consolidation ratio includes the market value of Alecta's assets as a percentage of the insurance commitments, calculated according to Alecta's insurance methodology and assumptions, which do not comply with IAS 19. The collective consolidation ratio may typically be allowed to vary from 125% to 155%. If Alecta's collective consolidation ratio falls below 125% or rises above 155%, measures must be adopted in order to create favorable conditions for the consolidation ratio to return to a normal level. In the event of a low consolidation ratio, one corrective measure could be to raise the premium for new policies and renewals of existing benefits. For high consolidation ratios, a corrective measure could be to lower the premiums. As of the end of 2019, Alecta's surplus in terms of collective consolidation was 148% (142%).

Agreement on termination payments

In case of termination from the company, the CEO has a termination period of 15 months, at the CEO's own notice of termination the period is 12 months. During the termination period full benefits are paid.

Note 11 Financial income

(000s SEK)	2019	2018
Interest income	–	2,156
Other financial income	–	–
Total	**0**	**2,156**

All interest income relates to financial assets that have not been valued at fair market value via the profit and loss statement.

Note 12 Financial expenses

(000s SEK)	2019	2018
Interest expense	-389,310	-359,210
Interest expense Leasing contracts	-5,594	–
Fair market value, derivatives	-3,190	-711
Other financial costs	-431	-619
Exchange rate differences	-144,342	-216,282
Total	**-542,867**	**-576,822**

All interest expenses are attributable to financial liabilities that have been valued at the amortized cost.

Note 13 Income taxes

(000s SEK)	2019	2018
Current taxes		
Current taxes on net income for the year	– 25,358	-19,807
Adjustments reported this year related to tax from prior years	-935	638
Deferred taxes		
Attributable to temporary differences in intangible assets	45,506	51,467
Attributable to temporary differences in tangible assets	4,591	3,260
Attributable to tax loss carry forwards*	-108,990	45,844
Other items	1,759	2,895
Total taxes on net income for the year	**-83,427**	**84,297**

Reconciliation of tax income for the year

(000s SEK)	2019	2018
EBT	-247,552	-388,488
Tax has been calculated based on the Swedish corporate income tax rate (2019: 21.4%, 2018: 22%)	52,976	85,467
Tax effect of other tax rates for foreign subsidiaries	9,741	3,692
Tax effect of deductible expenses from acquisition-related transaction costs	–	-2,245
Tax effect of costs included in tax	10,504	6,067
Tax loss carry forwards	1,199	-8,364
Tax effect of adjusted tax rate	–	8,177
Non deductible costs*	-156,912	-9,135
Total	**-82,492**	**83,659**
Adjustments reported this year related to tax from prior years	-935	638
Reported tax cost/income for the year	**-83,427**	**84,297**

* On January 1, 2019, new interest deduction limitation rules came into force in Sweden. The rules mean that a company's negative interest net may be deducted up to a maximum of 30% of fiscal EBITDA. The new rules also limit the possibility of using tax loss carry forwards arising before acquisition. The new rules have affected the Group's tax expense in the form of loss carry forwards now being deemed unavailable and that interest costs are no longer fully deductible. The Group has not capitalized any deferred tax asset based on unused net interest.

No tax has been reported in "Other comprehensive income" or directly posted to Shareholder's equity.

Deferred tax assets and tax liabilities

The group's deferred tax assets and tax liabilities relate to the following items:

	12/31/2019	12/31/2018
Deferred tax assets		
Unused tax loss deductions	20,681	128,753
Inter-company profit in inventory	20,222	15,616
Write-down accounts receivable	3,395	4,023
Leasing contracts	1,599	–
Temporary differences in interest rate derivatives	137	–
Other deductible temporary differences	4,207	3,201
Deferred tax assets	**50,241**	**151,593**
Deferred tax liabilities		
Temporary differences in intangible assets	843,991	871,523
Temporary differences in interest rate derivatives	–	545
Other tax deductible temporary differences	3,016	2,288
Deferred tax liabilities	**847,007**	**874,356**

Deferred tax assets are valued at the maximum amount likely to be recovered based on current and future taxable results. The group has unused tax loss carryforwards in the amount of SEK 518,393k (706,089k), of which SEK 420.513k (104,345k) relate to non-reported tax loss carryforwards. These mainly concern Sweden, France and Germany, and the companies are uncertain whether these loss carryforwards will be utilized due to uncertainty about sufficient taxable surpluses will be generated. The non-reported loss carryforwards have increased as a result of the new tax rules in Sweden regarding blocked loss carry forwards as a result of acquisitions. No deferred tax asset has been capitalized for saved net interests that has not been used.

The tax rates for calculating deferred tax varies and is dependent on the tax rate in the respective subsidiary's country.

Note 14 Composition of the group

As of December 31, 2019, the group included the following subsidiaries:

Name	EIN ("organisationsnummer")	Country of operations	Operations	Ownership (%)[1]
Lary 2 AB	559064-1519	Sweden	Holding companies	100%
Lary 3 AB	550964-1543	Sweden		100%
Lary 4 AB	559063-2211	Sweden		100%
Atos Medical AB	556268-7607	Sweden	Sales, marketing	100%
Atos Medical Inc.	3173183	USA	and distribution of	100%
Atos Medical GmbH	HRB 6311	Germany	medical devices	100%
Platon Medical Ltd	3117391	United Kingdom		100%
Atos Medical BV	34200878	Netherlands		100%
Atos Medical Spain, SL	B83945618	Spain		100%
Atos Medical BVBA	870179971	Belgium		100%
Atos Medical SAS	522119510	France		100%
Atos Medical Japan Inc	0100-01-148116	Japan		100%
Atos Medical Brasil Ltda	35226777978	Brazil		100%
Atos Medical SRL	PD-421894	Italy		100%
Atos Medical AS	914430526	Norway		100%
Countrywide Supplies Ltd	4206141	United Kingdom		100%
Atos Medical Pty	609712496	Australia		100%
Atos Medical Ltd	5886891	New Zealand		100%
Atos Medical Aps	38051563	Denmark		100%
Atos Medical Poland Sp.z o. o.	KRS 0000667950	Poland		100%
Atos Medical Canada Inc.	2568802	Canada		100%
Griffin Laboratories Inc.	33-0677468	USA		100%
Heimomed Heinze GmbH & Co KG	HRA 18146	Germay		100%
Heimomed Heinze Verwaltungs GmbH	HRB 4261	Germany		100%
Iskia GmbH & Co KG	HRA 22575	Germany		100%
Iskia Verwaltungs GmbH	HRB 113,929	Germany		100%
Atos Medical Austria GmbH	FN 494039 d	Austria		100%

[1] The group does not have any holdings with a non-controlling interest.

As of December 31, 2018, the composition of the group was the same as the end of 2019.

Note 15 Intangible assets

	Goodwill	Trademarks	Customer relationships	Technology	Other intangible assets	Total
Opening acquisition cost 01/01/2019	**5,285,928**	**1,407,842**	**2,002,326**	**812,929**	**89,097**	**9,598,122**
Investments	4,141	–	–	29,077	8,683	41,901
Sales/disposals	–	–	–	–	-378	-378
Reclassifications [1]	12,876	–	–	955	-954	12,877
Exchange rate differences	133,928	37,625	47,728	926	82	220,289
Closing accumulated acquisition cost 12/31/2019	**5,436,873**	**1,445,467**	**2,050,054**	**843,887**	**96,530**	**9,872,811**
Opening depreciation and write-downs 01/01/2019	**0**	**-239**	**-408,822**	**-89,842**	**-71,360**	**-570,263**
Depreciation for the year	–	-68	-183,994	-48,903	-4,671	-237,636
Write-down for the year	–	–	–	–	-726	-726
Sales/disposals	–	–	–	–	371	371
Exchange rate differences	–	–	-11,333	-596	-50	-11,979
Closing accumulated depreciation and write-downs 12/31/2019	**0**	**-307**	**-604,149**	**-139,341**	**-76,436**	**-820,233**
Reported amount	**5,436,873**	**1,445,160**	**1,445,905**	**704,546**	**20,094**	**9,052,578**
Opening acquisition cost 01/01/2018	**4,952,974**	**1,351,196**	**1,815,857**	**772,218**	**81,976**	**8,974,221**
Investments	–	–	30,574	24,916	14,264	69,754
Acquisition of group companies	126,247	–	99,508	6,600	–	232,355
Reclassifications	–	–	–	7,369	-7,146	223
Exchange rate differences	206,707	56,646	56,387	1,826	3	321,569
Closing accumulated acquisition cost 12/31/2018	**5,285,928**	**1,407,842**	**2,002,326**	**812,929**	**89,097**	**9,598,122**
Opening depreciation and write-downs 01/01/2018	**0**	**-171**	**-223,851**	**-37,138**	**-60,878**	**-322,038**
Depreciation for the year	–	-68	-174,191	-52,445	-3,774	-230,478
Write-down for the year	–	–	–	-106	-5,516	-5,622
Reclassifications	–	–	–	1,121	-1,184	-63
Exchange rate differences	–	–	-10,780	-1,274	-8	-12,062
Closing accumulated depreciation and write-downs 12/31/2018	**0**	**-239**	**-408,822**	**-89,842**	**-71,360**	**-570,263**
Reported amount	**5,285,928**	**1,407,603**	**1,593,504**	**723,087**	**17,737**	**9,027,859**

[1] The reclassification of Goodwill is due to the adjustment of the PPA for the Heimomed acquisition in 2018, for more information, see Note 25.

Goodwill has been allocated to the following cash-generating units:

Goodwill	12/31/2019	12/31/2018
USA	993,446	955,142
United Kingdom	805,400	748,278
Germany	1,132,359	1,094,616
Rest of world	2,505,668	2,487,892
Reported amount	**5,436,873**	**5,285,928**

Trademarks has been allocated to the following cash-generating units:

Trademarks	12/31/2019	12/31/2018
USA	273,522	263,362
United Kingdom	227,752	211,599
Germany	283,319	279,020
Rest of world	660,567	653,622
Reported amount	**1,445,160**	**1,407,603**

Goodwill and trademarks are evaluated on an annual basis to assess the need for write-downs or whenever there is an indication that write-downs are required. Where applicable, impairment charges are recognized in an amount equal to the carrying amount of the asset less its estimated recovery value (ERV), which is the higher of its fair market value minus any selling costs and its useful value. The useful value relates to the sum of the net present value of estimated future cash flows and the estimated recovery value at the end of the asset's useful lifespan. When calculating the useful value, future cash flow is discounted at an interest rate that takes the prevailing market risk-free interest rate as well as the risk associated with the specific asset into account, the so-called WACC (Weighted Average Cost of Capital). The calculations are based on estimated future cash flows based on past results, budgets approved by the board, 10-years forecast and strategic plans, and market data. The group has extended the forecast period from 5 to 10 years, because this gives a better reflection of the growth pattern within the industry. In predicting future cash flows, assumptions are primarily made relating to sales growth, operating margins, investments, and discount rates. The cash-generating units include the largest geographic segments: USA, United Kingdom, and Germany. Other countries have been lumped together into one segment: Rest of world. The WACC that has been applied ranges from 8.7-10.9% (8.1-10.8%) before taxes and reflects the specific risks associated with the respective markets/currencies. After the 10-year period, a growth rate of 1-2% (2%) is applied, which coincides with the group's long-term outlook for inflation and the market's long-term growth.

Based on the assumptions presented above, the useful value exceeds the carrying amounts for goodwill and trademarks. If the WACC is increased with 1% or the long-term growth is reduced to 0,5%, this should result in the need for impairment charges of the Germany market. Despite this, the group has decided not to do any impairment, but instead monitor the developments against projected forecasts.

Note 16 Property, plant, and equipment

	Buildings and land	Machinery and other technical installations	Inventory and equipment	New facilities under construction	Total
Opening acquisition cost 01/01/2019	**65,781**	**37,306**	**87,696**	**26,526**	**217,309**
Investments	26	734	15,166	20,456	36,382
Sales/disposals	–	-419	-6,243	–	-6,662
Reclassifications	-12,876	16,425	4,971	-21,397	-12,877
Exchange rate differences	1,290	2	2,130	42	3,464
Closing accumulated acquisition cost 12/31/2019	**54,221**	**54,048**	**103,720**	**25,627**	**237,616**
Opening depreciation 01/01/2019	**-2,492**	**-10,618**	**-29,143**	**-390**	**-42,643**
Depreciation for the year	-1,963	-6,386	-18,420	–	-26,769
Write-down for the year	–	–	-14	–	-14
Sales/disposals	–	124	5,694	–	5,818
Exchange rate differences	-22	2	-1,065	-6	-1,091
Closing accumulated depreciation 12/31/2019	**-4,477**	**-16,878**	**-42,948**	**-396**	**-64,699**
Reported amount	**49,744**	**37,170**	**60,772**	**25,231**	**172,917**
Opening acquisition cost 01/01/2018	**1,527**	**23,227**	**50,536**	**26,067**	**101,357**
Investments	3,078	62	19,320	24,011	46,471
Acquisition of group companies	61,027	1,057	7,066	–	69,150
Sales/disposals	–	–	-2,708	–	-2,708
Reclassifications	–	12,959	10,444	-23,626	-223
Exchange rate differences	149	1	3,038	74	3,262
Closing accumulated acquisition cost 12/31/2018	**65,781**	**37,306**	**87,696**	**26,526**	**217,309**
Opening depreciation 01/01/2018	**-150**	**-5,555**	**-13,801**	**-315**	**-19,821**
Depreciation for the year	-2,336	-5,063	-16,211	-62	-23,672
Sales/disposals	–	–	2,551	–	2,551
Reclassifications	–	–	63	–	63
Exchange rate differences	-6	–	-1,745	-13	-1,764
Closing accumulated depreciation 12/31/2018	**-2,492**	**-10,618**	**-29,143**	**-390**	**-42,643**
Reported amount	**63,289**	**26,688**	**58,553**	**26,136**	**174,666**

Note 17 Other financial assets

	12/31/2019	12/31/2018
Opening reported amount	**5,096**	**5,691**
Additional receivables	236	197
Adjusted receivables	–	-98
Change of value of derivatives	-2,548	-711
Exchange rate differences	97	17
Closing reported amount	**2,881**	**5,096**

	12/31/2019	12/31/2018
Other financial assets		
Derivative instruments	–	2,548
Other items	2,881	2,548
Reported amount	**2,881**	**5,096**

The group's derivative instruments include interest rate swaps valued at their fair market value through the consolidated profit and loss statement. For more information, see Note 3.

Note 18 Inventory

	12/31/2019	12/31/2018
Raw materials and consumables	21,698	21,959
Work in progress	12,169	12,089
Finished goods and merchandise	51,291	61,517
Supplier advances	2,147	983
Reported amount	**87,305**	**96,548**

Inventory reported as an expense during the year is included in the "Cost of goods sold" and amounted to SEK 212,152k (235,778k). Inventory impairment charges of 14,279k (9,210k) have been included in the "Cost of goods sold".

Note 19 Accounts Receivable

	12/31/2019	12/31/2018
Gross receivables	297,675	289,931
Reserve for doubtful accounts	-17,450	-20,497
Net receivables after reserve for doubtful accounts	**280,225**	**269,434**

Accounts receivable are amounts that relate to customers in respect of products sold in operating activities. Accounts receivable are generally due for payment within 30-60 days and all accounts receivable are therefore classified as current assets. Accounts receivable are recognized initially at transaction price. The group has accounts receivable for the purpose of collecting contractual cash flows and therefore values them at amortized cost using the effective interest method at subsequent reporting dates.

The group applies the simplified method for calculating expected credit losses. The method means that expected losses during the entire term of the receivable are used as a basis for accounts receivable. In order to calculate expected credit losses, accounts receivable have been grouped according to credit risk characteristics, number of days of payment delay and geographical factors.

The expected credit loss levels are based on the customers' payment history over the past 2 years together with the loss history for the same period.

Based on this, the loss provision as per December 31, 2019 for accounts receivable is as follows:

12/31/2019	Not due	Due 1–60 days	Due 61–90 days	Due 91-180 days	Due 181-365 days	Due more than 365 days	Total
Expected loss level %	0.5%	1.3%	7.5%	25.5%	35.2%	69.4%	5.9%
Gross Accounts receivables	198,172	51,454	12,395	14,616	10,165	10,873	297,675
Credit loss reserve	**-1,001**	**-674**	**-932**	**-3,722**	**-3,575**	**-7,546**	**-17,450**

12/31/2018	Not due	Due 1–60 days	Due 61–90 days	Due 91-180 days	Due 181-365 days	Due more than 365 days	Total
Expected loss level %	1.0%	1.0%	7.0%	20.0%	55.4%	95.6%	7.1%
Gross Accounts receivables	160,672	88,234	10,069	12,300	8,184	10,472	289,931
Credit loss reserve	**-1,643**	**-1,204**	**-664**	**-2,449**	**-4,530**	**-10,007**	**-20,497**

Credit loss reserve

Changes in the credit loss reserve are specified below:

	12/31/2019	12/31/2018
Opening balance 01/01/2019	**-20,497**	**-4,232**
Opening reserve via acquisition	–	-581
Reserve for doubtful accounts for the year, change reported in the profit and loss statement	-9,685	-24,768
Exchange rate difference	-210	-663
Reversal of used amount	12,942	9,747
Total	**-17,450**	**-20,497**

Note 20 Prepaid expenses and accrued income

	12/31/2019	12/31/2018
Pre-paid IT-related expenses	7,909	6,675
Pre-paid rent	3,391	3,212
Pre-paid insurance	1,551	1,372
Accrued income	699	1,634
Other items	5,896	5,100
Reported amount	**19,446**	**17,993**

Note 21 Stock, shareholder’s equity, and distribution of profits

Number of shares	A series	Preferred shares	Total
As of December 31. 2018	**36,627,109**	**1,796,649**	**38,423,758**
As of December 31. 2019	**36,627,109**	**1,796,649**	**38,423,758**

All shares have a nominal value of SEK 1, with a registered share capital as of 12/31/2019 in the amount of 38,423,758 (38,423,758).

The shares consist of four classes of stock, series A and B ordinary shares and series C and D preferred shares. All ordinary and preferred shares of series B are entitled to 1 vote per share. Series A ordinary shares are entitled to 10 votes per share. All shares have been paid in full and no shares are reserved for transfer due to option agreements or other contractual arrangements. No series B ordinary shares have been issued.

Other paid-in capital

Other paid-in capital consists of share premiums from share subscriptions (share premium reserve).

Translation reserve

Translation reserves relate to exchange rate differences from the conversion of foreign operations to SEK, which are reported in “Other comprehensive income”.

Proposal for distribution of profits

The following proposals for the distribution of profits will be presented at the general assembly:

The following is available to the general assembly:	3,809,782,142
The board proposes that the following be distributed to shareholders:	0
The board proposes that the following be carried forward:	3,809,782,142

No dividends were paid in 2018 or 2019.

Note 22 Liabilities to credit institutions

	12/31/2019	12/31/2018
Liabilities to credit institutions	5,493,939	5,158,564
Leasing liabilities	111,768	–
Reported amount	**5,605,707**	**5,158,564**

The bank loans have variable interest rates with 3-11% margin. The loans have a grace period until 2022. About SEK 1,446Mil (1,222Mil) of the loans consist of “PIK loans” (Payment In Kind loans), where instead of being collected, the interest is added to the amount of the debt. For loans that are not PIK loans, interest is paid monthly.

The group has entered into interest rate swap agreements in order to reduce the risk of higher interest rates. For additional information on the interest rate swap agreement and the maturity schedule of the debt see Note 3. The loan agreement contains specific conditions or “covenants”. These conditions have been met during the entire term of the loan. The conditions are based on maintaining an acceptable debt to EBITDA ratio. The covenant test only needs to be carried out if the group utilizes more than a specific threshold value of its overdraft facility.

Note 23 Accrued expenses and prepaid income

	12/31/2019	12/31/2018
Salaries and other personnel costs	84,263	78,250
Audit and other external consulting fees	12,625	11,492
Interest	914	1,897
Other items	19,569	20,665
Reported amount	**117,371**	**112,304**

Note 24 Pledged collateral and contingent liabilities

Pledged collateral	12/31/2019	12/31/2018
Restricted funds	2,921	2,877
Assets at subsidiaries	3,462,964	3,605,865
Total	**3,465,885**	**3,608,742**
Contingent liabilities		
Performance guarantee abroad	333	320
Customs guarantees	45	45
Total	**488**	**365**

The group has pledged the assets of subsidiaries as collateral for its own loans from credit institutions.

Note 25 Mergers and acquisitions

No share purchase acquisitions have been made in 2019.

However, the valuation of the net assets acquired in connection with the acquisition of Heimomed Heinze GmbH & Co. KG, which took place at the beginning of 2018, was adjusted in 2019, see the following summary of net assets acquired per acquisition date.

2018 Mergers and acquisitions

In the beginning of 2018, Heimomed Heinze GmbH & Co. KG – a medical technology company operating in Germany and Austria – was acquired.

Later in the year, Atos Medical also acquired a company in the US – Griffin Labratories Inc. – a company that specialize in manufacturing and distributing electrolarynx, which is a complement the Atos Medical group's Lary products.

The acquisitions are not seen as significant, therefore they are displayed as one.

Reported amounts at the time of acquisition for net assets acquired

	Preliminary 2018	Adjusted 2019
Fixed assets		
Intangible fixed assets	106,108	106,108
Tangible fixed asstes	69,150	57,173
Current assets	43,442	43,442
Cash and cash equivalents	20,676	20,676
Long-term debt	-60,786	-65,662
Current liabilities	-19,467	-19,467
Net identifiable assets and liabilities	**159,123**	**142,270**
Transferred compensation	285,370	285,370
Goodwill	**126,247**	**143,100**

The transaction costs for the acquisitions amounted to SEK 5,7m and has been reported in the group's SG&A costs in the profit and loss statement.

Note 26 Cash flow from financing activities

	Long-term liabilities to credit institutions	Short-term liabilities to credit institutions
Opening balance 01/01/2018	**4,516,301**	**0**
Items affecting cash flow		
Assumption of loans	245,357	–
Loan repayments	–	-8,537
Items not affecting cash flow		
Increase from the acquisition of a business	–	23,534
Capitalized interest costs	140,714	–
Prepaid loan expenses	15,394	–
Translation differences	226,515	-714
As of December 31. 2018	**5,144,281**	**14,283**
Items affecting cash flow		
Assumption of loans	–	–
Loan repayments	–	–
Leasing liabilities repayments	-37,334	–
Items not affecting cash flow		
Capitalized interest costs	164,599	–
Prepaid loan expenses	17,607	–
Leasing liabilities	119,526	29,576
Reclassification	4,486	-4,486
Translation differences	153,169	–
As of December 31. 2019	**5,566,334**	**39,373**

Note 27 Related-party transactions

Aside from the companies that directly or indirectly own Lary 1 AB, the members of the parent company's board and the group's senior executives and their close family members are also considered to be related parties. In addition, companies in which a significant portion of the votes are directly or indirectly owned by the aforementioned parties as well as companies where these individuals can exert considerable influence are also considered to be related parties. No related-party transactions have taken place during the year.

Transactions between the company and its subsidiaries which constitute related-party transactions have been eliminated via consolidation and information on these transactions is therefore not provided in this note.

Note 28 Events after the balance sheet date

We have paid particular attention to the effects of the Covid-19 outbreak and how it may affect the Group's future development as well as the risks that it may affect the financial reporting going forward. We believe that the impact on the Group is limited.

Parent company profit and loss statement

(000s SEK)	Note	2019	2018
Net revenue		0	0
Gross profit		**0**	**0**
General and administrative expenses	2	-1,188	74
Net earnings(loss) from financial items			
Other interest income and similar profit and loss items	3	23	61
Net earnings(loss) after financial items		**-1,165**	**135**
Appropriations			
Group contributions		1,165	2,325
Earnings before taxes		**0**	**2,460**
Tax on net income for the year	4	0	-541
NET EARNINGS(LOSS) FOR THE YEAR		**0**	**1,919**

Parent company report on comprehensive income

The comprehensive income for the year are not specified due to no transactions during the year.

Parent company balance sheet

(000s SEK)	Note	12/31/2019	12/31/2018
ASSETS			
Fixed assets			
Long-term financial assets			
Shares in group companies	5	3,791,639	3,791,639
Long-term receivable group companies	6	3,490	2,325
		3,795,129	**3,793,964**
Total Fixed assets		**3,795,129**	**3,793,964**
Current assets			
Receivables			
Other receivables		–	–
		0	**0**
Cash and cash equivalents		**53,599**	**54,267**
Total current assets		**53,599**	**54,267**
TOTAL ASSETS		**3,848,728**	**3,848,231**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Shareholder's equity		38,424	38,424
		38,424	**38,424**
Unrestricted equity			
Share premium reserve		3,809,782	3,809,782
Retained earnings		–	-1,919
Net earnings(loss) for the year		0	1,919
		3,809,782	**3,809,782**
Total equity		**3,848,206**	**3,848,206**
Current liabilities			
Accrued expenses and prepaid income	7	522	25
		522	**25**
TOTAL EQUITY AND LIABILITIES		**3,848,728**	**3,848,231**

Parent company report on changes in shareholder's equity

	Restricted equity	Unrestricted equity			
(000s SEK)	Shareholder's equity	Share premium reserve	Retained earnings or loss	Net earnings (loss) for the year	Total equity
Shareholder's equity on Jan. 1. 2018	**38,272**	**3,783,934**	**-1,596**	**-323**	**3,820,287**
Allocation of prior year's profit or loss	–	–	-323	323	0
Net earnings(loss) for the year	–	–	–	1,919	1,919
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**1,919**	**–**
Ownership transactions:					
New share issue	152	25,848	–	–	26,000
Total shareholder transactions	**152**	**25,848**	**–**	**–**	**26,000**
Shareholder's equity on Dec. 31. 2018	**38,424**	**3,809,782**	**-1,919**	**1,919**	**3,848,206**
Shareholder's equity on Jan. 1. 2019	**38,424**	**3,809,782**	**-1,919**	**1,919**	**3,848,206**
Allocation of prior year's profit or loss	–	–	1,919	-1,919	0
Net earnings(loss) for the year	–	–	–	0	0
Other comprehensive income	–	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**0**	**–**
Ownership transactions					
Total shareholder transactions	**–**	**–**	**–**	**–**	**–**
Shareholder's equity on Dec. 31. 2019	**38,424**	**3,809,782**	**–**	**–**	**3,848,206**

Parent company cash flow analysis

(000s SEK)	2019	2018
Cash flow from operating activities		
Operating profit(loss)	-1,188	74
Interest earned	23	61
Cash flow from operating activities before changes in working capital	**-1,165**	**135**
Changes in working capital		
Decrease(+)/increase(-) in other current receivables	–	–
Decrease(-)/increase(+) in other current liabilities	497	-192
Cash flow from operating activities	**497**	**-57**
Investment activities		
Cash flow from investment activities	**0**	**0**
Financing activities		
Primary share offering	–	26,000
Cash flow from financing activities	**0**	**26,000**
Net increase(decrease) in cash flow	**-668**	**25,943**
Cash and cash equivalents at beginning of year	**54,267**	**28,324**
Cash and cash equivalents at end of year	**53,599**	**54,267**

Parent company notes

Note 1 Accounting principles

The parent company is applying the Annual Accounts Act ("Årsredovisningslagen") and the Swedish Financial Reporting Board's recommendation RFR 2, Reporting of legal entities ("Redovisning för juridiska personer"). The application of RFR 2 requires the parent company to apply all EU-approved IFRSs to the full extent possible within the scope of the Annual Accounts Act and the Pension Obligations Benefit Act ("Tryggandelagen"), taking into account the relationship between reporting and taxation. Amendments to RFR 2 that entered into force in 2019 have not had any significant effect on the parent company's financial reports for the fiscal year. The differences between the parent company's and group's accounting principles are described below:

Classification and presentation

The parent company's profit and loss statement and balance sheet are presented in accordance with the templates in the Annual Accounts Act. The main difference between IAS 1 Presentation of Financial Statements and the presentation of the consolidated financial statements is in the reporting of financial income and expenses, fixed assets, shareholder's equity, and the appearance of "Provisions" in a separate column.

Subsidiaries

Shares of subsidiaries are reported at acquisition cost in the parent company's balance sheet. Transaction costs are included in the carrying amounts for shares of group companies. Dividends from subsidiaries are recognized as income when the dividends are considered to be safe and can be reliably calculated.

Financial instruments

The parent company does not apply IFRS 9 Financial Instruments. In accordance with the Annual Accounts Act, the parent company applies a method based on acquisition cost.

Borrowing costs

Borrowing costs are recognized in the profit and loss statement during the period to which they relate.

Approved amendments and proposed changes to RFR 2 that have not yet entered into force

Management estimates that amendments and proposed changes to RFR 2 that have not yet entered into force are not expected to have any significant effect on the parent company's financial reports once they are applied for the first time.

Note 2 Compensation to auditor

	2019	2018
Deloitte AB		
Audit assignments	-25	-25
Total	**-25**	**-25**

Note 3 Other interest income and similar profit and loss items

	2019	2018
Exchange rate differences	23	61
Total	**23**	**61**

Note 4 Tax on net income for the year

	2019	2018
Current taxes	0	0
Deferred taxes	0	-541
Tax on net income for the year	**0**	**-541**

Reconciliation of tax expense/income for the year

	2019	2018
Reported EBT	0	2,460
Tax calculated based on the Swedish corporate income tax rate (2019: 21.4%, 2018: 22%)	0	-541
Total	**0**	**-541**
Adjustments reported this year related to tax from prior years	0	0
Reported tax expense/income for the year	**0**	**-541**

No tax has been directly recognized in "Shareholder's equity".

Note 5 Shares in group companies

Company ownership of shares in group companies

			Reported amount	
Company name	**Equity stake [1]**	**Number of shares**	**12/31/2019**	**12/31/2018**
Lary 2 AB	100%	37,965,893	3,791,639	3,791,639
Total			**3,791,639**	**3,791,639**

[1] Equity stake is equal to the share of voting rights.

Company name	EIN ("Org.nr")	Registered office
Lary 2 AB	559064-1519	Stockholm

The parent company has not made any acquisitions or disposals of assets over the course of the year.

For the complete group organizational structure, see the group notes, Note 14.

Note 6 Receivables from Group companies

	12/31/2019	12/31/2018
Opening acquisition costs	**2,325**	**0**
Additional receivables	1,165	2,325
Closing accumulated acquisition costs	**3,490**	**2,325**
Opening write-downs	**0**	**0**
Closing accumulated write-downs	**0**	**0**
Reported amount	**3,490**	**2,325**

Note 7 Accrued expenses and prepaid income

	12/31/2019	12/31/2018
Audit fees	25	25
Legal fees	497	0
Reported amount	**522**	**25**

Note 8 Events after the balance sheet date

We have paid particular attention to the effects of the Covid-19 outbreak and how it may affect the company's future development as well as the risks that it may affect the financial reporting going forward. We believe that the impact on the company is limited.

The annual report and consolidated financial statements were approved for release by the board on April 21, 2020. The consolidated profit and loss statement, comprehensive income report, and report on the financial position as well as the parent company's profit and loss statement and balance sheet will be presented for approval at the general assembly on April 21, 2020.

The Board of Directors and CEO hereby certify that the annual report has been prepared in accordance with the Annual Accounts Act ("Årsredovisningslagen") and RFR 2 Reporting of legal entities ("Redovisning för juridiska personer") and provides a true and fair view of the company's financial position and results, and that the management report provides a true and fair overview of the company's operations, financial position, and results as well as describes significant risks and uncertainty factors the company faces. The Board of Directors and CEO hereby certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide a true and fair view of the group's financial position and results, and that the management report for the group provides a true and fair overview of the company's operations, financial position, and results as well as describes significant risks and uncertainty factors the group's companies face.

Malmö, April 21, 2020

Lars Frederiksen	Ragnar Hellenius	Andreas Kumeth	Britt Meelby Jensen
Chairman of the Board	Board member	Board member	Managing Director/CEO

Our audit report was issued on April 21, 2020

Deloitte AB

Maria Ekelund
Authorized Public Accountant

Auditor’s report

To the general meeting of the shareholders of Lary 1 AB corporate identity number 559064-1527

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Lary 1 AB for the financial year 2019-01-01 – 2019-12-31. The annual accounts and consolidated accounts of the company are included on pages 28–66 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. 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.

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.

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

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information is found on pages 1–27 and 69 but does not include the annual accounts, consolidated accounts and our auditor’s report thereon.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor’s responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company’s internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Lary 1 AB for the financial year 2019-01-01 – 2019-12-31 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group´s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

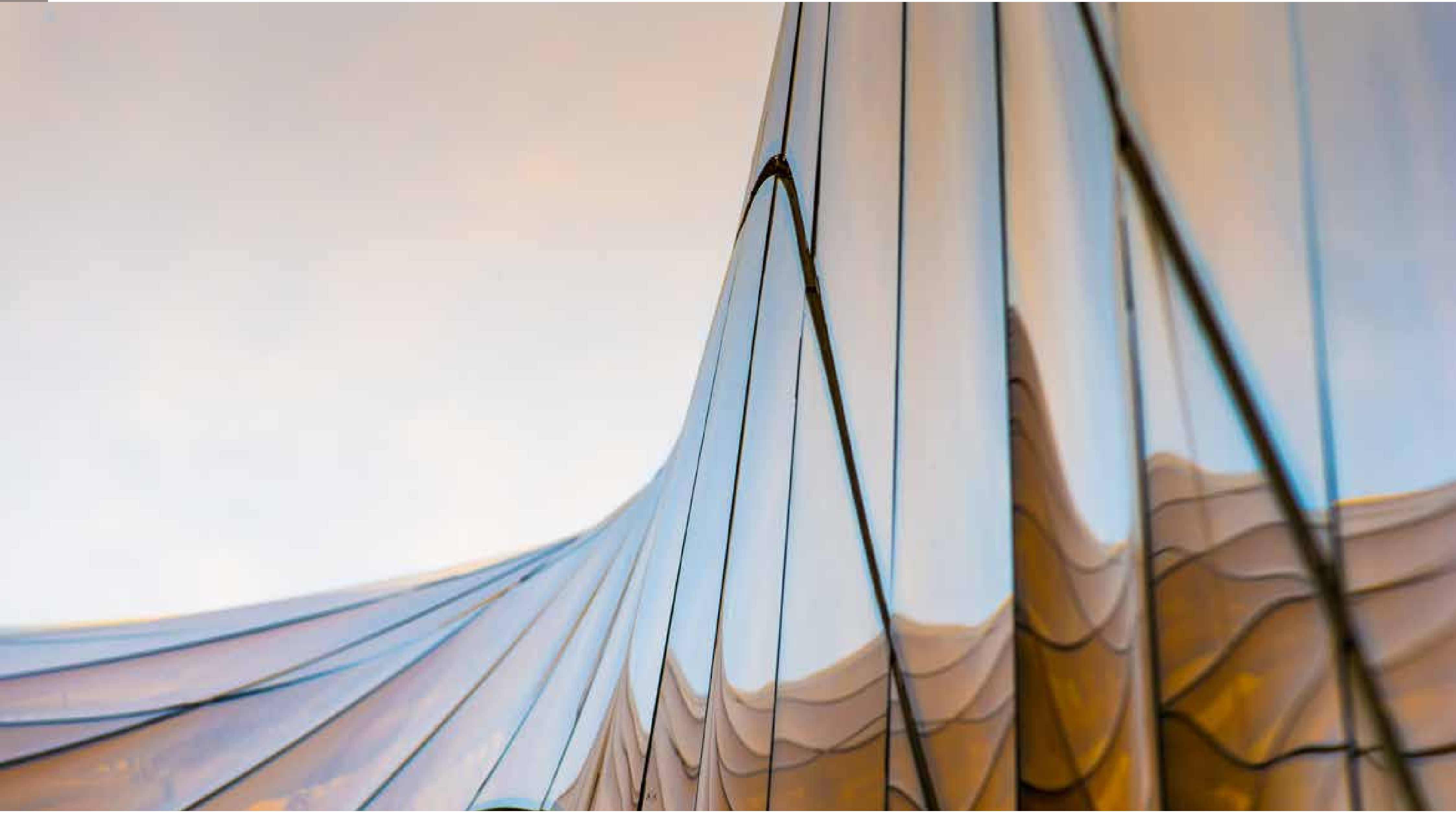
As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily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

Malmö / 2020
Deloitte AB
Signature on Swedish original

Maria Ekelund
Authorized Public Accountant

Adjusted EBITDA bridge

	2019	2018	2017
Operating profit (EBIT)	295	186	145
Depreciation & amortization	298	260	247
Reported EBITDA	**594**	**446**	**392**
Acquisition and integration costs	29	96	25
Organisational restructurings and ramp ups	17	27	40
Other non-comparable costs	31	5	14
Non comparable costs	**77**	**128**	**79**
Adjusted EBITDA	**671**	**574**	**471**



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