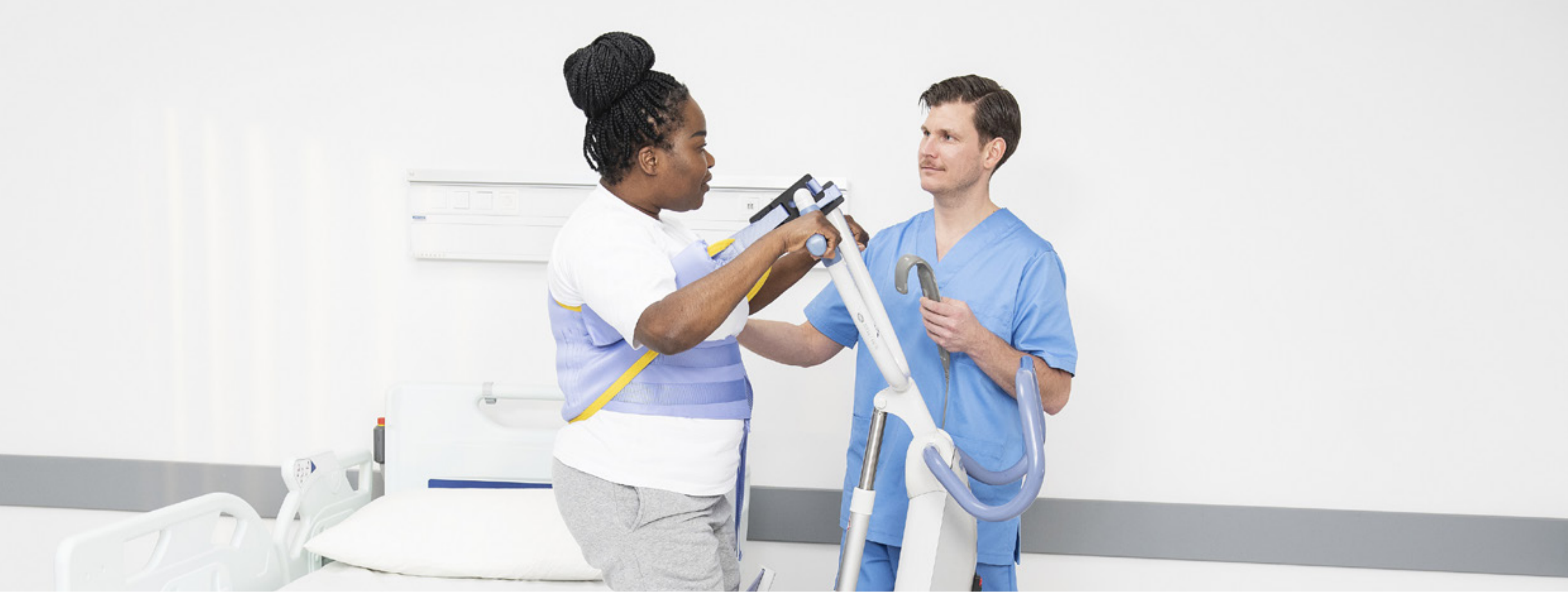


Interim report January – March 2021

January – March 2021 in brief

- Net sales amounted to SEK 2,168 M (2,273). Net sales grew organically by 4.1%.
- Adjusted EBITDA increased 11.0% to SEK 495 M (445). In comparable currencies, profit was SEK 529 M, corresponding to an improvement of approximately 19%.
- Adjusted operating profit increased by 27.9% to SEK 260 M (203). In comparable currencies, profit was SEK 294 M, corresponding to an improvement of approximately 45%.
- Profit after financial items increased to SEK 231 M (140).
- Earnings per share rose to SEK 0.64 (0.39).
- Cash flow from operations amounted to SEK 275 M (287).

Financial summary

SEK M	Quarter 1 2021	Quarter 1 2020	Rolling 12 months	Full-year 2020
Net sales	2,168	2,273	8,972	9,078
Gross profit	1,014	1,043	4,097	4,126
Gross margin, %	46.8%	45.9%	45.7%	45.5%
Adjusted EBITA[1)]	330	273	1,281	1,224
Adjusted EBITA margin, %[1)]	15.2%	12.0%	14.3%	13.5%
Adjusted EBITDA[1)]	495	445	1,962	1,913
Adjusted EBITDA margin, %[1)]	22.8%	19.6%	21.9%	21.1%
Operating profit (EBIT)	252	167	951	866
Adjusted operating profit (EBIT) [1)]	260	203	1,000	943
Profit after financial items	231	140	792	702
Net profit for the period	173	105	594	526
Number of shares, thousands	272,370	272,370	272,370	272,370
Earnings per share, SEK	0.64	0.39	2.18	1.93
Cash flow from operations	275	287	2,256	2,267
Cash conversion, %	56.5%	70.1%	117.7%	123.3%

1) Before exceptional items. See Alternative performance measures on page 17 and definitions on page 20.

The human body is made to move. At Arjo, we believe that high quality of care and positive clinical outcomes begin by maintaining or improving a patient's mobility. Our offering includes products and solutions for patient transfers, hygiene, disinfection, prevention of pressure injuries and deep vein thrombosis (blood clots) and for diagnostics. We also offer medical beds and various services, such as training in connection with product sales. Arjo's approach contributes to improved quality of care and enhanced efficiency, resulting in reduced healthcare costs. www.arjo.com

arjo
with people in mind

Strong first quarter

We have started the year on a strong note and continue to navigate the Covid-19 challenges well. The organization is doing a fantastic job and we grew organically by 4.1%, with a positive performance across regions and a continued solid order intake.

Patient handling increased 15%

Our rental operations reported double-digit growth with a strong performance in the core business, with Europe now seeing a growth rate in line with pre-Covid-19 levels. Profitability is continuing to improve, which is a proof that our efforts on long-term improvements in the rental operations are generating results.

We saw that sales of capital equipment started to pick up at the end of the quarter, especially within our Patient handling product category. Sales in this area have increased by 15% after accelerating in February and March, and the raising activity level means that we were able to close the quarter with a strong order book. In March, we also saw signals indicating a recovery in DVT, a development that we believe will gain momentum during the year.

Strong profitability trend

Profitability continued to improve and the gross margin of 46.8% is the highest for a single quarter in Arjo's history to date. This result was primarily driven by a favorable product mix with high volumes in patient handling and improved margins within both rental and medical beds. The implemented efficiency improvements are generating solid results, while we are also maintaining good cost control throughout the value chain. In addition, we are continuing to reduce operating expenses as a percentage of sales.

Adjusted operating profit increased 45% in comparable currencies and generated an adjusted operating margin of a healthy 12%.

Managing the global challenges related to transportation problems and shortages of components and raw materials is a top priority for the Group. So far, we have handled the situation well and the increased costs are not currently expected to have any material impact, but rather will be offset through improved efficiency and a carefully balanced pricing review.

To ensure the continuity of production and deliveries, a certain volume of inventory in standard components and finished products was built up during the quarter, and we reported lower cash conversion as a natural consequence of this. Our financial position remains solid with operating cash flow in line with the comparative quarter, a significant improvement in net financial items and a continued decline in leverage (net debt in relation to EBITDA).

Ready to accelerate our new strategy

Although the pandemic continues to impact the market, this quarter indicated a gradual return to more normal and long-term sustainable demand. We are leveraging the lessons learned from our successful handling of last year's challenges, which has created a strong sense of self confidence and positive energy in the organization. We are continuing to navigate the market well and, in parallel, we are working to further accelerate our growth and profitability in the years ahead.

One of the areas in which we see great potential going forward is pressure injury prevention. This was reflected in the positive response for the SEM scanner, a technology that enables early detection of pressure injury risk. We are building on our outcome-based program that makes it possible to prevent pressure injuries at a completely different level than the solutions available today.

The launch of WoundExpress is progressing according to plan and a consensus paper was published during the quarter in which eight experienced clinicians reported positive results for this new therapy. We expect a high activity level in the next few months and look forward to providing more updates on WoundExpress shortly.

The integration of AirPal is continuing and we estimate that we will capture larger market shares than expected as early as this year.

Overall, we are closing a record strong quarter with a high order intake, especially in patient handling, which strengthens our view for the full-year. We are continuing to implement our new strategy with an intense focus on developing the product portfolio, our outcome-based programs and our latest acquisitions.

I am convinced that 2021 will be another exciting and successful year for Arjo.

Malmö, April 27

Joacim Lindoff
President & CEO

Group performance

Net sales and results

First quarter of 2021

Net sales increased organically by 4.1% to SEK 2,168 M (2,273) with a favorable performance in all of the Group's regions.

Sales in North America increased organically by 7.1%, with continued solid performance in the US and double-digit growth in Canada. Higher volumes in patient handling were reported at the end of the quarter, a product segment that was held back in 2020 by the restricted access to hospitals and long-term care facilities. This increase is deemed to be a good indication that sales of capital equipment are gradually returning to normal levels. Demand remained high in the US rental operations, mainly within the core business. A recovery in DVT was also noted in March.

Net sales in Western Europe increased organically by 1.1%. Performance in countries like France, Germany and Austria was positive, with healthy volumes in rental and increased sales of capital equipment at the end of the quarter. The UK fell slightly, primarily due to lower volumes in service and temporary transportation disruptions.

Rest of the World grew organically by 5.4% with continued high demand for medical beds. Australia, Hong Kong and Singapore performed particularly well.

The gross margin increased to 46.8% (45.9) in the quarter. The improved margin was primarily driven by a favorable product mix with higher volumes in patient handling. Improvements in rental and a continued higher share of high-spec medical beds also made a positive contribution. In addition, the previously implemented efficiency programs in the US and Europe had positive effects. Higher costs due to global transportation problems were offset by enhanced efficiency and a review of the Group's pricing has been initiated.

Restructuring costs amounted to SEK 8 M for the quarter, the majority of which were related to the previously communicated efficiency measures in Europe. The program is progressing well and is expected to generate full-year savings of about SEK 50 M. The total cost for this program is expected to amount to approximately SEK 75 M, of which about SEK 60 M was charged to 2020 and about SEK 15 M is expected to be charged to the current year. A small share of restructuring costs for the quarter were related to the relocation of the Group's central logistics hub from the UK to Sweden.

Operating expenses for the quarter fell to SEK 750 M (839) and are continuing to decline as a percentage of sales. Implemented restructuring activities are generating positive effects and we continue to have good cost control throughout the value chain.

Adjusted EBITDA increased 11.0% to SEK 495 M (445). Adjusted operating profit increased by 27.9% to SEK 260 M (203), resulting in an operating margin of 12.0%, the highest since Arjo became a standalone company in 2017. In comparable currencies, adjusted operating profit increased by approximately 45%.

Net financial items improved to SEK -21 M (-27) due to lower interest rates, high returns from the Group's certificate programs and lower borrowing volumes.

Currency effect

Translation effect vs 2020, MSEK	Quarter 1 2021
Sales	-198
Cost of goods sold	115
Gross profit	-83
Operating expenses	54
Restructuring	1
Total translation effect, EBIT	**-28**
Recognized remeasurement effects	
Other operating income/expenses	-6

Net sales by geographic area, SEK M	Quarter 1 2021	Quarter 1 2020	Organic change	Rolling 12 months	Full-year 2020
North America	874	927	7.1%	3,565	3,619
Western Europe	1,014	1,061	1.1%	4,102	4,149
Rest of the World	280	285	5.4%	1,305	1,310
Total	**2,168**	**2,273**	**4.1%**	**8,972**	**9,078**

Cash flow and financial position

Cash flow from operations amounted to SEK 275 M (287) for the quarter. During the period, cash flow was temporarily negatively impacted by a slight increase in inventories in the wake of the pandemic in order to ensure production and customer deliveries.

The Group's cash conversion in the quarter amounted to 56.5% compared to 70.1% in the same quarter last year. It is estimated that this level is of a temporary nature due to the increase in inventories described above.

Net investments for the quarter amounted to SEK 122 M (171), divided between tangible assets of SEK 80 M (104) and intangible assets of SEK 42 M (67). The investments in tangible assets include investments in the rental fleet of SEK 59 M (72).

The Group's cash and cash equivalents amounted to SEK 550 M (820) and interest-bearing net debt was SEK 4,962 M (5,759). At the end of the period, Arjo issued commercial paper of SEK 3,561 M (3,151). Arjo has contracted unutilized credit facilities of SEK 5,261 M available for refinancing outstanding commercial paper.

The equity/assets ratio amounted to 44.7% (42.8). Net debt/adjusted EBITDA was 2.7% (3.3).

Research and development

Arjo's gross research and development costs for the quarter amounted to SEK 51 M (52), of which SEK 23 M (31) was charged to operating profit. The gross costs correspond to 2.4% (2.3) of consolidated net sales.

Outlook 2021

Organic sales growth for 2021 is expected to be within the Group's target interval 3-5%.

Other key events during the quarter

Positive reception for the SEM scanner

Arjo initiated the launch of BBI's Provizio® SEM scanner in the quarter, with a very positive response from customers. To date, the scanner has been launched in selected markets, including North America, Central Europe, the UK and Australia. Extensive internal training has been provided to prepare the organization ahead of the launch of this new technology.

Arjo has exclusive global distribution rights for the SEM scanner, which allows early detection of pressure injury risk and thereby reduces patient suffering and healthcare costs. The acquisition allows Arjo to significantly strengthen its offering in the fast growing wound care segment, and at the same time take an important step towards increased focus on providing outcome-based solutions to healthcare.

Wounds UK publishes consensus around IPC for treating venous leg ulcers – concluding positive results for WoundExpress

Treating venous leg ulcers is a significant and costly challenge for healthcare. During the quarter, Wounds UK published a consensus paper in which eight experienced UK clinicians stated that the use of IPC solutions (Intermittent Pneumatic Compression), in particular Arjo's WoundExpress, can improve both clinical and financial outcomes. Unlike the current standard treatment using bandages and hosiery, WoundExpress is a garment applied on the patient's thigh to avoid painful pressure while increasing blood flow to the leg ulcer.

The launch of WoundExpress is proceeding according to plan, while ongoing studies are being completed to obtain greater understanding of the range of effects WoundExpress may have that would contribute to improving the management of several wound types commonly found on the lower limb.

New date for publication of interim report for second quarter 2021

Arjo's Board of Directors has decided to bring forward the publication date for the second quarter interim report January-June 2021. The report will now be published on July 15 instead of previously communicated date of July 20.

Other information

Key events after the end of the quarter

There are no key events to report after the end of the reporting period.

Risk management

Customers and healthcare reimbursement systems

A considerable share of Arjo's revenue is derived from sales of products to public sector entities. A political discussion taking place in many countries concerns whether private healthcare providers should be able to offer publicly funded healthcare services. There is a risk that authorities in countries where Arjo operates will decide to limit or completely discontinue public funding of private healthcare, which could affect the establishment of new hospitals and other healthcare facilities and their purchasing of healthcare products, such as Arjo's emergency and long-term care products. Sales of the Group's products are also dependent on various reimbursement systems in each of Arjo's markets. In many of Arjo's markets (such as the US), it is often the patient's insurance company that – within the framework of the existing political reimbursement system – funds or subsidizes products for the patient's emergency or long-term care. Some of the success for sales of Arjo's products in these markets is dependent on whether Arjo's products have been approved for reimbursement under the various reimbursement systems. Since Arjo conducts operations in many different countries and markets, the above-named risks are limited for the Group as a whole.

Research and development

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

Product liability and damage claims

As a medical device supplier, Arjo, like other healthcare industry players, may sometimes be subject to claims related to product liability and other damage claims. Such claims could involve large financial amounts, result in significant legal expenses and negatively affect the company's reputation and customer relationships. Arjo limits the risk of product liability and other damage claims related to its products and their use through the company's extensive quality and safety activities. A comprehensive insurance program is in place to cover any liability risks (including product liability) to which the Group is exposed.

Protecting and managing the infringement of intellectual property rights

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

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

Changes related to general economic and political conditions

Arjo operates in several parts of the world and, like other companies, is affected by general global economic, financial and political conditions. Demand for Arjo's medical devices and solutions is influenced by various factors, including general macroeconomic trends. Uncertainty about future economic prospects, including political concerns, could adversely affect customers' decisions to buy Arjo's products, which would adversely affect Arjo's operations, financial position and results. Furthermore, changes in the political situation in a region or country, or political decisions affecting an industry or country, could also have a material adverse impact on sales of Arjo's products. Since Arjo operates in a large number of geographical markets, this risk is limited for the Group as a whole.

Authorities and supervisory bodies

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

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

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

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

Financial risk management

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

Coronavirus (Covid-19)

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

Risk of cyber attacks

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

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

Transactions with related parties

Transactions between Arjo and companies in Getinge Group are specified in Note 12.

Forward-looking information

This report contains forward-looking information based on the current expectations of Arjo's Management Team. Although management considers the expectations presented by such forward-looking information to be reasonable, there is no guarantee that these expectations will prove correct. Consequently, actual outcomes may vary considerably compared with what is stated in the forward-looking information, due to such factors as changed conditions regarding the economy, market and competition, changes in legal and regulatory requirements, as well as other policy measures and fluctuations in exchange rates.

This interim report is unaudited.

Assurance

The Board of Directors and CEO assure that the interim report provides a true and fair review of the Parent Company and the Group's operations, position and earnings and describes the material risks and uncertainties faced by the Parent Company and the Group.

Malmö, April 27, 2021

Johan Malmquist
Chairman of the Board

Carl Bennet
Vice Chairman

Eva Elmstedt

Dan Frohm

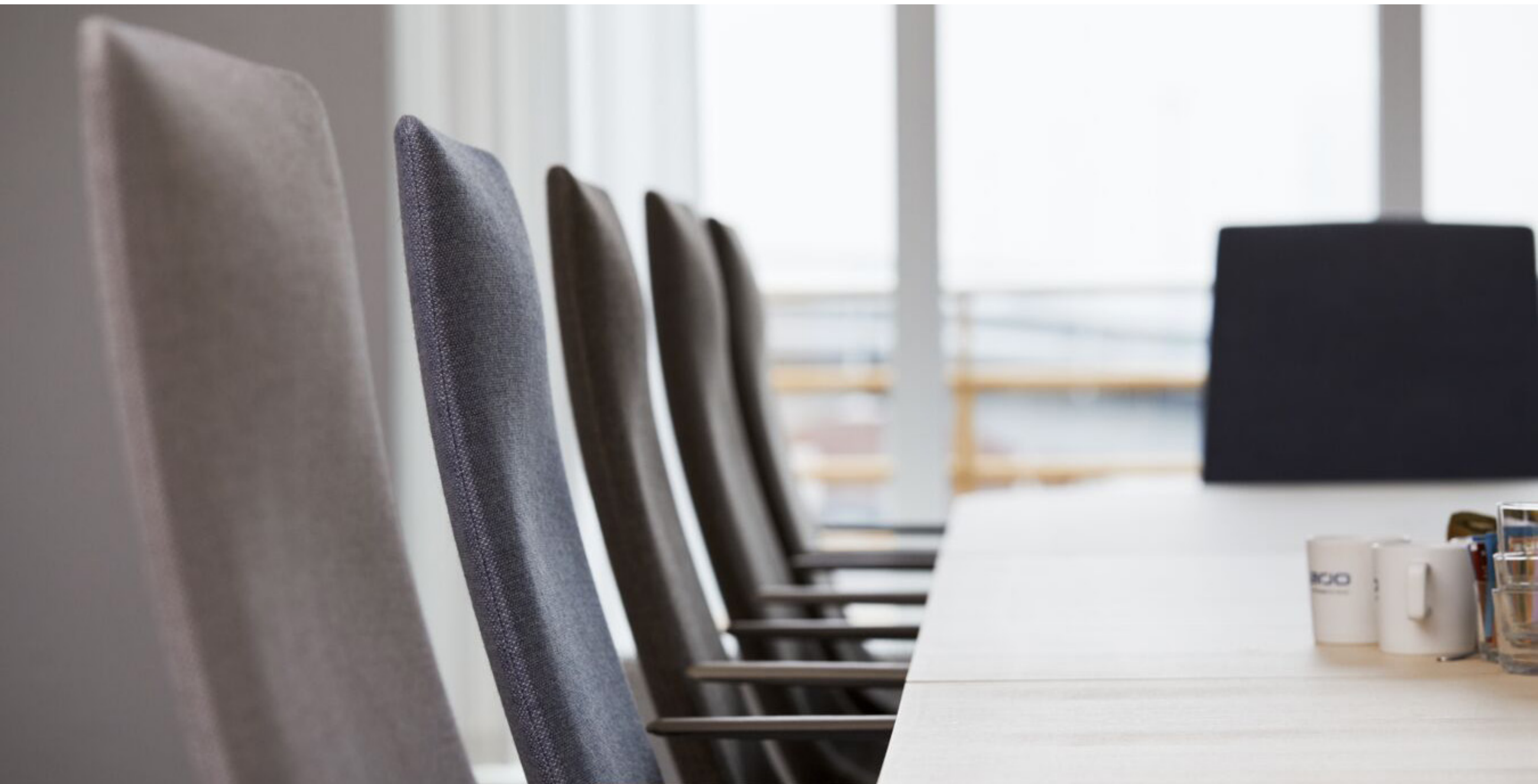
Ulf Grunander

Kajsa Haraldsson

Carola Lemne

Eva Sandling Gralén

Joacim Lindoff
President & CEO



Consolidated financial statements

Consolidated income statement

SEK M	Note	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Net sales	2	2,168	2,273	9,078
Cost of goods sold	6	-1,154	-1,230	-4,952
Gross profit		**1,014**	**1,043**	**4,126**
Selling expenses		-424	-492	-1,796
Administrative expenses		-303	-315	-1,258
Research and development costs	4	-23	-31	-114
Exceptional items	5	-8	-37	-78
Other operating income and expenses		-4	-1	-14
Operating profit (EBIT)	3, 6, 8	**252**	**167**	**866**
Net financial items	6, 8	-21	-27	-164
Profit after financial items		**231**	**140**	**702**
Taxes		-58	-35	-175
Net profit for the period		**173**	**105**	**526**
Attributable to:				
Parent Company shareholders		173	105	526
Number of shares, thousands		272,370	272,370	272,370
Earnings per share, SEK [1]		0.64	0.39	1.93

1) Before and after dilution. For definition, see page 20.

Consolidated statement of comprehensive income

SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Net profit for the period	**173**	**105**	**526**
Other comprehensive income			
Items that cannot be restated in profit			
Actuarial gains/losses pertaining to defined-benefit pension plans	61	274	133
Tax attributable to items that cannot be restated in profit	-12	-50	-24
Items that can later be restated in profit			
Translation differences	467	328	-853
Hedges of net investments	-23	-82	75
Tax attributable to items that can be restated in profit	-14	-5	35
Other comprehensive income for the period, net after tax	**479**	**464**	**-634**
Total comprehensive income for the period	**652**	**569**	**-107**
Comprehensive income attributable to:			
Parent Company shareholders	652	569	-107

Consolidated balance sheet

SEK M	Note	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Assets				
Intangible assets		7,010	7,221	6,834
Tangible assets		1,341	1,364	1,282
Tangible lease assets	6	1,119	1,179	1,044
Financial assets	10	519	652	448
Participations in associated companies	8	126	-	120
Inventories		1,208	1,203	1,039
Accounts receivable		1,584	2,022	1,500
Current financial receivables	10	15	12	14
Other current receivables	10	566	692	605
Cash and cash equivalents	10	550	820	972
Total assets		**14,039**	**15,165**	**13,858**
Shareholders' equity and liabilities				
Shareholders' equity		6,282	6,483	5,630
Non-current financial liabilities	10	956	1,886	2,018
Non-current lease liabilities	10	852	902	802
Provisions for pensions, interest-bearing	10	38	33	37
Other provisions		231	239	233
Current financial liabilities	10	3,559	3,734	3,051
Current lease liabilities	10	325	328	296
Accounts payable		536	541	504
Other non-interest-bearing liabilities		1,261	1,019	1,288
Total shareholders' equity and liabilities		**14,039**	**15,165**	**13,858**

Changes in shareholders' equity for the Group

SEK M	Share capital	Reserves	Retained earnings	Total shareholders' equity [1]
Opening balance at January 1, 2020	**91**	**915**	**4,908**	**5,914**
Total comprehensive income for the period	-	-743	636	-107
Dividend	-	-	-177	-177
Closing balance at December 31, 2020	**91**	**172**	**5,367**	**5,630**
Opening balance at January 1, 2021	**91**	**172**	**5,367**	**5,630**
Total comprehensive income for the period	-	430	222	652
Closing balance at March 31, 2021	**91**	**602**	**5,589**	**6,282**

1) Fully attributable to Parent Company shareholders

Consolidated cash-flow statement

SEK M	Note	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Operating activities				
Operating profit (EBIT)		252	167	866
Add-back of amortization, depreciation and write-down	3	235	242	973
Other non-cash items		-2	5	56
Expensed exceptional items [1]		8	37	71
Paid exceptional items		-13	-23	-64
Financial items		-21	-30	-124
Taxes paid		-32	-49	-132
Cash flow before changes to working capital		**426**	**348**	**1,646**
Changes in working capital				
Inventories		-112	-28	-30
Current receivables		26	58	214
Current liabilities		-66	-91	438
Cash flow from operations		**275**	**287**	**2,267**
Investing activities				
Divested / acquired operations [2]	8	–	–	-49
Acquisitions of participations in subsidiaries		–	–	-135
Acquired financial assets		–	-4	-4
Net investments		-122	-171	-784
Cash flow from investing activities		**-122**	**-175**	**-972**
Financing activities				
Raising of loans		2,081	2,878	8,574
Repayment of interest-bearing liabilities [2]		-2,671	-2,750	-8,791
Repayment of lease liabilities		-78	-74	-327
Change in pension assets/liabilities		0	0	1
Change in interest-bearing receivables		8	5	8
Dividend		–	–	-177
Realized derivatives attributable to financing activities		76	-26	-250
Cash flow from financing activities		**-584**	**34**	**-963**
Cash flow for the period		**-431**	**146**	**332**
Cash and cash equivalents at the beginning of the period		972	662	662
Translation differences		9	12	-22
Cash and cash equivalents at the end of the period		**550**	**820**	**972**

1) Excluding write-down of non-current assets
2) From 2021, payment of additional purchase considerations is recognized in financing activities. Comparative figures have been adjusted.

Note 1 Accounting policies

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the applicable rules of the Swedish Annual Accounts Act. The Parent Company has prepared the interim report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

The accounting policies applied in the preparation of this interim report apply to all periods and are consistent with the accounting policies presented in Note 1 Significant accounting policies in the 2020 Annual Report, published on www.arjo.com.

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

New accounting standards

No new or changed accounting standards that came into effect on January 1, 2021 had a material impact on Arjo. None of the IFRS or IFRIC interpretations that have yet to come into legal effect are expected to have any significant impact on Arjo.

Note 2 Net sales by geographic area and type of revenue

Net sales by geographic area, SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
North America	874	927	3,619
Western Europe	1,014	1,061	4,149
Rest of the World	280	285	1,310
Total	**2,168**	**2,273**	**9,078**

Net sales by type of revenue, SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Product sales	1,215	1,311	5,168
Service incl. spare parts	354	369	1,426
Rental	599	593	2,484
Total	**2,168**	**2,273**	**9,078**

Note 3 Depreciation/amortization and write-down

SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Intangible assets	-69	-69	-284
Of which, attributable to acquisitions	*-22*	*-21*	*-80*
Tangible assets	-86	-91	-364
Tangible lease assets	-79	-82	-325
Total	**-235**	**-242**	**-973**
Of which, write-down	*-*	*-*	*-3*

Note 4 Capitalized development costs

SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Research and development costs, gross	-51	-52	-202
Capitalized development costs	28	21	88
Research and development costs, net	**-23**	**-31**	**-114**

Note 5 Exceptional items

SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Acquisition expenses	0	–	-4
Damage claims and disputes	–	–	-7
Restructuring and integration costs	-8	-37	-67
Total	**-8**	**-37**	**-78**

Note 6 Leases

Only figures including IFRS 16 Leases are recognized from 2020. A specification of the right-of-use assets and where the costs are found in the income statement is presented below.

Arjo as a lessee

Amounts recognized in the balance sheet

SEK M	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Right-of-use assets			
Buildings and land	757	872	743
Cars and other vehicles	341	296	281
Other	21	11	19
Total	**1,119**	**1,179**	**1,044**

Amounts recognized in profit or loss

SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Depreciation of right-of-use assets			
Cost of goods sold	-53	-51	-214
Operating expenses	-26	-30	-110
Total	**-79**	**-82**	**-325**
Interest expenses	-8	-9	-34

Note 7 Financial assets and liabilities measured at fair value

Mar 31, 2021	Assets/liabilities measured at fair value through profit or loss	Derivatives used for hedging purposes	Total
Other current receivables	32	-	32
Other financial assets	132	-	132
Total assets	**165**	**-**	**165**
Other non-interest-bearing liabilities	19	-	19
Additional purchase consideration	70	-	70
Total liabilities	**89**	**-**	**89**

Mar 31, 2020	Assets/liabilities measured at fair value through profit or loss	Derivatives used for hedging purposes	Total
Other current receivables	88	8	96
Other financial assets	129	-	129
Total assets	**216**	**8**	**224**
Other non-interest-bearing liabilities	14	29	43
Additional purchase consideration	71	-	71
Total liabilities	**85**	**29**	**114**

The fair value of derivative instruments is established using valuation techniques. For this purpose, observable market information is used. All derivatives are classified under level 2 of the fair value hierarchy. The Group has holdings in unlisted companies in level 3 of the fair value hierarchy. The carrying amount of the holdings is the same as the fair value. The Group has a liability for additional purchase considerations related to acquisitions, which is at level 3 of the fair value hierarchy.

Note 8 Acquisitions

Acquisitions in 2020

Acquisition of equity stake in Bruin Biometrics (BBI)

In October 2020, Arjo acquired a 10% equity stake in Bruin Biometrics (BBI), a US-based company developing solutions for diagnosing patients with an elevated risk of developing pressure injuries. The deal gives Arjo exclusive global distribution rights for BBI's portable SEM scanner, which allows early detection of pressure injury risk and thereby reduces patient suffering and healthcare costs.

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

Income from participations are included in net financial items and amounted to SEK -2 M in the first quarter of 2021.

Acquisition of AirPal

In December 2020, Arjo acquired operations in AirPal, a privately owned US-based company specializing in Air-Assisted Lateral Transfer solutions for patients. The acquisition strengthens Arjo's patient handling portfolio and is part of the Group's long-term strategic focus toward driving healthier outcomes for people facing mobility challenges, and will help advance Arjo's agenda toward increased profitable growth. Focus will initially be on the US market followed by the UK and Australia. Annual sales amount to approximately SEK 40 M.

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

Note 9 Financial data per quarter

SEK M	Quarter 1 2020	Quarter 2 2020	Quarter 3 2020	Quarter 4 2020	Quarter 1 2021
Net sales	2,273	2,264	2,143	2,398	2,168
Cost of goods sold	-1,230	-1,240	-1,171	-1,311	-1,154
Gross profit	**1,043**	**1,023**	**973**	**1,087**	**1,014**
Operating expenses	-839	-781	-762	-786	-750
Exceptional items	-37	-18	0	-23	-8
Other operating income and expenses	-1	2	-2	-12	-4
Operating profit (EBIT)	**167**	**226**	**208**	**265**	**252**
Net financial items	-26	-74	-32	-31	-20
Profit after financial items	**140**	**152**	**176**	**234**	**231**
Taxes	-35	-38	-44	-58	-58
Net profit for the period	**105**	**114**	**132**	**175**	**173**
Adjusted EBITDA 1)	445	489	448	530	495
Adjusted EBITDA margin, % 1)	19.6%	21.6%	20.9%	22.1%	22.8%

1) EBITDA before exceptional items. Refer to Note 5 Exceptional items on page 13, Alternative performance measures on page 17 and definitions on page 20.

Note 10 Consolidated interest-bearing net debt

SEK M	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Non-current financial liabilities	886	1,816	1,936
Non-current lease liabilities	852	902	802
Current financial liabilities	3,559	3,734	3,051
Current lease liabilities	325	328	296
Provisions for pensions, interest-bearing	38	33	37
Interest-bearing liabilities	**5,660**	**6,812**	**6,122**
Less financial receivables	-48	-70	-50
Less pension assets	-98	-164	-33
Less cash and cash equivalents	-550	-820	-972
Interest-bearing net debt	**4,962**	**5,759**	**5,067**

Note 11 Key performance measures for the Group

SEK M	Jan - Mar 2021	Jan - Mar 2020	Full-year 2020
Sales measures			
Net sales	2,168	2,273	9,078
Net sales growth, %	-4.6%	6.5%	1.1%
Organic growth in sales, %	4.1%	3.4%	3.9%
Expense measures			
Selling expenses as a % of net sales	19.6%	21.7%	19.8%
Administrative expenses as a % of net sales	14.0%	13.9%	13.9%
Research and development costs gross as a % of net sales	2.4%	2.3%	2.2%
Earnings measures			
Operating profit (EBIT)	252	167	866
Adjusted operating profit (EBIT) [2]	260	203	943
EBITA	321	236	1,150
Adjusted EBITA [2]	330	273	1,224
EBITDA	487	409	1,838
EBITDA growth, %	19.1%	-1.1%	9.8%
Adjusted EBITDA [2]	495	445	1,913
Earnings per share, SEK	0.64	0.39	1.93
Margin measures			
Gross margin, %	46.8%	45.9%	45.5%
Operating margin, %	11.6%	7.3%	9.5%
Adjusted operating margin, % [2]	12.0%	8.9%	10.4%
EBITA margin, %	14.8%	10.4%	12.7%
Adjusted EBITA margin, % [2]	15.2%	12.0%	13.5%
EBITDA margin, %	22.4%	18.0%	20.3%
Adjusted EBITDA margin, % [2]	22.8%	19.6%	21.1%
Cash flow and return measures			
Return on shareholders' equity, % [1]	9.3%	6.7%	9.1%
Cash conversion, %	56.5%	70.1%	123.3%
Operating capital, SEK M	12,003	12,149	11,408
Return on operating capital, % [1]	8.3%	6.2%	8.3%
Capital structure			
Interest-bearing net debt	4,962	5,759	5,067
Interest-coverage ratio, multiple [1]	7.1x	5.9x	6.5x
Net debt/equity ratio, multiple	0.8x	0.9x	0.9x
Net debt / adjusted EBITDA, multiple [1,2]	2.7x	3.3x	2.9x
Equity/assets ratio, %	44.7%	42.8%	40.6%
Equity per share, SEK	23.1	23.8	20.7
Other			
No. of shares	272,369,573	272,369,573	272,369,573
Number of employees, average	6,224	6,172	6,211

1) Rolling 12 months.
2) Before exceptional items. See Alternative performance measures on page 17 and definitions on page 20.

Alternative performance measures

Alternative performance measures refer to financial measures used by the company's management and investors to evaluate the Group's earnings and financial position, and that cannot be directly read or derived from the financial statements. These financial measures are intended to facilitate analysis of the Group's performance. The alternative performance measures should not be considered substitutes, but rather a supplement to, the financial statements prepared in accordance with IFRS. The financial measures recognized in this report may differ from similar measures used by other companies. The alternative performance measures recognized below have not been calculated in accordance with IFRS but have been presented since Arjo believes that they are important in connection with investors' assessments of the Company and the Company's share.

Adjusted EBIT/EBITA/EBITDA SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Operating profit (EBIT)	252	167	866
Add-back of amortization and write-down of intangible assets	69	69	284
EBITA	**321**	**236**	**1,150**
Add-back of depreciation and impairment of tangible assets	165	173	688
EBITDA	**487**	**409**	**1,838**
Exceptional items [1]	8	37	78
Add-back of write-down of restructuring and integration costs	-	-	-3
Adjusted operating profit (EBIT)	**260**	**203**	**943**
Adjusted EBITA	**330**	**273**	**1,224**
Adjusted EBITDA	**495**	**445**	**1,913**

1) Refer to Note 5 Exceptional items on page 13.

Cash conversion	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Cash flow from operations, SEK M	**275**	**287**	**2,267**
Operating profit (EBIT)	252	167	866
Add-back of amortization, depreciation and write-down of intangible and tangible assets	235	242	973
EBITDA, SEK M	**487**	**409**	**1,838**
Cash conversion, %	**56.5%**	**70.1%**	**123.3%**

Net debt/equity ratio	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Interest-bearing net debt, SEK M	4,962	5,759	5,067
Shareholders' equity, SEK M	6,282	6,483	5,630
Net debt/equity ratio	**0.79**	**0.89**	**0.90**

Calculation of return on operating capital	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Total assets opening balance	15,165	14,142	14,422
Total assets closing balance	14,039	15,165	13,858
Average total assets	**14,602**	**14,654**	**14,140**
Average total assets	14,602	14,654	14,140
Excluding average cash and cash equivalents	-685	-663	-817
Excluding average other provisions	-235	-277	-223
Excluding average other non-interest-bearing liabilities	-1,679	-1,564	-1,692
Average operating capital	**12,003**	**12,149**	**11,408**
Operating profit (EBIT) [1]	951	669	866
Add-back of exceptional items [1]	49	90	78
EBIT after add-back of exceptional items	1,000	759	943
Return on operating capital, %	**8.3%**	**6.2%**	**8.3%**

1) Rolling 12 months.

Note 12 Transactions with related parties

SEK M	Jan - Mar 2021	Jan - Mar 2020	Full-year 2020
Transactions with related parties, SEK M			
Sales	9	15	39
Purchases of goods	0	-1	-3
Accounts receivable	7	14	1
Other current receivables	2	-	7
Non-current financial liabilities	-	31	-
Accounts payable	0	0	6
Other non-interest-bearing liabilities	-	6	-

Transactions between Arjo and companies in Getinge Group are specified in the table above. In addition to the above, there were no other material transactions with related parties.Arjo uses Getinge as a distributor in certain markets. Business terms and conditions as well as market-regulated pricing apply for delivery of products and services between the Groups.

Parent Company financial statements

Parent Company income statement

SEK M	Quarter 1 2021	Quarter 1 2020	Full-year 2020
Administrative expenses	-45	-36	-165
Restructuring costs	–	–	-3
Other operating income and expenses	0	2	133
Operating profit (EBIT)	**-45**	**-34**	**-35**
Income from participations in Group companies	–	–	115
Net financial items [1]	-12	-16	-61
Profit after financial items	**-57**	**-50**	**19**
Taxes	12	11	-5
Net profit for the period	**-45**	**-40**	**15**

1) Net financial items contain interest income, interest expenses, other financial expenses and exchange-rate gains and losses attributable to the translation of financial receivables and liabilities in foreign currencies measured at the closing day rate.

Parent Company balance sheet

SEK M	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
Assets			
Intangible assets	364	347	381
Financial assets	5,973	6,419	5,961
Current financial receivables, Group companies	1,646	971	1,212
Other current receivables, Group companies	7	5	61
Current receivables	16	30	30
Total assets	**8,007**	**7,772**	**7,646**
Shareholders' equity and liabilities			
Shareholders' equity	4,427	4,595	4,472
Provisions	1	1	1
Current financial liabilities	3,557	3,147	3,049
Other current liabilities, Group companies	3	4	70
Other non-interest-bearing liabilities	19	24	53
Total shareholders' equity and liabilities	**8,007**	**7,772**	**7,646**

At the end of the period, the carrying amount of shares and participations in subsidiaries amounted to SEK 5,862 M (6,309). No change occurred during the period. The Parent Company's commercial paper program has a framework amount of SEK 4,000 M. The total amount issued at the end of the period amounted to SEK 3,561 M (3,151).

Intangible assets comprise software.

Definitions

Financial terms

Operating capital
Average total assets less cash and cash equivalents, other provisions, accounts payable and other non-interest-bearing liabilities.

Return on operating capital
Rolling 12 months' operating profit with add-back of exceptional items in relation to operating capital.

Return on shareholders' equity
Rolling 12 months' profit after tax in relation to average shareholders' equity.

Cash conversion
Cash flow from operations in relation to EBITDA.

EBIT
Operating profit.

Adjusted EBIT/Operating profit
Operating profit with add-back of exceptional items.

EBITA
Operating profit before amortization and write-down of intangible assets.

Adjusted EBITA
EBITA with add-back of exceptional items.

EBITA margin
EBITA in relation to net sales.

Adjusted EBITA margin
Adjusted EBITA in relation to net sales.

EBITDA
Operating profit before amortization, depreciation and write-down.

Adjusted EBITDA
EBITDA with add-back of exceptional items.

EBITDA margin
EBITDA in relation to net sales.

Adjusted EBITDA margin
Adjusted EBITDA in relation to net sales.

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

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

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

Organic change
A financial change adjusted for currency fluctuations, acquisitions and divestments.

Earnings per share
Profit for the period attributable to Parent Company shareholders in relation to average number of shares. The following data was used to calculate earnings per share:

Profit for the period attributable to Parent Company shareholders	SEK 173 M
Number of shares, thousands	272,370
Earnings per share	SEK 0.64

Interest-coverage ratio
Profit after financial items plus interest expenses and add-back of exceptional items in relation to interest expenses. Calculated based on rolling twelve-month data.

Operating expenses
Selling expenses, administrative expenses and research and development costs.

Operating margin
Operating profit in relation to net sales.

Equity/assets ratio
Shareholders' equity in relation to total assets.

Medical and other terms

Deep vein thrombosis (DVT)
Formation of a blood clot in a deep leg vein.

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

US Food and Drug Administration (FDA)
The US authority responsible for protecting the public health by carrying out regular inspections of, among other things, medical devices.

IPC (intermittent pneumatic compression)
An established method for preventing VTE. Actively compressing the calf muscles, for example, imitates the pumping mechanism that normally occurs when walking or running, which increases blood flow and prevents blood clots from forming in the immobile patient.

Compression therapy
Treatment technique which means that one uses outer pressure with a certain frequency and for a certain period of time to treat and prevent venous leg ulcers.

EU Medical Device Regulation (MDR)
Regulations created by the EU to ensue better protection for the public health and patient safety by establishing modernized and more robust EU legislation. All medical device manufacturers and distributors must comply with these new regulations.

Prevention
Preventive activity/treatment.

Sequential VTE prevention
A treatment that aims to enhance the circulation of blood in the deep veins of the legs, which helps reduce deep vein thrombosis (blood clot in the deep veins of the legs).

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

Pressure injuries
Sores that occur when blood flow to the skin is reduced by external pressure. Most common in patients with reduced mobility.

VTE
The abbreviation VTE standards for venous thromboembolism – a blood clot in the veins, similar to DVT (above).

Edema
Swelling due to accumulation of fluid in tissues.

Teleconference

Fund managers, analysts and the media are invited to a teleconference on April 27 at 8:00 a.m. CEST.

Dial the number below to participate:

Sweden: +46 8 505 583 56
US: +1 833 249 8404
UK: +44 333 300 9269

A presentation will be held during the telephone conference. To access the presentation, please use this link:
https://tv.streamfabriken.com/arjo-q1-2021

Alternatively, use the following link to download the presentation:
https://www.arjo.com/int/about-us/investors/reports--presentations/2021/

A recording of the teleconference will be available for 3 years via the following link: https://tv.streamfabriken.com/arjo-q1-2021

Financial information

Updated information on, for example, the Arjo share and corporate governance is available on Arjo's website www.arjo.com. The Annual Report, year-end report and interim reports are published in Swedish and English and are available for download at www.arjo.com.

The following financial statements will be published in 2021:

April 27, 2021:	2021 Annual General Meeting
July 15, 2021:	Interim report Jan–Jun 2021
October 28, 2021	Interim report Jan–Sep 2021

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This information is information that Arjo AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, on April 27, 2021 at 7:00 a.m. CEST.

Arjo's work is based on genuine care for human health and well-being. Arjo is a market-leading supplier of medical devices and solutions that improve quality of life for patients with reduced mobility and age-related health challenges. The company's offering includes products and solutions for patient handling, hygiene, disinfection, medical beds, prevention of pressure ulcers, prevention of deep vein thrombosis and for obstetric and cardiac diagnostics.

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