



# Interim Report January – March 2022

## January–March 2022 in brief

- Net sales increased to SEK 2,370 M (2,168).  
Net sales grew organically by 1.4%.
- Adjusted EBITDA amounted to SEK 490 M (495).
- Adjusted operating profit amounted to SEK 237 M (260).
- Profit after financial items amounted to SEK 218 M (231).
- Earnings per share amounted to SEK 0.60 (0.64).
- Cash flow from operations amounted to SEK 25 M (275).
- Cash conversion was 5.3% (56.5).
- AtmosAir Velaris was launched during the quarter, a new generation of mattresses for pressure injury prevention.

## Financial summary

SEK M	Quarter 1 2022	Quarter 1 2021	Rolling 12 months	Full-year 2021
Net sales	2,370	2,168	9,272	9,070
Gross profit	1,055	1,014	4,251	4,209
Gross margin, %	44.5%	46.8%	45.8%	46.4%
Adjusted EBITA <sup>1)</sup>	304	330	1,364	1,390
Adjusted EBITA margin, % <sup>1)</sup>	12.8%	15.2%	14.7%	15.3%
Adjusted EBITDA <sup>1)</sup>	490	495	2,067	2,072
Adjusted EBITDA margin, % <sup>1)</sup>	20.7%	22.8%	22.3%	22.8%
Operating profit (EBIT)	231	252	1,056	1,077
Adjusted operating profit (EBIT) <sup>1)</sup>	237	260	1,093	1,116
Profit after financial items	218	231	977	989
Net profit for the period	164	173	732	742
Number of shares, thousands	272,370	272,370	272,370	272,370
Earnings per share, SEK	0.60	0.64	2.69	2.72
Cash flow from operations	25	275	1,485	1,734
Cash conversion, %	5.3%	56.5%	73.1%	85.3%

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

# High demand and continued growth

Demand for our products and solutions remains very strong. The Group grew organically by 1.4%, supported by a strong order intake and the order book for capital equipment is now significantly higher than at the end of the corresponding quarter last year. The global challenges within supply chain continue and the organization remains fully focused on managing them.

In North America, critical care rental volumes were significantly lower compared with the first quarter of 2021, although growth was very positive in several important product categories. Global Sales performed well during the quarter, despite canceled deliveries to Russia and challenges in logistics, and sales were high in several large markets. For the Group as a whole, we see a continued positive trend in both service and the underlying, more long-term part of the rental operations, which is well aligned with our strategy.

## High activity level and good cost control

We reach a gross margin of 44.5% despite a sharp increase in material and transportation costs. The combined effects of changes implemented in the rental operations, efficiency improvements in production, the initial effects of our price adjustments and good cost control throughout the value chain contributed positively to the margin. The product mix was slightly less favorable in the quarter, with significantly lower critical care rental in the US – a product group that was very positive for the Group's profitability trend during the pandemic – and a higher share of medical beds sold. However, the order intake reflects higher volumes in profitable product categories such as patient handling and DVT, which are expected to positively affect the product mix going forward.

We have a high activity level that is now approaching the level we saw before the pandemic. New ways of working and improvements made to our processes are generating positive results, meaning that operating expenses – despite higher activities – only increased marginally compared with the year-earlier period in comparable currencies.

The global challenges related to the supply of materials and logistics, further intensified by the war in Ukraine, are expected to continue during the year, and are highly prioritized by the organization. We are gradually implementing necessary price adjustments – a process that will be given even more focus going forward in order to fully compensate for recent developments. At the same time, we are continuing to implement long-term efficiency improvements within our business that will generate continued positive effects even after the situation has stabilized.

To meet high demand and ensure the continuity of production and deliveries, an inventory in standard components and finished products continued to be built up during the quarter. As a natural consequence of this, we are reporting a lower cash conversion for the quarter. This additional inventory is expected to be consumed during the current year,

and we expect to see a gradual improvement of the cash conversion over the coming quarters. The Group's financial position remains solid, with net debt in relation to EBITDA at a multiple of 2.3.

## Strengthened offering in pressure injury prevention

The occurrence of pressure injuries continues to be on the rise and, in addition to causing substantial suffering for patients and longer length of stays, weighs down on a healthcare system already under pressure. A brand new generation of mattresses for prevention of pressure injuries was launched during the quarter, alongside the continued roll-out of the SEM scanner and our outcome programs for pressure injury prevention. We are continuing to see widespread interest in the SEM scanner and are now making investments to further strengthen our sales force. Although the pandemic continued to slow the implementation of new work processes and procedures in the healthcare sector, we maintain our assessment that we will achieve the estimated and previously announced sales volumes for the full-year in this area.

## Positive signals for the future

The pandemic has brought the organization closer together and this can particularly be seen in how we are handling the global challenges around us. It is with self-confidence and energy that we are continuing to navigate the market and, in parallel, implementing our strategy with full force to further accelerate our growth and profitability in the years ahead.

To conclude, I am pleased with the start to the year. Demand for capital equipment, service and rental is continuing to increase and, together with several new product launches, give me confidence that 2022 will be another successful year for Arjo.

Malmö, April 22

Joacim Lindoff  
President & CEO



# Group performance

## Net sales and results

### First quarter of 2022

Net sales increased organically by 1.4% to SEK 2,370 M (2,168), with high demand in areas such as rental and service, and a strong order intake within capital goods.

Global Sales grew 5.2% organically, despite challenges in the global supply chain and canceled deliveries to Russia. The sales development was positive in several of the Group's major markets, such as the UK, France, Germany, Australia and the Netherlands.

Growth fell 3.9% in North America, mainly due to lower critical care rental in the US. Sales volumes for service and core rental remained high, and patient handling and DVT also performed well, even though growth in these product categories were somewhat restricted by the disruptions in the supply chain.

The gross margin of 44.5% (46.8) was mainly held back by significantly higher costs for materials and transportation. The margin was also affected by a slightly less favorable product mix with considerably lower critical care rental and higher sales volumes for medical beds, as well as slightly lower productivity in production and service due to the disruptions in the supply chain. High volumes in the long-term rental operations, efficiency improvements in both rental and production and initial effects of price adjustments contributed positively to the gross margin during the quarter. Translation effects negatively impacted the gross margin by 0.9 of a percentage point for the quarter.

Exceptional items amounted to SEK 6 M, most of which relate to support provided to aid Ukrainian refugees in Poland.

Operating expenses amounted to SEK 807 M (750) for the quarter. Cost control remained good throughout the value chain.

Adjusted EBITDA amounted to SEK 490 M (495). The adjusted EBITDA margin was 20.7% (22.8).

Net financial items improved to SEK -13 M (-21) during the quarter. Currency effects in net financial items amounted to SEK 12 M (6) for the quarter.

## Currency effect

SEK M	Quarter 1 2022
<b>Translation effect (vs 2021)</b>	
Sales	+171
Cost of goods sold	-114
Gross profit	+57
Operating expenses	-47
Restructuring and other operating income/expenses	0
<b>Total translation effect, EBIT</b>	<b>+11</b>
<b>Transaction effect (vs 2021)</b>	
<b>Cost of goods sold</b>	<b>+19</b>
<b>Recognized remeasurement effects</b>	
Other operating income/expenses	-11

Translation effects for the quarter amounted to SEK +11 M and transaction effects to SEK +19 M. In addition, the recognized revaluation effects of operating receivables and liabilities after hedging amounted to SEK -11 M net for the quarter.

## Cash flow and financial position

Cash flow from operations amounted to SEK 25 M (275) for the quarter. The lower cash flow was due to a weaker trend in working capital and higher taxes paid primarily due to supplementary tax payments related to 2021. Higher sales growth at the end of the quarter resulted in an increase in current receivables. In addition, the continuing build-up of inventory to ensure deliveries to customers in a challenging situation contributed to the weaker trend in working capital. The Group's cash conversion for the quarter was 5.3% (56.5). The Group expects cash conversion to gradually improve over the coming quarters.

Net investments for the quarter amounted to SEK 185 M (122), divided between tangible assets of SEK 125 M (80) and intangible assets of SEK 60 M (42). The investments in tangible assets include investments in

Net sales per segment, SEK M	Quarter 1 2022	Quarter 1 2021	Organic change	Rolling 12 months	Full-year 2021
Global Sales	1,352	1,219	5.2%	5,344	5,211
North America	914	855	-3.9%	3,569	3,510
Other	104	94	1.9%	360	350
<b>Total</b>	<b>2,370</b>	<b>2,168</b>	<b>1.4%</b>	<b>9,272</b>	<b>9,070</b>

the rental fleet of SEK 108 M (59), as a direct effect of the requirements under new long-term contracts in the rental operations.

The Group's cash and cash equivalents amounted to SEK 985 M (550) and interest-bearing net debt was SEK 4,584 M (4,962). Arjo has contracted unused credit facilities of SEK 3,616 M available for refinancing outstanding commercial paper. The equity/assets ratio amounted to 47.0% (44.7). Net debt/adjusted EBITDA was 2.3% (2.7).

## Research and development

Arjo's gross research and development costs for the quarter amounted to SEK 58 M (51), of which SEK 28 M (23) was charged to operating profit. The gross costs correspond to 2.5% (2.4) of consolidated net sales.

## Outlook 2022

Organic net sales growth for 2022 is expected to be within the Group's target interval of 3-5%.

## Other key events during the quarter

### Launch of AtmosAir Velaris – a new pressure mattress system for pressure injury prevention

AtmosAir Velaris was launched during the quarter, a new addition to the Group's offering for pressure injury prevention. AtmosAir Velaris is comprised of a mattress with an associated pump system that combines patient comfort with active treatment using alternating pressure redistribution, without needing to replace the mattress. In this way, the changing needs of patients can be met quickly, easily and safely. The new mattress solution can be used in a wide range of patient risk categories and care settings, and has been designed to improve clinical outcomes, reduce work load for staff and increase resource efficiency for the caregivers.

Sales commenced in the first quarter and AtmosAir Velaris has to date been launched in over 20 countries.

### Arjo stops deliveries to Russia and donates medical beds to field hospitals

As previously announced, Arjo has decided to stop all deliveries and production of equipment destined to Russia due to the ongoing Russian invasion of Ukraine until future notice.

In 2021, Russia accounted for 0.2% of Arjo's total revenue. According to the company's forecast, equipment worth approx. SEK 50 M was planned to be delivered to Russia in 2022, mainly during the first half of the year. Arjo has limited exposure to both Russia and Ukraine, with neither production nor suppliers in any of the countries. The Group does not have any employees in Ukraine.

To support Ukrainian refugees in Poland, where Arjo has significant operations, the Group has donated 100 medical beds and mattresses to field hospitals close to the Polish-Ukrainian border, as well as monitors and other equipment. Arjo has also started an internal fundraising initiative to support Ukrainian refugees, where the company will match the total sum of the donations made by employees around the world.

### Partnership agreement with the Swedish National Handball Team focusing on promoting movement and a positive societal development

During the quarter, Arjo signed a three-year partnership agreement with the Swedish National Handball Team and will go forward work together with the Swedish Handball Federation to promote physical activity.

The Federation's current physical activity and integration projects include "Hand the Ball" and a focus on wheelchair handball, contributing to a positive change in society in a variety of ways.

Promoting movement and contributing to a more sustainable future are at the core of Arjo's operations. Handball is one of the largest team sports in Sweden with more than 135,000 players and about 450 active clubs, and the Handball Federation works actively to make handball accessible for everyone.

## Key events after the end of the quarter

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

## Other information

### 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 certain 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. In addition, Arjo is increasingly focusing on highlighting the clinical value and benefits of the Group's products, something that further reduces the risks described above.

### 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.

The Group has clear instructions on how to prevent, investigate and manage potential cases of infringement. In addition, procedures are in place 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.



The EU MDR came 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 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)**

Even though the most critical Covid-19 situation has now passed in many parts of the world, the pandemic may still affect the Group's supply chain, which could lead to delivery delays, production disruptions and impact the company's production costs. The organization is managing the situation well and is maintaining a close dialog with subsuppliers to ensure access to key components. The Group is monitoring developments and is successively making the necessary business decisions to ensure production and deliveries to the healthcare sector. To date, Arjo has not experienced any major production disruptions due to the



pandemic, but like many other companies, sees an impact in the form of higher prices throughout the value chain. Arjo continues to follow the guidelines set by the authorities in the geographical areas in which the company operates to manage the risk of exposure and ensure a safe and secure work environment.

### **Risk of cyber attacks**

Arjo is dependent on IT and the infrastructure surrounding this area and thus is exposed to the risk of cyber attacks and other forms of hacking and data security.

A defined, governing process is in place to counteract potential risks in this area, and the company works actively on risk assessments of its IT infrastructure and sensitive data as well as testing of these areas. This includes defined mitigating processes and controls, known as IT General Control (ITGC) to protect the company. The internal control environment is evaluated every year both by the company's CISO and by the external auditors. Sensitivity analyses and penetration and restoration tests are performed regularly during the year to ensure sufficient security levels for systems, processes and data. All employees undergo training in IT security and such training is part of the onboarding process for new employees.

### **Transactions with related parties**

Transactions between Arjo and companies in Getinge Group are specified in Note 13.

### **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 22, 2022**

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**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 2022	Quarter 1 2021	Full-year 2021
Net sales	2, 3	2,370	2,168	9,070
Cost of goods sold	7	-1,315	-1,154	-4,861
<b>Gross profit</b>		<b>1,055</b>	<b>1,014</b>	<b>4,209</b>
Selling expenses		-461	-424	-1,753
Administrative expenses		-318	-303	-1,222
Research and development costs	5	-28	-23	-100
Exceptional items	6	-6	-8	-39
Other operating income and expenses	1	-11	-4	-18
<b>Operating profit (EBIT)</b>	4, 7	<b>231</b>	<b>252</b>	<b>1,077</b>
Net financial items	7	-13	-21	-88
<b>Profit after financial items</b>		<b>218</b>	<b>231</b>	<b>989</b>
Taxes		-55	-58	-247
<b>Net profit for the period</b>		<b>164</b>	<b>173</b>	<b>742</b>
<b>Attributable to:</b>				
Parent Company shareholders		164	173	742
Number of shares, thousands		272,370	272,370	272,370
Earnings per share, SEK <sup>1)</sup>		0.60	0.64	2.72

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



## Consolidated statement of comprehensive income

SEK M	Quarter 1 2022	Quarter 1 2021	Full-year 2021
<b>Net profit for the period</b>	<b>164</b>	<b>173</b>	<b>742</b>
<b>Other comprehensive income</b>			
<b>Items that cannot be restated in profit</b>			
Actuarial gains/losses pertaining to defined-benefit pension plans	-27	61	205
Tax attributable to items that cannot be restated in profit	7	-12	-54
<b>Items that can later be restated in profit</b>			
Translation differences	141	467	636
Hedges of net investments	-12	-23	-22
Tax attributable to items that can be restated in profit	-4	-14	-21
<b>Other comprehensive income for the period, net after tax</b>	<b>103</b>	<b>479</b>	<b>745</b>
<b>Total comprehensive income for the period</b>	<b>267</b>	<b>652</b>	<b>1,486</b>
<b>Comprehensive income attributable to:</b>			
Parent Company shareholders	267	652	1,486

## Consolidated balance sheet

SEK M	Note	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
<b>Assets</b>				
Intangible assets		7,156	7,010	7,099
Tangible assets		1,513	1,341	1,454
Tangible lease assets	7	1,094	1,119	1,101
Financial assets	11	651	519	660
Participations in associated companies		124	126	123
Inventories		1,548	1,208	1,369
Accounts receivable		1,536	1,584	1,542
Current financial receivables	11	25	15	25
Other current receivables		598	566	481
Cash and cash equivalents	11	985	550	757
<b>Total assets</b>		<b>15,231</b>	<b>14,039</b>	<b>14,612</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity		7,152	6,282	6,885
Non-current financial liabilities	11	1,080	956	118
Non-current lease liabilities	11	820	852	830
Provisions for pensions, interest-bearing	11	32	38	32
Other provisions		323	231	316
Current financial liabilities	11	3,625	3,559	4,177
Current lease liabilities	11	330	325	328
Accounts payable		611	536	614
Other non-interest-bearing liabilities		1,257	1,261	1,314
<b>Total shareholders' equity and liabilities</b>		<b>15,231</b>	<b>14,039</b>	<b>14,612</b>

## Changes in shareholders' equity for the Group

SEK M	Share capital	Reserves	Retained earnings	Total share- holders' equity <sup>1)</sup>
<b>Opening balance at January 1, 2021</b>	<b>91</b>	<b>172</b>	<b>5,367</b>	<b>5,630</b>
Total comprehensive income for the period	-	593	893	1,486
Dividend	-	-	-232	-232
<b>Closing balance at December 31, 2021</b>	<b>91</b>	<b>766</b>	<b>6,028</b>	<b>6,885</b>
<b>Opening balance at January 1, 2022</b>	<b>91</b>	<b>766</b>	<b>6,028</b>	<b>6,885</b>
Total comprehensive income for the period	-	124	143	267
<b>Closing balance at March 31, 2022</b>	<b>91</b>	<b>890</b>	<b>6,171</b>	<b>7,152</b>

1) Fully attributable to Parent Company shareholders

## Consolidated cash-flow statement

SEK M	Note	Quarter 1 2022	Quarter 1 2021	Full-year 2021
<b>Operating activities</b>				
Operating profit (EBIT)		231	252	1,077
Add-back of amortization, depreciation and write-down	4	253	235	956
Other non-cash items		18	-2	-2
Expensed exceptional items <sup>1)</sup>		6	8	38
Paid exceptional items		-8	-13	-38
Financial items		-9	-21	-89
Taxes paid		-91	-32	-132
<b>Cash flow before changes to working capital</b>		<b>400</b>	<b>426</b>	<b>1,810</b>
<b>Changes in working capital</b>				
Inventories		-154	-112	-232
Current receivables		-94	26	135
Current liabilities		-126	-66	21
<b>Cash flow from operations</b>		<b>25</b>	<b>275</b>	<b>1,734</b>
<b>Investing activities</b>				
Acquired operations	9	-	-	-19
Acquired financial assets		-21	-	-
Net investments		-185	-122	-675
<b>Cash flow from investing activities</b>		<b>-206</b>	<b>-122</b>	<b>-695</b>
<b>Financing activities</b>				
Raising of loans		4,485	2,081	9,942
Repayment of interest-bearing liabilities		-4,095	-2,671	-10,808
Repayment of lease liabilities		-91	-78	-330
Change in pension assets/liabilities		0	0	3
Change in interest-bearing receivables		13	8	27
Dividend		-	-	-232
Realized derivatives attributable to financing activities		87	76	121
<b>Cash flow from financing activities</b>		<b>398</b>	<b>-584</b>	<b>-1,277</b>
<b>Cash flow for the period</b>		<b>217</b>	<b>-431</b>	<b>-237</b>
Cash and cash equivalents at the beginning of the period		757	972	972
Translation differences		11	9	22
<b>Cash and cash equivalents at the end of the period</b>		<b>985</b>	<b>550</b>	<b>757</b>

1) Excluding write-down of non-current assets

## 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 Accounting policies in the 2021 Annual Report, published on [www.arjo.com](http://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.

Income from participations in associated companies are included in other expenses and amounted to SEK -2 M for the quarter.

### New accounting standards

No new or changed accounting standards that came into effect on January 1, 2022 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 type of revenue

SEK M	Quarter 1 2022	Quarter 1 2021	Full-year 2021
Product sales	1,355	1,215	5,209
Service incl. spare parts	401	354	1,504
Rental	613	599	2,357
<b>Total</b>	<b>2,370</b>	<b>2,168</b>	<b>9,070</b>

## Note 3 Segment reporting

SEK M	Quarter 1 2022				Quarter 1 2021				Full-year 2021			
	Global Sales	North America	Other <sup>1)</sup>	Arjo Group	Global Sales	North America	Other <sup>1)</sup>	Arjo Group	Global Sales	North America	Other <sup>1)</sup>	Arjo Group
Net sales, external	1,352	913	105	2,370	1,219	855	94	2,168	5,211	3,510	350	9,070
<b>Operating profit/loss</b>	<b>216</b>	<b>268</b>	<b>-253</b>	<b>231</b>	<b>217</b>	<b>296</b>	<b>-261</b>	<b>252</b>	<b>941</b>	<b>1,149</b>	<b>-1,012</b>	<b>1,077</b>
Net financial items				-13				-21				-88
<b>Profit after financial items</b>				<b>218</b>				<b>231</b>				<b>989</b>
Taxes				-55				-58				-247
<b>Net profit for the period</b>				<b>164</b>				<b>173</b>				<b>742</b>

1) Group functions and Other incl. eliminations

Arjo monitors the operations following the segments Global Sales and North America. Arjo has significant central Group functions in the areas of Supply Chain (product supply, inventories and distribution), IT, Quality, and Research and Development. Only a certain portion of Supply Chain's expenses are allocated to each segment. The remainder of the expenses for Group functions are recognized as Group expenses. Arjo's diagnostics

operations are included in other items that are recognized together with Group expenses. The division of segments and the method of measuring the segments' results is conducted in a similar way in this interim report as the 2021 Annual Report. Assets and liabilities are not divided by segment since no such amounts are regularly reported to the chief operating decision maker.

## Note 4 Depreciation/amortization and write-down

SEK M	Quarter 1 2022	Quarter 1 2021	Full-year 2021
Intangible assets	-67	-69	-274
<i>Of which, attributable to acquisitions</i>	-21	-22	-87
Tangible assets	-97	-86	-355
Tangible lease assets	-89	-79	-327
<b>Total</b>	<b>-253</b>	<b>-235</b>	<b>-956</b>
<i>Of which, write-down</i>	-	-	-

## Note 5 Capitalized development costs

SEK M	Quarter 1 2022	Quarter 1 2021	Full-year 2021
Research and development costs, gross	-58	-51	-220
Capitalized development costs	31	28	120
<b>Research and development costs, net</b>	<b>-28</b>	<b>-23</b>	<b>-100</b>

## Note 6 Exceptional items

SEK M	Quarter 1 2022	Quarter 1 2021	Full-year 2021
Acquisition expenses	0	0	-1
Restructuring costs	-1	-8	-38
Other <sup>1)</sup>	-5	-	-
<b>Total</b>	<b>-6</b>	<b>-8</b>	<b>-39</b>

1) Pertains to support to Ukraine.

## Note 7 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, 2022	Mar 31, 2021	Dec 31, 2021
<b>Right-of-use assets</b>			
Buildings and land	754	757	750
Cars and other vehicles	324	341	334
Other	16	21	18
<b>Total</b>	<b>1,094</b>	<b>1,119</b>	<b>1,101</b>

#### Amounts recognized in profit or loss

SEK M	Quarter 1 2022	Quarter 1 2021	Full-year 2021
<b>Depreciation of right-of-use assets</b>			
Cost of goods sold	-62	-53	-224
Operating expenses	-27	-26	-104
<b>Total</b>	<b>-89</b>	<b>-79</b>	<b>-327</b>
Interest expenses	-7	-8	-30

## Note 8 Financial assets and liabilities measured at fair value

Mar 31, 2022 SEK M	Assets/liabilities measured at fair value through profit or loss	Derivatives used for hedging purposes	Total
Other current receivables	14	-	14
Other financial assets	129	-	129
<b>Total assets</b>	<b>143</b>	<b>-</b>	<b>143</b>
Other non-interest-bearing liabilities	72	-	72
Additional purchase consideration	38	-	38
<b>Total liabilities</b>	<b>110</b>	<b>-</b>	<b>110</b>

Mar 31, 2021 SEK M	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
<b>Total assets</b>	<b>165</b>	<b>-</b>	<b>165</b>
Other non-interest-bearing liabilities	19	-	19
Additional purchase consideration	70	-	70
<b>Total liabilities</b>	<b>89</b>	<b>-</b>	<b>89</b>

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 9 Acquisitions and divestments

### Acquisitions in 2021

#### Acquisition of PAC Rentals

In the second quarter of 2021, Arjo acquired the South African company PAC Rentals, which offers rentals of specialized and therapeutic mattresses. The purchase price amounted to SEK 19 M. The acquisition took place as a transfer of assets and liabilities and has been integrated into Arjo's existing operations in South Africa. The acquired operations generate sales of approximately SEK 10 M annually.



## Note 10 Financial data per quarter

SEK M	Quarter 1 2021	Quarter 2 2021	Quarter 3 2021	Quarter 4 2021	Quarter 1 2022
Net sales	2,168	2,199	2,247	2,456	2,370
Cost of goods sold	-1,154	-1,166	-1,215	-1,327	-1,315
<b>Gross profit</b>	<b>1,014</b>	<b>1,033</b>	<b>1,033</b>	<b>1,129</b>	<b>1,055</b>
Operating expenses	-750	-752	-749	-823	-807
Exceptional items	-8	-5	-4	-21	-6
Other operating income and expenses	-4	-6	-3	-5	-11
<b>Operating profit (EBIT)</b>	<b>252</b>	<b>270</b>	<b>276</b>	<b>280</b>	<b>231</b>
Net financial items	-21	-17	-24	-26	-13
<b>Profit after financial items</b>	<b>231</b>	<b>253</b>	<b>252</b>	<b>254</b>	<b>218</b>
Taxes	-58	-63	-63	-63	-55
<b>Net profit for the period</b>	<b>173</b>	<b>189</b>	<b>189</b>	<b>190</b>	<b>164</b>
Adjusted EBITDA <sup>1)</sup>	495	513	524	541	490
Adjusted EBITDA margin, % <sup>1)</sup>	22.8%	23.3%	23.3%	22.0%	20.7%

1) EBITDA before exceptional items. Refer to Note 6 Exceptional items on page 13, Alternative performance measures on page 17 and definitions on page 20.

## Note 11 Consolidated interest-bearing net debt

SEK M	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Non-current financial liabilities	1,043	886	45
Non-current lease liabilities	820	852	830
Current financial liabilities	3,625	3,559	4,177
Current lease liabilities	330	325	328
Provisions for pensions, interest-bearing	32	38	32
<b>Interest-bearing liabilities</b>	<b>5,850</b>	<b>5,660</b>	<b>5,412</b>
Less financial receivables	-70	-48	-76
Less pension assets	-211	-98	-238
Less cash and cash equivalents	-985	-550	-757
<b>Interest-bearing net debt</b>	<b>4,584</b>	<b>4,962</b>	<b>4,341</b>

## Note 12 Key performance measures for the Group

SEK M	Jan - Mar 2022	Jan - Mar 2021	Full-year 2021
<b>Sales measures</b>			
Net sales	2,370	2,168	9,070
Net sales growth, %	9.3%	-4.6%	-0.1%
Organic growth in sales, %	1.4%	4.1%	3.5%
<b>Expense measures</b>			
Selling expenses as a % of net sales	19.5%	19.6%	19.3%
Administrative expenses as a % of net sales	13.4%	14.0%	13.5%
Research and development costs gross as a % of net sales	2.5%	2.4%	2.4%
<b>Earnings measures</b>			
Operating profit (EBIT)	231	252	1,077
Adjusted operating profit (EBIT) <sup>2)</sup>	237	260	1,116
EBITA	298	321	1,351
Adjusted EBITA <sup>2)</sup>	304	330	1,390
EBITDA	484	487	2,033
EBITDA growth, %	-0.6%	19.1%	10.6%
Adjusted EBITDA <sup>2)</sup>	490	495	2,072
Earnings per share, SEK	0.60	0.64	2.72
<b>Margin measures</b>			
Gross margin, %	44.5%	46.8%	46.4%
Operating margin, %	9.7%	11.6%	11.9%
Adjusted operating margin, % <sup>2)</sup>	10.0%	12.0%	12.3%
EBITA margin, %	12.6%	14.8%	14.9%
Adjusted EBITA margin, % <sup>2)</sup>	12.8%	15.2%	15.3%
EBITDA margin, %	20.4%	22.4%	22.4%
Adjusted EBITDA margin, % <sup>2)</sup>	20.7%	22.8%	22.8%
<b>Cash flow and return measures</b>			
Return on shareholders' equity, % <sup>1)</sup>	10.9%	9.3%	11.9%
Cash conversion, %	5.3%	56.5%	85.3%
Operating capital	11,758	12,003	11,236
Return on operating capital, % <sup>1)</sup>	9.3%	8.3%	9.9%
<b>Capital structure</b>			
Interest-bearing net debt	4,584	4,962	4,341
Interest-coverage ratio, multiple <sup>1)</sup>	13.2x	7.1x	12.8x
Net debt/equity ratio, multiple	0.6x	0.8x	0.6x
Net debt / adjusted EBITDA, multiple <sup>1, 2)</sup>	2.3x	2.7x	2.3x
Equity/assets ratio, %	47.0%	44.7%	47.1%
Equity per share, SEK	26.3	23.1	25.3
<b>Other</b>			
No. of shares	272,369,573	272,369,573	272,369,573
Number of employees, average	6,467	6,224	6,350

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 2022	Quarter 1 2021	Full-year 2021
Operating profit (EBIT)	231	252	1,077
Add-back of amortization and write-down of intangible assets	67	69	274
<b>EBITA</b>	<b>298</b>	<b>321</b>	<b>1,351</b>
Add-back of depreciation and impairment of tangible assets	186	165	682
<b>EBITDA</b>	<b>484</b>	<b>487</b>	<b>2,033</b>
Exceptional items <sup>1)</sup>	6	8	39
<b>Adjusted operating profit (EBIT)</b>	<b>237</b>	<b>260</b>	<b>1,116</b>
<b>Adjusted EBITA</b>	<b>304</b>	<b>330</b>	<b>1,390</b>
<b>Adjusted EBITDA</b>	<b>490</b>	<b>495</b>	<b>2,072</b>

1) Refer to Note 6 Exceptional items on page 13.

Cash conversion	Quarter 1 2022	Quarter 1 2021	Full-year 2021
<b>Cash flow from operations, SEK M</b>	<b>25</b>	<b>275</b>	<b>1,734</b>
Operating profit (EBIT), SEK M	231	252	1,077
Add-back of amortization, depreciation and write-down of intangible and tangible assets, SEK M	253	235	956
<b>EBITDA, SEK M</b>	<b>484</b>	<b>487</b>	<b>2,033</b>
<b>Cash conversion, %</b>	<b>5.3%</b>	<b>56.5%</b>	<b>85.3%</b>

Net debt/equity ratio	Mar 31, 2022	Mar 31, 2021	Dec 31, 2021
Interest-bearing net debt, SEK M	4,584	4,962	4,341
Shareholders' equity, SEK M	7,152	6,282	6,885
<b>Net debt/equity ratio</b>	<b>0.64</b>	<b>0.79</b>	<b>0.63</b>

Calculation of return on operating capital	Jan - Mar 2022	Jan - Mar 2021	Full-year 2021
Total assets opening balance, SEK M	14,039	15,165	13,858
Total assets closing balance, SEK M	15,231	14,039	14,612
<b>Average total assets, SEK M</b>	<b>14,635</b>	<b>14,602</b>	<b>14,235</b>
Average total assets, SEK M	14,635	14,602	14,235
Excluding average cash and cash equivalents, SEK M	-768	-685	-865
Excluding average other provisions, SEK M	-277	-235	-274
Excluding average other non-interest-bearing liabilities, SEK M	-1,832	-1,679	-1,860
<b>Average operating capital, SEK M</b>	<b>11,758</b>	<b>12,003</b>	<b>11,236</b>
Operating profit (EBIT), SEK M <sup>1)</sup>	1,056	951	1,077
Add-back of exceptional items, SEK M <sup>1)</sup>	37	49	39
EBIT after add-back of exceptional items, SEK M	1,093	1,000	1,116
<b>Return on operating capital, %</b>	<b>9.3%</b>	<b>8.3%</b>	<b>9.9%</b>

1) Rolling 12 months.

### Note 13 Transactions with related parties

SEK M	Jan - Mar 2022	Jan - Mar 2021	Full-year 2021
Sales	4	9	31
Purchases of goods	-2	0	-4
Accounts receivable	2	7	4
Other current receivables	-	2	-
Accounts payable	1	0	0

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 2022	Quarter 1 2021	Full-year 2021
Administrative expenses	-51	-45	-175
Other operating income and expenses	-1	0	150
<b>Operating loss (EBIT)</b>	<b>-52</b>	<b>-45</b>	<b>-25</b>
Income from participations in Group companies	-	-	88
Net financial items <sup>1)</sup>	-17	-12	-74
<b>Loss after financial items</b>	<b>-69</b>	<b>-57</b>	<b>-11</b>
Taxes	13	12	-1
<b>Net loss for the period</b>	<b>-56</b>	<b>-45</b>	<b>-13</b>

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, 2022	Mar 31, 2021	Dec 31, 2021
<b>Assets</b>			
Intangible assets	362	364	355
Financial assets	5,918	5,973	5,909
Current financial receivables, Group companies	1,508	1,646	2,128
Other current receivables, Group companies	3	7	27
Current receivables	21	16	17
<b>Total assets</b>	<b>7,812</b>	<b>8,007</b>	<b>8,436</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	4,173	4,427	4,228
Provisions	1	1	1
Current financial liabilities	3,614	3,557	4,165
Other current liabilities, Group companies	0	3	11
Other non-interest-bearing liabilities	24	19	31
<b>Total shareholders' equity and liabilities</b>	<b>7,812</b>	<b>8,007</b>	<b>8,436</b>

At the end of the period, the carrying amount of shares and participations in subsidiaries amounted to SEK 5,832 M (5,862). No change occurred during the period. The Parent Company's commercial paper program has

a framework amount of SEK 5,000 M (4,000). The total amount issued at the end of the period amounted to SEK 3,616 M (3,561).

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 164 M

Number of shares, thousands ..... 272,370

Earnings per share ..... SEK 0.60

### 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 treating venous leg ulcers, for example.

Actively compressing the calf muscles, for example, imitates the pumping mechanism that normally occurs when moving, which increases blood flow to the leg.

### 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 ensure better protection for the public health and patient safety by establishing modernized and more robust EU legislation. All medical device manufacturers and distributors must comply with these new regulations.

### 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 stands 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 22 at 8:00 a.m. CEST.

Dial the number below to participate:

Sweden: +46 8 505 583 58

US: +1 646 722 4957

UK: +44 333 300 9034

A presentation will be held during the telephone conference. To access the presentation, please use this link:

<https://tv.streamfabriken.com/arjo-q1-2022>

Alternatively, use the following link to download the presentation:

<https://www.arjo.com/int/about-us/investors/reports--presentations/2022/>

A recording of the teleconference will be available for three years via the following link: <https://tv.streamfabriken.com/arjo-q1-2022>

## Financial information

Updated information on, for example, the Arjo share and corporate governance is available on Arjo's website [www.arjo.com](http://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](http://www.arjo.com).

The following financial statements will be published in 2022:



April 22, 2022	2022 Annual General Meeting
July 14, 2022	Interim report Jan-Jun 2022
October 28, 2022	Interim report Jan-Sep 2022

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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 22, 2022 at 7:00 a.m. CEST.

At Arjo, we believe that empowering movement within healthcare environments is essential to quality care. Our products and solutions for patient transfers, hygiene, disinfection, diagnostics, treating leg ulcers, prevention of pressure injuries and deep vein thrombosis, and our medical beds are all designed to promote mobility, safety and dignity in all care situations. With approximately 6,500 people worldwide and 65 years caring for patients and healthcare professionals, we are committed to driving healthier outcomes for people facing mobility challenges.

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[www.arjo.com](http://www.arjo.com)

**ARJO**