

A partner for more sustainable healthcare

The past year was in many aspects dominated by global challenges. With a healthcare system still recovering from the pandemic, the need for care remained high while resources continued to be under pressure. This means that improving resource efficiency in healthcare is now more important than ever before. With our long-term strategy, we are leading the way toward better and more sustainable healthcare – for patients, caregivers and society as a whole.

Now that the critical phase of the pandemic is behind us, the global healthcare system is faced with new challenges. The combination of a significant backlog in healthcare, a shortage of care staff and an uncertain economic situation for care providers is presenting challenges for many healthcare systems around the world. At the same time, pressure is mounting on healthcare providers to deliver more high-quality care to more people in order to tackle an aging population with more lifestyle-related complications. This is where Arjo can play a key role as a partner to healthcare.

Solid growth in several major markets

Demand for the Group's products and solutions was generally favorable during the year, and we are continuing to generate stable profitable growth in major markets such as Canada, France, Germany, the UK and Australia. In parallel, initiatives in new markets with growth potential, such as Japan, are continuing to yield positive results.

The single biggest reason for the weaker growth for the Group as a whole was the lower critical care rental volumes in the US – a profitable business that performed on record-high levels during the pandemic. In addition, the extensive shortage of care staff and an uncertain economic situation for healthcare providers in the US resulted in a slowdown in investments in capital

goods in the second half of the year. Due to the strained situation, customers were not able to prioritize long-term operational improvements to the same extent as previously, despite the clear clinical and financial benefits of such efforts.

Activities to strengthen long-term profitability

Global challenges in the supply chain continued in 2022 and were further aggravated by the war in Ukraine. Significant cost pressure arose during the year due to high material and transportation costs as well as rising inflation. To limit the negative effects, significant efforts were put into gradual price adjustments, while remaining in close dialogue with customers. Although, in our experience, customers are generally understanding about the situation, it takes time to implement price adjustments in our industry since it largely involves long-term contracts. This meant that several of the negotiations that were initiated at the start of the year did not have an effect until the fourth quarter.

We also continued to implement long-term efficiency improvements in the operations. We began a restructuring of critical care rental solutions in the US, and also initiated an extensive reorganization of our US sales and service operations aimed at enabling efficient implementation of our strategic plans and better meeting our customers' needs in this important market.



“The pressure on health-care providers to deliver more care to more people is increasing – and this is where Arjo plays a key role as a partner to healthcare.”

Meeting demand and ensuring continuity in production and customer deliveries were priority areas in 2022, although this resulted in a build-up of the Group's inventory levels. Important steps were taken at the end of the year to reduce these levels, and as the global supply chain continues to stabilize, we see opportunities for further improvements moving forward, which is also expected to have a positive impact on cash flow onwards.

Widespread interest in solutions for healthcare efficiency

Despite the short-term challenges in the world, global healthcare needs are continuing to rise and customers are continuing to show considerable interest in solutions and technology that can improve both clinical and financial outcomes.

We continued the roll out of our outcome-based programs during the year. Digital solutions are becoming increasingly important for early identification of patients with higher risk of developing pressure injuries. Early identification means that the right equipment and treatment can be administered to prevent these painful complications that also cost the healthcare sector significant sums of money each year. Another important area is reducing work-related injuries among caregivers – a widespread problem that is even more important to solve given the acute shortage of healthcare staff we are seeing today. In helping

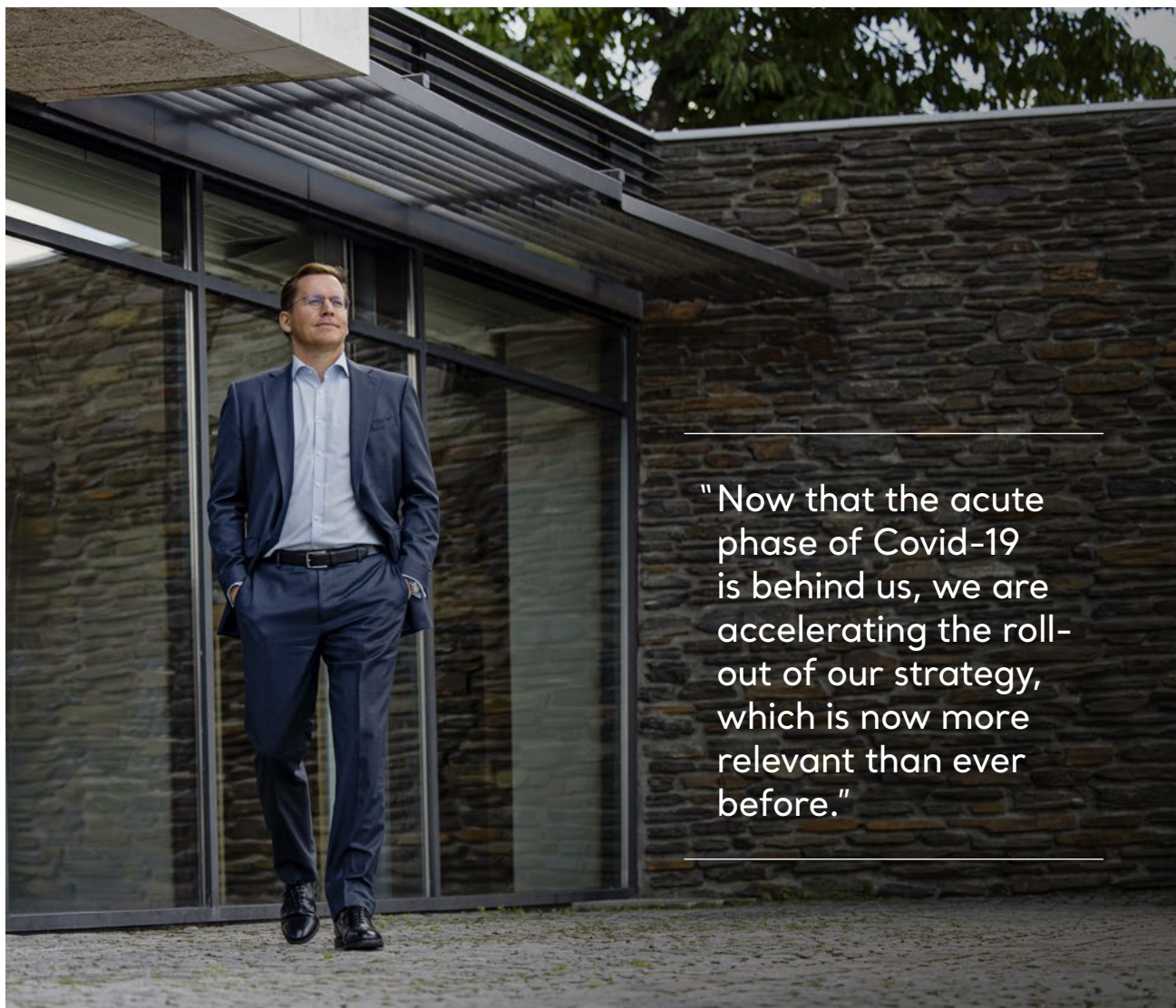
healthcare increase preventive measures, we see significant potential for both improved clinical outcomes and more efficient use of healthcare resources in the future.

We are also making further investments to strengthen our underlying business, which is continuing to perform well, and in line with our strategy we are continuing to pursue profitable growth in the more long-term rental operations. The service business is also continuing to perform well, with a healthy future outlook.

Our contribution to sustainable healthcare

Sustainable healthcare is, in many ways, the core of our operations by offering better care to more people using fewer resources. As part of our sustainability framework, we are working to reduce emissions and the use of resources while ensuring responsible business and developing our employees for the future.

Several important steps were taken in our work on introducing Science Based Targets during the year, and we are working continuously to analyze and reduce our environmental impact. All of our production units are now operated using renewable electricity, and we carried out life cycle analyses of a number of products to ensure as high degree of circularity as possible.



"Now that the acute phase of Covid-19 is behind us, we are accelerating the roll-out of our strategy, which is now more relevant than ever before."

Our organization is deeply committed to sustainability and we are continuing our efforts to reduce our own environmental impact at the same time as we support the sustainability agenda of our customers.

Positive outlook for continuing growth in years ahead

In conclusion, we expect healthy growth in the years ahead, driven by both the current business offering and several new product launches.

We have entered 2023 with an intense focus on continuing to improve our profitability in the short term. Now that the acute phase of Covid-19 is behind us, we are accelerating the roll-out of our strategy, which is now more relevant than ever before.

Together with a strong and motivated organization, I am looking forward to continuing to build a profitable and sustainable Arjo for the long term.

Joacim Lindoff
President & CEO

Factors driving growth and profitability in the years ahead:

- Implement price adjustments to compensate for higher cost pressure
- Higher sales of outcome-based solutions and continued roll-out of programs for reducing work-related injuries and preventing pressure injuries
- Launch of new products
- Higher sales of rental solutions and service
- Continuing focus on acquisitions and partnerships