

Q1

INTERIM REPORT
JANUARY–MARCH 2023

arjo
EMPOWERING MOVEMENT

A stable start to the year

January–March 2023 in brief

- Net sales increased to SEK 2,638 M (2,370). Net sales grew organically by 4.3%.
- Adjusted EBITDA amounted to SEK 474 M (490).
- Adjusted operating profit amounted to SEK 196 M (237).
- Profit after financial items amounted to SEK 126 M (218).
- Earnings per share amounted to SEK 0.35 (0.60).
- Cash flow from operations increased to SEK 271 M (25).
- Cash conversion increased to 59.2% (5.3).

"The Group grew organically by 4.3%, giving us a stable start to the year. Demand for Arjo's products and solutions was high, and despite a volatile market we remain confident that we will reach the target of 3–5% organic growth for the full-year."

JOACIM LINDOFF
PRESIDENT & CEO

Financial summary

SEK M	Quarter 1 2023	Quarter 1 2022	Rolling 12 months	Full-year 2022
Net sales	2,638	2,370	10,247	9,979
Gross profit	1,113	1,055	4,269	4,211
Gross margin, %	42.2	44.5	41.7	42.2
Adjusted EBITA ¹⁾	264	304	1,004	1,044
Adjusted EBITA margin, % ¹⁾	10.0	12.8	9.8	10.5
Adjusted EBITDA ¹⁾	474	490	1,825	1,841
Adjusted EBITDA margin, % ¹⁾	18.0	20.7	17.8	18.4
Operating profit (EBIT)	176	231	636	691
Adjusted operating profit (EBIT) ¹⁾	196	237	723	765
Profit after financial items	126	218	505	597
Net profit for the period	95	164	379	447
Number of shares, thousands	272,370	272,370	272,370	272,370
Earnings per share, SEK	0.35	0.60	1.39	1.64
Cash flow from operations	271	25	1,161	915
Cash conversion, %	59.2	5.3	66.7	51.8

1. Before exceptional items. See Alternative performance measures on page 16 and definitions on page 19.

Back to growth



The Group grew by 4.3% organically in the first quarter, which is well within the target interval of 3-5% and gives us a solid start to the year. The healthcare industry's recovery after the pandemic is continuing step by step and we see healthy demand for Arjo's products and solutions in many markets, especially within *Global Sales*. In *North America*, Canada continued its strong performance, reporting double-digit growth for the quarter. Although we continue to see a challenging market situation in the US, early indications from our customers suggest that the situation is starting to turn, and we stand firm in our assessment of a more favorable sales trend of capital goods in the US in the second half of 2023.

Toward improved long-term profitability

Efforts to improve the Group's profitability both in the short and in the long term continues. Rental and service, both of which are important drivers for increased growth and profitability in the coming years, continued to perform well. Adjusted for critical care rental in the US, our rental operations grew more than 5% in the quarter, with particularly positive momentum in the US, which also improves our profitability.

The gross margin remains at a lower level than we would like, but at the same time we can see the trend turning with an improvement compared with the past two quarters. Price adjustments are clearly generating effects and, combined with activities such as continued efficiency improvements to the business, are expected to further gross margin recovery onwards.

The increased activity level resulted in slightly higher operating expenses for the quarter, which is according to plan. We are now in an intense phase in several product development projects, with upcoming launches expected to contribute to both short and long term value creation.

Overall, Arjo's financial position remains solid. We are reducing inventory levels in line with our targets and the Group's cash flow performed well during the quarter. In the short term, higher interest

rates mean higher financial expenses, but we are focusing our efforts throughout the value chain to reduce tied-up capital that increased during the pandemic.

Focus on solutions for improved healthcare efficiency

The number of people over the age of 80 is expected to triple between 2020 and 2050, and the world is facing growing healthcare needs. High healthcare costs mean that patients who need care over a long period of time, particularly the elderly or those with multiple conditions, are increasingly being transferred to long-term care settings. We have a strong offering in this market segment for which we continue to see very positive growth opportunities for our products and solutions. Canada, which is one of our most profitable markets, had a good sales split between acute care and long-term care that results in a solid trend both in net sales and gross margin, and we see opportunities for other markets to develop in the same direction.

The high interest in our pressure injury solutions continues, which is clearly seen in, for example, the rental operations. At the same time, commercialization of the SEM scanner is proceeding slowly, with lower sales than expected despite widespread customer interest. Therefore, we expect the SEM scanner sales volumes for the full year to be somewhat lower than previously communicated.

Stable start to the year

We have a high activity level throughout the organization and are navigating short and long-term opportunities and challenges. The reorganization of the US sales and service organization has been successfully carried out and will strengthen our ability to drive long-term profitable business in this important market going forward. Our efficiency improvement projects, such as in the rental operations in the US, have been fully implemented and we are now turning our attention to additional areas for improvement. We are continuing our targeted efforts to develop the Group in line with our strategy and with a stable start of the year we continue to feel comfortable, despite a volatile market, that we will be able to reach our target of 3-5% organic growth for the full-year.

Toward set targets

Organic sales growth for 2023 is expected to be within the Group's target interval of 3-5%.

4.3%

organic sales growth in first quarter of 2023

JOACIM LINDOFF
PRESIDENT & CEO

Group performance

Net sales per segment

SEK M	Quarter 1 2023	Quarter 1 2022	Organic change	Rolling 12 months	Full-year 2022
Global Sales	1,502	1,352	5.6%	5,903	5,753
North America	1,009	914	0.7%	3,959	3,864
Other	132	105	22.8%	399	372
Eliminations	-5	-1	-	-14	-10
Total	2,638	2,370	4.3%	10,247	9,979

Net sales and results

First quarter of 2023

Net sales for the quarter amounted to SEK 2,638 M (2,370), corresponding to an organic growth of 4.3%. Adjusted for lower critical care rental volumes in the US, an area that performed very well during the pandemic, the Group grew organically by 5.7% in the quarter. Sales were particularly high in service and the core rental operations as well as in the Group's diagnostics solutions, parts of which were originally planned for the fourth quarter of 2022.

In North America, growth increased 0.7% organically, driven by a continuing strong performance in Canada, which reported double-digit growth in the quarter. Growth in the US was held back by challenging market conditions, which resulted in lower sales in patient handling equipment. Areas such as DVT, service and the core rental operations performed well in the US in the quarter.

Global Sales grew 5.6% organically with a healthy demand in mainly rental and service. Growth was healthy in several major Western European markets, such as France, Germany and Austria. In the UK, growth was in line with previous year, despite a strong comparative quarter and a turbulent market situation. Several markets in Rest of the World also performed well, such as Australia, India and Hong Kong.

The gross margin, which amounted to 42.2% (44.5) for the quarter, was held back by an unfavorable product mix with lower critical care rental volumes in the US and lower volumes in patient handling. The

gross margin was also held back by the lower share of sales in the US, where the Group generally has more profitable business. In addition, higher material costs, particularly in electronics, and continuing effects of inflation, mainly related to salary, had a negative impact. Transportation costs fell according to plan in the quarter. Implemented price adjustments are generating the expected effects and compensating for higher costs according to plan. Efficiency improvements in the US rental operations, which have now been adapted to current market conditions, are generating the expected savings effects.

Operating expenses developed according to plan and cost control throughout the value chain remained good. Most of the year-on-year increase was attributable to a high level of activity in the sales organization compared with the first quarter of 2022, which continued to be severely impacted by pandemic-related effects and lockdowns. The remaining increase was mainly due to higher salary costs, primarily driven by inflation, and higher research and development costs.

Exceptional items amounted to SEK 19 M for the quarter and pertained to restructuring of the rental operations and sales organization in the US as well as the consolidation of parts of the Group's Nordic operations.

Adjusted EBITDA amounted to SEK 474 M (490). The adjusted EBITDA margin was 18.0% (20.7).

Net financial items for the quarter amounted to SEK -50 M (-13). Negative currency effects in net financial items amounted to SEK -1 M (12) for the quarter.

Currency effect

SEK M	Quarter 1 2023
Translation effect (vs 2022)	
Sales	+167
Cost of goods sold	-115
Gross profit	+52
Operating expenses	-50
Restructuring and other operating income/expenses	-1
Total translation effect, EBIT	+1
Transaction effect (vs 2022)	
Cost of goods sold	+21
Recognized remeasurement effects	
Other operating income/expenses	-7

Translation effects amounted to SEK +1 M and transaction effects to SEK +21 M for the quarter. In addition, the recognized revaluation effects of operating receivables and liabilities amounted to SEK -7 M for the quarter.

Cash flow and financial position

Cash flow from operations amounted to SEK 271 M (25) for the quarter. The improved cash flow was essentially due to a decline in working capital of SEK -6 M (-375). Inventory build-up reduced for the second consecutive quarter, resulting in a positive effect of SEK 16 M (-154). The improved cash flow meant that the Group's cash conversion increased significantly year-on-year and amounted to 59.2% (5.3) for the quarter. This outcome is under the target of 80% for the full-year but is considered to be a normal seasonal variation and the Group believes that cash conversion will gradually improve over the next few quarters.

Net investments for the quarter amounted to SEK 202 M (185), divided between tangible assets of SEK 137 M (125) and intangible assets of SEK 65 M (60). The investments in tangible assets include investments in the rental fleet of SEK 113 M (108).

The Group's cash and cash equivalents amounted to SEK 902 M (985) and interest-bearing net debt was SEK 5,153 M (4,584). Arjo has contracted unutilized credit facilities of SEK 3,691 M (3,616) available for refinancing outstanding commercial paper. The equity/assets ratio amounted to 47.7% (47.0). Net debt/adjusted EBITDA was 2.7% (2.3).

Research and development

Arjo's gross research and development costs for the quarter amounted to SEK 68 M (58), of which SEK 33 M (28) was charged to operating profit. The gross costs correspond to 2.6% (2.5) of consolidated net sales.

Outlook 2023

Organic sales growth for 2023 is expected to be within the Group's target interval of 3-5%.

Other key events during the quarter

Arjo wins award at pressure injury conference

The National Pressure Injury Advisory Panel (NPIAP) in the US is a prominent independent organization dedicated to the prevention and management of pressure injuries. Every year, the NPIAP arranges a conference to increase expertise in the prevention and management of pressure injuries. At this year's conference, five Arjo representatives received a prestigious award for their scientific contributions to the use of microclimate protection for preventing pressure injuries.

Upgrade of water purification system in Arjo's rental operations

During the quarter, three of the Group's rental operations plants in Italy received external approval that they meet strict water purification requirements after making improvements to the water systems and changing the composition of detergents. This brings considerable benefits both for the environment and for Arjo's operations in Italy since the changes made were extensive and the new approved levels of, for example, pH values, phosphorus and surfactants are low.

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. As part of Arjo's strategy, the Group is increasingly focusing on highlighting the clinical and financial benefits of the Group's products and solutions, 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, circularity, product life cycle, 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 products and solutions that will lead to more efficient care, in which more patients 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 and solutions, 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.

Since March 2, 2022, Arjo has stopped all deliveries and production of equipment destined to Russia due to the ongoing Russian invasion of Ukraine until future notice. This is in line with the robust sanctions imposed on Russia by other countries. 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 is carefully monitoring market developments given the turbulent economic situation following the start of the invasion of Ukraine. Arjo is closely following developments in global inflation.

Risks in the value chain

Unforeseen and sudden events could cause disruptions to production or the supply chain, which could result in higher costs, delivery delays and non-delivery to Arjo's customers. This in turn could have a negative impact on the Group's earnings.

Due to the Covid-19 pandemic, Arjo, like many other companies, has been affected by lower availability of critical components, such as electronic components. A number of measures have been implemented to mitigate this risk and to ensure availability and delivery reliability to Arjo's customers, and this matter is being managed as a high priority.

Sustainability-related risks

Arjo works actively to monitor and continuously evaluate sustainability-related risks and their impact on the Group's operations and earnings. This takes place in the form of, for example, a regular materiality analysis, monitoring targets and commitments and by auditing various units within the company, such as the security aspects of the Group's production facilities or random testing of regulatory compliance. The Group has established a governance structure that involves both the company management and the Board, and works continuously on improving the company's sustainability activities and minimizing associated risks.

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.

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.

Risk of cyber attacks

Arjo is dependent on IT and its surrounding infrastructure and thus is exposed to the risk of cyber attacks and other forms of intrusion 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 10.

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 20, 2023

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 2023	Quarter 1 2022	Full-year 2022
Net sales	2	2,638	2,370	9,979
Cost of goods sold		-1,524	-1,315	-5,768
Gross profit		1,113	1,055	4,211
Selling expenses		-534	-461	-1,969
Administrative expenses		-344	-318	-1,329
Research and development costs	4	-33	-28	-115
Exceptional items	5	-19	-6	-74
Other operating income and expenses		-4	-9	-23
Income from participations in associated companies		-3	-2	-10
Operating profit (EBIT)	3	176	231	691
Net financial items		-50	-13	-94
Profit after financial items		126	218	597
Taxes		-32	-55	-149
Net profit for the period		95	164	447
Attributable to:				
Parent Company shareholders		95	164	447
Number of shares, thousands		272,370	272,370	272,370
Earnings per share, SEK ¹⁾		0.35	0.60	1.64

1. Before and after dilution. For definition, see page 19.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Quarter 1 2023	Quarter 1 2022	Full-year 2022
Net profit for the period	95	164	447
Other comprehensive income			
Items that cannot be restated in profit			
Actuarial gains/losses pertaining to defined-benefit pension plans	-36	-27	-34
Tax attributable to items that cannot be restated in profit	9	7	10
Items that can later be restated in profit			
Translation differences	33	141	756
Hedges of net investments	-21	-12	-112
Tax attributable to items that can be restated in profit	-1	-4	-15
Other comprehensive income for the period, net after tax	-15	103	605
Total comprehensive income for the period	80	267	1,053
Comprehensive income attributable to:			
Parent Company shareholders	80	267	1,053

CONSOLIDATED BALANCE SHEET

SEK M	Note	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Assets				
Intangible assets		7,398	7,156	7,391
Tangible assets		1,824	1,513	1,802
Tangible lease assets		1,107	1,094	1,107
Financial assets	7	706	651	705
Participations in associated companies		128	124	132
Inventories		1,655	1,548	1,674
Accounts receivable		1,729	1,536	1,708
Current financial receivables	7	21	25	21
Other current receivables		675	598	678
Cash and cash equivalents	7	902	985	949
Total assets		16,147	15,231	16,167
Shareholders' equity and liabilities				
Shareholders' equity		7,704	7,152	7,624
Non-current financial liabilities	7	3,109	1,080	2,823
Non-current lease liabilities	7	806	820	809
Provisions for pensions, interest-bearing	7	31	32	29
Other provisions		272	323	328
Current financial liabilities	7	2,011	3,625	2,322
Current lease liabilities	7	361	330	359
Accounts payable		549	611	587
Other non-interest-bearing liabilities		1,305	1,257	1,286
Total shareholders' equity and liabilities		16,147	15,231	16,167

CHANGES IN SHAREHOLDERS' EQUITY FOR THE GROUP

SEK M	Share capital	Reserves	Retained earnings	Total share-holders' equity ¹⁾
Opening balance at January 1, 2022	91	766	6,028	6,885
Total comprehensive income for the period	-	629	423	1,053
Dividend	-	-	-313	-313
Closing balance at December 31, 2022	91	1,395	6,138	7,624
Opening balance at January 1, 2023	91	1,395	6,138	7,624
Total comprehensive income for the period	-	12	68	80
Closing balance at March 31, 2023	91	1,406	6,206	7,704

1. Fully attributable to Parent Company shareholders.

CONSOLIDATED CASH-FLOW STATEMENT

SEK M	Note	Quarter 1 2023	Quarter 1 2022	Full-year 2022
Operating activities				
Operating profit (EBIT)		176	231	691
Add-back of amortization, depreciation and write-down	3	281	253	1,077
Other non-cash items		-18	18	-7
Expensed exceptional items ¹⁾		17	6	72
Paid exceptional items		-18	-8	-78
Financial items		-55	-9	-94
Taxes paid		-107	-91	-233
Cash flow before changes to working capital		277	400	1,426
Changes in working capital				
Inventories		16	-154	-165
Current receivables		-44	-94	-76
Current liabilities		21	-126	-270
Cash flow from operations		271	25	915
Investing activities				
Acquired financial assets		-10	-21	-21
Net investments		-202	-185	-880
Cash flow from investing activities		-211	-206	-902
Financing activities				
Raising of loans		4,802	4,485	24,328
Repayment of financial liabilities		-4,869	-4,095	-23,747
Repayment of lease liabilities		-99	-91	-377
Change in pension assets/liabilities		-2	0	1
Change in interest-bearing receivables		2	13	4
Dividend		-	-	-313
Realized derivatives attributable to financing activities		51	87	241
Cash flow from financing activities		-114	398	136
Cash flow for the period		-55	217	150
Cash and cash equivalents at the beginning of the period		949	757	757
Translation differences		8	11	42
Cash and cash equivalents at the end of the period		902	985	949

1. Excluding write-down of non-current assets.

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 2022 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, 2023 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.

2 Segment reporting

SEK M	Quarter 1 2023						Quarter 1 2022					
	Global Sales	North America	Other	Group functions	Eliminations	Arjo Group	Global Sales	North America	Other	Group functions	Eliminations	Arjo Group
Product sales	776	602	126	-	-5	1,499	717	539	100	-	-1	1,355
Service incl. spare parts	321	157	6	-	0	485	269	127	5	-	-	401
Rental	405	249	-	-	-	654	366	247	0	-	-	613
Total net sales	1,502	1,009	132	-	-5	2,638	1,352	913	105	-	-1	2,370
Operating profit	241	190	23	-278	-	176	216	268	33	-286	-	231
Net financial items						-50						-13
Profit after financial items						126						218
Taxes						-32						-55
Net profit for the period						95						164

SEK M	Full-year 2022					
	Global Sales	North America	Other	Group functions	Eliminations	Arjo Group
Product sales	3,095	2,364	357	-	-10	5,806
Service incl. spare parts	1,149	587	15	-	-	1,751
Rental	1,510	913	-	-	-	2,423
Total net sales	5,753	3,864	372	-	-10	9,979
Operating profit	811	926	85	-1,131	-	691
Net financial items						-94
Profit after financial items						597
Taxes						-149
Net profit for the period						447

Arjo monitors the operations following the segments Global Sales, North America and Other, which is where Arjo's diagnostics operations are recognized. 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. The division of segments and the method of measuring the segments' results is conducted in a similar way in this interim report as the 2022 Annual Report. Assets and liabilities are not divided by segment since no such amounts are regularly reported to the chief operating decision maker.

3 Depreciation/amortization and write-down

SEK M	Quarter 1 2023	Quarter 1 2022	Full-year 2022
Intangible assets	-68	-67	-280
<i>Of which, attributable to acquisitions</i>	-22	-21	-86
Tangible assets	-116	-97	-425
Tangible lease assets	-97	-89	-371
Total	-281	-253	-1,077
<i>Of which, write-down</i>	-2	-	-1

Depreciation/amortization and write-downs by function, SEK M	Quarter 1 2023	Quarter 1 2022	Full-year 2022
Cost of goods sold	-181	-161	-690
Selling expenses	-40	-36	-150
Administrative expenses	-55	-54	-228
Research and development costs	-2	-2	-7
Other operating expenses	0	-	-
Exceptional items	-2	-	-1
Total	-281	-253	-1,077
<i>Of which, write-down</i>	-2	-	-1

4 Capitalized development costs

SEK M	Quarter 1 2023	Quarter 1 2022	Full-year 2022
Research and development costs, gross	-68	-58	-244
Capitalized development costs	35	31	129
Research and development costs, net	-33	-28	-115

5 Exceptional items

SEK M	Quarter 1 2023	Quarter 1 2022	Full-year 2022
Acquisition expenses	0	0	-1
Damage claims and disputes	-	-	-28
Restructuring costs	-19	-1	-16
Other ¹⁾	-	-5	-30
Total	-19	-6	-74

1. The amount for 2022 refers to SEK 25 M of the write-down of assets in the rental operations in France, while the remaining amount refers to support for Ukraine.

Exceptional items by function, SEK M	Quarter 1 2023	Quarter 1 2022	Full-year 2022
Cost of goods sold	-11	0	-30
Selling expenses	-6	-	-3
Administrative expenses	-2	-1	-35
Other operating expenses	-	-5	-6
Total	-19	-6	-74

The table above presents the function under which the items would have been recognized if they had not been classified as exceptional items.

6 Financial assets and liabilities measured at fair value through profit or loss

SEK M	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Other current receivables	27	14	45
Other financial assets	129	129	119
Total assets	156	143	163
Other non-interest-bearing liabilities	27	72	26
Additional purchase consideration	-	38	57
Total liabilities	27	110	83

The fair value of derivative instruments is established using valuation techniques, which includes observable market information. All derivatives are classified under level 2 of the fair value hierarchy and the Group has no derivatives that are used for hedging purposes. 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's previous liability for additional purchase considerations related to acquisitions was at level 3 of the fair value hierarchy.

7 Consolidated interest-bearing net debt

SEK M	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Non-current financial liabilities	3,109	1,043	2,823
Non-current lease liabilities	806	820	809
Current financial liabilities	2,011	3,625	2,265
Current lease liabilities	361	330	359
Provisions for pensions	31	32	29
Interest-bearing liabilities	6,317	5,850	6,285
Less financial receivables	-85	-70	-87
Less pension assets	-176	-211	-205
Less cash and cash equivalents	-902	-985	-949
Interest-bearing net debt	5,153	4,584	5,044

8 Key figures for the Group

SEK M	Jan-Mar 2023	Jan-Mar 2022	Full-year 2022
Sales measures			
Net sales	2,638	2,370	9,979
Net sales growth, %	11.3	9.3	10.0
Organic growth in sales, %	4.3	1.4	-0.2
Expense measures			
Selling expenses as a % of net sales	20.3	19.5	19.7
Administrative expenses as a % of net sales	13.1	13.4	13.3
Research and development costs gross as a % of net sales	2.6	2.5	2.4
Earnings measures			
Operating profit (EBIT)	176	231	691
Adjusted operating profit (EBIT) ²⁾	196	237	765
EBITA	245	298	971
Adjusted EBITA ²⁾	264	304	1,044
EBITDA	457	484	1,767
EBITDA growth, %	-5.4	-0.6	-13.1
Adjusted EBITDA ²⁾	474	490	1,841
Earnings per share, SEK	0.35	0.60	1.64
Margin measures			
Gross margin, %	42.2	44.5	42.2
Operating margin, %	6.7	9.7	6.9
Adjusted operating margin, % ²⁾	7.4	10.0	7.7
EBITA margin, %	9.3	12.6	9.7
Adjusted EBITA margin, % ²⁾	10.0	12.8	10.5
EBITDA margin, %	17.3	20.4	17.7
Adjusted EBITDA margin, % ²⁾	18.0	20.7	18.4
Cash flow and return measures			
Return on shareholders' equity, % ¹⁾	5.1	10.9	6.2
Cash conversion, %	59.2	5.3	51.8
Operating capital	12,586	11,758	12,314
Return on operating capital, % ¹⁾	5.7	9.3	6.2
Capital structure			
Interest-bearing net debt	5,153	4,584	5,044
Interest-coverage ratio, multiple ¹⁾	5.0	13.2	6.8
Net debt/equity ratio, multiple	0.7	0.6	0.7
Net debt / adjusted EBITDA, multiple ^{1, 2)}	2.7	2.3	2.5
Equity/assets ratio, %	47.7	47.0	47.2
Equity per share, SEK	28.3	26.3	28.0
Other			
No. of shares	272,369,573	272,369,573	272,369,573
Number of employees, average	6,801	6,467	6,751

1. Rolling 12 months.

2. Before exceptional items. See Alternative performance measures on page 16 and definitions on page 19.

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 2023	Quarter 1 2022	Full-year 2022
Operating profit (EBIT)	176	231	691
Add-back of amortization and write-down of intangible assets	68	67	280
EBITA	245	298	971
Add-back of depreciation and impairment of tangible assets	213	186	796
EBITDA	457	484	1,767
Exceptional items ¹⁾	19	6	74
Add-back of write-down of restructuring and integration costs	-2	-	-1
Adjusted operating profit (EBIT)	196	237	765
Adjusted EBITA	264	304	1,044
Adjusted EBITDA	474	490	1,841

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

Cash conversion	Quarter 1 2023	Quarter 1 2022	Full-year 2022
Cash flow from operations, SEK M	271	25	915
Operating profit (EBIT), SEK M	176	231	691
Add-back of amortization, depreciation and write-down of intangible and tangible assets, SEK M	281	253	1,077
EBITDA, SEK M	457	484	1,767
Cash conversion, %	59.2	5.3	51.8

Net debt/equity ratio	Mar 31, 2023	Mar 31, 2022	Dec 31, 2022
Interest-bearing net debt, SEK M	5,153	4,584	5,044
Shareholders' equity, SEK M	7,704	7,152	7,624
Net debt/equity ratio, multiple	0.7	0.6	0.7

Calculation of return on operating capital	Jan-Mar 2023	Jan-Mar 2022	Full-year 2022
Total assets opening balance, SEK M	15,231	14,039	14,612
Total assets closing balance, SEK M	16,147	15,231	16,167
Average total assets, SEK M	15,689	14,635	15,390
Average total assets, SEK M	15,689	14,635	15,390
Excluding average cash and cash equivalents, SEK M	-944	-768	-853
Excluding average other provisions, SEK M	-298	-277	-322
Excluding average other non-interest-bearing liabilities, SEK M	-1,861	-1,832	-1,901
Average operating capital, SEK M	12,586	11,758	12,314
Operating profit (EBIT), SEK M ¹⁾	636	1,056	691
Add-back of exceptional items, SEK M ¹⁾	87	37	74
EBIT after add-back of exceptional items, SEK M	723	1,093	765
Return on operating capital, %	5.7	9.3	6.2

1. Rolling 12 months.

9 Financial data per quarter

SEK M	Quarter 1 2022	Quarter 2 2022	Quarter 3 2022	Quarter 4 2022	Quarter 1 2023
Net sales	2,370	2,404	2,519	2,686	2,638
Cost of goods sold	-1,315	-1,372	-1,496	-1,585	-1,524
Gross profit	1,055	1,032	1,023	1,101	1,113
Operating expenses	-807	-849	-872	-884	-912
Exceptional items	-6	-7	-7	-55	-19
Other operating income, operating expenses and income from participations in associated companies	-11	-19	-3	-1	-6
Operating profit (EBIT)	231	158	140	161	176
Net financial items	-13	-20	-25	-37	-50
Profit after financial items	218	139	115	124	126
Taxes	-55	-35	-29	-31	-32
Net profit for the period	164	104	86	93	95
Adjusted EBITDA ¹⁾	490	430	420	500	474
Adjusted EBITDA margin, % ¹⁾	20.7	17.9	16.7	18.6	18.0

1. EBITDA before exceptional items. Refer to Note 5 Exceptional items on page 13, Alternative performance measures on page 16 and definitions on page 19.

10 Transactions with related parties

SEK M	Jan-Mar 2023	Jan-Mar 2022	Full-year 2022
Sales	9	4	30
Purchases of goods	-2	-2	-10
Accounts receivable	4	2	3
Accounts payable	2	1	1

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 2023	Quarter 1 2022	Full-year 2022
Administrative expenses	-52	-51	-195
Other operating income and expenses	0	-1	105
Operating profit (EBIT)	-52	-52	-90
Income from participations in Group companies	144	-	158
Net financial items ¹⁾	-18	-17	-55
Profit after financial items	73	-69	13
Taxes	12	13	0
Net profit/loss for the period	85	-56	13

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, 2023	Mar 31, 2022	Dec 31, 2022
Assets			
Intangible assets	314	362	337
Tangible assets	1	0	1
Financial assets	5,914	5,918	5,896
Current financial receivables, Group companies	-	1,508	-
Other current receivables, Group companies	92	3	86
Current receivables	19	21	28
Total assets	6,341	7,812	6,348
Shareholders' equity and liabilities			
Shareholders' equity	4,013	4,173	3,928
Provisions	2	1	2
Current financial liabilities	1,937	3,614	2,253
Current financial liabilities, Group companies	366	-	133
Other current liabilities, Group companies	1	0	5
Other non-interest-bearing liabilities	22	24	28
Total shareholders' equity and liabilities	6,341	7,812	6,348

At the end of the period, the carrying amount of shares and participations in subsidiaries amounted to SEK 5,807 M (5,832). No change occurred during the period. The Parent Company's commercial paper program has a framework amount of SEK 5,000 M (5,000). The total amount issued at the end of the period amounted to SEK 1,950 M (3,616). 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 95 M
Number of shares, thousands	272,370
Earnings per share	SEK 0.35

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

DVT (Deep vein thrombosis)

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.

FDA (US Food and Drug Administration)

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.

MDR (EU Medical Device Regulation)

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 20 at 8:00 a.m. CEST.

A presentation will be held during the telephone conference. Watch the teleconference via the following link:

<https://ir.financialhearings.com/arjo-q1-report-2023>

Participants who wish to ask verbal questions at the teleconference must register using the link below. Once registered, participants will receive a telephone number and ID number to use to log in to the conference.

Registration link:

<https://conference.financialhearings.com/teleconference/?id=5005701>

Alternatively, use the following link to download the presentation:

<https://www.arjo.com/int/about-us/investors/reports--presentations/2023/>

A recording of the teleconference will be available for three years via the following link:

<https://ir.financialhearings.com/arjo-q1-report-2023>

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 2023:

April 20, 2023	2023 Annual General Meeting
July 14, 2023	Interim report Jan-Jun 2023
October 19, 2023	Interim report Jan-Sep 2023



CONTACT

Maria Nilsson

Acting Executive Vice President, Marketing Communications & Public Relations

+46 734 244 515

maria.nilsson@arjo.com

Sara Ehinger

VP Investor Relations & Corporate Communications

Tel: +46 723 597 794

sara.ehinger@arjo.com

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 20, 2023 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 over 6,800 people worldwide and 65 years caring for patients and healthcare professionals, we are committed to driving healthier outcomes for people facing mobility challenges.

Arjo AB · Corp. Reg. No. 559092-8064 · Hans Michelsengatan 10 · SE-211 20 Malmö · Sweden

www.arjo.com