



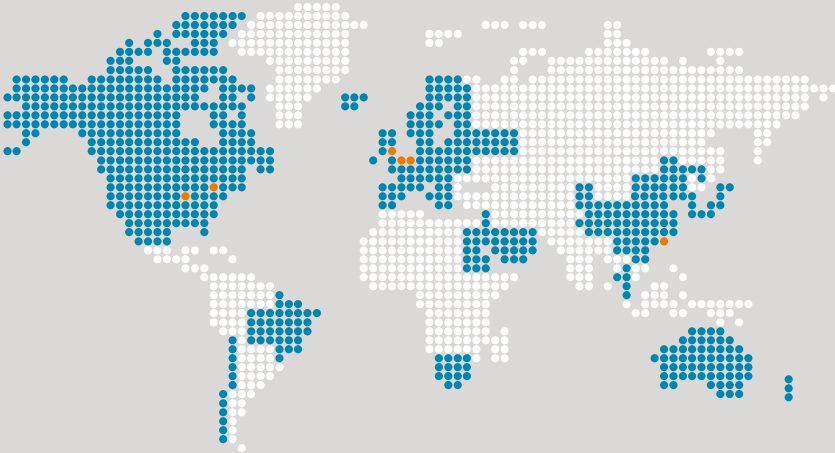
Annual Report 2017

Handicare in brief

2022

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MAKING

Handicare offers solutions and support to increase the independence of the physically challenged or elderly people, and to enable them to live an active life — on their terms — and to facilitate for their care providers and family.

The offering encompasses a comprehensive range of curved and straight stairlifts, transfer, lifting and repositioning aids, vehicle accessibility products and solutions and medical equipment. Approximately 70 percent of our sales are for care in the home, “Home-care” and the remainder for hospitals and institutions, “Institutional”.

We are a global company with sales in more than 20 countries and are a market leader in this field. The head office is in Stockholm, Sweden and manufacturing and assembly are located at six sites distributed across North America, Asia and Europe. We are approximately 1,200 employees.

We believe it is crucial that our customers and partners perceive us as committed and respectful, and that our actions are exemplified by our integrity. An important driver is the knowledge that our efforts make a difference in the lives of individuals. We are also driven by the ongoing need to continuously improve, enhance and develop our solutions. Our operations are managed in three strategic business units: Accessibility; Patient Handling; and Puls.

- HANDICARE:**
- operates in structurally growing markets with attractive fundamentals;
 - is a market leader in its main markets in Accessibility and Patient Handling;
 - has a well-invested and scalable platform; and
 - has a clear strategy for continued profitable growth, both organically and through acquisition.

EVERYDAY LIFE EASIER



ACCESSIBILITY



PATIENT HANDLING



PULS

THE YEAR IN BRIEF

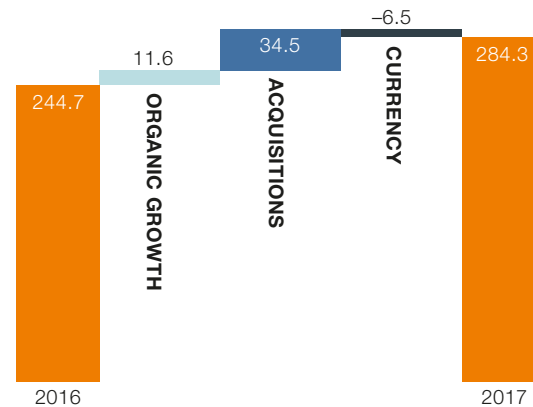
- Revenue rose 16.2 percent to MEUR 284.3 (244.7).
- Organic growth was 4.9 percent.
- The adjusted EBITA margin rose to 9.2 percent (7.0).
- Parts of the Puls SBU were divested.
- The Handicare share was listed on Nasdaq Stockholm.
- The Board of Directors proposes a dividend of SEK 0.50 per share.
- After the end of the reporting period, a distributor in Colorado, in the US, was acquired.

KEY FIGURES

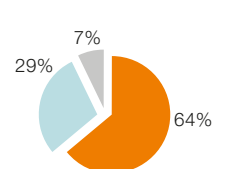
MEUR	2017	2016
Revenue	284.3	244.7
Adjusted EBITA	26.2	17.2
Adjusted EBITA margin, %	9.2	7.0
Net loss for the year	-3.5	-19.3
Earnings per share before and after dilution, EUR	-0.1	-0.5
Adjusted operating cash flow	11.6	15.1
Net debt/Adjusted EBITDA, times	3.0	9.4
Dividend per share, SEK	0.50 ¹⁾	n/a

1) Proposal from the Board

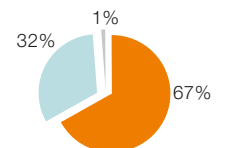
REVENUE GROWTH MEUR



REVENUE PER SEGMENT ¹⁾



ADJUSTED EBITA PER SEGMENT ¹⁾



■ ACCESSIBILITY
■ PATIENT HANDLING
■ PULS

1) Before Group-wide expenses and adjusted for the BD operations divested in 2017.



CEO's comments

During 2017, we continued the goal-oriented journey that we commenced in 2016 — aiming to achieve in the medium term an average annual growth of 10 percent and an adjusted EBITA margin exceeding 12 percent. We streamlined our business and today we have sales to home care (Homecare) of 70 percent, while the remainder is sold to hospitals, care facilities and so forth (Institutional). Macro trends with an ageing population and the fact that more people want to live at home for as long as possible benefits demand for our Accessibility products. In addition, higher demand on efficiency, the requirement of better workplace health and safety and reduced sickness absence are key drivers in the demand for Patient Handling products.

2017 was a year of major changes for the Group. We moved from being a private company into the public sphere as a result of our IPO in October. For us internally, preparing the company for listing was an exciting journey and we are convinced that it will strengthen our brand and contribute to increased interest in Handicare.

HEALTHY GROWTH AND IMPROVED MARGINS

The journey we commenced in 2016 involves a number of initiatives aimed at driving growth and improving our earnings capacity. We began to see the result

of these in 2017. The Group's organic growth was approximately 5 percent, mainly due to the healthy sales of stairlifts in Europe and North America. A more professional sales effort and increased cross sales of our products through our distribution network contributed to the increase. Our assessment is that we have captured market shares in the stairlift market and retained our position in other areas.

The adjusted EBITA margin improved to more than 9 percent and we are well on our way to a margin in excess of 12 percent. Higher volumes, increased gross margins and cost control of our operational expenses are the factors contributing to the margin improvement.

In the Accessibility SBU, revenue increased organically by 7 percent, driven by favourable growth for stairlifts in both Europe and North America. We strengthened our market position in both the European, but in particular, the North American markets. The adjusted EBITA margin increased nearly 2 percentage points to more than 12 percent.

Organic growth in Patient Handling was essentially unchanged. Growth in Europe was favourable, while project sales to hospitals in North America was lower, particularly in the latter part of the year. To turn around the trend in North America, we implemented changes in the organisation and initiated a series of initiatives aimed at increasing our market share. The adjusted EBITA margin for the SBU improved over 5 percentage points to more than 13 percent. The major improvements are primarily a result of the higher margins and synergies from Prism Medical, which was acquired in 2016 in North America.

For our smallest SBU, Puls, revenues remained essentially unchanged organically and the adjusted EBITA margin amounted to slightly less than 3 percent.

ORGANIC GROWTH BASED ON COMMERCIAL EXCELLENCE

Through the strategy that we laid the foundation for in 2016, we are implementing an adjustment of the Group from a product-oriented to a market-oriented organisation. We are building on three main elements:

A COMMERCIALY FOCUSED ORGANISATION

During the year, we underwent an organisational change by which we transitioned from being an organisation based on business units to being function-based. Accordingly, we have centralised functions, such as sales and marketing, finance and IT, and research and development. This enables, for example, the program that we developed during the year for cross sales of our products.

COMMERCIAL STRATEGIC INITIATIVES

With the aim of professionalising our sales, we initiated a programme in 2016 to train our sales team and sales management. During the year, we implemented large parts of this programme. We also introduced a new strategic pricing method in 2017 that we will review annually. I am convinced that we are now seeing the result of more professional sales work in a market that has historically been relatively traditional. I am also convinced that we have something valuable to bring to new organisations when we make acquisitions.

GEOGRAPHIC EXPANSION

We are focusing on expanding our geographic presence by broadening our existing network of retailers. Particularly in the US, our hub strategy is important for driving growth from new customers. We establish gathering points, hubs, with our own sales teams to be able to serve the end users and local retailers directly.

GROWTH THROUGH ACQUISITIONS

The market in which we operate comprises a few major players and is otherwise fragmented. Growth by acquisition is a central feature of our strategy. We continuously evaluate acquisition candidates based on three key criteria: the capacity, by way of acquisitions, to increase our geographic presence; complementary products that can be made viable through our sales channels; and strategic assets.

In 2017, we maintained a low profile on the acquisition front, mainly because we did not have sufficient capacity due to the preparations for the IPO and the integration of Prism Medical. Prism Medical is an acquisition within Patient Handling that was completed

at the end of 2016. The integration exceeded expectations and we have noted favourable results in utilising the existing sales team to also sell stairlifts. During the year, sales of stairlifts increased 14 percent in the North American market. In total, sales in North America now represent a quarter of the Group's total revenues.

At the beginning of 2018, we acquired a strategically important distributor for Handicare in Colorado, North America. The distributor is a key element of our North American hub strategy and we now have our eighth hub in place and coverage for a further eleven states in the US.

TO BUILD A SUCCESSFUL CORPORATE CULTURE

Building a successful corporate culture is a basic requirement for our future market position. Our vision, our way of being and our ability to capitalise on our comparative advantages is of the utmost importance for our ability to create value.

The core reason for our existence as a group is contained in our vision — “Making everyday life easier” — making life easier for those who, due to age or another reason are functionally impaired and thus need aids for a more comfortable everyday life. This is closely related to our ethos — meaning that our actions as individuals or as a company always put the end user first.

We are a relatively young Group, but many of our companies have existed for a long time. For us as a Group, it is important to continue on our established route, building a shared corporate culture and working toward clear goals using clear strategies. In this manner, we create long-term value for the Group and our stakeholders, while also delivering on our vision. I want to take this opportunity to thank all of our employees who make our business their everyday lives and I look forward to continuing this inspiring journey together with you.

Stockholm, April 2018

Asbjørn Eskild,
President and CEO

OUR VISION, OUR WAY OF BEING AND OUR ABILITY TO CAPITALISE ON OUR COMPARATIVE ADVANTAGES IS OF THE UTMOST IMPORTANCE FOR OUR ABILITY TO CREATE VALUE.

Business model

MAKING

Through continuous product development, efficient production and distribution, we offer products and solutions that increase the quality of life for the physically challenged, and products and solutions for all types of patient transfers, which significantly improves health and safety for those working in hospital environments, acute care situations, in group care homes and in home environments.

RESOURCES

OPERATIONAL ACTIVITIES

- Carefully selected suppliers
- Local presence in eleven countries
- Six manufacturing and assembly facilities and 17 workshops
- Capital expenditure on product development

FINANCIAL CAPITAL

- MEUR 265.1 in capital employed

HUMAN CAPITAL

- Approximately 1,200 employees
- Specialist competence

RELATIONSHIP CAPITAL:

- Close collaboration with suppliers
- Close collaboration with retailers

USER FOCUS

HOME CARE

INSTITUTIONAL SALES

CORE VALUES

INTEGRITY COMMITMENT RESPECT PASSION

EVERYDAY LIFE EASIER



SCALABLE PLATFORM
FOR SUSTAINABLE SOLUTIONS
THAT INCREASE QUALITY OF
LIFE AND IMPROVE
HEALTH AND SAFETY

CREATED VALUE

CUSTOMERS AND END USERS

- Increased quality of life
- Improved health and safety
- Effective solutions
- Short lead times

EMPLOYEES

- Development opportunities
- Stable and attractive employer
- Diversity and equality

SUPPLIERS AND PARTNERS

- Responsible business
- Long-term collaboration

COMMUNITY

- Jobs
- Contribute to increased quality of life for people with disabilities; increased mobility
- Make it possible for people to live at home longer
- Contribute to better health and safety and fewer work-related injuries as a result
- Cost-effective health-care

SHAREHOLDERS

- Long-term, sustainable investment
- Dividends

OPEN TO CHANGE

	GOAL	OUTCOME 2017
GROWTH	<ul style="list-style-type: none"> ■ An average annual growth of 10 percent, of which 4-6 percent organically, in the medium term. 	Revenue increased by 16.2 percent. Organic growth amounted to 4.9 percent.
PROFITABILITY	<ul style="list-style-type: none"> ■ An adjusted EBITA margin exceeding 12 percent in the medium-term. 	The adjusted EBITA margin was 9.2 percent.
CAPITAL STRUCTURE	<ul style="list-style-type: none"> ■ A debt/equity ratio of approximately 2.5 times net debt/LTM (last 12 months) adjusted EBITDA, with flexibility for strategic activities. 	Net debt/LTM adjusted EBITDA amounted to a multiple of 3.0 at 31 December 2017.
SUSTAINABILITY	<ul style="list-style-type: none"> ■ In 2030, 80 percent of the material used in our products will be sustainable and 30 percent of the material will be recyclable. In the same year, our stairlifts, ceiling lift units and mobile lifts will use 10 percent less energy in use compared with the 2017 products. 	The work is in progress to identify sustainable and recyclable material in our products.
DIVIDENDS	<ul style="list-style-type: none"> ■ Pay an annual dividend corresponding to 30–50 percent of net profit for the period. The pay-out decision will be based on the company's financial position, investment needs, acquisition opportunities and liquidity position. 	The proposed dividend for 2017 is SEK 0.50 per share.
EMPLOYEES	<ul style="list-style-type: none"> ■ We work actively for a more even gender distribution. ■ All employees will participate in annual career development assessments. 	At 31 December 2017, 28 percent of the employees in the Group were women. During the year, approximately 70 percent of Handicare's employees participated in career development assessments.

PROFITABLE GROWTH

Handicare will grow organically and through acquisition. The strategy for profitable growth is centred on clear initiatives for organic growth, a culture within Handicare of continued improvements of the operations, building further on the company's presence in North America and an active acquisition agenda.

Priorities — organic growth

In 2016, the Commercial Excellence strategy was developed at Handicare. This is to be regarded as a strategic platform for the creation of organic growth from existing and new customers, new markets and new products and solutions. It focuses on:

- the creation of a more efficient, commercial market-oriented organisation;
- the implementation of commercial initiatives to introduce a Group-wide and uniform structure for the sales team, sales technique and pricing structures; as well as
- geographic expansion, including increased focus on products and markets with higher margins, expanded dealer networks and the implementation of the hub strategy in the US.

The organisational change implemented during the year entailed that we moved from a structure based on business areas to an organisation based on function, thus becoming more market-oriented and commercial. One effect of the new organisation is that the entire Group is now working according to a shared global strategy.

In order to strengthen organic growth, a training programme, Xcel, is ongoing to ensure that all sales are conducted in accordance with professional and proven methods. To date, 75 percent of our sales staff have completed the training. Our aim is for all of our sales staff to complete the programme by the end of 2018.

Our penetration of developed markets will increase by way of dealers in our existing network covering new areas and by expanding the number of dealers.

In the US market, our hubs are of considerable importance for growth. The hubs are local gathering



points with their own sales teams that serve both end users and local dealers directly. At the beginning of 2018, there were eight hubs. In the medium term, our plan is to increase the number to about 18.

Priorities — acquired growth

Since the market comprises only a few major players and is otherwise highly fragmented, acquisition is an obvious part of Handicare's strategy. We acquire companies that meet at least one of our three key criteria:

- the capacity to increase our geographic presence;
- the ability to sell complementary products and solutions through our sales channels; and/or
- become a strategic asset.

In 2016, Prism Medical was acquired, a move that was strategically important for our presence and expansion in North America. The smaller Norwegian company Rep-tek was also acquired in 2016. No acquisitions were made in 2017. After the end of the reporting period, a small but strategic acquisition was made of a distributor in Colorado, in the US.

PROFITABILITY

Handicare will conduct its operations with solid profitability. As part of the Commercial Excellence-strategy, a review and coordination of the Group's pricing strategy is being made. This strategy is based on each individual market's unique conditions and is revised annually. Healthy profitability also provides the preconditions to be able to pay dividends to our shareholders.

Priorities

To establish an optimal level and design for the discounts and the sales and training support provided to retailers, an audit and evaluation system has been implemented.

To optimise the opportunities that our comprehensive distribution channels and customer contacts offer, increased additional and cross sales will be prioritised.

Handicare has a well-invested and scalable business model, which provides positive conditions for sustainable operational efficiency and healthy profitable growth.

Handicare's focus on increasing professionalism in such areas as purchasing, quality testing, training of sales teams and customer planning has contributed to improving margins. Continuous improvements are an integral part of Handicare's culture.

DEVELOPMENT AND IMPROVEMENT OF THE PRODUCT AND SERVICE OFFERING

Handicare's products and solutions make everyday life easier for older and physically challenged persons, and facilitate the work of care providers and relatives. Accordingly, we conduct continuous work to be able to introduce innovative and relevant solutions in our offering. This work is done in close consultation with the market.

Priorities

A key aspect of our product development is sustainability and we work continuously to increase the share of sustainable as well as the share of recyclable material in our products. During the next two years,



the material used in our products will be evaluated based on its sustainability and recycling possibilities. We are also working to create more energy-efficient products.

EMPLOYEES

To reinforce our leading position, we need to attract the best employees. By offering developmental and challenging work assignments, the possibility to exercise influence and good development opportunities, we will be an attractive employer. Continuous further training is central to Handicare, as is the dissemination of "best practice."

Priorities

We work actively for a more even gender distribution in the Group. Since there is currently a surplus of men among our employees, in new recruitment we will prioritise female applicants if several applicants have the same qualifications. Group-wide policies for equal treatment, diversity and remuneration will be prepared in 2018.

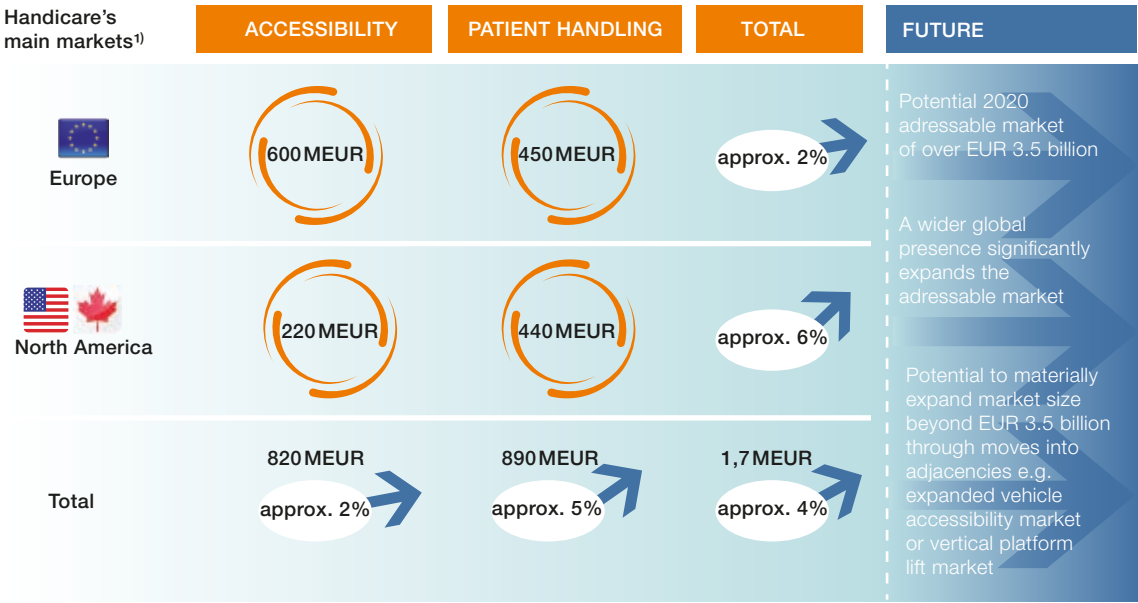
During 2018, an employee survey will be conducted for the first time. Subsequently, this survey will be conducted annually.

Understanding what business environment factors impact our business and what challenges and opportunities these offer, as well as our ability to develop and create value, is entirely decisive for how competitive we are in meeting the end-users' requirements.

Our main markets are favoured by attractive fundamentals and basic drivers, such as:

- MACRO DRIVERS FOR HEALTH CARE;
- SUPPORTIVE HEALTH CARE ECONOMICS; AND
- BARRIERS TO ENTRY.

MARKET SIZE AND ANTICIPATED GROWTH



SIZE AND GROWTH

The total size of our main markets was estimated at EUR 1.7 billion in 2016. The main markets are expanding at a sound rate of growth, while North America is growing faster than the European markets. The estimated market size and anticipated annual growth for our largest business areas are shown in the adjacent image.

1) Handicare's main markets are the UK, Germany, the Netherlands, France, Italy, Norway and Denmark within Accessibility, and the US, Canada, the UK, the Netherlands, Sweden, Denmark and Norway within Patient Handling.



MACRO DRIVERS FOR HEALTH CARE

GROWTH IN AGEING POPULATION

Number of people aged over 60 is expected to increase more than the remainder of the population in relevant countries for Handicare, implying overall market growth as elderly have higher demand for health care services. By 2050, the global population of persons 60+ is projected to more than double in size from 2016, reaching nearly 2.1 billion, according to the United Nations. A higher proportion of elderly will generate an increased demand for the products and solutions that Handicare offers.

INCREASING PREVALENCE OF CHRONIC DISEASES

Chronic diseases related to lifestyle, such as diabetes and obesity, are becoming more prevalent in the population, leading to an increased need for Handicare's products and solutions.

INCREASING LIFE EXPECTANCY OF PATIENTS WITH CHRONIC DISEASES

As a result of chronic diseases being diagnosed earlier and receiving more effective treatment, people with chronic diseases are living longer on average. This extends the period of time when they potentially require care services, which is why the need for our types of products and solutions is increasing.

INCREASING PREFERENCE TO STAY AT HOME LONGER

An increasing preference to stay at home, combined with cost-savings requirements for public sector caregivers, are factors increasing the demand and the need for our home care products.

SUPPORTIVE HEALTH CARE ECONOMICS

Handicare's products and services are usually financed by a mix of private funds, public funding and private insurance. Coverage and remuneration vary considerably between countries. However, in general, care costs per capita have risen and are expected to rise further. Many care systems in the world are trying to restrict costs by applying various types of measures. One such measure is to move patients to

care in their home environment as soon as possible and also to make it easier for people to live at home for longer. Studies have shown that home care costs in the US are on average 96 percent lower than in an acute hospital setting and approximately 65 percent lower than in a long-term care setting.

Handicare's products for patient handling contribute to reducing the number of days required to stay in the hospital for example by decreasing the incidence of pres-

sure ulcers, decreasing the amount of sick leave taken by care providers caused by injuries related to patient handling and reducing ancillary staff requirements. A study conducted at the Karlskoga Hospital in Sweden showed that following implementation of Handicare's Patient Handling products, there was a significant reduction in the total number of sick leave days for care personnel, from approximately 400 days per year to only six days per year.

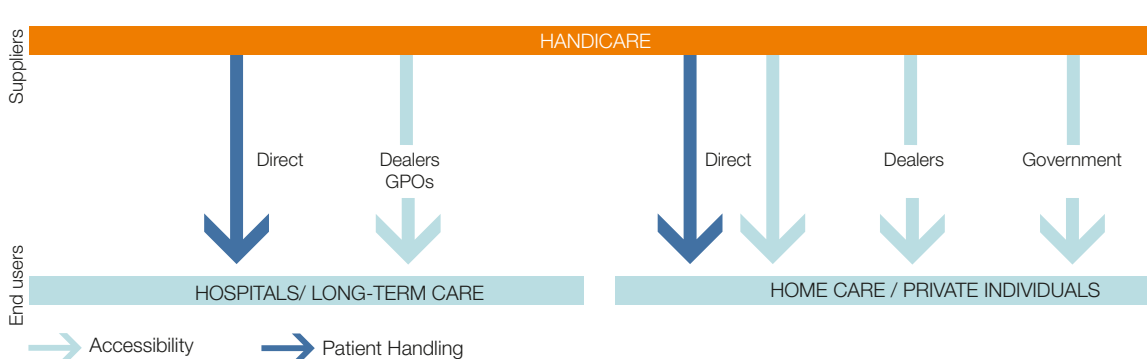
BARRIERS TO ENTRY

Our main markets are characterised by relatively high barriers to entry, which favour such established players as Handicare.

- Global size and specific capabilities are required to handle complex market channels. Different countries have different combinations of direct sales, retailers, public authorities and purchasing organisations.
- Extensive retailer and distributor networks are needed to generate leads to end-
- customers and build a base of products in different geographies and markets.
- Lean and agile manufacturing capabilities are essential to secure product supply. Short delivery times are important against the backdrop of the end-users' immediate needs.
- A history of reliable and high-quality products and solutions is essential when customers are selecting a supplier.
- Compliance with laws and regulations is crucial because medical device products,

including products for patient handling, stairlifts and vehicle conversion products, are subject to official regulation in large areas of the world, such as by the FDA, EU, EES and other government or municipal authorities.

- Financial strength and considerable investments in product development and manufacturing are required to meet the market's growing and increasingly demanding needs.



DISTRIBUTION

Of Handicare's total revenue, approximately 70 percent of sales go to end-users in the home (Homecare) and about 30 percent to end-users in hospitals/residential care (Institutional). The distribution routes can vary both in a country and between countries, and may be complex in many cases.

Accessibility

In Accessibility, we offer curved and straight stairlifts, as well as their installation and service. The offering is supplemented by a selection of products and solutions for vehicle conversion as well as services that comprise maintenance, installation and actual conversion of the vehicle.

HANDICARE'S OFFERING

Stairlifts

Handicare offers its end-users a range of alternatives in curved and straight stairlifts. Our focus is mainly on curved stairlifts, which are specially adapted to follow the shape of the staircase. This requires careful measurement, design and manufacture and is thus more expensive and has higher margins, which puts it in the medium to high price range. We also offer installation and after-market service, often as a package together with the purchase of the stairlift.

Most users tend to start searching for a solution when an immediate need arises and short lead times are thus decisive. Handicare can offer very short lead times thanks to our proprietary software solution, PhotoSurvey 3D and Vision App. This solution means that, already during the customer visit, an image of the end result can be shown and there can be automatic transfer of the information to be used in production of the customised tracks.

We work continuously to improve our software solution and thereby further shorten the lead times, to improve our products and solutions, and to optimise production.

Vehicle accessibility

The products and solutions for vehicle accessibility are aimed to provide people with disabilities enhanced independence outside the care and home environment. Most of the operations pertain to vehicle conversion, but we also sell vehicle products for people

with special needs. Within vehicle conversion, we offer conversion of cars, minibuses and medium-sized buses for companies and the public sector, as well as for NAV, the Norwegian Labour and Welfare Administration. We also convert ambulances, fire engines and police cars.

Handicare's offering in vehicle conversion comprises such products as seat bases, wheelchair lifts, wheelchair belts, door openers and wheelchair pulls. These are sold to customers in the area of vehicle conversion and to car manufacturers for the conversion of vehicles for special needs.

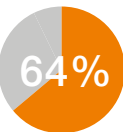
MARKET OVERVIEW AND MARKET SHARES

The market for stairlifts has historically been relatively traditional, with the family members of the end user often making the purchase decision. The market channels are to some extent changing from dealers/distributors to direct sales, mainly evident in the most developed European countries like the UK and the Netherlands.

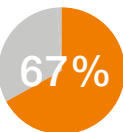
The main stairlift markets are relatively consolidated, with the three largest players controlling over 40–60 percent of the market, however the remaining share is fragmented. Based on revenue, Handicare has the leading position in Europe jointly with one other player. Handicare's market share is estimated at 20–25 percent.

Our main markets in Accessibility, in which we are also market leader, are the UK, Germany, the Netherlands, France, Italy, Norway and Denmark. These

SHARE OF REVENUE



SHARE OF ADJUSTED EBITA



REVENUE FROM HOMECARE

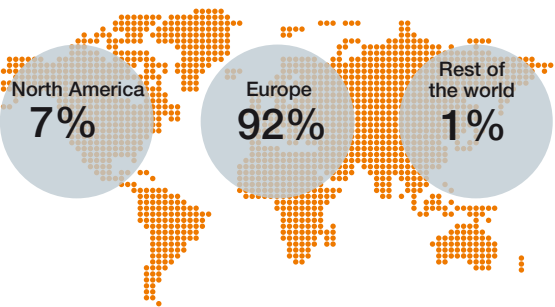


KEY FIGURES

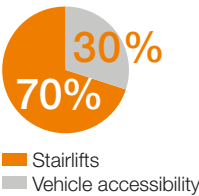
MEUR	2017	2016	Change	
			Reported	Organic ¹⁾
Revenue	181.3	174.2	4.1%	6.9%
Adjusted EBITA	22.5	18.4		
Adjusted EBITA margin, %	12.4	10.6		
EBITA	21.9	11.7		
EBITA margin, %	12.1	6.7		

1) Adjusted for changes in exchange rates

REVENUE PER GEOGRAPHY



REVENUE



markets represented 92 percent of total revenue in Accessibility. The combined market size, including North America, was estimated to amount to MEUR 820 in 2016.

In the US, we are challenging the major players and currently have a relatively low market share of about 5–7 percent, making us the number three in the market. North America currently represents a small share of the SBU's revenue, 7 percent, but displays the strongest growth rate.

Handicare's European main markets are expected to continue to grow driven by volumes by a stable rate of 1–3 percent per year, while the US market is expected to grow by 4–6 percent, driven by a generally lower market maturity than in Europe. Germany, France and Italy are expected to grow more rapidly than the European main market as a whole.

Our main markets for vehicle conversion are Norway and Denmark. These are highly concentrated and have remained stable in terms of competition in recent years. The Norwegian market is dominated by Handicare, which has a 40–45 percent market share. Similarly, the Danish market is dominated by Handicare.

MARKET CHANNELS AND FINANCING

The end-users of stairlifts are mainly private individuals. Sales are made through dealers, government and local authorities, as well as direct sales to the end-users. Financing is usually through a combination of public financing (such as government subsidies) and



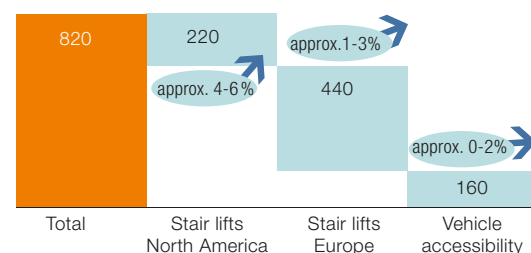
private financing (own funds or private insurance). The distribution of this varies between different geographies. The Nordic countries have the largest government funding. The UK and the Netherlands also have a large share of government funding, estimated at around 30–35 percent of the total market. In the UK, the government can contribute up to GBP 3,000 of a purchase, while the Netherlands can offer coverage of the entire cost. In Germany, the percentage of public funding amounted to less than 10 percent, but those entitled can receive support covering a cost of up to EUR 4,000. In France, a small part of the market volumes are publicly funded. In the US, the absolute majority of volumes are privately financed.

In the vehicle accessibility business, vehicle conversions are primarily sold through a public tender process for approved suppliers. Accordingly, the absolute majority is publicly financed.

PRODUCTS

	Existing Markets	End users	Distribution channels
Straight and curved stairlifts, installation and service	The UK, the Netherlands, Germany, France, Italy and the US	Private individuals (Homecare)	Dealers/distributors Direct sales
Vehicle accessibility	Denmark and Norway	Private individuals (Homecare) Public healthcare (Institutional)	

MARKET SIZE AND EXPECTED GROWTH ¹⁾ ACCESSIBILITY, MEUR



¹⁾ Regards Handicare's main markets

Patient Handling

In Patient Handling, we offer products and solutions for all types of patient transfer in hospital environments, acute care situations, in group homes and home care. We also manufacture and sell devices for bathroom safety.

HANDICARE'S OFFERING

Lifting and transfer products

Handicare's lifting products and solutions comprise mobile floor-based lifts and ceiling lifts that are used to transfer patients. Transfer products refers to products used to simplify patient mobility, such as lifting and transferring. Examples are body harnesses, sliding sheets and hoisting devices. The breadth of our product offering means that we can provide customised solutions that meet the specific demands of various clinical environments, such as acute care units and nursing units. Our broad product range of manual transfer devices, such as harnesses and innovative devices for lifting and transfer, contribute to generating repeat sales. A high and increasing proportion of disposables and critical need products also help enable repeat sales.

Service agreements for maintenance, repair and installation are usually included in the sale of ceiling lifts and to a certain extent also mobile lifts. This service is either outsourced or provided by our own internal service engineers. When a sale is made by a dealer, installation and aftermarket services are most often managed by the dealer.

Bathroom safety

The bathroom safety range includes a wide selection of shower stools, grab rails, freestanding, mobile and collapsible commode/shower chairs as well as several models of shower trolleys, all of which are available in several variants to meet with various user and caregiver requirements.

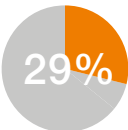
MARKET OVERVIEW AND MARKET SHARES

The products and solutions are mainly sold to hospitals and long-term care facilities.

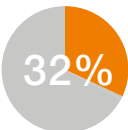
The main Patient Handling markets are relatively consolidated with the four largest players controlling over 50 percent of the market. In addition, there are smaller regional players that have a strong presence in selected markets.

Our main markets in which we have a strong market position are the US, Canada, the UK, the Netherlands, Sweden, Denmark and Norway. We have a leading position in our main markets, mainly focusing on small to medium sized hospitals and institutions. In 2016, the size of these amounted to approximately MEUR 1,040. Handicare's market share is estimated at 5–10 percent in Europe and 15–20 percent in North America.

SHARE OF REVENUE



SHARE OF ADJUSTED EBITA



REVENUE FROM HOMECARE

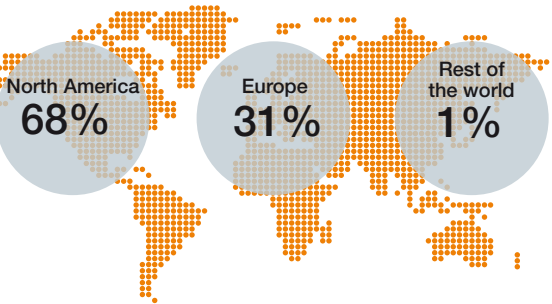


KEY FIGURES

MEUR	2017	2016	Change	
			Reported	Organic ¹⁾
Revenue	83.4	50.5	65.0%	-0.1%
Adjusted EBITA	10.9	4.0		
Adjusted EBITA margin, %	13.1	7.8		
EBITA	10.5	-3.8		
EBITA margin, %	12.5	-7.6		

1) Adjusted for changes in exchange rates and acquisitions

REVENUE PER GEOGRAPHY



Through local distributors, we also cover other markets throughout the world. Following the acquisition of Prism Medical in 2016, North America is the largest market with 68 percent of Patient Handling's sales.

The main markets are expected to grow at a rate of 5 percent per year, with the market in North America expected to outpace the European markets with growth of 6–8 percent per year. Market growth is expected to be driven by underlying structural fundamentals, such as an ageing population, increased chronic diseases resulting in decreased mobility and increased focus on caregiver safety.

MARKET CHANNELS AND FINANCING

Hospitals and long-term care facilities constitute the largest purchasers of Patient Handling equipment. Sales are made through dealers and GPOs, directly to companies in home care, private individuals, long-term care facilities and directly to local hospitals.

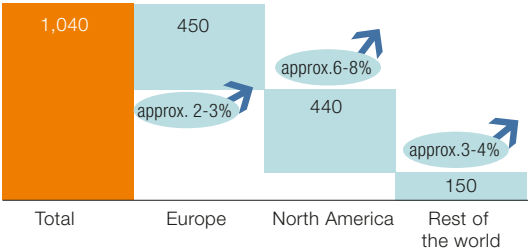
The products are funded through a mix of private and public financing. In Europe, the products are 80 percent financed by public funds and 20 percent by private funds, which reflects the overall financing of hospitals and healthcare in the region. However, in the US, the products are 80 percent financed using private funds.



PRODUCTS

Products	Existing Markets	Distribution channels
Lifts: mobile lifts and ceiling lifts	The UK, Sweden, Denmark, Norway and North America	Dealers/distributors Direct sales
Transfer products	The UK, Sweden, Denmark, Norway and North America	Dealers/distributors Direct sales
Bathroom safety	The Netherlands	Dealers/distributors Direct sales

MARKET SIZE AND EXPECTED GROWTH ¹⁾
PATIENT HANDLING, MEUR



1) Regards Handicare's main markets

Puls is a distributor of medical equipment and consumables in Norway and Denmark. A vast majority of its business is conducted in Norway whereas selected home care clients are also covered from a sales office in Denmark. Approximately 80 percent of sales are made to the healthcare sector, while the remainder pertains to sales to home care. Consumables account for 80 percent of revenue.

HANDICARE'S OFFERING

Puls healthcare products are targeted at laboratories and medical and surgical units. The products sold to laboratory businesses include those for microbiology and taking of blood samples. The medical products include syringes and cannulas, as well as hygiene tech products. Puls also offers certain surgical products, mainly comprising surgical tables, implants for reconstruction, technical service and equipment for pulmonary drainage.

The home care business offers a broad portfolio of products for care at home including bedroom, work and activity room, bathroom and toilet, kitchen, moving aids and other related areas.

MARKET OVERVIEW

The market for Puls comprises Norway and Denmark and amounts to approximately MEUR 235. This is expected to increase at an annual rate of 2–3 percent as a result of a higher proportion of ageing population. The home care segment is expected to outgrow the care provider segment due to increased focus in both Norway and Denmark on supporting people in their homes.

The main markets in Norway and Denmark are overall fragmented, with Handicare competing with different retailers in each product segment. Based on revenue, we are one of the market leaders in Norway.



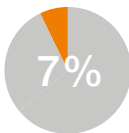
The majority of the market is funnelled through NAV, which coordinates purchases on behalf of the hospitals and municipalities in Norway, while distributors in Denmark typically sell directly to caregivers.

MARKET CHANNELS AND FINANCING

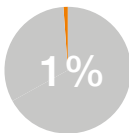
Puls has long relationships with the top-tier medical supplies manufacturers. The products are supplied to care providers or private individuals through a combination of sales through NAV in Norway and municipalities, wholesalers and directly to hospital and clinics. A large proportion of products for care providers are sold through NAV, while the wholesaler route primarily focuses on large volume products for a wide range of customers. The home care products and installations are usually sold at fixed price contracts through NAV in Norway where financing for private individuals is publicly funded.

Most of the home care sales are generated through NAV in Norway and municipalities in Denmark.

SHARE OF REVENUE



SHARE OF ADJUSTED EBITA



KEY FIGURES¹⁾

MEUR	2017	2016	Change	
			Reported	Organic ²⁾
Revenue	19.5	19.7	-1.1%	0.2%
Adjusted EBITA	0.5	0.8		
Adjusted EBITA margin, %	2.6	4.2		
EBITA	0.5	0.5		
EBITA margin, %	2.6	2.4		

1) Part of the Puls SBU's (BD operation's) revenues were divested in 2017 and are not included in the above key figures for 2017 and 2016. Refer also to the Board of Directors' Report and Note 6.

2) Adjusted for changes in exchange rates and divestments.

SUPPLIERS

Handicare has a shared purchasing function that manages the Group’s purchases of components and finished products. We work with a total of approximately 1,000 suppliers and the top ten suppliers constitute an aggregate of about 15 percent of the total spend.

The function is responsible for optimising contractual terms and at the same time, building balanced relationships with the suppliers and maintaining the high quality of the components, products and services purchased. To achieve purchasing synergies and mutual benefits, we strive to coordinate costs at key, selected suppliers. We do not use dual sourcing to a large extent but manage supplier interruption risk with supplier audits and some buffer stock of key components. All procurement activities are conducted within the framework of the Handicare Code of Conduct and applicable laws and regulations.

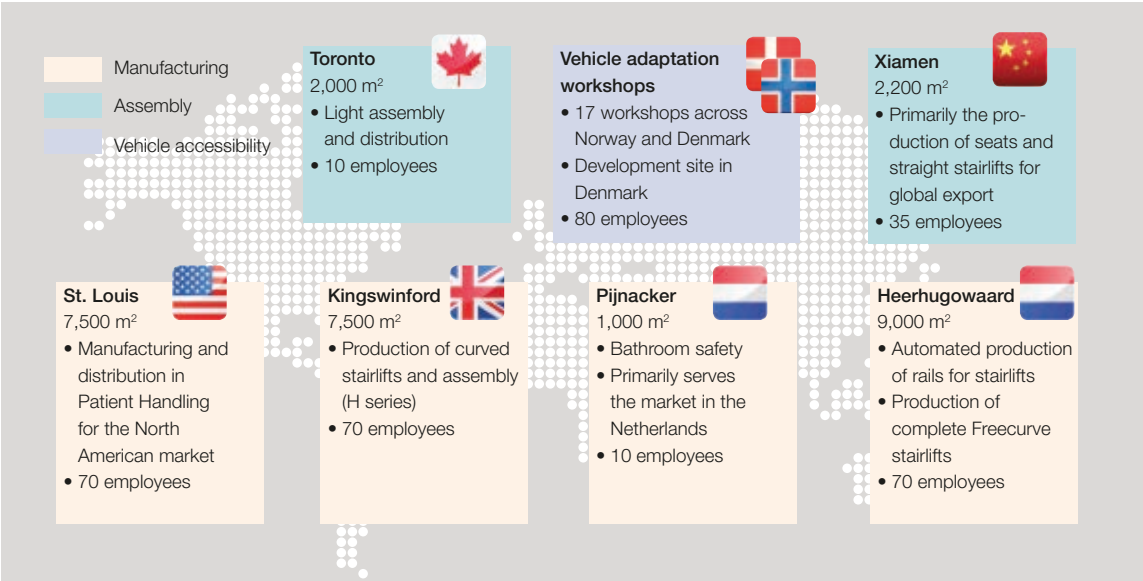
REGULATIONS AND COMPLIANCE

Handicare is subject to regulation by governmental authorities such as the FDA, the EU, the EEA and other national and/or local governmental authorities in the countries in which we manufacture and sell our products. These governmental regulations govern, among other things, the testing, manufacturing, safety, effectiveness and performance, product standards, packaging requirements, labelling requirements, import/export restrictions, storage, documentation, marketing, distribution, production, tariffs, duties and tax requirements. Handicare has established management systems and processes to comply with regulatory requirements and industrial standards in the jurisdictions in which we operate. We also have processes and procedures in place to monitor changes in the regulatory framework and quickly implement any required operational changes.

MANUFACTURING

Handicare has a global network of manufacturing and assembly facilities providing operational flexibility. Handicare’s stairlifts are manufactured at the facili-

OVERVIEW OF PRODUCTION AND ASSEMBLY PLANTS



ties located in the Netherlands and the UK, whereas patient transfer and lifting products are manufactured at the facilities located in the Netherlands and the US. In addition, we have assembly plants in China for stairlifts and for Patient Handling products in Canada. Handicare also operates 17 vehicle conversion workshops in Norway and Denmark.

In the last few years, the Group has made substantial investments in enhancing productivity in the manufacturing process as it has focused on simplification, professionalisation and automation. For stairlift manufacturing, capacity utilisation in our production sites is approximately 35 percent. This is based on the current practice of running the main manufacturing facilities on a single day shift, five days per week, and adjusting workforce levels and manufacturing capacity in response to temporary order increases. We thus have the capacity to increase operations to three shifts per day, which would entail a considerable increase in manufacturing capacity without significant further capital investment.

DISTRIBUTION

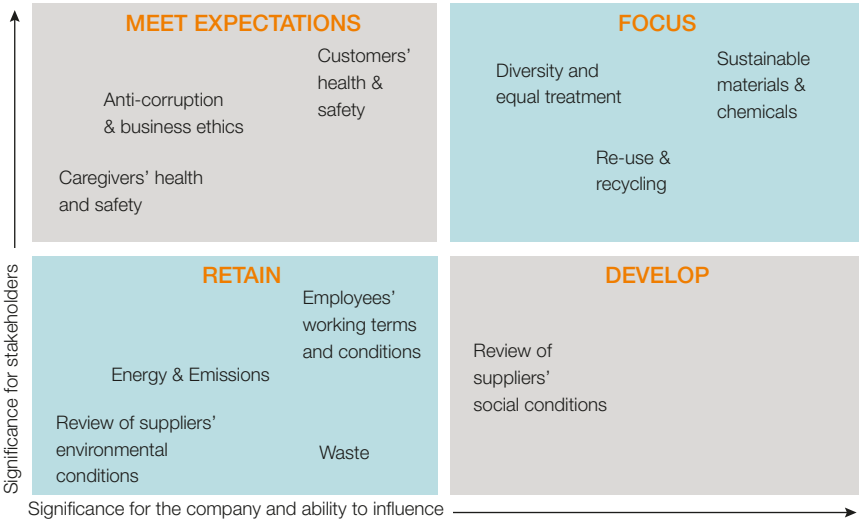
Distribution is conducted through four distribution centres in the Netherlands, Sweden, the UK and the US. The Netherlands serves as a hub for stairlifts for other countries in mainland Europe. The centre in the UK serves as a hub for both stairlifts and Patient handling products in the UK. Patient handling products for other mainland European countries are primarily distributed by an independent logistics partner in Sweden. In the US, the St. Louis manufacturing facility serves as a hub for distribution into North America for stairlifts and Patient Handling products. The distribution is both to our own eight hubs and to retailers in North America. A key part of the strategy is to drive growth from new customers in the US through local gathering points, hubs, with their own sales teams to enable service for end users and local retailers. The goal is to increase the number of hubs to about 18 in the medium term.



Sustainability is an integrated part of Handicare’s way of working. Our products and solutions reduce strain injuries among caregivers and our stairlifts make it possible for people to live at home for longer. Our car conversions increase the quality of life for the physically challenged and enable them to live an active life.

We endeavour to make everyday life easier for the people with whom we cooperate throughout our value chain and take responsibility for the environment, societal and economic issues wherever we operate.

Handicare’s sustainability work is described in a separate report and here, in this Annual Report, we briefly describe the materiality analysis and our work on environmental issues, respect for human rights, anti-corruption, employees and social conditions. The complete sustainability report is available on our website www.handicaregroup.com.



Materiality analysis

To develop and improve our operations, we conducted a stakeholder dialogue during the year, in which we gathered comments from the company’s stakeholder groups. Through a web survey and personal interviews with customers, retailers, owners, the Board of Directors and employees, we identified the questions that these stakeholders regard as most important for Handicare. A total of 679 persons provided valuable feedback, which then provided the basis of the materiality analysis conducted in August 2017.

Based on the results of the stakeholder dialogue, Handicare’s management group identified the eleven sustainability issues most relevant for the company based on economic, social and environmental impact, as well as the relevance of sustainability issues to the stakeholders’ decisions.

ENVIRONMENT

We endeavour to conduct our business in an environmentally sustainable manner, for example, in the form of improved efficiency or investments in sustainable products, services and technologies. A general environmental goal is to certify all of our production units in accordance with ISO 14001.

In Handicare, the Accessibility SBU has the largest environmental impact, since we have our own production of stairlifts in Heerhugowaard, Netherlands and Kingswinford, UK, as well as in Xiamen, China, where we assemble straight stairlifts. In the production units, we focus on such issues as reduced emissions, energy consumption and waste management. Most of the production units are ISO 14001-certified.

For 2017, we reported the Group's energy consumption in the separate sustainability report for the Handicare companies in the UK, the Netherlands and Sweden. In the 2018 report, we will also include the production unit in St Louis, USA, and the car conversion workshops in Denmark and Norway.

In conclusion, we focused on better utilisation of the production units, changed to LED lighting and modern compressors, which led to reduced electricity consumption. At the production unit in Heerhugowaard, in the Netherlands, we use 100 percent wind energy and in Kingswinford, UK, 100 percent of the energy comes from sources with low carbon emissions.

Another environmental impact is our air travel. We have identified it as a risk and in 2017, we paid climate compensation for air travel by Handicare Sweden and Group management. The air travel accounted for 148.9 tons of carbon dioxide, for which we paid climate compensation through ClimateCare. The goal for 2019 is to pay climate compensation for all of the companies in the Group. In addition to climate compensation, our goal is to reduce the amount of internal travel and instead hold meetings on Skype. We also have a travel policy that entails that travel is kept to a minimum and is conducted in as cost-effective a manner as possible, and must also be approved by the immediate manager.





RESPECT OF HUMAN RIGHTS

All procurement activities are to be conducted within the framework of the Handicare Code of Conduct and applicable laws and regulations. The Handicare Code of Conduct is based on ethical, societal and environmental conduct and describes Handicare's expectations in three general areas: anti-corruption and ethics, labour standards and human rights; and environment.

Handicare has close relations with most of the company's suppliers and our assessment is that the risk of human rights breaches among our suppliers is low, but to ensure that the suppliers understand our Code of Conduct and the importance of our expectations, all product suppliers must sign the Code of Conduct.

Out of 325 product suppliers, 48 percent have committed to comply with our Code of Conduct by signing it. During 2018, we will work to ensure that the remaining suppliers commit to following it.

We conduct reviews of new suppliers using a thorough and tested model and the results of the reviews are conveyed to the respective supplier for

increased transparency. Breaches of Handicare's Code of Conduct are reported to Group management and we also have an anonymous whistle-blower function available to employees and business partners.

ANTI-CORRUPTION

A risk analysis conducted in 2017 identified the need for a Group-wide compliance programme. The programme was developed and implemented in autumn 2017 and contains a code of conduct, whistle-blowing and manuals for trade sanctions, anti-corruption, data protection and competition. We have also appointed a Chief Compliance Officer with overall responsibility and a Compliance Officer for each area.

The foundation of our compliance programme is our Code of Conduct, which encompasses anti-corruption, ethics, labour rights and human rights, as well as the environment. It is designed to set a high standard of personal and professional integrity for employees, management and partners.

There is a whistle-blower function as part of the compliance programme. All employees who discover wrongdoing can report this without the risk of

POLICIES IN THE GROUP

- Group-wide:**
Diversity policy
Code of Conduct
Whistleblowing
Regulatory compliance for anti-corruption, trade sanctions, data protection and competition
- Handicare UK:**
Dignity at work policy, Equality policy, Grievance Policy and Procedure
- Handicare Sweden:**
Equality policy
- Handicare Canada:**
Equal Employment Opportunity, Workplace Anti-violence, Harassment, and Sexual Harassment
- Handicare USA:**
At Will Employment Relationship, Equal Employment, Accommodation of Individuals with Disabilities, Non-Harassment, Sexual Harassment,

reprisal or discrimination, making it possible for them to address worries rather than ignore a problem or seeking a solution outside the company.

To ensure that all employees are aware of our programme for compliance, we have distributed an online training course for four areas of the programme. The training course contains four videos that explain the manuals and the laws behind them. The goal is for all of Handicare’s approximately 800 salaried employees to have completed the training not later than in 2019. In 2017, 78 percent completed or began the training course. A further goal for 2018 is to integrate online training as part of the induction programme for new employees and to distribute the training video to all employees annually.

EMPLOYEES AND SOCIAL CONDITIONS

Our goal is to be an inclusive workplace. It is important for us to provide the same preconditions irrespective of ethnicity, national origin, skin colour, language, religion or lifestyle. These aspects are always taken into consideration in recruitment, salary and working conditions and in terms of development opportunities.

Handicare works actively to achieve an even gender distribution in the Group. Since there is currently a surplus of men among our employees,

in new recruitment we will prioritise female applicants if several applicants have the same qualifications. Opportunities for further development, training and careers are gender neutral.

At 31 December 2017, 28 percent (28) of the employees in the Group were women.

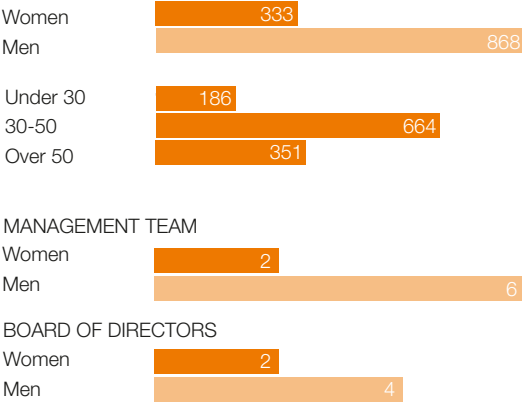
Handicare’s personnel policy is based on equal pay for equal work, which means that, all other factors being equal, men and women receive the same pay.

In the Group, we have various policies to promote equality and equal treatment in relation to recruitment and remuneration. In 2018, the goal is to develop a joint policy that applies to the entire company, with the addition of any legal requirements in certain countries.

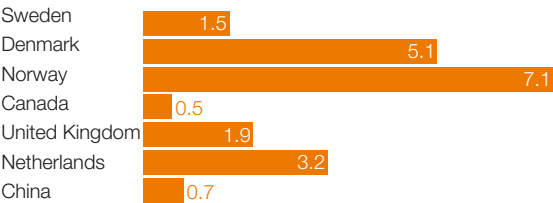
We have a healthy work environment and sickness absence in the Group is low.

In the UK, we are certified in accordance with OHAS 18001, which is a health and safety management system, under which we can systematically manage, control and develop the organisation’s health and safety work. During 2018, we will evaluate whether OHAS 18001 is a useful management system to be implemented in more of Handicare’s operations.

NUMBER OF EMPLOYEES 2017



SICK LEAVE PER YEAR, %



THE SHARE

The Handicare share was listed on Nasdaq Stockholm on 10 October 2017. The listing was a logical and important step in Handicare's development and contributes to increased awareness of Handicare and its operations. The share capital amounts to kEUR 81, divided between 58,939,000 shares with a quotient value of EUR 0.00138.

OWNERSHIP STRUCTURE

On 28 February 2018, Handicare had 1,554 shareholders. In terms of numbers, private individuals are the largest owner category, while institutional owners dominate in terms of capital share. The single largest shareholder is Cidron Liberty System (Nordic Capital Fund VII) with 62.9 percent of the capital.

DIVIDEND AND DIVIDEND POLICY

The Board of Directors has resolved to propose a dividend of SEK 0.50 per share for 2017 to be paid out in May 2018.

Handicare aims to pay an annual dividend corresponding to 30–50 percent of net profit for the period. The pay-out decision will be based on the company's financial position, investment needs, acquisition opportunities and liquidity position.

KEY FACTS

Listing:
Nasdaq Stockholm
Ticker code: Handi
No. of shares: 58,939,000
Market capitalisation at year end: MSEK 3,109
ISIN code: SE0010298109

SHARE DATA PER 31 DEC 2017

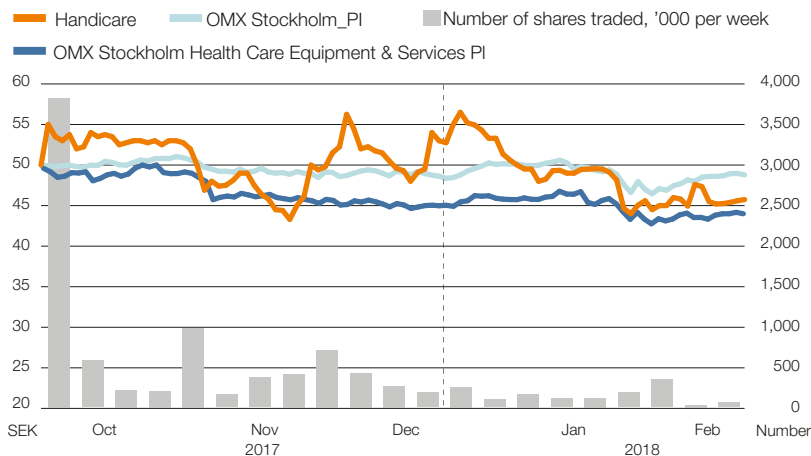
Earnings per share before and after dilution, EUR	−0.1
Adjusted operating cash flow per share, EUR ¹⁾	0.2
Equity per share, EUR ¹⁾	2.8
Dividend per share, SEK ²⁾	0.50
Yield, % ³⁾	1
Share price at year end, SEK	52.75
Number of shareholders (at 28 February 2018)	1,554
Market capitalisation, MSEK	3,109

1) Based on the number of shares outstanding at year end.

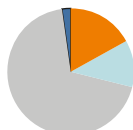
2) Proposal from the Board.

3) Dividend/share price at year end.

HANDICARE 20171010 – 20180228



OWNERSHIP PER COUNTRY



Sweden, 17%
Rest of Nordics, 12%
Rest of Europe, 69% (of which Cidron Liberty System, 63%)
The US, 2%

THE TEN LARGEST SHAREHOLDERS AT 28 FEBRUARY 2018

No. of shares	Holding	Share of votes and capital, %
Cidron Liberty System (Nordic Capital Fund VII)	37,048,900	62.9
Fourth Swedish National Pension Fund	3,000,000	5.1
Danica Pension	2,469,544	4.2
Holta Life Sciences	1,978,032	3.4
Nordea Fonder	1,895,114	3.2
Lannebo fonder	1,427,722	2.4
TR European Growth Trust	910,851	1.6
Clearstream banking	829,113	1.4
AMF	747,768	1.3
Henderson	706,042	1.2
Total for the ten largest shareholders	51,013,086	86.7

SHAREHOLDER STATISTICS AT 28 FEBRUARY 2018

No. of shares	No. of shareholders	Share of votes and capital, %
1–500	1,177	0.3
501–1,000	156	0.2
1,001–5,000	129	0.5
5,001–10,000	20	0.3
10,001–20,000	11	0.3
20,001–	61	98.4
Total	1,554	100

SHARE CAPITAL DEVELOPMENT

YEAR	Transaction	Change in number of shares	Change in share capital, kEUR	Total share capital kEUR (unless otherwise stated)	Total number of shares
2014		–	–	KSEK 50	50,000
2015	Change in presentation currency	–	–	5.28	50,000
2015	New issue of shares	2	0.0	5.28	50,002
1 Jan 2017				5.28	50,002
2017	Bonus issue	–	47.5	52.78	50,002
2017	Share split	38,254,198	–	52.78	38,304,200
2017	Bonus issue	168,646	0.2	53.01	38,472,846
2017	Share issue in-kind	2,345,686	3.2	56.24	40,818,532
2017	Share issue in-kind	6,681,468	9.2	65.44	47,500,000
2017	New issue of shares	11,439,000	15.8	81.21	58,939,000

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Board of Directors' Report 2017

The Board and President of Handicare Group AB (publ), corporate registration number 556982-7115, hereby submit the annual accounts and consolidated accounts for the 2017 financial year.

Handicare is a world leader in the manufacture and development of innovative products and solutions for disabled and elderly people. The Group's products include home stairlifts, ceiling and mobility lifts for hospitals and healthcare facilities, and medical devices and consumables for hospitals and home care. Handicare is a global company with sales in more than 20 countries and is a market leader in this field. In certain markets, our own product range is complemented by the products of other well-known suppliers as part of realizing our aim of being a full-range supplier of aids. The Group has production units in the UK, the Netherlands, China and the US. Net sales in 2017 totalled EUR 284 million and the Group has around 1,200 employees.

Full-year 2017

- Revenue increased to MEUR 284.3 (244.7).
- Organic growth was 4.9%.
- The gross margin rose to 42.6% (40.8).
- Adjusted EBITA increased to MEUR 26.2 (17.2), corresponding to a margin of 9.2% (7.0)
- EBIT increased to MEUR 14.0 (−4.4), corresponding to a margin of 4.9% (−1.8)
- Part of the Puls SBU was divested on 1 August and thereafter recognised under divested operations.
- The Handicare share was listed on Nasdaq Stockholm on 10 October.
- After the end of the reporting period, a distribution business in Colorado, in the US, was acquired, with sales of approximately MEUR 4.2.
- Earnings per share before/after dilution amounted to EUR −0.1; the Board of Directors proposes a dividend of SEK 0.50 per share for 2017.

The Group in summary

(MEUR)	2017	2016	Change
Revenue	284.3	244.7	16.2%
Gross profit ¹⁾	121.1	99.8	21.3%
Gross margin ¹⁾ , %	42.6%	40.8%	–
Adjusted EBITA ¹⁾	26.2	17.2	52.2%
Adjusted EBITA margin ¹⁾ , %	9.2%	7.0%	–
Operating Profit/loss (EBIT)	14.0	−4.4	n/a
Operating margin, (EBIT margin), %	4.9%	−1.8%	–
Adjusted EBIT ¹⁾	21.1	13.8	53.5%
Adjusted EBIT margin ¹⁾ , %	7.4%	5.6%	–
Net profit/loss for the year	−3.5	−19.3	n/a
Earnings per share before and after dilution, EUR ²⁾	−0.1	−0.5	n/a
Dividend per share, SEK ³⁾	0.5	n/a	n/a
Number of shares at the end of the period (000) ²⁾	58,939	38,473	n/a
Average number of shares (000) ²⁾	43,127	38,473	n/a
Adjusted operating cash flow ¹⁾	11.6	15.1	−23.1%
Net debt/adjusted EBITDA, times ¹⁾	3.0	9.4	−67.9%
Average number of employees	1,174	1,006	n/a

1) Alternative performance measures, see page 90 for definitions and calculations.

2) To obtain comparability between the periods, the number of shares for historical periods have been adjusted for share splits and bonus issues.

3) 2017 according to the Board's proposal.

GROUP PERFORMANCE

REVENUE AND EARNINGS

Revenue

Revenue for the full year rose 16.2% to MEUR 284.3 (244.7). The increase was partly attributable to Prism Medical within Patient Handling, which was acquired in 2016. The acquisition accounted for MEUR 34.5 of revenue growth. During the third quarter, BD operations (a business in Puls that acted as the distributor of medical equipment supplied by Becton Dickinson) was divested, refer to Note 6. Revenue rose 4.9% organically, driven by Accessibility, which reported organic growth of 6.9%. Patient Handling and Puls recorded essentially unchanged organic growth during the year. Growth was mainly driven by Homecare, while institutional sales was negatively impacted by lower project sales in Patient Handling North America. For the full-year 2017, Homecare accounted for around 70% of the Group's total revenue as a result of a large share of revenue in Accessibility being attributable to Homecare.

Earnings

EBITA amounted to MEUR 19.1 (–1.0). Other specified items amounted to an expense of MEUR 7.1 (–18.2) (see also section on Other specified items). Adjusted EBITA improved to MEUR 26.2 (17.2). The adjusted EBITA margin rose to 9.2% (7.0). The margin improvement was largely attributable to a higher gross margin as well as lower operating expenses relative to revenue. The gross margin increased to 42.6% (40.8), mainly attributable to the acquisition of Prism Medical. The currency effect (translation effect) on adjusted EBITA was an expense of MEUR 0.5 compared with the corresponding quarter in 2016.

Net financial items

Net financial items declined to MEUR –17.6 (–16.1), mainly due to an MEUR 4.0 impairment of capitalised financing costs. Total interest expense amounted to MEUR 12.7. The result before tax was MEUR –3.5 (–20.5).

Income tax

The tax for the period was MEUR –1.2 (0.4). The increase in tax was due to changes in deferred tax assets, which primarily pertained to the sale of the Puls business area's BD operations. These do not affect cash flow.

Net profit/loss for the year

The net profit/loss for the period from continuing operations was MEUR –4.8 (–20.1). The loss for the period totalled MEUR –3.5 (–19.3), corresponding to earnings per share of EUR –0.1 (–0.5) before and after dilution.

Other specified items

Other specified items during the full-year 2017 primarily included listing costs (MEUR 4.8), severance pay (MEUR 0.9) related to the reorganization carried out in March 2017 and costs for outsourcing IT (MEUR 0.7). The outsourcing of IT was completed in the fourth quarter of 2017 (see Note 12).

CASH FLOW AND FINANCIAL POSITION

Cash flow

For the full year, cash flow from operating activities was MEUR 8.6 (5.7), driven by increased profitability. Cash flow was adversely impacted by other specified items of MEUR 8.3, mainly relating to the listing and the product recall.

Net investments amounted to MEUR 5.9 (60.6), of which MEUR 0.3 (49.4) pertained to divestments/acquisitions. Investments in new business systems amounted to MEUR 1.6.

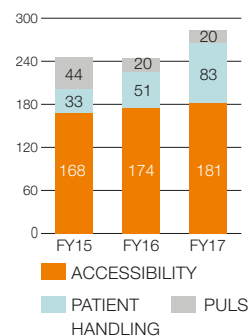
Investments, research and development

Investments in 2017 amounted to MEUR 5.7 (11.4), corresponding to 2% (5) of revenue. Investments in fixed assets amounted to MEUR 2.4 (5.1) and investments in intangible assets amounted to MEUR 3.3 (6.3), of which 1.2 (2.4) pertained to research and development and MEUR 2.1 (3.9) pertained to IT and software.

Product development is highly prioritised and is material for the Group's development moving forward.

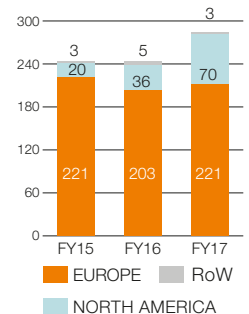
REVENUE

PER SEGMENT¹⁾, MEUR

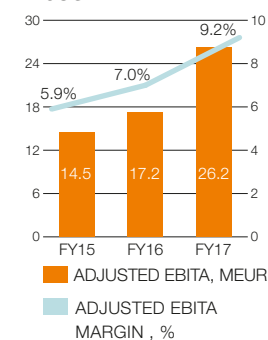


REVENUE

PER GEOGRAPHY¹⁾, MEUR



ADJUSTED EBITA¹⁾



1) Part of the Puls SBU's (BD operation's) revenues are included in the January–December 2015 period and are not included in the January–December period in 2016 and 2017.

Of the Group's total net sales, sales of proprietary products and services account for around 80%. In 2017, research and development work was centralised under a central function, having previously been organised under the respective strategic business units (SBUs). Total development expenditure was approximately MEUR 2.1, of which MEUR 1.2 was capitalised in the balance sheet.

FINANCIAL POSITION

Shareholders' equity

Consolidated shareholders' equity at 31 December amounted to MEUR 164.7 (77.9), corresponding to EUR 2.8 per share at year end. The increase in shareholders' equity is an effect of the refinancing and listing that increased shareholders' equity by MEUR 92.7.

Refinancing and capital structure

Handicare conducted a refinancing programme in conjunction with the stock exchange listing. A summary of the effects of the stock exchange listing and refinancing programme on Handicare's interest-bearing net debt follows:

- The vendor note to Sunrise Medical GmbH was sold to Cidron Liberty Systems S.à.r.l. The purchase consideration was settled through a corresponding write down of Cidron Liberty Systems S.à.r.l.'s shareholder loan. The total amount including accrued interest was MEUR 35.2.
- The remainder of the shareholder loan was converted into common shares in Handicare Group AB. The total amount including accrued interest was MEUR 34.5.
- The refinancing programme entailed taking out a new MEUR 100 five-year loan.
- The existing loans (interest-bearing liabilities) were settled using funds from the new loan and some of the net proceeds from the new share issue held in conjunction with the IPO.

Consolidated cash and cash equivalents at year end amounted to MEUR 12.9 (6.7). Interest-bearing net debt totalled MEUR 89.0 (193.4) at the end of the period. Net debt also declined as an effect of the sale of the BD operations. Net debt corresponded to a multiple of 3.0 of adjusted EBITDA for the full-year 2017. At current interest rates, the annual interest expense amounts to MEUR 3.0.

Net debt

(MEUR)	31 Dec 2017	31 Dec 2016
Shareholder loans	–	77.9
Long-term interest-bearing liabilities	100.2	145.2
Short-term interest-bearing liabilities	0.0	8.0
Other interest-bearing liabilities	1.7	2.1
Less: Vendor loan note	–	–33.2
Less: cash and cash equivalents	–12.9	–6.7
Interest-bearing net debt	89.0	193.4

PERFORMANCE BY BUSINESS SEGMENT

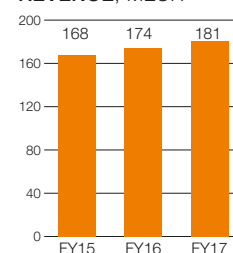
ACCESSIBILITY

In Accessibility, Handicare offers curved and straight stairlifts primarily for the home setting with a complementary offering of vehicle conversion products.

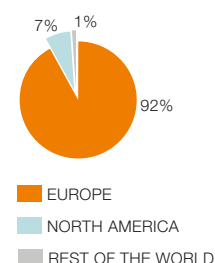
Revenue for the full year rose 4.1% to MEUR 181.3 (174.2). The currency effect was a negative MEUR 4.5. Organic growth was 6.9%. The SBU reported positive growth in Europe and excellent growth in North America. For the full-year 2017, Homecare accounted for more than 90% of total revenue.

EBITA increased to MEUR 21.9 (11.7). Other specified items amounted to MEUR –0.6 (–6.7) and pertained to termination costs. Adjusted EBITA increased to MEUR 22.5 (18.4). The adjusted EBITA margin rose to 12.4% (10.6%) due to lower operating expenses relative to revenue. The gross margin remained basically unchanged. Synergies realised from the acquisition of Prism Medical totalled MEUR 1.3. This pertained to the EBITA effect of revenue synergies.

REVENUE, MEUR



REVENUE PER GEOGRAPHY

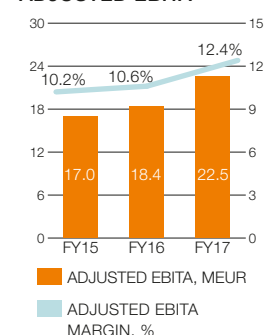


(MEUR)	2017	2016	Change
Revenue	181.3	174.2	4.1%
Acquisitions/divestments	–	–	–
Revenue excl. acquisitions/divestments	181.3	174.2	4.1%
Currency effects	–	–4.5	–
Revenue excl. acquisitions/divestments and EF¹⁾	181.3	169.6	6.9%
Revenue	181.3	174.2	4.1%
Operating expenses	–156.6	–153.4	n/a
Adjusted EBITDA²⁾	24.7	20.8	18.8%
Depreciation of tangible fixed assets	–2.2	–2.4	n/a
Adjusted EBITA²⁾	22.5	18.4	22.3%
Other specified items	–0.6	–6.7	n/a
EBITA	21.9	11.7	87.4%
Performance measures %			
Adjusted EBITDA margin ²⁾	13.6%	11.9%	
Adjusted EBITA margin ²⁾	12.4%	10.6%	
EBITA margin	12.1%	6.7%	

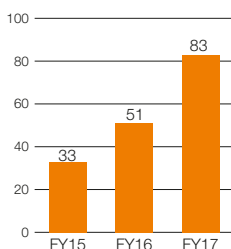
1) EF = adjusted for exchange-rate effects (only translation effect, not transaction effect).

2) Alternative performance measures, see page 90 for definitions and calculations.

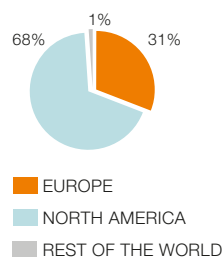
ADJUSTED EBITA



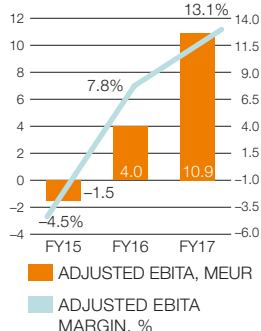
REVENUE, MEUR



REVENUE PER GEOGRAPHY



ADJUSTED EBITA



PATIENT HANDLING

In Patient Handling, Handicare offers a broad product offering for patient transfer and lifting products, primarily for the hospital setting.

Revenue for the full year rose 65.0% to MEUR 83.4 (50.5). The acquisition of Prism Medical contributed MEUR 34.5, while the currency effect was a negative MEUR 1.6. Organic revenue remained essentially unchanged. Europe reported healthy growth while North America was negatively impacted by lower project sales to hospitals, primarily in the second half of 2017. For the full-year 2017, Homecare accounted for around 20% of total revenue.

EBITA increased to MEUR 10.5 (–3.8). Other specified items amounted to MEUR –0.4 (–7.8) related to integration costs. Adjusted EBITA increased to MEUR 10.9 (4.0), of which Prism Medical contributed MEUR 6.3 (0.4). The adjusted EBITA margin increased to 13.1% (7.8) due to an improved gross margin. The gross margin increased, since Prism Medical has a higher gross margin than the original Patient Handling business. Realised synergies amounted to approximately MEUR 3.4, as planned, of which MEUR 2.1 were recognised in Patient Handling.

(MEUR)	2017	2016	Change
Revenue	83.4	50.5	65.0%
Acquisitions/divestments	–34.5	–	–
Revenue excl. acquisitions/divestments	48.9	50.5	–3.3%
Currency effects	–	–1.6	–
Revenue excl. acquisitions/divestments and EF¹⁾	48.9	48.9	–0.1%
Revenue	83.4	50.5	65.0%
Operating expenses	–71.3	–45.6	n/a
Adjusted EBITDA²⁾	12.1	5.0	143.6%
Depreciation of tangible fixed assets	–1.2	–1.0	n/a
Adjusted EBITA²⁾	10.9	4.0	175.0%
Other specified items	–0.4	–7.8	n/a
EBITA	10.5	–3.8	n/a
Performance measures %			
Adjusted EBITDA margin ²⁾	14.5%	9.8%	
Adjusted EBITA margin ²⁾	13.1%	7.8%	
EBITA margin	12.5%	–7.6%	

1) EF = adjusted for exchange-rate effects (only translation effect, not transaction effect).

2) Alternative performance measures, see page 90 for definitions and calculations.

PULS

In Puls, Handicare distributes medical devices and consumables in Norway and Denmark.

Part of the Puls SBU (BD operations) was divested on 1 August 2017 and, therefore, these operations were recognised under divested operations for 2016 and 2017; refer to Note 6.

Revenue for the full year declined 1.1% to MEUR 19.5 (19.7). The currency effect was a negative MEUR 0.3. Organic revenue remained essentially unchanged. For the full-year 2017, Homecare accounted for around 30% of total revenue.

The EBITA remained unchanged at MEUR 0.5 (0.5). Other specified items amounted to MEUR 0.0 (–0.3). Adjusted EBITA totalled MEUR 0.5 (0.8). The adjusted EBITA margin decreased to 2.6% (4.2), due to a reduced gross margin. The gross margin was negatively impacted by the product mix and an inventory adjustment of MEUR 0.2, which was made in conjunction with the divestment of the BD operations.

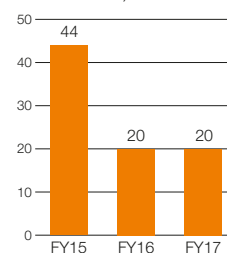
A restructuring programme will be initiated in the first quarter of 2018 (refer to page 33), with the aim of increasing profitability at Puls and to optimise the organisation following the divestment of the BD operations.

(MEUR)	2017	2016	Change
Revenue	19.5	19.7	–1.1%
Acquisitions/divestments	–	–	–
Revenue excl. acquisitions/divestments	19.5	19.7	–1.1%
Currency effects	–	–0.3	
Revenue excl. acquisitions/divestments and EF¹⁾	19.5	19.5	0.2%
Revenue	19.5	19.7	–1.1%
Operating expenses	–19.0	–18.9	n/a
Adjusted EBITDA²⁾	0.5	0.8	–39.2%
Depreciation of tangible fixed assets	–0.0	–0.0	n/a
Adjusted EBITA²⁾	0.5	0.8	–38.8%
Other specified items	–	–0.3	–
EBITA	0.5	0.5	4.0%
Performance measures %			
Adjusted EBITDA margin ²⁾	2.6%	4.2%	
Adjusted EBITA margin ²⁾	2.6%	4.2%	
EBITA margin	2.6%	2.4%	

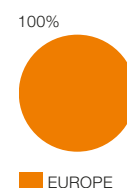
1) EF = adjusted for exchange-rate effects (only translation effect, not transaction effect).

2) Alternative performance measures, see page 90 for definitions and calculations.

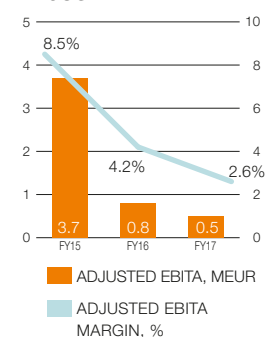
REVENUE¹⁾, MEUR



REVENUE¹⁾
PER GEOGRAPHY



ADJUSTED EBITA¹⁾



1) The BD operation's revenues are included in the January–December 2015 period and are not included in the January–December period in 2016 and 2017.

GROUP-WIDE EXPENSES

In 2017, Group-wide expenses increased to MEUR –7.7 (–6.0). The increase was mainly attributable to the centralisation of certain functions, such as IT and accounting.

PARENT COMPANY

The Parent Company is a holding company for the purpose of owning and administering subsidiaries in the above operations and, to a certain extent, for managing some of the Group-wide operations. The Parent Company has 13 employees.

For the full year, Parent Company revenue amounted to MEUR 8.5 (7.6), which pertained in its entirety to sales to Group companies. The result before tax was MEUR –4.0 (–1.7). The result for the period was MEUR –4.6 (–4.9). The Parent Company had no investments in tangible assets and intangible assets in 2017. Cash and bank balances amounted to MEUR 0.3 (0.2) at year end. Non-restricted equity in the Parent Company amounted to MEUR 253.7 (153.0).

EMPLOYEES

At the end of the period, the number of employees was 1,142 (1,174). The average number of employees was 1,174 employees (1,006). The acquisition of Prism Medical (September 2016) added 212 new employees, and the divestment of the BD operations (August 2017) reduced the number of employees by 24.

SEASONAL VARIATIONS

The Group's revenue is subject to limited impact from seasonal variations. Normally, revenue generation is relatively evenly distributed between the first and second half of the year.

SUSTAINABILITY AND THE ENVIRONMENT

We endeavour to conduct our business in an environmentally sustainable manner, for example, in the form of improved efficiency or investments in sustainable products, services and technologies. A general environmental goal is to certify all of our production units in accordance with ISO 14001.

Handicare has six production and assembly plants that focus on stairlifts and bathroom safety products, as well as 17 workshops for vehicle adaptation. In accordance with Chapter 6 Section 11 of the Swedish Annual Accounts Act, Handicare has chosen to prepare its statutory sustainability report separately from the annual report. The sustainability report was submitted to the auditor at the same time as the annual report. (The sustainability work is described in brief on pages 19-22 and the complete report is available at <http://www.handicaregroup.com>)

RELATED-PARTY TRANSACTIONS

At August 1, 2017, the BD operations (part of the Puls segment) were divested to Cidron Liberty Systems Limited. The purchase consideration amounted to MEUR 11.4 (MNOK 109). The pre-tax capital gain amounted to MEUR 0.5.

Cidron Liberty Systems Limited controlled by Nordic Capital Fund VII, which is a shareholder of Handicare Group AB. The purchase consideration for the BD operations was settled through a reduction of the shareholder loan outstanding, at the time, from Cidron Liberty Systems Limited to Handicare AS by a corresponding amount.

DISPUTES

Handicare Stairlifts B.V. is currently involved in a legal process with one of the Group's suppliers, Eriks B.V., with regard to a product recall concerning the accumulator supplied by Eriks B.V. to Handicare. Handicare estimates that the remaining costs attributable to the product recall will amount to MEUR 0.5. A provision for the full amount has been made as per 31 December 2017.

STOCK EXCHANGE LISTING

Handicare Group AB (Handicare) was listed on Nasdaq Stockholm on 10 October 2017. The price per share was SEK 50, which corresponds to a total value upon completion of the IPO of MSEK 2,947. The IPO comprised 17,092,310 shares, of which 11,439,000 new shares will be issued by Handicare. The remaining 5,653,310 shares were offered by Cidron Liberty

Systems S.à.r.l. The IPO of new shares raised net funds of approximately MSEK 550 (MEUR 58) for Handicare.

Following full exercise of the over-allotment option, the value of the IPO amounted to approximately MSEK 983, corresponding to approximately 33.4% of the total number of shares outstanding in Handicare upon completion of the offering.

THE SHARE

Handicare's share capital totalled kEUR 81 at year end. At 31 December 2017, there was a total of 58,939,000 shares and voting rights in Handicare. The quotient value was EUR 0.00138.

A split, a bonus issue, two share issues in-kind and a new share issue were completed ahead of and in conjunction with the listing of Handicare's shares on Nasdaq Stockholm.

All of the shares are of the same class and all of the shares in the company carry equal rights in all respects. The only holding representing a minimum of one-tenth of the number of votes was held by Cidron Liberty Systems Ltd (included in Nordic Capital Fund VII), which had 62.86% of the votes at year-end 2017. In conjunction with the listing of the company's shares, the principal owner committed to not selling its holding during a lock-up period of 180 days from the underwriting agreement dated 9 October 2017. Board members and members of Group management who owned shares at the time of the underwriting agreement committed to not selling their holdings during a lock-up period of 360 days after the signing of the underwriting agreement. For more information about the share and the owners, see page 23.

EVENTS AFTER THE REPORTING PERIOD

As a result of weak profitability at Puls, and to adapt operations to the new prevailing circumstances following the sale of the BD operations, a restructuring programme was initiated in January 2018. A total of ten employees are affected by this measure. It is not expected to lead to any material restructuring costs.

Handicare acquired the assets of a distributor in North America at the start of 2018. The distributor,

based in Colorado, markets products for patient transfers and lifts in 11 states in the US, where Handicare currently has limited sales. The distributor's sales to hospitals and care facilities comprises an excellent base and fits well with Handicare's US hub strategy. The distributor has eight employees and, in 2017, posted sales of around MEUR 4.2. Handicare had no sales to the distributor in 2017. The acquisition of these assets is expected to have a marginal positive effect on Handicare's earnings per share in 2018.

2018 ANNUAL GENERAL MEETING

The 2018 Annual General Meeting will be held in Stockholm on 8 May 2018. The announcement of the 2018 Annual General Meeting will be available at www.handicaregroup.com from 6 April 2018.

PROPOSED DISTRIBUTION OF PROFITS

The Board of Directors proposes a dividend of SEK 0.50 per share for the 2017 financial year, corresponding to a total dividend of approximately SEK 29.5m based on the number of shares at the close of 2017. The proposed record date is 11 May 2018.

kEUR

The following earnings are at the disposal of the Annual General Meeting	
Share premium reserve	273,798
Retained earnings	-20,080
Total unappropriated earnings	253,718

kEUR

The Board of Directors proposes the following allocation of unappropriated earnings:	
SEK 0.5 per share to be distributed to shareholders	2,870
To be carried forward	250,848
Total unappropriated earnings	253,718

The Board of Directors proposes the dividend is adopted to SEK 0.50 per share (corresponding to approximately EUR 0.05 based on EUR/SEK 10,2692)

The Board will, when giving consideration to future dividends, weigh in factors such as the requirements with respect to the size of the equity given the nature,

scope and risks associated with the operations and the company's need to strengthen its balance sheet, liquidity and financial position in general.

THE BOARD'S PROPOSAL FOR GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The Board of Directors proposes that the 2018 Annual General Meeting adopts the following guidelines for remuneration of the CEO and other senior executives, being members of the Group Management.

GUIDELINES

The general guidelines for remuneration to Group management entail that it should be based on position, individual performance and the Group's results, and that the remuneration must be competitive in the country of employment. The overall remuneration package for Group Management comprises fixed salary, variable salary in the form of short-term incentives based on annual performance targets, long-term incentives, pension and other benefits. In addition to this, there are terms and conditions that apply when notice of termination is served and relating to severance pay.

FIXED SALARY

Fixed salary constitutes the basis for total remuneration. The salary should be related to the relative market and reflect the responsibility implied by the position.

VARIABLE SALARY (SHORT-TERM INCENTIVE, "STI")

Members of Group Management are entitled to STI in addition to their fixed salary. The STI is based on the financial result for the Group and/or for the business unit for which the member of Group Management is responsible. Financial targets used are organic

growth, earnings and cash flow. Performance indicators can also be used to focus on issues that are of special interest to the company. Clearly defined goals for "target" — and "stretch" — levels for performance are to be stated at the beginning of each year and are to reflect the plans approved by the Board. STIs may amount to a maximum of 50% ("stretch" level) of the fixed salary.

LONG-TERM INCENTIVE (LTI)

The Board of Directors will conduct an annual evaluation of whether a long-term incentive programme (for example, share or share-price based) should be proposed to the Annual General Meeting.

PENSION

Pension benefits should be defined contribution. Retirement age follows the pension rules of the specific country.

NOTICE OF TERMINATION AND SEVERANCE PAY

A mutual notice period of six months applies between the company and the CEO. For other members of the Group Management mutual notice periods of six months apply. In the event of termination of employment by the company, severance pay corresponding to a maximum of 12 months' fixed salary is payable to the CEO and other members of Group management. No severance pay is payable when notice is given by an employee.

AUTHORISATION FOR THE BOARD TO DEVIATE FROM THE GUIDELINES

If special reasons exist, the Board is able to deviate from these guidelines. In the event of such a deviation, the next annual general meeting is to be informed of the reasons for this.

Risk is defined as the uncertainty of whether an event will occur and its effect on a unit's ability to achieve its business objectives in a given period of time (one to three years). Risk management is an important part of internal control in Handicare.

Handicare continuously evaluates the risks associated with its operations, both financial and operational, and controls and supervises factors that may affect Handicare's operating profit or loss. The risk assessment is also central to the annual strategy process, where risks in relation to the company's ability to achieve its strategic ambitions are specifically evaluated. The company's Board of directors is ultimately responsible for risk management at Handicare. It is Group management's responsibility to identify, evaluate and manage risks and to report to the Board of Directors. All identified risks are addressed in a remedial plan. Individuals appointed from Group management are responsible for presenting an action plan for the identified risks. The status of identified risks are reported to the Board of Directors through the Audit Committee.

The most significant risks facing the Group are described below.

STRATEGIC RISKS

Implementation of Handicare's strategy

Handicare's strategy for continued profitable growth is centred on: clear initiatives for organic growth; a culture of continuous improvement of the operations that lead to better margins; building further on the company's important presence in North America, as a result of the acquisition of Prism Medical; and an active acquisition strategy. The Group focuses on profitable growth and has implemented a more commercially focused organisational structure to improve business efficiency, to redirect focus onto products and new markets with higher margins, to increase the reach of the Group's network of retailers, and to identify new opportunities to increase the share of revenue from service, installation and consumables.

There is a risk that the initiatives that Handicare is implementing will not lead to the anticipated and desired gains in terms of efficiency enhancements or

increased growth. Additionally, structural and organisational changes can carry the risk of higher costs or lower revenue than expected or that key personnel leave the company.

The company's strategy also includes strengthening the business through acquisitions. Handicare's strategy for growth through acquisition could expose the company to operational challenges and risks, such as the need to identify potential acquisition possibilities on advantageous terms. Handicare's growth through acquisition could expose the Group to other risks, such as the Group management's attention being diverted away from existing operations, or the possible impairment of acquired intangible assets, including goodwill, and the assumption of obligations and other demands from acquired companies. There is also the risk that the costs of integration could become higher than estimated and the synergies could be lower than expected.

If Handicare cannot grow or fails to manage its growth in an efficient manner, there could be an impact on the company's competitive position and it could have a significantly negative effect on Handicare's operations, financial position and results.

Business cycle and demand

Handicare conducts business operations in a large number of markets in the world and is affected, like other groups, by the general economic, financial and political conditions on a global level. Handicare's sales and profitability could be negatively impacted by a general economic downturn in the European economy or in the economy of one of the countries, regions and areas in which operations are conducted, including the US and Asia, and/or a decline in the credit and financing markets. Handicare could, for example, be impacted by institutional customers or public sector customers purchasing low-price products and/or less advanced products as a result of pressure on their operating margins. A negative operating climate in countries where Handicare sells its products could also result in reduced demand for Handicare's products. Handicare's operations are indirectly affected by the healthcare sector's savings measures, which could

lead to reduced sales of products and services. The savings measures taken by institutional customers and public sector customers could have a significant negative impact on sales and profitability.

The demand for and profitability of Handicare's products is affected by a number of other global and regional factors, including changes in legislation and regulations, political uncertainty, changes in production capacity and competitive pressure. Furthermore, changes in the political situation in a region or a country, or political decisions that impact an industry or a country, can also significantly impact global economic policies or trading policies, and, accordingly, the general demand for products and services. Each disadvantageous event could have a considerably negative impact on Handicare's operations, financial position and results.

Competition

Handicare conducts operations in a competitive market that is characterised by the products' reliability, product performance, product quality, price, the breadth of the product offering, lead times in production, punctuality of suppliers, technical improvements, customer service, financing terms and customers' possibility to receive compensation for expenses from insurers and other third-party financiers. Competitors, or other new players, can decide to expand their product and service offering, launch new innovative products or solutions that may be preferable to Handicare's current and potential customers and end users, or decide to offer financial incentives to retailers and other distributors of stairlifts and patient handling products in order to promote their products. Increased competition could have a negative impact on the Group's margins.

COMPLIANCE AND LEGAL RISKS

Public authorities and supervisory bodies.

Parts of the Group's product range are covered by legislation that stipulates extensive evaluation, quality control and documentation. It cannot be ruled out that the company's future operations, financial position and results could be adversely impacted by difficul-

ties in meeting the public authorities' and supervisory bodies' existing regulations and demands or amendments to these. The majority of the Group's production facilities are certified in accordance with the ISO 13485 medical devices quality standard and/or the ISO 9001 general quality standard.

The impact of local business risks, local laws and regulations in countries of operation

Handicare conducts operations globally and is exposed to local business risks and is subject to regulation in the countries where operations are conducted. For example, the Group faces the risk that its subsidiaries' management teams make decisions that do not correspond with the company's strategies or that are not beneficial for all of the companies in the Group. The business operations are subject to local laws and regulations in the countries in which the Group operates, the reporting and permit obligations of certain countries and general international regulations. Laws, policies, measures, control or other action on the part of public authorities in the countries in which the company has its operations or where Handicare could locate its operations in future, could restrict the company's operations, delay or obstruct planned investments, require further investments and lead to increased costs and further measures, or in some other way cause a decline in the Group's financial results. In addition, employees at the subsidiaries and other closely related parties could take action that is unethical, criminal or is in breach of Handicare's current or future internal guidelines and policies, including those intended to be introduced regarding compliance with applicable legislation regarding bribery, sanctions and export control in accordance with international practice. Handicare is subject to a large number of laws that counteract unlawful competition, fraud and bribery and which are related to the fight against corruption. Handicare has introduced policies to prohibit, as well as developing training and compliance programs to counteract, these behaviours among its employees.

Product liability and damages claims.

Like other players in the health and medical care sector, Handicare risk being subject to claims regarding product liability and other legal issues. Such claims can involve large amounts and significant legal costs. The Group cannot provide any guarantees that its operations will not be subject to damages claims. There are insurance programs on market terms for the property and liability risks (for example, product responsibility) to which the Group is exposed.

Exposure to environmental risks

Handicare operates four production plants in North America and Europe, as well as two assembly plants in North America and Asia. The production at these facilities is subject to environmental regulation and supervision. If the Group cannot comply with relevant environmental legislation and other regulations, it could incur fines and other sanctions. Handicare's responsibility for known and unknown remediation costs and environmental sanctions could have a significant negative impact on the company's operations, financial position and results. The supervisory authorities may also require that the Group cease its operations, withdraw environmental permits and decide not to renew environmental permits that are necessary for Handicare's operations.

OPERATIONAL RISKS**Dependence on reputation**

Handicare is dependent on its reputation and its brand for its marketing, sales and acquisition strategies. Handicare's reputation and brand image are, among other factors, dependent on quality, safety, reliability and the design of the Group's products, as well as external retailers' performance and the company's communication activities, including advertising, PR and marketing. Handicare must actively manage its reputation and brand in relation to a number of different stakeholders, including commercial customers, public sector customers, retailers, employees, public authorities and trade union bodies. Any damage to Handicare's reputation or brand, including specific product brands, as a result of product liability or

warranty demands, incidents and accidents, damaging disputes, breached of laws or regulations, failure to meet contractual deadlines or specific product requirements or for another reason, could have a negative impact on the company's marketing and ability to retain existing customers and attract new ones, as well as Handicare's operations, financial position and results.

Dependence on suppliers

Handicare purchases most of the components and materials used in production and assembly from several suppliers. Certain raw materials and key components are currently only available from individual suppliers. Handicare works closely with its suppliers with the intention of ensuring that supplies are made without interruption, at the same time as high quality and reliability are maintained. However, there is a risk that these efforts could prove insufficient, which could lead to delays in production and shortcomings in product quality. One or more of Handicare's suppliers could cease deliveries of raw materials and components due to the inability or unwillingness to deliver, or could raise prices significantly. If contracts with certain manufacturers are cancelled, it could be difficult to acquire equivalent products in a reasonable time, if at all. New suppliers could require preliminary approval from authorities, and they may require time to be able to begin supplying Handicare. If there were to be an interruption, short or long, to Handicare's supplies of products produced by external manufacturers, or if these products are of inferior quality, it could be very difficult to acquire the equivalent products from other suppliers on acceptable terms, within a reasonable time, if at all. All of these factors could adversely impact the Group's operations, financial position and results. All procurement activities are to be conducted within the framework of the Handicare code of conduct and applicable laws and regulations. The Handicare code of conduct is based on ethical, societal and environmental conduct and describes Handicare's expectations in three general areas: anti-corruption and ethics; labour standards and human rights; and environment. To ensure that the suppliers

understand our code of conduct and the importance of our expectations, all product suppliers must sign the code of conduct. There is a risk that the regular audits of its suppliers that Handicare conducts will not uncover lack of compliance, which could have a negative impact on the Group's operations, financial position and results.

Risks in production

Handicare's curved stairlifts are manufactured at the Group's facilities in the Netherlands and the UK. The Group's patient handling products are manufactured in Netherlands and US, and products for bathroom safety in Netherlands. Handicare also operates assembly plants in China (for straight stairlifts) and Canada (for Patient Handling products). If the Group's manufacturing or assembly plants are closed for any reason, the possibility of distributing the products would be considerably affected. Stairlifts are particularly bulky and require careful transportation. Disruptions to manufacturing or the need to use alternative production capacity could lead to higher transport costs and loss of competitive advantages. Handicare's plants are adapted for the manufacture of specific products and the Group does not have redundancy or sufficient surplus capacity at its production plants, neither space nor equipment, to manufacture products at another production facility.

Inability to retain and recruit qualified employees and senior executives

The ability to attract and retain qualified employees and senior executives is key to Handicare's future operations and its business plan. The Group's future growth, and ultimately its success, depend upon its ability to recruit and retain employees who have the skills level and knowledge of the company's products or industry that are required to operate Handicare's business. It is also important that Handicare can attract people with sufficient competence and retain qualified sales personnel. If the Group cannot attract or retain qualified employees, this could adversely impact the Group's operations, financial position and results.

FINANCIAL RISKS

General

Handicare is exposed to various types of financial risks, both market risks and other types of financial risk. Market risks include: currency risk, interest-rate risk and price risk. Other financial risks are separated into credit risk, liquidity risk and financing risk. The Group's overriding financial activities and management of financial risk are centralised to Handicare's treasury function and are based on the guidelines adopted by the company's Board of directors. The guiding principle is to minimise any negative impact on the Group's revenue and cash flow from short-term movements in the financial markets as well as to ensure effective control and high quality for risk management. The Group has the ability to use financial derivatives to hedge financial risk. Refer to Note 4.

Currency risk

As a result of its international operations, Handicare generates a considerable share of its revenue and incurs a significant share of its costs in various currencies other than EUR, the Group's reporting currency. Handicare's currency exposure is primarily attributable to NOK, SEK, USD, GBP, DKK and CAD. Exchange-rate fluctuations can thus have a significant and negative impact on Handicare's income statement, balance sheet and/or cash flows. Handicare is exposed to risks that involve transaction and translation exposure. Transaction exposure arises in connection with the purchase and sale of goods and services in currencies that differ from the functional currency of the relevant subsidiary. Translation exposure occurs in connection with the translation of balance sheets and income statements of subsidiaries into EUR, the Group's reporting currency. Exchange-rate fluctuations have, for example, an impact on Handicare's revenues when the income statements of foreign subsidiaries are translated to EUR, and on Handicare's consolidated balance sheet when foreign subsidiaries' net assets are translated to EUR. Currency exposure from the Group's net foreign investments are limited through loans in the relevant currency and the exchange-rate differences are recognised in other comprehensive income.

Interest-rate risk

Handicare's loans carry a floating interest rate and Handicare is thus exposed to interest-rate changes. Fluctuations in market interest rates can lead to fluctuation in financial income and expenses, as well as the value of these financial instruments. Interest-rate risk can also lead to changes in fair value, changes in cash flow and fluctuations in profit. Rising market interest rates would, for example, increase net interest expense and, additionally, have a negative impact on Handicare's cash flow.

Interest rates are impacted by a number of factors that are outside Handicare's control, comprising the interest-rate setting guidelines of governments and central banks in the geographies where Handicare operates. A rise in interest rates would increase Handicare's interest commitments, which could have a negative impact on Handicare's operations, financial position and results. Handicare's objective is to limit unwanted effects on the company's earnings and cash flow as a result of unexpected changes in interest rates by using varied fixed-rate periods.

Credit risk

Credit risk refers to the risk that Handicare's counterparties are unable to meet their payment obligations, meaning that Handicare is affected by loss. Financial credit risks pertain to the risk that the counterparties with whom Handicare has deposited cash and cash equivalents and other financial assets do not succeed in discharging their obligations.

The risk that a financial counterparty is unable to discharge its obligation to Handicare is limited by conducting all financial transactions with established Nordic banks with high credit ratings. The Group has no financial investments and, accordingly, no issuer risk. The credit risk on bank balances is deemed to be low. Financial credit risk is managed centrally. Historically, losses pertaining to other receivables have been low and are assessed as continuing to remain limited as a result of counterparties mainly comprising public sector entities. New customers are approved before any credit is given.

Refinancing and liquidity risk

Handicare is exposed to the risk of being unable to raise new loans, refinance new loans or meet payments and other obligations relating to existing loans due to lack of liquidity. As regards Handicare's existing long-term financing, there is a risk that Handicare, due to the general economic climate and disturbances in the capital and credit markets, or delayed payment from customers, could breach its financial obligations, so-called covenants and other obligations in credit and loan agreements. There is a risk that Handicare could need further financing to create additional growth in the Group's operations, both organically and through acquisition. Access to further financing is affected by a number of factors, including market conditions, general availability of loan financing, as well as Handicare's credit capacity. Disturbances and uncertainty in the capital and credit markets can also limit access to the capital required to operate the business. Events involving these risks could have a considerably negative impact on Handicare's operations, financial position and results. The Group maintains funding flexibility by using credit agreements to ensure the immediate and long-term availability of credit facilities, to control loan maturities and to raise loans with several creditworthy lenders.

Liquidity risk is managed by the Group holding adequate cash and cash equivalents and available short-term funding through agreed credit facilities. Almost all of the Group's available liquidity is concentrated to Handicare's Group account structure, which thereby ensures efficiency and good control of cash and cash equivalents. The various subsidiaries in the Group prepare short and long-term cash-flow forecasts on an ongoing basis.

Commodities price risk

The Group's operations and earnings are impacted by price changes in commodities and components. The most important commodities are steel and aluminium. Prices can vary during the year as a result of changes in the market prices of raw material or subcontractors' ability to deliver. The total annual consumption

of commodities depends on the production volume and the product mix. The Group does not use financial instruments to hedge commodities prices for purchasing.

Exposure to tax-related risk

The operations — including internal Group transactions — are conducted in accordance with the Group's understanding and interpretation of applicable tax legislation, tax agreements and other regulations in the area of tax legislation and requirements of the relevant tax agencies. However, it may occur that the company's understanding or interpretation

of legislation, agreements and other regulations is not correct in all respects. In addition, tax agencies in the relevant countries can make assessments and decisions that differ from Handicare's understanding or interpretation of legislation, agreements and other regulations. The Group's tax position, both for earlier and current years, may change as a result of decisions made by the relevant tax agencies or due to changed legislation, tax agreements and other regulations. Such decisions or changes, possibly retroactively, could have a significant negative impact on revenue and financial position.

Corporate governance in the Handicare Group AB (publ) (Handicare) is based on Swedish law, in particular, the Swedish Companies Act, (2005:551) and the Annual Accounts Act (1995:1554). Since Handicare was listed on NASDAQ Stockholm on 10 October 2017, the company has complied with Nasdaq Stockholm’s Rule Book for Issuers and also applies the Swedish Corporate Governance Code (the “Code”), as well as opinions from the Swedish Securities Council regarding generally accepted practice in the Swedish securities market.

A company is not obliged to comply with all the rules of the Code as the Code itself establishes scope to deviate from the rules, provided that all such deviations and the chosen alternatives are described and the reasons for deviation explained in the Corporate Governance Report (the “comply or explain” principle). Handicare has complied with all of the rules of the Code since the shares were listed on Nasdaq Stockholm, except for Rule 9.7 of the Code. Handicare deviates from Rule 9.7 of the Code because of the warrant programme adopted by the General Meeting on 9 October 2017 ahead of the listing on Nasdaq Stockholm, insofar as the participants may subscribe for new shares under one of the series after a two-year period and thus deviate from the Code’s three-year period. The second warrant series entitles the participants to subscribe for shares after a three-year period.

The warrants offering with two and three years’ duration, respectively, is considered to be aligned with Handicare’s long-term business plan, strategy and financial targets. By introducing two series of warrants, the company enters into a position that essentially resembles that of other already listed companies, which have ongoing three-year programmes outstanding. For potential new programmes in the future, we intend to only introduce three-year programmes in accordance with the Code.

Handicare has committed no breach of Nasdaq Stockholm’s Rule Book for Issuers or generally accepted practice in the stock market.

GOVERNANCE STRUCTURE



GENERAL MEETINGS OF SHAREHOLDERS

Pursuant to the Swedish Companies Act, the General Meeting is the company’s highest decision-making body, at which the shareholders exercise their voting rights. The Annual General Meeting (AGM) must be held within six months of the end of each financial year to consider, among other things, statutory accounts and reports, disposition of profit or loss and the discharge of the Board of Directors from liability. In accordance with the Articles of Association, notice of a General Meeting is published in Post- och Inrikeris Tidningar and made available on Handicare’s website. An announcement that the notice has been issued is to be published in Svenska Dagbladet. The notice convening the AGM is published no earlier than six weeks and no later than four weeks prior to the meeting. Extraordinary general meetings (EGMs) are held when the Board of Directors considers such meetings appropriate or when either the auditor or shareholders representing at least 10 percent of all issued shares request such meeting in writing for a specified purpose. A notice convening an EGM is announced in the same manner as the notice to the AGM. Pursuant to the Swedish Companies Act, a notice convening an EGM must be made no earlier than six weeks and no later than four weeks prior to the date of the EGM if the general meeting will decide on a proposed amendment of the Articles of Association. For any other EGM, the notice convening the meeting must be announced no earlier than six weeks and no later than three weeks prior to the date of the meeting. Pursuant to the Swedish Companies Act, a General Meeting may not adopt any resolution which is likely to give undue advantage to a shareholder or a third party to the detriment of the company or another shareholder of the company.

Right to participate in General Meetings

Shareholders who wish to participate in a General Meeting must be included in the share register maintained by Euroclear Sweden AB on the day falling five workdays prior to the meeting and notify Handicare of their participation not later than on the date stipulated in the notice convening the meeting.

Shareholders may attend the General Meeting in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for a General Meeting of shareholders in several different ways as indicated in the notice of the meeting. A shareholder may vote for all shares in the company owned by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter brought before the General Meeting must submit a written request for this to the Board of Directors. Such request must normally be received by the Board of Directors no later than seven weeks prior to the General Meeting.

ANNUAL GENERAL MEETING

The Handicare 2018 AGM will be held at 1:00 p.m. on 8 May 2018 at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm.

Shareholders who wish to submit a proposal to the Nomination Committee or wish to have business brought before the AGM had the possibility to submit their proposal to the Nomination committee or to the company by 20 March 2018.

2017 General Meetings of Shareholders

One AGM and three EGMs were held during the year. The AGM was held on 28 April 2017. Cidron Liberty Systems S.à.r.l. was present at the AGM and represented all of the votes. At the Meeting, Joakim Andreasson, Fredrik Näslund, Nathanael Weitzberg, Maria Carell, Elisabeth Thand Ringqvist, Claes Magnus Åkesson, Lars Marcher and Johan Ek were elected as members of the Board. Lars Marcher was elected Chairman of the Board. Additionally, the Meeting resolved on a fee of SEK 450,000 to be paid to

the Chairman of the Board and a fee of SEK 180,000 to be paid to each of the other Board members. A fee of SEK 100,000 is to be paid to the Chairman of the Audit Committee and a fee of SEK 50,000 each to the other members of the Audit Committee. A fee of SEK 50,000 is to be paid to the Chairman of the Remuneration Committee and a fee of SEK 25,000 each to the other members of the Remuneration Committee.

The first EGM was held on 30 August 2017. Cidron Liberty Systems S.à.r.l. was present at the AGM and represented all of the votes. Resolutions were adopted concerning amendments to the Articles of Association, including changes to the specification of limits for the number of shares and the split and reverse split of shares.

The second EGM was held on 26 September 2017. Cidron Liberty Systems S.à.r.l. was present at the AGM and represented all of the votes. Resolutions were passed on a bonus issue, the adoption of new Articles of Association for the change of company category, issue authorisation and adoption of instructions for the Nomination Committee, as well as guidelines for remuneration.

The third EGM was held on 9 October 2017. Cidron Liberty Systems S.à.r.l. was present at the AGM and represented all of the votes. Resolutions were adopted for the bonus issue, share issue in-kind and the issue of warrants.

SHARES

At year-end, the share capital amounted to TEUR 81.205 divided between 58,939,000 shares. All of the shares are of the same class and all of the shares in the company carry equal voting rights and equal rights to the company's profits and assets. At the end of 2017, Handicare had 1,655 shareholders, according to the shareholders' register maintained by Euroclear. The only holding representing a minimum of one-tenth of the number of votes was held by Cidron Liberty Systems Ltd, which had 62.86 percent of the votes at year-end 2017.

In conjunction with the listing of the company's shares, the principal owner committed to not selling its holding during a lock-up period of 180 days from

the placement agreement dated 9 October 2017. Further information about the share and shareholders is available on page 23 and on the company's website.

NOMINATION COMMITTEE

The purpose of the Nomination Committee is to make proposals in respect of the Chairman at general meetings, Board member candidates, including the position of Chairman, fees and other remuneration for each member of the Board of Directors as well as remuneration for committee work, and election of and remuneration of the external auditor.

At the EGM held on 30 August 2017, it was resolved that the Nomination Committee ahead of the 2018 AGM, will be composed of representatives of the four largest directly registered owner-grouped shareholders (based on voting rights) according to Euroclear Sweden on 31 October 2017 and the Chairman of the Board. The member representing the largest shareholder will be appointed Chairman of the Nomination Committee. If a change in the company's ownership structure occurs after 31 October 2017 but before the date which occurs three months ahead of the 2018 AGM, and if a shareholder that after this change has become one of the four largest shareholders in terms of votes, who is registered in the share register of the company, makes a request to the Chairman of the Nomination Committee to be part of the Committee, the shareholder has the right, at the discretion of the Nomination Committee, either to appoint an additional member of the Committee or to appoint a member who has been appointed by the shareholder who, after the change in the ownership structure, is no longer among the four largest shareholders in the company in terms of votes. Should a member resign from the Committee before its work is completed and the Committee considers it necessary to replace him or her, such substitute member is to represent the same shareholder or, if the shareholder is no longer one of the four largest shareholders, the largest shareholder in turn. Changes to the composition of the Committee are announced as soon as they occur. The Nomination Committee is to discharge its

obligations in accordance with the Code. Members of the Nomination Committee prior to 2018 AGM:

- Fredrik Näslund (Chairman), Cidron Liberty Systems Ltd
- Jannis Kitsakis, Fourth Swedish National Pension Fund
- Esben Saxbeck Larsen, Danica Pension
- Espen Tidemann Jörgensen, Holta Invest Life Sciences
- Lars Marcher, Chairman of the Board Handicare Group AB

The composition of the Nomination Committee meets the requirements regarding independent members in the Committee.

The Code states that the Nomination Committee, in its proposal for the Board of Directors, must pay particular attention to the requirement of endeavouring to have even gender distribution. In conjunction with its assignment, the Committee must otherwise complete the tasks incumbent on the Committee under the Code.

Particular importance was attached to the company's strategies and targets, as well as the demands the company's future focus is expected to place on the Board of Directors. As a basis for its proposals, the Committee interviewed the Board members of Handicare and consulted the Board evaluation. The Committee held three minuted meetings. The required documentation from the Nomination Committee ahead of the 2018 AGM is available on the company's website.

BOARD OF DIRECTORS

Under the Swedish Companies Act, the Board of Directors is responsible for the organisation of Handicare and the management of the company's affairs, which means that the Board of Directors is responsible for, inter alia, setting targets and strategies, establishing procedures and systems for evaluating the set targets, continuously assessing the company's financial position and results and for evaluating the operational management. Handicare's Articles of Association state that the Board of Directors must consist of not less than three and not more

than ten ordinary members, each of whom is elected at an AGM for the period until the end of the next AGM. Under the Code, the Chairman of the Board is appointed by the AGM and has particular responsibility for the management of the work of the Board of Directors and ensuring that such work is well organised and conducted effectively. The Chairman of the Board does not participate in the operating management of the company.

The Board applies written rules of procedure, which are revised annually and adopted by the statutory Board meeting each year. Among other things, the rules of procedure govern Board practices, its functions and the allocation of work between Board members and the CEO. At the statutory Board meeting, the Board also adopts instructions for the CEO, including instructions for financial reporting.

Handicare's Board of Directors comprises six ordinary members and no deputies. At the 2017 AGM, eight Board members were elected for the period until the end of the 2018 AGM. Ahead of the listing on Nasdaq Stockholm, Fredrik Näslund and Nathanael Weitzberg resigned from the Board. For a presentation of the Board of Directors, see page 50 and the website.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

Once a year, the Chairman of the Board initiates an evaluation of the Board's work. The purpose of this evaluation is to gain an understanding of the Board members' view of how the Board's work is conducted and what measures can be implemented to enhance the efficiency of the Board's work. The intention is also to gain an understanding of what type of issues the Board believes should be given more attention and what areas could possibly require further expertise on the Board.

For the 2017 evaluation, each Board member responded to a questionnaire. The results of the evaluation were presented and discussed by the Board and presented to the Nomination Committee. The Board of Directors continuously assesses the CEO's work by monitoring the business's progress relative to its established goals.

BOARD WORK IN 2017

In 2017, eleven Board meetings were held, of which three were held per capsulam. The members' attendance is presented in the table below.

During the year, much of the Board's time was spent on the IPO preparation and value-generating plans for Handicare. A key aspect of the Board's work

ATTENDANCE AND FEES FOR THE BOARD OF DIRECTORS 2017

Name	Position	Nationality	Independence ¹⁾	Board meetings	Audit Committee	Remuneration Committee	Approved fees in total, SEK thousand	Shareholding
Lars Marcher	Chairman of the Board							
	Committee Chairman	DK	Yes/No	11/11		2/2	500	493,513
Joakim Andreasson	Committee member	SE	Yes/No	11/11	6/7	2/2	255	0
Maria Carell	Committee member	SE	Yes/Yes	11/11	5/7		230	27,183
Johan Ek	Vice Chairman of the Board	SE and FI	No/No	10/11			180	293,626
Fredrik Näslund ²⁾		SE	Yes/No	4/4			n/a	n/a
Elisabeth Thand Ringqvist	Committee member	SE	Yes/Yes	11/11		0/2	205	0
Nathanael Weitzberg ²⁾		SE	Yes/No	4/4			n/a	n/a
Claes Magnus Åkesson ³⁾	Committee Chairman	SE	Yes/Yes	10/10	7/7		280	25,000

1) Pertains to independence in relation to the company and its management, and independence in relation to the major shareholders.

2) Resigned in June 2017.

3) Elected at AGM in April 2017.

are the financial statements, which are presented at each scheduled Board meeting, including prior to the year-end report and the interim reports. The Board also receives continuous reports regarding the company's financial position. Committee work comprises a significant part of the Board's work, see below.

BOARD COMMITTEES

To streamline and increase the efficiency of the Board of Directors' work on remuneration and audit matters, the Board of Directors annually appoints a Remuneration Committee and an Audit Committee. The committees are appointed for a maximum of one year, and are appointed among the members of the Board of Directors itself. The primary objective of the committees is to provide preparatory and administrative support to the Board of Directors. The meetings held in 2017 and the attendance at these are presented in the table below.

Audit Committee

The tasks of the Audit Committee, without prejudice to the general duties and responsibilities of the Board, include:

- monitoring the company's financial reporting and provide recommendations and proposals to ensure the reporting's reliability;
- with regard to the financial reporting, monitoring the efficiency of the company's internal control, internal audit and risk management;
- staying informed of the audit of the annual accounts and the consolidated accounts and the Supervisory Board of Public Accountant's quality control;
- informing the Board of the audit outcome and addressing the issue of the manner in which the audit contributed to the reliability of financial reporting and the Committee's specific functions;
- auditing and monitoring the auditor's impartiality and independence and thereby noting in particular, whether the auditor provides the company with services other than audit services; and
- assisting in the preparation of proposals for the general meeting's decision regarding the election of an auditor.

Handicare has an Audit Committee that comprises three members: Claes Magnus Åkesson (Chairman), Joakim Andreasson and Maria Carell. In 2017, seven meetings were held. The members' attendance is presented in the table on page 44.

Remuneration Committee

The Remuneration Committee is tasked with:

- preparing proposals concerning remuneration policies, remuneration and other terms of employment for the CEO and the Group management; and
- following up and evaluating the company's remuneration policy, remuneration programs and remuneration structure.

Handicare has a Remuneration Committee that comprises three members: Lars Marcher (Chairman) Joakim Andreasson and Elisabeth Thand Ringqvist. During the year, two meetings of the Committee were held. The members' attendance is presented in the table on page 44.

THE CEO AND GROUP MANAGEMENT

The CEO is subordinated to the Board of Directors and primarily has responsibility for the day-to-day management of the company's affairs and the daily operations. The division of work between the Board of Directors and the CEO is set out in the Handicare rules of procedure for the Board of Directors and the CEO's instructions. The CEO is also responsible for preparing reports and compiling information for the board meetings, and for presenting such documents at the Board meetings. Pursuant to the instructions for the CEO, the CEO is responsible for the company's financial reporting and, accordingly, is to ensure that the Board of Directors receives sufficient information for the Board to be able to continuously evaluate the company's financial position. The CEO keeps the Board of Directors continuously informed about the company's operations, the results of operations and its financial position, as well as any other event, circumstance or condition that cannot be assumed to be irrelevant to the company's shareholders. For a presentation of the CEO, see page 52 and the website.

REMUNERATION

REMUNERATION OF THE BOARD

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by resolution at the AGM.

At the AGM of the company on 28 April 2017, it was resolved that the remuneration of the Chairman of the Board would be SEK 450,000 and that the remuneration to the other ordinary members of the Board of Directors would be SEK 180,000 each. Furthermore, it was resolved that the remuneration for committee work in the Audit Committee would be SEK 100,000 for the Chairman and SEK 50,000 each to the members of the Committee. It was also resolved that the remuneration for committee work in the Remuneration Committee would be SEK 50,000 for the Chairman and SEK 25,000 each to the members of the Committee. The members of the Board of Directors are not entitled to any benefits upon ceasing to serve as a member of the Board of Directors.

GUIDELINES FOR REMUNERATION OF THE CEO AND GROUP MANAGEMENT

The Board of Directors decides on the remuneration policy for the CEO and Group management. Such policy is in accordance with the guidelines for remuneration of the CEO and Group management, as adopted by the AGM. Individual remuneration of the CEO is approved by the Board of Directors, while individual compensation to other members of Group management is decided by the CEO conditioned upon approval by the Chairman of the Board. All decisions on individual remuneration of members of the Group management are within the approved remuneration policy adopted by the Board of Directors.

PERIOD OF NOTICE AND SEVERANCE PAY

For the CEO, a notice period of six months applies if the agreement is terminated by Handicare or the CEO. Five other members of the Group management also have notice periods of six months, if the company or the senior executive terminates the agreement. There is no notice period for Charley Wallace, if the agreement is terminated by Prism Medical, whereas the

notice period is 90 days if the agreement is terminated by Charley Wallace.

Further, Handicare has entered into a consultancy agreement with EBS Invest AB, pursuant to which Boel Sundvall has been appointed as IR Manager for a period stretching to 30 September 2018. The agreement may, at any time during the period, be terminated by the company or EBS Invest AB, with a mutual notice period of 60 days. Other members of the Group management have employment agreements, including notice periods, in accordance with local jurisdiction in the UK as well as in France.

The CEO is entitled to severance pay amounting to six month's salary, if his employment contract is terminated by the company. Charley Wallace is entitled to a severance payment of twelve months' base salary if Prism Medical or Charley Wallace terminates his employment contract. Other than the payments stated above, no member of the Group management is entitled to post-employment remuneration.

AUDIT

Handicare's statutory auditor is appointed at the AGM. The auditor is to review the company's annual reports and financial statements, applicable accounting policies, and the management by the Board and CEO. Following each financial year, the auditor submits an audit report to the shareholders at the AGM. Pursuant to the company's Articles of Association, Handicare has not less than one and not more than two auditors, and not more than two deputy auditors. At the 2017 AGM, Ernst & Young AB were re-elected for a period until the end of the 2018 AGM, with Stefan Andersson Berglund as the Auditor in Charge. For information on the company's auditors, see page 51. In 2017, the total remuneration to the company's auditor amounted to MEUR 0.7.

INTERNAL CONTROL

The Board of Directors' responsibility for internal control is governed primarily by the Companies Act, the Swedish Annual Reports Act and the Code. Each year, in conjunction with financial reporting, information regarding the most important aspects of Handicare's

system for internal control and risk management must be included in the company's Corporate Governance Report. Internal control and management is an integrated part of the company's operations and is broadly defined as a process, put in place by the company's Board of Directors, Group management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives described in the following. The procedures for internal control, risk assessment, control activities and monitoring with respect to the financial reporting have been designed to ensure reliable overall financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations as well as other requirements, which may apply to companies listed on Nasdaq Stockholm. This work involves the Board, Group management and other personnel. The procedures for internal control also aim to promote Handicare's development and profitability, secure the company's assets and to prevent and detect any fraud or error. The responsibility and liability of the Board of Directors for the internal control within the company cannot be assigned to any other party. Handicare has no independent function for internal audit, but the matter is reviewed regularly. Among other actions, the Board has appointed an internal audit project leader, who is responsible for coordinating, monitoring and reporting internal control events.

CONTROL ENVIRONMENT

The description of Handicare's internal control process is based on COSO, which is published by the Committee of Sponsoring Organisations of the Treadway Commission. Control environment factors include, amongst others, the integrity, ethical values and competence of the Group's employees, the Group management's way of operating and organising the business and assigning authority and responsibility, as well as the instructions provided by the Board of Directors. The Board of Directors holds the ultimate responsibility for the internal control within the Group, and is annually adopting a number of governance documents designed to provide support for the board and the Group management in acting in a way that

promotes proper and thorough internal control and risk management. The central governance documents include, for example, the Board's rules of procedure, instructions for the committees and the remuneration guidelines. Key policies include the finance policy, which is aimed at managing financial exposure, the authorisation policy, the communications policy, the insider policy and Handicare's Code of Conduct. In addition, the Group's Accounting Manual, for which the CFO is responsible, provides guidance for financial reporting, accounting policies, internal control and significant processes such as financial statement close process and impairment testing. The Accounting Manual, which is approved by the Audit Committee, also contains an internal control handbook. A number of procedures are in place to ensure that necessary actions are taken to address risks to the achievement of the Group's objectives. Control procedures take place throughout the organisation, on all levels and in all functions, and responsibility for checking compliance and monitoring the operations is distributed among the various functions. For example, the CEO is responsible for introducing internal control guidelines and ensuring overall monitoring of internal control. Operational responsibility for the financial reporting and internal control, including the overall risk assessment, has been delegated to the CFO. The members of Group management are responsible for internal control work in every area of responsibility, including the coordination of self-assessment and its own internal control process, which is carried out every year. The project leader appointed by the Board is responsible for coordination, monitoring and reporting of internal control activities throughout the Group. Handicare has an annually recurring internal control process. This work, including self-assessment, is reported annually to the Audit Committee. An action plan for internal control is also included in the report and progress is followed up at the meetings of the Audit Committee throughout the year. During the fourth quarter each year, Handicare is subject to an external audit of internal control. The result of this audit is reported by the auditors to the Audit Committee in October or November. Based on the results of

the company's own internal control process (including self-assessment) and the external audit, the project leader appointed by the Board prepares an action plan for internal control with specific measures for each business area.

Internal control activities are conducted during the first and second quarters of each year. Reassessments and ad hoc audits are also conducted by the internal control function based on needs and discussions with the CFO and CEO.

RISKS, RISK ASSESSMENT AND CONTROL ACTIVITIES

Risk is defined as the uncertainty of whether an event will occur and its effect on a unit's ability to achieve its business objectives in a given period of time (one to three years). Risk management is an important part of internal control. The Board of Directors is ultimately responsible for risk management in the Group. It is Group management's responsibility to identify, evaluate and manage risks and to report to the Board of Directors. The main risks facing the Group are divided into the following categories: strategic risks, compliance and legal risks, operational risks and financial risks.

- Strategic risks comprise, for example, risks that the company will not succeed in achieving its business goals, risks in conjunction with the development and marketing of products and services, financial risks that impact sales, and costs of products and services, as well as risks that arise in conjunction with changes in the technology environment that affect sales and production.
- Compliance and legal risks comprise risk of legal sanctions and material economic loss as a result of failure to comply with legislation and regulations.
- Operational risks comprise risks in conjunction with internal resources, systems, processes and employees. For example, if production is disrupted by machine breakdown, if key employees leave the company due to dissatisfaction, or reduced sales due to poor product quality.
- Financial risks comprise risks of financial loss due to the Group's exposure to, for example, currency risk, interest-rate risk and liquidity risk. Financial risks

also includes risks related to Handicare's internal auditing and reporting system.

Handicare continuously evaluates the risks associated with its operations, both financial and operational, and controls and supervises factors that may affect Handicare's EBIT. The risk assessment is also central to the annual strategy process, where risks in relation to the company's ability to achieve its strategic ambitions are specifically evaluated. The Board of Directors is ultimately responsible for risk management at Handicare. It is Group management's responsibility to identify, evaluate and manage risks and to report to the Board of Directors. Risk assessment comprises the following steps:

- (i) the risks are identified through a workshop with Group management;
- (ii) any identified risks are assessed on a scale to determine the degree of seriousness;
- (iii) plans for risk alleviation are prepared to reduce, eliminate or export an undesirable risk exposure; and
- (iv) the result of Group management's risk assessment is reported to the Audit Committee, which in turn, reports to the Board of Directors

When required, incidents are reported ad-hoc. The risk prioritisation referred to in (ii) above is based on the evaluation of two parameters, impact and probability, on a scale of 1–5, where the product of the two parameters comprises the total risk value. The total risk value is entered on a risk chart that contains the risks of all four risk categories. All identified risks are addressed in a remedial plan. Persons appointed from Group management are responsible for presenting an action plan for the identified risks. The status of identified risks are reported to the Board of Directors through the Audit Committee. Control activities include the policies and procedures designed to ensure that Group management's directives are carried out and that the necessary actions are taken to address the relevant risks. Control activities occur throughout Handicare's organisation, at various levels and in various functions. These activities are preventive or detective in nature and include a range of manual and automated activities, such as approvals, authorisa-

tions, verifications, reconciliations, reviews of earnings and segregation of duties. Key processes have been studied and control matrices documented. The internal control related to financial reporting is based on the following components:

- (i) well-defined business processes;
- (ii) distribution of responsibility and adequate delegation of responsibility;
- (iii) manual and automated controls, as well as verifications and reconciliation;
- (iv) the documentation of financial processes and policies that are contained in the Group's Accounting Manual and the handbook on internal control;
- (v) the process by which several persons at various levels of the organisation analyse the financial results prior to external reporting; and
- (vi) the Audit Committee's assignment to monitor financial reporting and internal control.

INFORMATION AND COMMUNICATION

The Group management of Handicare is responsible for informing the personnel of Handicare that control responsibilities are to be taken seriously, and to ensure that the personnel are aware of and understand their own role in the internal control system.

For this to function, there must be efficient means of internal communication. Handicare's communication structure is aimed at ensuring that relevant information is communicated in the right way, to the right recipient and at the right time. The communication of relevant information, both upwards and downwards in the organisation and to external parties, is an integrated part of Handicare's operational governance and an important part of effective internal control. Group management works to ensure that those persons within the company who are responsible for processes have sufficient knowledge about material risks and the control activities that are relevant to the specific process. Furthermore, there is an established work practice to ensure that employees report defects and deviations discovered with regard to controls even if such have been corrected. The purpose is to obtain a comprehensive view of how the work is carried out and be able to take measures and make

improvements in the processes. Handicare has a communication policy in place, regulating both internal and external communication. The communication policy provides guidance on, among other things, disclosure of information to the public. It has been drafted with the aim of ensuring that the company complies with the requirements to disseminate correct information to the market.

MONITORING, EVALUATION AND REPORTING

Monitoring is accomplished through ongoing monitoring activities and separate evaluations in the course of the operating activity. It includes regular management and supervisory activities and other actions employees take in performing their duties. The scope and frequency of separate evaluations depends primarily on an assessment of risks in question and the effectiveness of ongoing monitoring procedures. The company's Board of Directors has the final responsibility for all decisions regarding compliance within Handicare. Internal control deficiencies are reported to a higher level within the group, and serious matters are reported to the Group management and the Board of Directors. According to the procedures on risk assessment and risk management implemented in 2017, the Group management reports the activities for the monitoring of risks together with overall risk assessment and actions to the Board of Directors on a half-yearly basis. Each year, the Board of Directors reviews and approves policies regarding internal control. If required, such review and approval takes place more frequently.

INSIDER AND INFORMATION POLICY

Handicare has prepared a policy document for the purpose of informing employees and others concerned within the company regarding the rules and regulations applicable to the dissemination of information by the company and the special requirements imposed on persons who are active in a listed company with regard, for example, to inside information. In this context, the company has established routines for handling the dissemination of information which has not been made public.

Board of Directors



Lars Marcher



Joakim Andreasson



Maria Carell



Johan Ek

	Lars Marcher	Joakim Andreasson	Maria Carell	Johan Ek
Born	1962	1982	1973	1968
Position	Board member since 2014 and Chairman of the Board since 2017. Chairman of the Remuneration Committee.	Board member since 2016 and member of the Audit Committee and Remuneration Committee.	Board member since 2016 and member of the Audit Committee.	Board member since 2013 and Vice Chairman of the Board since 2017.
Nationality	Danish	Swedish	Swedish	Swedish and Finnish
Education and professional experience	Master of Science in Business Administration from Aarhus University and Macquarie University of Sydney, Australia.	Master of Science in Business Administration from Stockholm School of Economics and Lund University School of Economics and Management.	Master of Social Science in International Business/Business Administration from Linköping University.	Master of Science in Business Administration from Hanken School of Economics.
Other current appointments and positions	CEO, Ambu A/S, Chairman of the board of Danish Medico Business and Danish Industry IMU as well as deputy Chairman of Danish American Business Forum. Senior Advisor and Operating Chairman to the Nordic Capital Funds.	Board member of KSG Holding AB, Cidron Legion BidCo AB, Cidron Legion MidCo AB, Cidron Legion TopCo AB and Puls Medical Devices AS.	CEO and President of Revision Skincare and Goodier Cosmetics.	Chairman of the board of Aveniro, Saferoad Holding and Sunrise Medical. Board member of Acino. Senior Advisor and Operating Chairman to the Nordic Capital Funds.
Previous assignments/appointments (past five years)	Chairman of various companies within the Ambu A/S group.	Chairman of the board of Cidron Picture HoldCo AB and Cidron Picture MidCo AB. Board member of BUFAB AB (publ) and deputy Board member of Lindorff AB, Lindorff Second Holding AB, Lindorff Coinvest AB, Lindorff Institutional Management AB and Indif AB.	Board member of Meda AB and Akademikliniken AB. CEO of Exeltis USA and Granda AB. CEO and President of Q-Med. President of Meda U.S. and Executive Vice President of Meda North America & South Pacific.	Chairman of the board of Corob, CPS Color and Handicare Group. Board member of Ramirent. President and CEO of Handicare Group and Relacom Group.
Shareholding in the company	493,513 shares	n/a	27,183 shares	293,626 shares
Dependency status	Independent in relation to the company and company management, but not to the company's major shareholders.	Independent in relation to the company and company management, but not to the company's major shareholders.	Independent in relation to the company and company management, as well as the company's major shareholders.	Not independent in relation to the company and company management, nor to the company's major shareholders.

Auditor

Ernst & Young AB, with Stefan Andersson Berglund as the auditor in charge.

Stefan Andersson Berglund, born 1964, is an authorised public accountant.



Elisabeth Thand Ringqvist



Claes Magnus Åkesson

Born	1972	1959
Position	Board member since 2016 and member of the Remuneration Committee.	Board member since 2017 and Chairman of the Audit Committee.
Nationality	Swedish	Swedish
Education and professional experience	Master of Science in Business Administration from Stockholm School of Economics.	M.Sc. in Economics and Business Administration from the Stockholm School of Economics.
Other current appointments and positions	CEO and Board member of Marsnen AB. Chairman of the board of SVCA, TicWorks AB and Simplex AB, Board member of Docu Nordic Group Holding AB, IP Only Holding AB, the Finnish-Swedish Chamber of Commerce, Amcham Sverige, Stiftelsen Fritt Näringsliv and Rättvis Skatteprocess.	CFO of JM AB and Board member of Concetric AB
Previous assignments/appointments (past five years)	CEO of Företagarna and Företagarna Service AB as well as Board member of Centrala Försvarsmaktsrådet and the Royal Institute of Technology.	Board member in various companies within the JM Group.
Shareholding in the company	n/a	25,000 shares
Dependency status	Independent in relation to the company and company management, as well as the company's major shareholders.	Independent in relation to the company and company management, as well as the company's major shareholders.

Group Management



Asbjørn Eskild



Peter Lindquist



Stephan Révay



François Roblin

	Asbjørn Eskild	Peter Lindquist	Stephan Révay	François Roblin
Born	1964	1961	1976	1965
Position	President and CEO since 2016. Employed and member of Group management since 2011.	Executive Vice President, Commercial Europe. Employed and a member of Group management since 2014.	CFO. Employed and a member of Group management since 2016.	Executive Vice President, Group Purchasing and Product Development. Employed and a member of Group management since 2014.
Nationality	Norwegian	Swedish	Swedish	French
Education	Bachelor's degree in Mechanical Engineering from Horten Ingeniørhøgskole and Marketing Management at Oslo School of Business.	Bachelor's Degree in Finance from Schiller University, London.	M.Sc. in Economics and Business Administration from Stockholm University.	Bachelor's degree in Physics from CUST-Polytech Clermont, France.
Current assignments	None	None	None	None
Previous assignments/appointments (past five years)	CEO of Hamax Eiendom. Board member of Alfa Skofabrikk AS and Medtek Norge.	CEO of AxIndustries AB and Managing Director of Human Care AB.	Managing Partner of PwC Transaction Services (Sweden), Director of PwC Transaction Services (Australia) and Manager of PwC Transaction Services (Canada).	Managing Director, SXP Sourcing eXPerts SARL, Group Vice President Supply Chain Management, ABB
Shareholding in the company	174,973 shares and 185,472 warrants	164,737 shares and 30,912 warrants	149,298 shares and 61,824 warrants	30,912 warrants

**Helena Skarle****Peter Slack****Boel Sundvall****Charley Wallace**

	Helena Skarle	Peter Slack	Boel Sundvall	Charley Wallace
Born	1985	1974	1959	1963
Position	Executive Vice President, Strategy & IT. Employed in 2015 and a member of Group management since 2016.	Executive Vice President, Operations. Employed in 2013 and a member of Group management since 2017.	IR Manager. Member of Group management since 2016.	President North America. Employed in Prism Medical in 2006 and a member of Group management since 2016.
Nationality	Swedish	British	Swedish	American
Education	MSc in Accounting and Financial Management from Stockholm School of Economics and Erasmus University Rotterdam.	Master of Science in Business Administration from University of Liverpool.	Master of Science in Business Administration from Stockholm School of Economics.	Bachelor of Science in Business Administration from St. Lawrence University, Master of Science in Business Administration from Olin School of Business, Washington University.
Current assignments	Deputy Board Member of Hansa Energi & Logistik AB, Peter Johansson AB and Hansa Energi AB.	Vice Chairman of the board of Wern Rural Parish Council, Group Treasurer of 1st Wern Scouts and governor and Chairman of the Finance Committee of Newhampton Federation of CoFE Schools	None	None
Previous assignments/appointments (past five years)	Management consultant at Ernst & Young Sweden AB.	Operations Director at Prinovis U.K. Ltd as well as Chairman, vice Chairman regional advisory Board member of NW advisory board of Engineering Employers' Federation, UK.	IR and Communication Director at BUFAB AB (publ), IR Manager at Troax Group AB (publ) and SVP, Communications and IR at Husqvarna Group AB (publ).	President U.S., Prism Medical Ltd. Founder and owner Ergosafe Products LLC, VP/General Manager Invacare.
Shareholding in the company	10,000 shares	0	8,000 shares	222,531 shares and 247,296 warrants

Group financial statements

CONSOLIDATED INCOME STATEMENT

(kEUR)	Note	2017	2016
Operating revenue	3, 5		
Revenue		284,340	244,666
		284,340	244,666
Operating expenses			
Cost of material		-131,905	-118,941
Personnel expenses	20, 21	-72,768	-61,439
Other operating expenses	11	-50,011	-43,624
Depreciation, amortisation and impairment	8, 9	-8,531	-6,904
Other specified items	12	-7,096	-18,153
Operating profit/loss (EBIT)		14,029	-4,395
Financial income	17	20,267	57,217
Financial expense	17	-37,841	-73,322
Profit/loss before tax		-3,545	-20,500
Tax expense	23	-1,229	405
Net profit/loss for the year after tax from continuing operations		-4,775	-20,095
Earnings from discontinued operations	6	1,287	828
NET PROFIT/LOSS FOR THE YEAR		-3,487	-19,267
Net profit/loss for the year after tax from continuing operations			
Attributable to the Parent Company's shareholders		-4,775	-19,665
Attributable to non-controlling interests		-	-430
Net profit/loss for the year from discontinued operations			
Attributable to the Parent Company's shareholders		1,287	803
Attributable to non-controlling interests		-	25
Earnings per share¹⁾	29		
Earnings per share before dilution, EUR		-0.1	-0.5
Earnings per share after dilution, EUR		-0.1	-0.5

1) To obtain comparability between the periods, the number of shares for historical periods have been adjusted for share splits and bonus issue.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(kEUR)	Note	2017	2016
Net profit/loss for the year		-3,487	-19,267
Other comprehensive income			
<i>Items that could be reclassified to profit or loss</i>			
Exchange-rate fluctuations pertaining to cash-flow hedges before tax	4	-2,536	1,933
Translation differences		-642	-6213
Tax effect of exchange-rate fluctuations and net investment hedges		704	-235
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of net pension obligations	21	34	-103
Other comprehensive income for the year, after tax		-2,440	-4,619
Total comprehensive income for the year		-5,927	-23,886
Total comprehensive income for the year attributable to:			
Shareholders of the Parent Company		-5,927	-23,286
Non-controlling interests		-	-600
		-5,927	-23,886

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ¹⁾

(kEUR)	Note	2017	2016
ASSETS			
Non-current assets			
Intangible fixed assets	9, 10	49,169	54,104
Goodwill	9, 10	163,518	177,461
Tangible fixed assets	8	10,885	12,607
Deferred tax assets	23	6,179	8,434
Other non-current assets	13	293	33,675
Total non-current assets		230,045	286,281
Current assets			
Inventory	15	35,667	36,484
Accounts receivable	14	41,657	44,343
Current tax assets	23	1,530	1,744
Other receivables	13	4,963	3,403
Cash and cash equivalents	13, 16	12,891	6,697
Total current assets		96,708	92,671
TOTAL ASSETS		326,753	378,952
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	25	81	5
Other contributed capital		260,807	168,218
Reserves		16,920	56,481
Retained earnings		-109,667	-131,928
Net profit/loss for the year		-3,487	-18,859
Shareholders' equity attributable to the Parent Company's shareholders		164,654	73,917
Non-controlling interests		–	3,999
Total shareholders' equity		164,654	77,916
Liabilities			
Non-current liabilities			
Pension obligations	21	378	784
Deferred tax liabilities	23	8,584	11,336
Deferred revenue	18, 19	2,372	2,410
Other long-term liabilities	18, 19	1,602	3,186
Borrowings	4, 13	100,344	218,298
Total non-current liabilities		113,280	236,014
Current liabilities			
Borrowings	4, 13	104	8,174
Accounts payable	4, 13	24,945	29,604
Other current liabilities	13	1,406	768
Accrued expenses and deferred revenue	24	22,364	26,476
Total current liabilities		48,819	65,022
TOTAL EQUITY AND LIABILITIES		326,753	378,952

1) Not adjusted for the divestment of BD operations.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(kEUR)	Share capital	Other contributed capital	Translation reserve	Hedge reserve	Other capital	Total	Non-controlling interests	Total shareholders' equity
Shareholders' equity 1 Jan 2016	5	145,000	25,219	-1,503	-94,736	73,985	3,671	77,656
Net profit/loss for the year					-18,859	-18,859	-408	-19,267
Other comprehensive income			-9,773	5,451	-103	-4,426	-193	-4,619
Comprehensive income for the year	-	-	-9,773	5,451	-18,962	-23,285	-601	-23,885
Transactions with owners								
Contributed capital	0	23,218				23,218		23,218
Transactions with non-controlling interests						-	927	927
Shareholders' equity 31 Dec 2016	5	168,218	15,446	3,948	-113,698	73,918	3,997	77,916
Shareholders' equity 1 Jan 2017	5	168,218	15,446	3,948	-113,698	73,918	3,997	77,916
Net profit/loss for the year					-3,487	-3,487		-3,487
Other comprehensive income			-642	-1,832	34	-2,440		-2,440
Comprehensive income for the year	-	-	-642	-1,832	-3,453	-5,927	-	-5,927
Transactions with owners								
Contributed capital	76	92,589				92,665		92,665
Transactions with non-controlling interests					3,997	3,997	-3,997	-
Shareholders' equity 31 Dec 2017	81	260,807	14,804	2,116	-113,154	164,654	-	164,654

CONSOLIDATED CASH-FLOW STATEMENT

(kEUR)	Note	2017	2016
Operating activities			
Profit/loss before tax ¹⁾		-1,939	-19,270
Adjustments for non-cash items:			
Depreciation, amortisation and impairment		8,608	7,036
Capital gain		-	52
Reversal of interest expense ²⁾		18,630	15,925
Reversal of interest income		-2,181	-3,034
Other non-cash items ³⁾		-1,735	55
Taxes paid		-358	-715
Cash flow from operating activities before changes in working capital		21,024	49
Cash flow from changes in working capital			
Change in inventory		-2,541	1,227
Change in accounts receivable		308	-8,515
Change in accounts payable		-3,590	3,101
Change in other current liabilities/receivables		-6,582	9,793
Cash flow from operating activities		8,619	5,655
Investing activities			
Acquired/divested operations	28	-269	-49,439
Acquisition of tangible and intangible assets		-5,742	-11,427
Proceeds from sale of tangible fixed assets		124	298
Cash flow from investing activities		-5,886	-60,568
Financing activities			
Proceeds from borrowings	26	105,367	40,343
Finance leases	26	182	13
Loan repayments	26	-154,419	-14,311
Additional contributed capital		58,131	24,145
Interest received		68	489
Interest paid		-6,969	-7,299
Cash flow from financing activities		2,359	43,380
Cash flow for the year		5,092	-11,533
Cash and cash equivalents beginning of the year		6,697	18,888
Exchange gains/losses		1,102	-658
Cash and cash equivalent end of the year		12,891	6,697

1) Includes profit/loss before tax from discontinued operations.

2) This item includes impairment of capitalised financing costs.

3) 2017 and 2016 non-cash items consist primarily of exchange-rate effects.

NOTE 1

BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the EU. The consolidated financial statements have been prepared under the historical cost convention, with the exception of the valuation of financial instruments measured at fair value. Moreover, the Swedish Financial Reporting Board's recommendation RFR 1 and the Swedish Annual Accounts Act have been taken into consideration. The companies in the Handicare Group apply the same accounting policies, irrespective of local legislation.

Handicare's operations comprise providing technical aids to private and public sector customers and the supply of medical devices and consumables for hospitals and home care. Handicare develops innovative products with high design and quality standards. In certain markets, the product range is complemented by the products of other suppliers as part of realising the aim of being a full-range supplier of aids.

The Parent Company is a holding company for the purpose of owning and administering subsidiaries in the above operations. These historical financial statements consist of the Swedish Parent Company Handicare Group AB (publ), corporate registration number: 556982-7115 with its registered office in Stockholm, Sweden.

The following policies have been applied for all years covered by the Annual Report.

ACCOUNTING POLICIES

Below is a list of new and amended standards and interpretations that have been issued and that could affect Handicare, but which go into effect on or after 1 January 2018.

IFRS 9 — Financial instruments IFRS 9 Financial Instruments enters force for financial years starting 1 January 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new rules regarding the classification and measurement of financial instruments, the impairment of financial instruments and hedge accounting. The standard has been approved by the EU. The Group has evaluated of the effects of implementing the standard. A review has been conducted of the Group's material financial instruments, including accounts receivable, accounts payable and loans.

In terms of classification and measurement, these new rules do not impact the recognised values in the financial statements. All of the above material items for the company are recognised at amortised cost and will continue to be recognised using this approach moving forward in line with IFRS 9.

The Group's customers have high credit ratings, and historic customer credit losses have been limited. Rules regarding impairments will have no significant impact on the Group's provisions for future customer credit losses, and will thus not have any effect on the opening balance for 2018.

At present, hedge accounting is not applied and, accordingly, will not impact the Group's financial position.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 imposes new requirements for revenue reporting and replaces IAS 18 Revenue, IAS 11 Construction Contracts and several revenue-related interpretations. The new standard introduces a control-based reporting model for revenue and provides more detailed guidance in many areas that previously did not appear in applicable IFRS, including the accounting rules for agreements with several performance commitments, flexible pricing, customer's right of return, etc. The standard has been adopted by the EU.

IFRS 15 is effective for financial years starting on or after 1 January 2018. During 2017, several of the Group's main customer agreements in all business areas (operating segments) were analysed with regard to identifying the performance commitments that exist under the agreements, as well as the allocation of transaction price. Handicare primarily provides products, but agreements can also involve installation, which covers more or less specific customisation. Furthermore, the company also provides handicap-accessible conversions of cars and buses.

The analysis shows that the Group already distributes the performance commitments that exist under IFRS 15. Installation and conversion are recognised as the services are performed in accordance with current principles, and will also be recognised over time in accordance with IFRS 15. Furthermore, assessments have been made of

whether allocation of price on the various performance commitments correspond to independent sales prices. There are no essential differences compared with the guidance regarding allocation of price in IFRS 15.

In conformity with current principles, product sales will be recognised when the risk is transferred under the contract, which according to the analysis conducted also meets the criteria for transfer of control in IFRS 15.

The Group has also analysed the management of returns and discounts for customers, and was able to verify that current application is consistent with IFRS 15.

The introduction of IFRS 15 will thus have no material impact on the Group's financial position.

IFRS 16 Leases. IFRS 16 Leases will come into force for the financial year commencing 1 January 2019. The standard has been approved by the EU. The change compared with the existing IAS 17 Leases is that all leases where the Group is the lessee, except for short-term leases and leases of low-value assets, are to be recognised in the balance sheet as assets and liabilities respectively. This means that the majority of the Group's existing operating leases will be recognised in the balance sheet from 2019.

Handicare has started to analyse the effect IFRS 16 will have on the Group's financial statements. The Group will conduct a thorough review of all agreements to assess whether there are further agreements that will now become lease agreements under IFRS 16's new definition, and to verify the lease periods. Accordingly, this will be quantified and recognised in the company's balance sheet. At 31 December 2017, the Group had future payment obligations for operating leases as a lessee of around MEUR 18.7. For further information, refer to Note 19.

The Group has not decided which transitional rules will be applied: either full retrospective application or partial retroactive application (which means that the comparison figures will not need to be recalculated).

For leases where the Group is the lessor, IFRS 16 will have no impact, since the guidance for the lessor remains unchanged in all material aspects for the Group.

The accounting policies deemed significant by company management for the Group and/or where the IFRSs allow different alternatives is set out below.

Consolidated financial statements and acquisitions

The consolidated financial statements are prepared using the acquisition method. Under such a method, the acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis determines the acquisition-date fair value of acquired identifiable assets, assumed liabilities and any non-controlling interests. Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, that arise are recognised directly in profit or loss for the year. For business combinations in which the consideration transferred exceeds the fair value of separately recognised acquired assets and assumed liabilities, the difference is recognised as goodwill. When the difference is negative, known as a bargain purchase, it is recognised directly in profit or loss for the year. Contingent considerations are recognised at fair value on the acquisition date.

The Group's consolidated financial statements included the Parent Company's financial statements and the directly and indirectly owned subsidiaries over which the Parent Company exercises a controlling interest. Handicare exercises controlling interest over all its subsidiaries. The following applies for companies that have been acquired or divested during the year:

- Acquired companies have been consolidated into the consolidated income statement from the date a controlling interest was obtained.
- Divested companies are included in the consolidated income statement until such time as Handicare Group AB ceases to exercise a controlling interest.

Transactions that are eliminated on consolidation

Intra-Group receivables and payables, revenue or costs, and unrealised gains or losses that arise from intra-Group transactions between Group companies are eliminated in full when preparing the consolidated accounts. Unrealised losses are eliminated in the same manner as unrealised gains, but only insofar as no need for impairment exists.

Foreign currency translation

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing at each transaction date. Financial assets and liabilities denominated in foreign currencies are valued at year-end closing rates. Any exchange-rate differences that arise are recognised in profit or loss for the period, except for any effective component of net investment hedges, which is recognised in other comprehensive income.

The consolidated financial statements are presented in Euro (EUR), which is the Parent Company's functional and presentation currency. All figures are stated in EUR thousands (kEUR) unless otherwise specified. The balance sheets of foreign subsidiaries are translated into EUR at year-end closing rates. The income statements have been translated at the average rates as an approximation of the transaction date exchange-rates.

Translation differences thus arising have been recognised as a separate item as a provision in shareholders' equity.

Net investment in a foreign operation

Monetary non-current receivables pertaining to a foreign operation for which no settlement is planned or is not likely to take place in the foreseeable future are, in practice, part of the company's net investment in foreign operations. Any exchange-rate differences that arise are recognised in other comprehensive income and accumulated in a separate item as a provision in shareholders' equity. When a foreign operation is divested, the accumulated exchange-rate differences attributable to monetary non-current receivables are included in the accumulated translation differences.

Revenue recognition

Revenue from the sale of goods is recognised in profit or loss for the year when the significant risks and rewards of ownership have been transferred to the buyer. Revenue for products requiring installation and conversions is recognised as the services are performed. Revenue is not recognised if it is unlikely that the financial benefits will accrue to the Group. The timing of the transfer of significant risks and rewards varies and depends on the terms of the respective contracts. If any significant uncertainty exists in terms of payment, associated expenses or the risk of returns, and if Handicare retains a commitment in the ongoing management that is usually associated with ownership, revenue is not recognised. Revenue is recognised at the fair value of the considerations received, or expected to be received, less any rebates provided.

Financial income and expenses

Financial income comprises interest income on invested funds. Interest income from financial instruments is recognised using the effective interest method. Income from the sale of a financial instrument is recognised when the risks and benefits associated with ownership are transferred to the buyer and the Group no longer has control over the instrument. Financial expenses comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss through application of amortised cost using the effective interest method. Exchange-rate gains and losses are recognised gross.

Taxes

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss for the year except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the associated tax effects are recognised in other comprehensive income or in equity. Current tax is the expected tax payable or receivable for the current year, using tax rates enacted or substantively enacted at the balance-sheet date. Current tax also includes the adjustment of current tax attributable to earlier periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between recognised and fiscal values for assets and liabilities. The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the underlying assets and liabilities. Deferred tax is calculated by applying the tax rates and regulations enacted or substantively enacted at the balance-sheet date.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only to the extent that it is probable that the assets can be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that the assets will be realised.

Segment information

Segments are reported in the same way as the internal reports that are provided to the chief operating decision maker (CODM). The CODM is a function responsible for allocation of resources and evaluating the segments' earnings. In Handicare Group AB, the President has been identified as the CODM. Handicare works in three segments: Accessibility, Patient Handling and Puls. Accessibility is a supplier of straight and curved stairlifts. The segment also offers a complementary range of products for vehicles adapted for use by people with disabilities. Patient Handling offers a wide range of efficient and safe devices for patient transfer and lifting in hospital, group home and home care settings. The segment also manufactures devices for bathroom safety. Puls is a leading distributor of medical devices and consumables in Norway and Denmark.

Profit or loss in the segment is evaluated and analysed on an adjusted EBITA basis (i.e. operating profit (EBIT) with reversal of other specified items and amortisation and impairment of intangible assets).

Financial instruments

Financial instruments recognised in the statement of financial position include assets, such as cash and cash equivalents, and loan receivables and accounts receivable. The instruments also comprise liabilities, such as accounts payable and borrowings.

Non-derivative financial instruments are initially recognised at cost, which corresponds to the instrument's fair value with the addition of transaction costs for all financial instruments, except those that belong to the category of financial assets recognised at fair value through profit or loss (FVTPL), which are recognised at fair value net of transaction costs.

Initial recognition of financial instruments is based, inter alia, on the underlying purpose for acquiring the instruments. Categorisation determines how the financial instruments are measured after initial recognition.

Cash and cash equivalents comprise cash balances and call deposits with banks and financial institutions, and short-term investments with a tenor from the acquisition date of less than three months, and are exposed to only an insignificant risk of value fluctuations.

Loan receivables, accounts receivable and other financial liabilities

Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are valued at amortised cost. Amortised cost is determined based on the effective interest rate calculated at the acquisition date. Accounts receivable are recognised in the amounts that are expected to be received after deductions for doubtful receivables.

Borrowings and other financial liabilities, such as accounts payable, are included in this category. These liabilities are valued at amortised cost.

Hedging foreign currency risk in net investments abroad

Investments in foreign subsidiaries (net assets including goodwill) are hedged using currency borrowings or currency derivatives as hedging instruments. The period's exchange-rate differences on currency borrowings and fair-value changes in currency derivatives, after deducting tax effects, are recognised, to the extent that the hedge is effective, in other comprehensive income, and accumulated exchange-rate differences and fair-value changes are respectively recognised in a separate component of equity (the translation reserve). The translation differences that arise from operations abroad are thus partly neutralised. Translation differences from internal loans that comprise the so-called expanded investment form part of the currency-risk hedging in foreign operations.

Cash-flow hedges for interest-rate risk

Interest-rate swaps, whereby the company receives either floating or fixed-rate interest, are used to hedge the risk in extremely likely forecast interest-rate flows on borrowings with floating interest rates. The swaps are measured at fair value in the statement of financial position. The interest coupon on swaps is recognised on an ongoing basis as an interest expense in profit or loss for the year. Unrealised changes in the fair value of interest-rate swaps is recognised in other comprehensive income and is included as part of the hedging reserve until such time as the hedged item impacts profit or loss for the year and as long as the criteria for hedge accounting and hedge effectiveness

are met. The gain or loss relating to the ineffective portion of unrealised value changes in interest-rate swaps is recognised in profit or loss for the year. Handicare had no interest-rate swaps outstanding in 2017 or 2016.

Tangible fixed assets

The Group recognises tangible fixed assets at cost, with deductions for accumulated depreciation and any impairment losses.

Tangible fixed assets comprising components with different useful lives are treated as separate components of tangible fixed assets.

Subsequent costs are included in the cost only when it is probable that the future economic benefits associated with the item will flow to the company and when the cost of the item can be measured reliably. All other subsequent costs are recognised as an expense in the period in which they are incurred.

Depreciation is linear over the estimated useful life of the asset. Land is not depreciated.

Estimated useful lives:

– Buildings	10–30 years
– Machinery and other technical equipment	5–10 years
– Equipment, tools, fixtures and fittings, and vehicles	5 years

The assets' applied depreciation methods, residual values and useful lives are reviewed at the end of each year.

Intangible assets

Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Research and development

Expenditure on research is expensed as incurred. Development expenditure to accomplish new or improved products or processes, is recognised as an asset in the statement of financial position, provided the product or process is technically and commercially feasible and the company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset. The carrying amount includes the directly attributable expenditure, such as the cost of materials and services, costs of employee benefits and borrowing expenses in accordance with IAS 23. Other development expenditure is recognised as a cost in net profit for the year as it arises. In the statement of financial position, capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses.

Other intangible assets

Other intangible assets acquired by the Group comprise patents, brands, customer relations and software/IT, and are recognised at cost less accumulated amortisation and any impairment.

Amortisation principles

Amortisation is recognised in profit or loss for the year on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Useful lives are tested at least once each year. Goodwill and intangible assets with indefinite useful lives, such as brands, or which are not yet ready for use are tested for impairment annually and, moreover, as soon as there is an indication that the asset may be impaired. Intangible assets with finite useful lives are amortised from the date the asset is available for use. Estimated useful lives:

– Goodwill	No amortisation
– Brands	10 years, or alternately no amortisation
– Development expenditure	3–5 years
– Customer relations	10 years
– Software/IT	3–5 years

Inventory

Inventory is recognised at the lower of cost and net realisable value. The cost of inventory is calculated using the first-in/first-out (FIFO) principle. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provisions for assessed obsolescence are made on an ongoing basis.

Impairment

At the end of each accounting period, the carrying amount of the Group's assets is assessed to determine whether there is any indication that impairment is required.

IAS 36 is applied for the impairment of other assets than financial assets, refer also to Note 10.

Financial assets are assessed annually for objective evidence that a financial asset or group of financial assets requires impairment. Objective evidence is comprised partly of observable circumstances that have occurred and which negatively impact the possibility of recouping the cost of the asset.

Employee benefits

Current benefits

Current employee benefits are calculated without discounting and are recognised as expenses when the related services are received.

A provision is recognised for the anticipated cost of bonus payments and when the Group has a valid legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Defined-contribution and defined-benefit pension plans

Most of the Group's pension plans are defined-contribution plans, whereby the company's obligations are limited to the contributions that the company has undertaken to pay. The company's obligations regarding contributions to defined-contribution plans are recognised as an expense in profit or loss for the year at the rate at which they are earned by employees performing services for the company during a period.

The Group only has limited obligations vis-à-vis defined-benefit pension plans in Norway. The Group's net obligation for defined-benefit plans is calculated separately through the assessment of the future benefit earned by the employees through their service in the current and prior periods. This obligation is discounted to a present value using the Projected Unit Credit Method.

Remuneration for termination of employment

A cost for remuneration in connection with termination of personnel is recognised at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognises restructuring expenses. Remuneration expected to be paid after 12 months is recognised at its present value.

Provisions

A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for settling the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of a past event, and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made in an amount that corresponds to the most reliable estimate of the amount required to settle the existing commitment on the balance-sheet date. Where the effect of when a payment is made is material, provisions are calculated by discounting expected future cash flows at a pre-tax interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Discontinued operations

A discontinued operation is a part of a company's operations that represents an independent operating segment or a significant business in a geographic area. Classification as a discontinued operation occurs upon divestment or at an earlier point in time when the operation qualifies for held-for-sale classification.

Profit after tax from discontinued operations is recognised on a separate line. When an operation is classified as discontinued, the presentation of the comparative year

changes, so that the discontinued operation is shown as if it had been discontinued at the start of the comparative year. The presentation of the statement of financial position for the current and preceding year is not changed in a corresponding manner.

Earnings per share

Earnings per share, or EPS, is calculated by dividing earnings for the year attributable to the Parent Company's shareholders by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by dividing the earnings attributable to the Parent Company's shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued upon conversion of all dilutive shares into shares.

NOTE 2 KEY JUDGEMENTS AND ESTIMATES

The preparation of the consolidated annual accounts in conformity with IFRS requires Group management to use assessments and assumptions regarding the recognized amounts of assets and liabilities. Actual results may differ from these assessments. A summary is given below of the accounting policies that in their application require more extensive subjective judgements by the management in terms of estimates and assumptions in matters which, by their nature, are difficult to estimate.

Critical judgements in applying the Group's accounting policies

Certain critical judgements in applying the Group's accounting policies are set out below.

Classification in the income statement

"Other specified items" are recognised as a separate item in the income statement and are included as such in the operating profit. Costs classified as Other specified items include restructuring costs, acquisition and divestment costs, severance pay, IPO costs, business development expenses, recall costs and legal fees in connection with these activities, which are a result of isolated incidents. The assessment of the management is that reporting this separately improves information to readers and facilitates their assessment of the results of operations.

Key sources of estimation uncertainty

The sources of estimation uncertainty provided below refer to those that entail a risk of adjustment to the value of assets or liabilities in the coming financial year.

Goodwill impairment

Several assumptions about future circumstances and estimates of parameters have been made in the calculation of cash-generating units' recoverable amounts for the assessment of any goodwill impairment. These are accounted for in Note 10. As can be read there, changes in the preconditions for these assumptions and estimates could have a material impact on goodwill in the cash-generating unit. At 31 December 2017, Handicare reported goodwill amounting to MEUR 163.5 (177.5).

Measurement of loss carry-forwards

Deferred tax assets primarily attributable to tax losses and temporary differences are recognised if the tax assets can be expected to be recovered through future taxable profits. Changes in assumptions regarding forecast, future taxable profits as well as changes in tax rates could result in significant differences in the value of deferred taxes. At 31 December 2017, Handicare reported deferred tax liabilities exceeding deferred tax assets by a net amount of MEUR 2.4 (2.9). Unrecognised loss carry-forwards totalled MEUR 11.1 (47.3) of a total of MEUR 33.1 (68.9) at 31 December 2017.

Income taxes

The Group reports current tax in line with local tax rules. The reporting is based on the management's assessment and interpretation of the applicable laws, regulations and rulings in the respective countries. These rules are often complex and their application in the respective jurisdictions is uncertain. If the assessments of the tax agencies in the respective jurisdictions differ to those of the management, this could impact the Group's earnings and financial position.

Accounts receivable

Receivables are recognised net of any provision for doubtful receivables. The net value reflects the amounts that can be expected to be received based on the circumstances known at the balance-sheet date. Changed circumstances, such as higher than expected defaults or changes in the financial situation of a significant customer could lead to significantly different valuations. At year-end 2017, accounts receivable, net of provisions for doubtful receivables, amounted to MEUR 41.7 (44.3). Provisions for doubtful receivables totalled MEUR 1.2 (1.2) at year-end.

Inventories

Estimates of inventory net realisable values are based on assumptions about future selling prices and costs. Future selling prices are dependent on market trends. Since it is difficult to predict future market trends, this entails some uncertainty in terms of future selling prices. At 31 December 2017, net reported inventory amounted to MEUR 35.7 (36.5).

Moreover, at the end of each accounting period, the management assesses whether any obsolescence provision needs to be made. This assessment is based on historical experience and the risk that goods cannot be sold as well as how long the goods have been part of the inventory. At 31 December 2017, the obsolescence reserve amounted to MEUR 5.1 (5.0).

Capitalised development expenditure

Development expenditure to accomplish new or improved products or processes, is recognised as an asset in the statement of financial position, provided the product or process is technically and commercially feasible and the company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset. By their very nature, assessments of future commercialisation and streamlining of processes that lead to positive cash flow are uncertain. Handicare capitalised MEUR 1.2 (2.4) during 2017.

NOTE 3 SEGMENT INFORMATION

Segments are reported in the same way as the internal reports that are submitted to the chief operating decision maker (CODM). The CODM is a function responsible for allocation of resources and evaluating the segments' earnings. In Handicare Group AB, the President has been identified as the CODM. Earnings in the segment are evaluated and analysed by the CODM on an adjusted EBITA basis (i.e. operating profit (EBIT) with reversal of Other specified items and amortisation and impairment of intangible assets). The earnings items below are shown excluding BD operations.

2017 (kEUR)	Accessibility	Patient Handling	Puls	Group-wide functions	Consolidation
REVENUE/COSTS					
Revenue from external customers	181,314	83,411	19,529	85	284,340
Amortisation and depreciation	2,242	1,227	7	14	3,490
Segment profit – adjusted EBITA	22,482	10,898	499	–7,713	26,166
Capital expenditure	2,403	1,513	4	1,822	5,742
2016 (kEUR)	Accessibility	Patient Handling	Puls	Group-wide functions	Consolidation
REVENUE/COSTS					
Revenue from external customers	174,200	50,543	19,747	175	244,666
Amortisation and depreciation	2,432	1,014	18	12	3,476
Segment profit – adjusted EBITA	18,382	3,963	820	–5,980	17,186
Capital expenditure	8,269	2,133	7	1,018	11,427

Handicare normally has no transactions between the different segments.

Adjustments and eliminations:

Depreciation, amortisation and impairment at the segment level are not reported to the CODM on a monthly basis. Depreciation and amortisation are distributed to each segment quarterly. Financial income and expenses, and fair-value profits and losses on financial assets are not distributed to individual segments, since the underlying instruments are managed on a group basis.

NOTE 3 SEGMENT INFORMATION CONT.

Reconciliation between Segment profit and Profit/loss before tax (kEUR)	2017	2016
Segment profit – adjusted EBITA	26,166	17,186
Other specified items	–7,096	–18,153
Amortisation and impairment of intangible assets	–5,040	–3,428
Financial income	20,267	57,217
Financial expense	–37,841	–73,322
Loss before tax and discontinued operations	–3,545	–20,500

Geographical information		
Revenue from external customers (kEUR)	2017	2016
Sweden	4,597	3,953
Rest of Europe	206,535	196,875
North America	70,086	36,324
Rest of the world	3,122	7,513
Total	284,340	244,666

For these purposes, non-current assets consist of tangible fixed assets and immaterial assets excluding Goodwill

Non-current assets (kEUR)	2017	2016
Sweden	2,442	3,406
Rest of Europe	47,452	50,696
North America	10,064	12,457
Rest of the world	96	152
Total	60,054	66,710

Information on products and services (kEUR)	2017	2016
Medical devices	19,529	19,747
Vehicle adaptation, and related products and services	44,542	43,955
Stairlifts, and related products and services	136,772	130,281
Bathroom safety products and related services	6,188	6,015
Patient handling and related services	77,223	44,528
Other	85	139
Total	284,340	244,666

NOTE 4 FINANCIAL RISK MANAGEMENT

Through its operations, the Group is exposed to various financial risks, both market risks and other financial risks. Market risks include: currency risk, interest-rate risk and price risk. Other financial risks are separated into credit risk, liquidity risk and financing risk.

The Group's overriding financial activities and management of financial risk are centralised to Handicare's Treasury function and are based on the Board's guidelines. The guiding principle is to minimise any negative impact on the Group's earnings and cash flow from short-term movements in the financial markets as well as to ensure effective control and high quality for risk management. The Group has the ability to use financial derivatives to hedge financial risk.

Currency risk

Currency risk refers to the adverse effects of exchange-rate fluctuations on the Group's profitability or financial position. Handicare's policy aims to reduce this adverse effect on future cash flow and to minimise the volatility in earnings and the balance sheet by measures such as natural hedges, currency clauses and by controlling purchases as well as financial contracts.

Through its international operations, the Group is exposed to currency risk in several currencies, mainly the NOK, SEK, USD, GBP, CAD and DKK. The Group limits cash-flow exposure through currency clauses in customer contracts, by optimising internal flows (internal hedging) and by controlling the purchase currency for external purchases. At year end, the market value of outstanding currency contracts was kEUR 32.

The carrying amounts of the Group's net assets fluctuate in line with changes in exchange rates between the EUR and local currencies. The Group's earnings after tax are also impacted by changes in exchange rates, since the results of foreign subsidiaries are translated to EUR at average exchange rates for the period.

Currency exposure from the Group's net foreign investments are limited through loans in the relevant currency and the exchange-rate differences are recognised in Other comprehensive income. The following table sets out the subsidiaries' net shareholders' equity by currency together with an overview of the Group's borrowings in the corresponding currencies. The Group also has smaller exposures, for example to CNY.

Net assets by currency	31 Dec 2017		31 Dec 2016	
	Net assets in local currencies	in EUR	Net assets in local currencies	in EUR
NOK	–103,975	–10,566	–862,151	–94,885
EUR	81,861	81,861	79,362	79,362
SEK	150,892	15,328	156,604	16,394
DKK	118,057	15,858	122,874	16,528
GBP	13,203	14,882	11,971	13,982
USD	9,228	7,694	6,333	6,008
CAD	58,495	38,896	56,627	39,912
Other currencies		702		615
Total		164,654		77,916

Borrowings in foreign currencies	31 Dec 2017		31 Dec 2016	
	Borrowings by currency	Borrowings in EUR	Borrowings by currency	Borrowings in EUR
NOK	357,030	36,282	785,941	86,497
GBP	24,160	27,230	20,825	24,324
CAD	25,024	16,639	10,000	7,048

NOTE 4 FINANCIAL RISK MANAGEMENT CONT.

The sensitivity analysis illustrates the translation effects on shareholders' equity net of borrowings for a change in the respective exchange rate of +/- 5%.

Sensitivity analysis currency risk

	Translation exchange rate at 31 Dec 2017			Translation exchange rate at 31 Dec 2016		
	-5%	5%		-5%	5%	
NOK	9.8403	2,342	-2,342	9.0863	7,206	-7,206
GBP	0.8872	-1,440	1,440	0.8561	-1,287	1,287
USD	1.1993	-385	385	1.0541	-268	268
SEK	9.8442	-766	766	9.5525	-656	656
DKK	7.4446	-793	793	7.4344	-826	826
CAD	1.5039	-1,113	1,113	1.4188	-229	229

Price risk

The Group is not exposed to any price risk associated with commodities or equity investments.

Interest-rate risk

Interest-rate risk is defined as the risk of adverse effects of changes in market interest rates on the Group's earnings and cash flow. Handicare's objective is to limit unwanted effects on the company's earnings and cash flow as a result of unexpected changes in interest rates by using varied fixed-rate periods.

The Group's interest-rate risk is limited to long-term funding. In 2017, the Group's liabilities decreased by MEUR 45 in conjunction with refinancing at the time of listing. As per 31 December 2017, the Group had bank borrowings and utilised credit facilities amounting to MEUR 100.

The following table illustrates the impact on the Group's interest expenses of a 1 percentage point change in the floating interest rate of the respective currency. At year-end 2017, no positions were held in fixed-income derivatives.

Sensitivity analysis currency risk

31 Dec 2017	Borrowings by currency	Borrowings in EUR	Floating interest rate	+/- 1 per- centage point
NOK	357,030	36,282	NIBOR	363
GBP	24,160	27,230	LIBOR	272
EUR	20,000	20,000	EURIBOR	200
CAD	25,024	16,639	CAD LIBOR	166

Sensitivity analysis currency risk

31 Dec 2016	Borrowings by currency	Borrowings in EUR	Floating interest rate	+/- 1 per- centage point
NOK	785,941	86,497	NIBOR	865
GBP	20,825	24,324	LIBOR	243
EUR	27,359	27,359	EURIBOR	274
CAD	10,000	7,048	CAD LIBOR	70

Credit risk

Financial credit risk is the risk that, due to default, a financial counterparty is unable to discharge its obligation to Handicare, for example in a financial contract. This counterparty risk is limited by conducting all financial transactions with established Nordic banks with high credit ratings. The Group has no financial investments and, accordingly, no issuer risk. The credit risk on bank deposits (MEUR 12.9) is extremely low. Financial credit risk is managed centrally. Historically, losses pertaining to other receivables have been low and are assessed as continuing to remain limited as a result of counterparties mainly comprising public sector entities and insurance companies. New customers are approved before any credit is given. Refer also to Note 14.

Liquidity risk

The Group is exposed to the risk that at a certain given time, it has insufficient liquidity to meet its obligations. Liquidity risk is managed by the Group holding adequate cash funds and available short-term funding through agreed credit facilities.

Almost 100% of the Group's available liquidity is concentrated to Handicare's Group account structure, which thereby ensures efficiency and good control of cash and cash equivalents.

The various subsidiaries in the Group prepare short and long-term cash-flow forecasts on an ongoing basis.

At the end of 2017, cash and cash equivalents totalled MEUR 12.9 and unutilised credit facilities amounted to MEUR 36.

Financing risk

The Group maintains funding flexibility by using credit agreements to ensure the immediate and long-term availability of credit facilities, to control loan maturities and to raise loans with several creditworthy lenders.

The Group was refinanced in conjunction with its listing on the stock exchange in October 2017. Existing credit agreements contain financial covenants pertaining to the net debt/EBITDA metric. Should the contracted financial covenants not be met, the creditors ultimately have the right to terminate the credit agreements. In 2017, all financial metrics met the agreed values.

The table below analyses the Group's financial liabilities, divided into the periods remaining on the closing date until the agreed date of maturity. Derivatives that comprise financial liabilities are included in the analysis if their contractual maturities are material to understanding the timing of future cash flows. The amounts stated in the table comprise contractual, undiscounted cash flows.

	31 Dec 2017			
	<1 year 2018	1-2 years 2019-2020	3-5 years 2021-2023	Over 5 years 2024-
Loans	-	-	100,152	-
Interest on credit facilities	2,318	4,636	6,954	-
Accounts payable and other liabilities	45,769	-	-	-
Total	48,087	4,636	107,106	-

NOTE 4 FINANCIAL RISK MANAGEMENT CONT.

31 Dec 2016

	<1 year 2018	1–2 years 2019–2020	3–5 years 2021–2023	Over 5 years 2024–
Loans	2,843	150,386	–	–
Interest on credit facilities	8,004	14,419	–	–
Other interest	22	–	–	–
Commitments regarding finance leases	167	–	–	–
Bank overdrafts	99	–	–	–
Shareholder loans	–	103,708	–	–
Accounts payable and other liabilities	53,673	–	–	–
Total	64,808	268,513	–	–

PRESENTATION OF CARRYING AMOUNTS OF BORROWINGS, COLLATERAL AND CREDIT FACILITIES

Carrying amount	2017	2016
Shareholder loans	3	77,917
Long-term facility	100,152	145,229
Short-term facility, Revolver	0	8,002
Recognised interest	20	22
Recognised expenses	–1,064	–6,033
Finance leases	1,357	1,258
Bank overdrafts	0	99
Total	100,469	226,493

Carrying amounts of pledged assets	2017	2016
Other assets	–	12,607
Inventory	–	36,484
Accounts receivable	–	44,343
	–	93,434

Overview of facilities	Facility	Utilised	Carrying amount in EUR
Facility EUR	20,000	20,000	20,000
Facility NOK	357,030	357,030	36,282
Facility GBP	24,160	24,160	27,230
Facility CAD	25,024	25,024	16,639
Total			100,152

Capital structure

The Group's capital structure goal is to ensure the Group's ability to continue its operations to thereby ensure the long-term return to shareholders. By optimising its capital structure, the Group will also reduce its capital costs.

The Group controls its capital structure and implements necessary changes based on ongoing evaluations of operational prerequisites in the short and medium term. A key principle for the capital structure is that the debt/equity ratio is calculated as total net debt in relation to total assets. The debt/equity ratio is to be reduced in stages over time.

	2017	2016
Interest-bearing liabilities	101,532	232,405
Accounts payable	24,945	29,604
Cash and cash equivalents	–12,891	–6,697
Shareholders' equity	164,654	77,916
Total capital	278,240	333,228
Debt/equity ratio	40.80%	76.60%

NOTE 5 REVENUE

kEUR	2017	2016
Sale of goods	249,547	219,570
Services	34,793	25,096
Total revenue from continuing operations	284,340	244,666

Interest income during the period totalled kEUR 2,181 (3,036). Interest income is included in financial items. During the period, the company has had no significant revenue from royalties and dividends.

NOTE 6 DISCONTINUED OPERATIONS

A discontinued operation is a component of an entity that represents either a separate major line of business or a geographical area of operations. Classification as a discontinued operation occurs upon divestment or at an earlier point in time when the operation qualifies for held-for-sale classification. Profit after tax from discontinued operations is recognised on a separate row. When an entity is classified as discontinued, the presentation of the comparative year changes. The presentation of the statement of financial position for the current and preceding year is not changed in a corresponding manner. At August 1, 2017, the BD operations (part of the Puls segment) were divested to Cidron Liberty Systems Limited. The purchase consideration amounted to MEUR 11.4 (MNOK 109) and was settled through a corresponding reduction in the shareholder loan. The pre-tax capital gain amounted to MEUR 0.5.

NOTE 6 DISCONTINUED OPERATIONS CONT.

BD		
kEUR	2017	2016
Revenue	10,374	16,331
Cost of material	-7,237	-10,742
Personnel expenses	-1,133	-2,281
Other operating expenses	-850	-1,671
Depreciation, amortisation and impairment	-78	-132
Other specified items	0	-275
Operating profit/loss (EBIT)	1,076	1,230
Financial income	530	-
Profit/loss before tax	1,606	1,230
Tax	-318	-402
Earnings from discontinued operations	1,287	828
Attributable to the Parent Company's shareholders	1,287	828
Attributable to non-controlling interests	0	0

NOTE 7 SHARES IN SUBSIDIARIES

Directly owned subsidiaries:	Operations	Registered office	Owner share	
			2017	2016
Handicare Group AS	3	Moss, Norway	100	95
Indirectly owned subsidiaries:				
Magsum B.V.	3	Heerhugowaard, the Netherlands	100	100
Crystal Amethyst B.V.	3	Heerhugowaard, the Netherlands	100	100
Handicare Bathroom Safety B.V.	1	Pijnacker, the Netherlands	100	100
Handicare Accessibility B.V.	3	Heerhugowaard, the Netherlands	100	100
Handicare Stairlifts B.V.	1	Heerhugowaard, the Netherlands	100	100
Handicare Monte-escaliers	2	Saint Genevieve les Bois, France	100	100
Handicare AS	1	Moss, Norway	100	100
Puls AS	2	Oslo, Norway	100	100
Handicare A/S	2	Brøndby, Denmark	100	100
Handicare Auto AS	1	Herning, Denmark	100	100
Handicare AB	1	Kista, Sweden	100	100
Alemedic Care AB	4	Kista, Sweden	100	100
Handicare Sverige AB	4	Kista, Sweden	100	100
Handicare Holding Ltd.	3	Kingswinford, UK	100	100
Minivator Group Ltd.	3	Kingswinford, UK	100	100
Companion Stairlifts Ltd.	2	Leeds, UK	100	100
Minivator Deutschland UG	4	Minden, Germany		100
Handicare Accessibility Ltd.	1	Kingswinford, UK	100	100
YouQ B.V.	4	Helmond, the Netherlands	100	100
Handicare Accessibility (Xiamen) Co. LTD	1	Xiamen, China	100	100
Handicare Accessibility GmbH	2	Minden, Germany	100	100
Handicare Patient Handling AS	2	Moss, Norway	100	100
Puls Homecare A/S (DK)	2	Herning, Denmark	100	100
Puls Homecare AS	2	Oslo, Norway	100	100
Prism Medical Ltd	1	Toronto, Ontario, Canada	100	100
Handicare USA Inc	1	Delaware, USA	100	100
Mid-AtlanticCare South (dormant)	4	Pennsylvania, USA	100	100
Ergosafe Products LLC	2	Delaware, USA	100	100

Type of operation: 1: Production, development and sales,
2: Sales 3: Holding company, 4: Dormant

NOTE 8 TANGIBLE FIXED ASSETS

COST	Land and buildings	Machinery, fixtures and fittings, and equipment	Total
1 January 2017	2,425	17,254	19,679
Acquisitions through business combinations	0	0	0
Purchases	35	2,381	2,416
Divestments/reclassifications	0	-442	-442
Exchange-rate fluctuations	0	-1,505	-1,505
31 December 2017	2,460	17,688	20,148
DEPRECIATION			
1 January 2017	-748	-6,323	-7,072
Depreciation for the year	-179	-3,332	-3,510
Divestments/reclassifications	0	412	412
Exchange-rate fluctuations	3	905	908
31 December 2017	-924	-8,339	-9,263
Carrying amount at 31 Dec 2017	1,536	9,349	10,885

COST	Land and buildings	Machinery, fixtures and fittings, and equipment	Total
1 January 2016	4,053	16,242	20,294
Acquisitions through business combinations	-	2,733	2,733
Purchases	150	4,929	5,079
Divestments/reclassifications	-155	-575	-730
Exchange-rate fluctuations	-1,623	-6,074	-7,697
31 December 2016	2,425	17,254	19,679
DEPRECIATION			
1 January 2016	-2,165	-9,524	-11,689
Depreciation for the year	-235	-3,276	-3,511
Divestments/reclassifications	14	219	232
Exchange-rate fluctuations	1,638	6,258	7,895
31 December 2016	-748	-6,323	-7,072
Carrying amount at 31 Dec 2016	1,677	10,931	12,607

The information in this note is not adjusted for discontinued operations.

NOTE 9 INTANGIBLE ASSETS

COST	Internally generated development expenditures	Customer relations	Patents/Licences	Brands	Software/technology	Goodwill	Total
1 January 2017	13,685	12,180	290	29,797	15,371	305,140	376,464
Acquisitions through business combinations	0	0	0	0	0	269	269
Acquisitions	1,249	19	7	0	2,051	0	3,326
Divestments/reclassifications	239	-336	-295	0	0	-8,931	-9,323
Exchange-rate fluctuations	-124	-465	-4	-1,634	-1,461	-6,279	-9,968
31 December 2017	15,049	11,398	-2	28,162	15,961	290,199	360,768
AMORTISATION							
1 January 2017	-7,194	-4,543	-266	-241	-4,976	-127,679	-144,899
Amortisation for the year	-1,431	-1,488	0	-134	-1,648	0	-4,701
Impairment	-397	0	0	0	0	0	-397
Divestments/reclassifications	-179	0	179	0	0	0	0
Exchange-rate fluctuations	279	266	96	-7	285	997	1,917
31 December 2017	-8,922	-5,765	9	-382	-6,339	-126,682	-148,080
Carrying amount at 31 Dec 2017	6,128	5,632	8	27,780	9,622	163,518	212,688

NOTE 9 INTANGIBLE ASSETS CONT.

COST	Internally generated development expenditures	Customer relations	Patents/Licences	Brands	Software/technology	Goodwill	Total
1 January 2016	14,171	7,304	313	29,267	10,698	269,444	331,197
Acquisitions through business combinations	0	5,141	0	1,045	1,227	39,243	46,657
Acquisitions	2,399	21	28	–	3,930	0	6,378
Divestments/reclassifications	44	–	0	–	–	–	44
Exchange-rate fluctuations	–2,929	–286	–51	–515	–484	–3,546	–7,811
31 December 2016	13,685	12,180	290	29,797	15,371	305,140	376,464
AMORTISATION							
1 January 2016	–7,919	–4,085	–148	–277	–4,955	–126,888	–144,272
Amortisation for the year	–1,618	–701	–276	–8	–907	–	–3,508
Impairment	–	–18	–	–	–	–	–18
Divestments/reclassifications	113	–	0	–	–	0	112
Exchange-rate fluctuations	2,230	260	158	44	885	–791	2,787
31 December 2016	–7,194	–4,543	–265	–241	–4,976	–127,679	–144,899
Carrying amount at 31 Dec 2016	6,492	7,637	24	29,556	10,395	177,461	231,565

The information in this note is not adjusted for discontinued operations.

NOTE 10 IMPAIRMENT TESTING OF INTANGIBLE ASSETS

Handicare has significant values recognised in the balance sheet regarding Goodwill and Brands, which must be impairment tested on a yearly basis. This is done in the fourth quarter every year. Impairment testing was based on calculations of future value in use built on cash-flow estimates, the first three years of which are based on budgets for future years and the strategic plan adopted by management. Cash flows that are estimated with a longer horizon than the first three years have been based on an annual rate of growth, which corresponds to the estimated average long-term rate of growth per segment.

Cash-generating units

Cash-generating units (CGUs) are the lowest level at which it is possible to measure independent cash flows. The table below shows which CGUs Handicare tests together with the associated Goodwill and Brand values.

CGU Business area	2017		2016	
	Goodwill	Brands	Goodwill	Brands
Accessibility	96,155	24,397	95,400	25,597
Patient Handling	67,363	3,383	72,848	3,959
Puls	–	–	9,213	–
Total	163,518	27,780	177,461	29,556

Impairment testing resulted in no impairment of intangible assets in 2017.

Critical prerequisites and assumptions

Future cash flows are estimated based on the budget adopted by the Board for 2018 and overriding strategies until 2020. After 2018–2020, a future value (long-term growth) has been applied. The key prerequisites and assumptions for the model are growth and the discount rate (WACC).

For the segments, a growth rate of 2-6% was used between 2018 and 2020. After 2020, a future value was used of 1.8–2.3% depending on the segment. The discount rate before tax used was 10.3% (10.7) for Accessibility and Puls, and 10.9% (10.9) for Patient Handling.

The trend through 2017 has remained positive for the Group, which also applies to most of the segments. Handicare has a confident outlook for the forthcoming years, which is used as a base for the growth assumptions and the EBITDA margins that are expected to be generated. Actual market trends however, are associated with uncertainty, and the assumptions for the impairment test are based on the experience and know-how that the company possesses at the time the annual accounts are prepared.

The discount rate is based on the weighted average cost of capital (WACC), which is derived through the capital asset pricing model (CAPM). In calculating the company's average cost of capital, the company takes into consideration the respective proportion of shareholders' equity and liabilities. WACC is calculated for each individual CGU, in which a 10-year risk-free interest rate on government bonds has been used in the countries where the respective CGUs have a significant part of their operations. Moreover, the discount rate takes the beta value into consideration, the market's risk premium, the tax rates in the respective countries, credit spreads and the risk premium for smaller companies. These parameters are established to the greatest extent possible using external sources, but despite this the discount rate is largely dependent on the company management's own assumptions.

NOTE 10 IMPAIRMENT TESTING OF INTANGIBLE ASSETS CONT.

Sensitivity analysis

Disclosure must be carried out of any reasonable change in a key assumption on which management has based its determination of a CGU's recoverable amount that would entail the CGU's carrying amount exceeding its recoverable amount. The factors that have the greatest impact on the calculation of the recoverable amount are the discount rate and the future value. The following two sensitivity analyses have been carried out:

- a WACC increase of 1 percentage point
- a 1% change in future value

None of the sensitivity analyses above generate any need for impairment of intangible assets with an indefinite economic life in any CGU.

Under prevailing market conditions, it is the understanding of company management that no reasonable changes in the assumptions concerning WACC or other key assumptions that the value of the CGUs is based on could result in the reported value exceeding the recoverable amount.

NOTE 11 OTHER OPERATING EXPENSES

kEUR	2017	2016
Freight expenses	6,033	4,375
Property rental related expenses	6,424	6,052
IT costs, equipment leases, maintenance and other costs	6,296	5,899
Travel costs	4,807	3,849
Outsourced services and fees	4,367	3,619
Marketing and selling costs	12,768	11,975
Transportation	5,057	4,933
Insurances, warranties and service	1,090	943
License and patent costs	592	224
Other expenses	2,576	1,755
Total	50,011	43,624

NOTE 12 OTHER SPECIFIED EXPENSES

Other specified items during the full-year 2017 includes primarily costs for listing on the stock exchange (kEUR 4,800), severance pay (kEUR 900) related to the reorganisation carried out in March 2017, and costs for outsourcing IT (kEUR 700). The outsourcing of IT was completed in the fourth quarter of 2017.

kEUR	2017	2016
Restructuring costs	1,894	5,392
Transaction costs	73	4,023
Integration costs	374	3,612
Recall costs	–	3,059
IPO costs	4,800	1,212
Mobility costs	–	267
Other efficiency projects	–46	588
Total	7,096	18,153

NOTE 13 CLASSIFICATION OF FINANCIAL LIABILITIES AND ASSETS

The following principles have been applied to the measurement of financial liabilities and assets in the balance sheet:

Assets 31 Dec 2017	Historical cost	Loan receivables and accounts receivable at amortised cost	Total
Shares	18	–	18
Other non-current receivables	–	275	275
Accounts receivable	–	41,657	41,657
Prepayments	–	2,396	2,396
Other current receivables	–	2,548	2,548
Cash and bank balances	–	12,891	12,891
Total	18	59,766	59,785

Commitments 31 Dec 2017	Derivatives at fair value for hedging	Liabilities measured at amortised cost	Total
Shareholder loans	–	3	3
Long-term liabilities to credit institutions	–	100,341	100,341
Accounts payable	–	24,945	24,945
Realised interest expense	–	20	20
Total	–	125,309	125,309

Assets 31 Dec 2016	Historical cost	Loan receivables and accounts receivable at amortised cost	Total
Shares	20	–	20
Other non-current receivables	–	33,655	33,655
Accounts receivable	–	44,343	44,343
Prepayments	–	2,469	2,469
Other current receivables	–	887	887
Cash and bank balances	–	6,697	6,697
Total	20	88,051	88,071

NOTE 13**CLASSIFICATION OF FINANCIAL LIABILITIES AND ASSETS CONT.**

Commitments 31 Dec 2016	Derivatives at fair value for hedging	Liabilities measured at amortised cost	Total
Shareholder loans	–	77,917	77,917
Long-term liabilities to credit institutions	–	140,380	140,380
Cash credit	–	99	99
Accounts payable	–	29,604	29,604
Realised interest expense	–	22	22
Total	–	248,022	248,022

NOTE 14**CREDIT RISK EXPOSURE**

Credit risk attributable to accounts receivable is managed by the respective subsidiaries, which have established procedures in place for credit monitoring and checking of customers. Customers normally receive 30–45 days credit. Over the years, the Group has only had limited customer credit losses. In 2017, the expenses for realised customer credit losses totalled kEUR 41. The recognised amounts for financial assets represent the maximum credit exposure. The maximum exposure to credit risk at year end, as below.

kEUR	2017	2016
Assets at cost	18	20
Loan receivables	46,875	81,354
Total	46,893	81,374
ACCOUNTS RECEIVABLE	2017	2016
Accounts receivable	42,860	45,581
Provision for doubtful accounts receivable	–1,203	–1,238
Total	41,657	44,343
PROVISION FOR CUSTOMER CREDIT LOSSES	2017	2016
Provision at 1 January	–1,238	–520
Assumed provision on acquisitions	0	–354
Provisions during the year	–256	–1,041
Reversed during the period	210	675
Exchange-rate fluctuations	81	2
Total provisions	–1,203	–1,238

Reversed provisions were recognised under Other operating expenses.

At 31 December, the Group had the following accounts receivable outstanding after deducting provisions.

	Total	Not yet due	<30 days	30–60 days	60–90 days	More than 90 days
2017	41,657	24,307	9,746	3,285	1,716	2,603
2016	44,343	26,586	10,507	3,322	1,856	2,073

NOTE 15**INVENTORY**

kEUR	2017	2016
Raw materials and semi-finished goods	8,059	8,272
Work-in-progress	49	297
Finished goods	27,560	27,915
Total	35,667	36,484

The inventory is valued at the lower of cost and net realisable value less selling costs. No component of inventory is measured at fair value. At Dec 31, 2017, the provision for obsolescence was kEUR 5,053 (4,964). During the year, the company's cost of goods sold totalled kEUR 131,905 (118,941).

NOTE 16**BANK BALANCES AND CREDIT FACILITIES**

Handicare has a cash pool that includes the subsidiaries in Sweden, Norway, the Netherlands, the UK, Denmark and the US (but not the Prism units). All subsidiaries are jointly and severally responsible for the use of credits. At December 2017, the Group account holder was Crystal Amethyst BV. The Group's bank balances amounted to kEUR 12,891 (6,697).

NOTE 17**FINANCIAL INCOME AND EXPENSES**

Financial income and expenses mainly comprise interest income and expense arising from the company's total funding. Unhedged net currency effects are recognised as exchange-rate gains or losses, respectively.

kEUR	2017	2016
Interest income	2,181	3,036
Exchange-rate gains	18,063	54,101
Other financial income	23	80
Total financial income	20,267	57,217
Interest expense	–18,630	–16,013
Exchange-rate losses	–19,212	–57,309
Total financial expenses	–37,841	–73,322
Net financial items	–17,574	–16,105

NOTE 18 PROVISIONS

kEUR	Deferred revenue	Warranty reserves	Other provisions and obligations	Total
Balance at 1 Jan 2016	2,748	1,198	167	4,113
Provisions during the year	2,047	3,525	462	6,034
Recognised during the year	-2,172	-1,854	-450	-4,476
Reversal of previous provisions	0	0	35	35
Translation differences	-213	0	103	-109
Closing balance, 31 Dec 2016	2,410	2,869	317	5,596
Balance at 1 Jan 2017	2,410	2,869	317	5,596
Provisions during the year	1,152	216	288	1,656
Recognised during the year	-1,140	-1,890	-76	-3,105
Reversal of previous provisions	0	-45	-38	-84
Translation differences	-50	0	-39	-89
Closing balance, 31 Dec 2017	2,372	1,150	452	3,974

Deferred revenue comprises provisions for future service contracts with a normal duration of 3–5 years. This revenue is recognised on a straight-line basis over the duration. Provisions for warranty costs are based on general valuations and special conditions that are expected to generate future warranty and service costs. The calculations are based on actual warranty and service costs in relation to the number of products under warranty.

NOTE 19 FUTURE MINIMUM LEASING FEES FOR NON-CANCELLABLE LEASES

2017 kEUR	2018	2019	2020	2021	2022	After 2023
Premises rental expenses	3,162	2,714	2,501	1,728	1,419	2,295
Leased machinery and equipment	120	115	106	28	26	26
Leased transportation	1,860	1,458	889	141	7	0
Leased IT systems	46	41	41	0	0	0
Other leases	0	0	0	0	0	0
Total	5,188	4,328	3,536	1,897	1,452	2,321
Finance leases						
Leased transportation	134	137	182	46	41	–
Total	134	137	182	46	41	–

Recognised leasing fees for the period amounted to kEUR 6,244.

2016 kEUR	2017	2018	2019	2020	2021	After 2022
Premises rental expenses	3,188	3,107	2,571	1,818	431	325
Leased machinery and equipment	203	157	155	47	45	0
Leased transportation	1,690	1,408	923	410	0	0
Leased IT systems	617	512	387	268	47	0
Other leases	22	22	22	22	11	0
Total	5,720	5,206	4,058	2,565	534	325
Finance leases						
Leased transportation	30	30	17	–	–	–
Total	30	30	17	–	–	–

Recognised leasing fees for the period totalled kEUR 5,569.

NOTE 20 EMPLOYEES, PERSONNEL EXPENSES, REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES**Average no. of employees**

At the end of 2017, the Group had a total of 1,142 employees (1,174), of which 56 (55) in Sweden, 131 (145) in Norway, 339 (354) in the UK, 222 (228) in the Netherlands, 279 (281) in the United States and Canada, and 116 (111) in other countries. The average number of employees in 2017 was 1,174 (1,006). At 31 December 2017, 28% (28) of the employees in the Group were women.

Employees by region	31 Dec 2017	31 Dec 2016
Europe	834	865
North America	279	281
RoW	29	28
Total	1,142	1,174
Salaries and personnel expenses	2017	2016
Salaries and vacation pay	59,467	50,395
Payroll tax	8,772	7,058
Pension expenses incl. payroll tax	2,050	1,745
Other personnel expenses	2,478	2,241
Total	72,768	61,439

REMUNERATION TO SENIOR EXECUTIVES

2017 (kEUR)	Fixed salary	Variable salary	Pension expenses	Long-term incentives	Other benefits	Total
President and CEO	315	96	6	–	13	464
Other members of Group management	1,280	168	200	–	4	1,652
Total	1,595	264	206	–	17	2,116

2016 (kEUR)	Fixed salary	Variable salary	Pension expenses	Long-term incentives	Other benefits	Total
President and CEO	205	33	4	–	–	242
Other members of Group management	1,534	119	193	–	–	1,847
Total	1,739	152	197	–	–	2,089

Asbjörn Eskild was appointed as the new CEO in 2016. The previous CEO was remunerated directly by the Group's largest shareholder.

Senior executives (8) at the end of 2017 consisted of the CEO and President, as well as the heads of the respective functions in the Group, the EVP Commercial Europe, the CFO, the EVP Group Purchasing and Product Development, the EVP IT and Strategy, the EVP Operations, the IR Manager and the President North America.

The following guidelines for remuneration to senior executives, as resolved by the General Meeting of Shareholders, are in effect for Handicare. Individual remuneration of the CEO is approved by the Board of Directors, while individual compensation to other members of Group management is decided by the CEO conditioned upon approval by the Chairman of the Board. All decisions on individual compensation to members of the Group management are within the approved remuneration policy adopted by the Board of Directors.

Terms of employment for the CEO

Remuneration is paid to the CEO in the form of basic salary, variable salary, pension and other benefits. Basic salary totals kEUR 315 per year. Variable remuneration can total up to a maximum of 50% of the basic salary. Bonus payments, if any, and their size are related to the degree to which annual well-defined pre-determined financial targets are met. The targets are linked to revenue, EBITDA and cash flow.

For the CEO, a mutual period of notice of six months applies. During the period of notice, salary and other remuneration benefits will be paid in full, regardless of whether or not there is an obligation to work. Upon termination by the company, severance pay equivalent to six months' salary will additionally be paid, to be disbursed monthly divided into six equal amounts over a period of six months after the conclusion of the period of notice.

The CEO is covered by pension conditions that are mandatory under Norwegian law (folketrygd). The company will set aside a provision of 3–5% of the CEO's salary up to 12 Norwegian base amounts. For salaries greater than 12 base amounts, no provisions will be made.

Other senior executives

Remuneration for other senior executives consists of basic salary, variable salary, pension and other benefits. Variable remuneration for other senior executives amounts to 50% of the basic salary. Bonus payments, if any, and the size thereof are established on the basis of meeting well-defined, pre-determined annual financial and individual targets. The targets are linked to revenue, EBITDA and cash flow, as well as individual goals based on personal performance.

NOTE 20 EMPLOYEES, PERSONNEL EXPENSES, REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES CONT.

Five members of Group management have contractual notice periods of between three and nine months, depending on if the company or the senior executive terminates the agreement. During the notice period, salary and other employment benefits will be paid in full. There is no notice period for Charley Wallace, if the agreement is terminated by Prism Medical, whereas the notice period is 90 days if the agreement is terminated by Charley Wallace. French law applies to Francois Roblin's employment contract, including the terms of notice. British law applies to Peter Slack's employment contract, including the terms of notice. Further, the company has entered into a consultancy agreement with EBS Invest AB, pursuant to which Boel Sundvall is appointed as IR Manager for a period until 30 September 2018. The agreement may be terminated at any time during the period, with a mutual notice period of 60 days.

Charley Wallace is entitled to a severance payment of twelve months' base salary if Prism Medical or Charley Wallace terminates his employment contract. Other than the payments stated above, no member of the Group management is entitled to post-employment remuneration, except in the event that existing competition clauses come into question.

For five members of Group management, Handicare carries out monthly premium pension provisions of between 5% and 28% of the basic salary. Senior executives employed in the US are paid pension benefits under the 401k retirement plan.

Remuneration to the Board

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by resolution at the Annual General Meeting (AGM). The AGM held on 28 April 2017 resolved that remuneration of SEK 450,000 be paid to the Chairman of the Board and remuneration of SEK 180,000 be paid to the other Board members.

Further, it was resolved that for work on Board committees, fees of SEK 100,000 each would be paid to the chairmen and SEK 50,000 to the other members of the committees. Additionally, it was resolved that, for work on the Remuneration Committee, fees of 50,000 would be paid to the Chairman and 25,000 to the other members of the Committee. The members of the Board of Directors are not entitled to any benefits upon ceasing to serve as a member of the Board.

TSEK	2017		2016	
	Fee	Fee for Board committee	Total fee	Total fee
Lars Marcher	450	50	500	130
Joakim Andreasson	180	75	255	
Maria Carell	180	50	230	
Johan Ek	180	0	180	260
Elisabeth Thand Ringqvist	180	25	205	
Claes Magnus Åkesson	180	100	280	
Total	1,350	300	1,650	390

Long-term incentive programmes

Five members of Group management are covered by an incentive programme with a maximum of 556,416 warrants. The warrants were issued at SEK 50, the price in the IPO. The maximum number of shares that participants may subscribe for by exercising the warrants amounts to 556,416 shares, equivalent to approximately 0.94% of the total number of shares.

The warrants were issued in two separate series, in which each participant subscribed for an equal number of warrants of both series.

Series 2017/2019 comprises up to 278,208 warrants that may be exercised during the following subscription period: 10 October 2019–10 January 2020, with the exception of the thirty-day period preceding (a) the day of the announcement of Handicare's interim report for the third quarter of 2019 and (b) the day of the announcement of Handicare's interim report for the fourth quarter of 2019. The exercise price for Series 2017/2019 is equivalent to SEK 59.50 (118.91% of the price in the IPO).

Series 2017/2020 comprises up to 278,208 warrants that may be exercised during the following subscription period: 10 October 2020–10 January 2021, with the exception of the thirty-day period preceding (a) the day of the announcement of Handicare's interim report for the third quarter of 2020 and (b) the day of the announcement of Handicare's interim report for the fourth quarter of 2020. The exercise price for Series 2017/2020 corresponds to 128.42% of the price in the IPO.

The CEO holds 185,472 warrants. The remainder are divided among the other four participants in the programme.

Handicare reserves the right to repurchase warrants, for example, if the participant's employment with the company is terminated. Handicare's total costs for the programme during its term are expected to be limited and mainly relating to social security contributions for participants in jurisdictions where participation in the incentive programme is taxed as earned income.

NOTE 21 PENSION EXPENSES

Most of the Group's pension plans are defined-contribution plans, whereby the company's obligations are limited to the contributions that the company has undertaken to pay. The company's obligations regarding contributions to defined-contribution plans are recognised as an expense in net profit/loss for the year at the rate at which they are earned by employees performing services for the company during a period. During the year, the expenses recognised for defined-contribution plans amounted to kEUR 1,931 (1,701).

The Group only has limited obligations vis-à-vis defined-benefit pension plans in Norway, and from 1 January 2008, all new employees in Norway have defined-contribution plans. The Group's net obligation for defined-benefit plans is calculated separately by actuaries through the assessment of the future benefit earned by the employees through their service in the current and prior periods. This obligation is discounted to a present value. The expense recognised for the year was kEUR 119 (44). The carrying amount of the liability in the balance sheet was kEUR 378 (784).

NOTE 22 FEES TO AUDITORS

kEUR	2017	2016
Fees for the audit engagement	764	567
Fees for other audit operations apart from the audit engagement	513	40
Tax consultancy	153	47
Other services	38	32
Total	1,469	686

Fees for other audit operations pertain above all to fees in conjunction with the company's listing process.

NOTE 23 TAX EXPENSE AND DEFERRED TAX

TAX EXPENSE	2017	2016
Current tax		
Current tax on net profit/loss for the year	-173	100
Adjustment in relation to last year	-337	-18
Total current tax	-510	81
Deferred tax		
Temporary differences	1,534	98
Change in tax rate	-2,254	225
Total deferred tax	-720	324
Tax expense for the year	-1,229	405

DEFERRED TAX LIABILITIES AND RECEIVABLES	2017	2016
Intangible assets	-20,037	-20,048
Fixed assets	4,992	-772
Pension obligations, net	333	711
Unrealised currency effects	-4,862	-3,982
Provisions and other non-current items	-1,684	-5,003
Inventory	2,522	1,838
Accounts receivable	576	245
Provisions and other current items	-3,761	-2,074
Loss carry-forwards	33,087	68,943
Total	11,166	39,857
<i>Estimated deferred tax</i>	<i>352</i>	<i>9,904</i>
Unrecognised tax loss carry-forwards	-2,757	-12,807
Net deferred tax	-2,405	-2,902
Deferred tax assets	6,179	8,434
Deferred tax liabilities	-8,584	-11,336

RECONCILIATION OF DEFERRED TAX	2017	2016
Opening balance	-2,902	-4,020
Recognised in profit or loss	-720	324
Recognised in OCI	704	-235
Recognised in shareholders' equity	486	15
Acquisitions/Divestments of operations	50	933
Translation effects	-24	82
Total	-2,405	-2,902

NOTE 23 TAX EXPENSE AND DEFERRED TAX CONT.

RECONCILIATION OF EFFECTIVE TAX	2017	2016
Profit/loss before tax	-3,545	-20,500
Tax based on local tax rates	74	5,392
Impact of changed tax rates	-1,691	-225
Non-deductible expenses	-3,130	-2,693
Non-taxable income	334	1,259
Recognition of previously unrecognised loss carry-forwards	4,018	677
Unrecognised tax loss carry-forwards during the year	-872	-3,631
Change in unrecognised temporary differences	28	-520
Other items	10	146
Tax expense	-1,229	405
Effective tax rate	34.6%	-2.0%

MATURITY STRUCTURE OF TAX LOSS CARRY-FORWARDS	2017	2016
Maturing in 2017	-	-
Maturing in 2018	596	471
Maturing in 2019 or later	19,529	35,020
No time limitation	12,961	33,452
Total loss carry-forwards	33,087	68,943
Unrecognised loss carry-forwards	-11,057	-47,288

NOTE 24 ACCRUED EXPENSES AND DEFERRED REVENUE

kEUR	2017	2016
Provision for salaries, bonus and vacation pay	7,664	7,473
Advances from customers	1,069	605
Provision for restructuring costs and other items	2,757	4,160
Tax liabilities	1,021	415
Other accrued expenses	9,853	13,822
Total	22,364	26,476

NOTE 25 SHARE CAPITAL AND SHAREHOLDER INFORMATION

Share capital totalled kEUR 81 at year end. At 31 December 2017, there was a total of 58,939,000 shares and voting rights in Handicare. The quotient value was EUR 0.00138. See below for changes for the year in number of shares and share capital.

YEAR	Transaction	Change in number of shares	Total number of shares	Change in share capital, kEUR	Total share capital kEUR
1 Jan 2017			50,002		5.28
2017	Bonus issue	-	50,002	47.5	52.78
2017	Share split	38,254,198	38,304,200	-	52.78
2017	Bonus issue	168,646	38,472,846	0.2	53.01
2017	Share issue in-kind	2,345,686	40,818,532	3.2	56.24
2017	Share issue in-kind	6,681,468	47,500,000	9.2	65.44
2017	New share issue	11,439,000	58,939,000	15.8	81.21

The total impact on shareholders' equity from new share issue and refinancing totalled MEUR 92.7. Handicare Group AB's shareholder loan was converted into common shares in Handicare Group AB. The total amount including accrued interest was MEUR 34.5. The new share issue, reduced for transaction costs, yielded an addition of MEUR 58.2.

NOTE 26 RECONCILIATION OF CHANGE IN FINANCING ACTIVITIES

Cost	2016	Cash flow	Changes attributable to non-cash items					2017
			Exchange-rate effects	Unwinding of financing costs	Interest accrued	Non-cash issue, Shareholder loan	Conversion of Shareholder Loan ¹⁾	
Non-current loans	140,288	-40,397	-5,751	5,862	-	-	-	100,003
Shareholder loan	77,917	-965	-2,118	-	5,760	-34,586	-46,008	-
Current loans	8,000	-7,690	-310	-	-	-	-	-
Finance leases	266	182	-2	-	-	-	-	446
Total liabilities related to financing activity	226,471	-48,870	-8,180	5,862	5,760	-34,586	-46,008	100,449

1) Repayment of shareholders' loan with no impact on cash flow through the transfer of receivables against Cidron Liberty Systems Ltd and sales of the BD operations to Cidron Liberty Systems Ltd.

NOTE 27 RELATED-PARTY TRANSACTIONS

On 1 August 2017, Handicare AS, a subsidiary of the Handicare Group AB, entered into a share transfer agreement regarding the divestment of BD operations (which was part of Puls and acted as a distributor of medical equipment supplied by Becton Dickinson) to Cidron Liberty Systems Limited (controlled by Nordic Capital Fund VII, a shareholder of Handicare Group AB). The purchase consideration for the BD operations was MEUR 11.4 (MNOK 109), equivalent to the market valuation of the operations and was settled through a reduction in the shareholder loan outstanding from Cidron Liberty Systems Limited to Handicare AS with a corresponding amount.

NOTE 28 BUSINESS COMBINATIONS**Acquisitions 2017**

Handicare made no acquisitions in 2017.

In early 2018, Handicare made a small acquisition consisting of the assets from a distributor in North America. The distributor, based in Colorado, markets products for patient transfers and lifts in 11 states in the US, where Handicare currently has limited sales. The distributor's sales to hospitals and care facilities comprises an excellent base and fits well with Handicare's US hub strategy. The distributor has eight employees and, in 2017, posted sales of around MEUR 4.2. Handicare had no sales to the distributor in 2017. The acquisition of these assets is expected to have a marginal positive effect on Handicare's earnings per share in 2018. The acquisition analysis will be completed during 2018.

Acquisitions 2016**Prism Medical Ltd**

On 1 September 2016, the Group acquired 100% of Prism Medical Ltd ("Prism") for MEUR 48.0. Prism manufactures ceiling and mobility lifts, and other aids for hospitals and healthcare facilities. The acquisition captured a position in the fast-growing US market, which is an important component of our strategy. The goodwill of MEUR 38.5 arising from the acquisition was attributable to the expected synergy effects from combining the operations of the Group and Prism as well as from increased sales through the respective sales channels. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Prism, the fair value of assets acquired and liabilities recognised at the acquisition date.

NOTE 28 BUSINESS COMBINATIONS CONT.

CONSIDERATION AT 1 SEPTEMBER 2016 — MEUR

Cash and cash equivalents:	48.0
Contingent earn-out	0
Total consideration paid:	48.0

RECOGNISED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED — MEUR

Brands:	1.0
Customer contracts and customer relations:	5.0
Technology:	1.2
Tangible fixed assets	2.7
Inventory:	7.9
Accounts receivable and other receivables:	8.8
Cash and cash equivalents:	0.0
Accounts payable and other liabilities:	7.9
Deferred tax liabilities:	0.2
Earn-outs (previous acquisitions):	1.2
Borrowings:	7.8
Total identifiable net assets:	9.5
Goodwill:	38.5

Acquisition-related costs of MEUR 3.8 have been charged to other specified expenses in the consolidated statement of comprehensive income for the 2016 financial year. The fair value of accounts receivable and other receivables is MEUR 8.8 and includes accounts receivable with a fair value of MEUR 8.1. No accounts receivable were assessed as doubtful. The net sales from Prism that were included in the consolidated income statement from the acquisition date amounted to MEUR 16.3. Prism also contributed an EBIT of MEUR 2.0 over the same period. Had Prism been consolidated from 1 January 2016, the consolidated income statement would show net sales of MEUR 290.6 and a negative EBIT of MEUR 3.5.

Rep-Tek AS

On 1 January 2016, the Group acquired 100% of Rep-Tek AS ("Rep-Tek") for MEUR 1.5. Rep-Tek converts vehicles for disabled use and operates in the Norwegian market. The acquisition further strengthened our position in the Norwegian market and generated significant synergies. The goodwill of MEUR 1.4 that arose from the acquisition was attributable to the expected synergy effects from combining the operations of the Group and Rep-Tek.

The following table summarises the consideration paid for Rep-Tek, and the fair value of assets acquired and liabilities assumed at the acquisition date.

CONSIDERATION PAID AT 1 JANUARY 2016 — MEUR

Cash and cash equivalents:	1.4
Contingent earn-out:	0.1
Total consideration paid:	1.5

RECOGNISED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED — MEUR

Deferred tax assets:	0.1
Tangible fixed assets	0.0
Inventory:	0.9
Accounts receivable and other receivables:	1.1
Cash and cash equivalents:	0.1
Accounts payable and other liabilities:	1.4
Deferred tax liabilities:	0.3
Borrowings:	0.5
Total identifiable net assets:	0.1
Goodwill:	1.4

Acquisition-related costs of MEUR 0.2 have been charged to other restructuring costs and nonrecurring items in the consolidated statement of comprehensive income for the 2016 financial year. The fair value of accounts receivable and other receivables is MEUR 1.1 and includes accounts receivable with a fair value of MEUR 1.0. No accounts receivable were assessed as doubtful. Rep-Tek was merged with Handicare AS at the start of 2016 and is thus included in the sales and earnings of Handicare AS. Rep-Tek's reported net sales totalled MEUR 7.5 for 2015. Rep-Tek's EBIT for the same period amounted to a loss of MEUR 0.5. Under the contingent earn-out agreement, the Group is to pay 100% of EBITDA in excess of MNOK 22.2 for the 12-month period until 30 June 2017.

The fair value of the contingent earn-out arrangement, MEUR 0.06, was estimated by applying the income approach. The fair value estimates are based on a discount rate of 2.2% and an assumed probability-adjusted EBITDA for Rep-Tek for the 12-month period until 30 June 2017.

CONSIDERATION PAID — CASH FLOW FOR ALL ACQUISITIONS — MEUR

Cash flows for acquisitions of subsidiary, net of cash and cash equivalents acquired	
Cash consideration paid	
Less acquired cash and cash equivalents	49.5
Net outflow of cash and cash equivalents — investing activities	0.2
Total consideration paid:	49.3

NOTE 29 EARNINGS PER SHARE

kEUR	2017	2016
Earnings attributable to Parent Company's shareholders		
Continuing operations	-4,775	-20,095
Divested operations	1,287	828
Earnings attributable to Parent Company's shareholders	-3,487	-19,267
Weighted average number of shares	43,126,793	38,472,846
Dilution effect	0	0
Weighted average number of shares adjusted for dilution effect	43,126,793	38,472,846
Earnings per share – EUR	-0.1	-0.5
Diluted earnings per share – EUR	-0.1	-0.5

NOTE 30 CONTINGENT LIABILITIES AND PLEDGED ASSETS

	2017	2016
Pledged assets	–	94,597
Contingent liabilities	None	None

As a result of the refinancing and the new share issue, Handicare has no pledged assets.

Parent Company financial statements

PARENT COMPANY INCOME STATEMENT

kEUR	Note	2017	2016
Operating revenue			
Revenue	2	8,534	7,567
		8,534	7,567
Operating expenses			
Personnel expenses	3	-3,525	-2,458
Depreciation, amortisation and impairment	7	-12	-10
Other operating expenses	4	-9,283	-5,838
EBIT		-4,286	-739
Financial income		3,586	1,761
Financial expense	10	-3,375	-2,708
Profit/loss after financial items		-4,075	-1,686
Year-end appropriations	5	-508	-3,172
Tax		-15	0
NET PROFIT/LOSS FOR THE YEAR		-4,598	-4,858
Other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-4,598	-4,858

PARENT COMPANY BALANCE SHEET

kEUR	Note	2017	2016
ASSETS			
Non-current assets			
Shares in Group companies	6	272,082	166,668
Deferred tax assets		487	0
Tangible fixed assets	7	21	33
Other non-current assets		133	0
Total non-current assets		272,724	166,701
Current assets			
Receivables from Group companies		859	153
Other receivables		389	157
Prepaid expenses and accrued income	8	160	132
		1,409	443
Cash and cash equivalents		272	228
Total current assets		1,681	671
TOTAL ASSETS		274,405	167,372
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		81	5
Other contributed capital		273,798	168,481
Retained earnings		-15,482	-10,624
Net loss for the year		-4,598	-4,858
Total shareholders' equity		253,799	153,004
Liabilities			
Current liabilities			
Liabilities to Group companies		17,303	12,915
Accounts payable		641	248
Other current liabilities		75	81
Accrued expenses and deferred revenue	9	2,586	1,124
Total current liabilities		20,606	14,368
TOTAL EQUITY AND LIABILITIES		274,405	167,372

PARENT COMPANY CASH-FLOW STATEMENT

kEUR	Note	2017	2016
Cash flow from operating activities			
Profit/loss before tax		-4,075	-1,686
Non-cash items			
Depreciation, amortisation and impairment		12	10
Capital gain/loss		-25	881
Other non-cash items		-514	-11
Tax paid		-6	-6
Cash flow from operating activities excluding changes in working capital		-4,608	-812
Changes in net working capital			
Changes in Group receivables/liabilities		3,683	3,369
Change in accounts payable		393	224
Change in other current liabilities/receivables		1,224	298
Cash flow from working capital		5,300	3,891
Cash flow from operating activities		691	3,079
Investing activities			
Shareholders' contributions received		58,131	927
Shareholders' contributions provided		-58,131	-101
Investment in tangible fixed assets			-14
Cash flow from investing activities		0	812
Cash flow from operating activities and investing activities		691	3,891
Financing activities			
Loan repayments		-139	0
Group contributions provided/received		-508	-3,172
Cash flow from financing activities		-647	-3,172
Cash flow for the year		44	719
Cash and cash equivalents beginning of the year		228	-491
Cash and cash equivalents end of the year		272	228

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Retained earnings	Other capital	Total
Shareholders' equity, 1 Jan 2016	5	145,106	-94	-10,530	134,487
Appropriation of preceding year's earnings			-10,530	10,530	0
Net profit/loss for the year				-4,858	-4,858
Transactions with owners					
Contributed capital		23,375			23,375
Shareholders' equity, 31 Dec 2016	5	168,481	-10,624	-4,858	153,004
Shareholders' equity at 1 Jan 2017	5	168,481	-10,624	-4,858	153,004
Appropriation of preceding year's earnings			-4,858	4,858	0
Net profit/loss for the year				-4,598	-4,598
Transactions with owners					
Bonus issue	48	-48			0
Share issue in-kind	12	47,249			47,261
Contributed capital	16	58,115			58,131
Shareholders' equity, 31 Dec 2017	81	273,798	-15,482	-4,598	253,799

Notes, Parent Company

NOTE PC1

BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

This Annual Report for Handicare Group AB (publ) has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. The Parent Company follows the International Financial Reporting Standards (IFRS) as adopted by the EU, to the extent allowed under the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, and given the connection between reporting and taxation. The Parent Company thereby observes the same principle presented in Note 1 of the Group notes, with the exceptions noted below.

Group contributions

Handicare applies the alternative rules in RFR 2, and reports Group contributions both received and provided as appropriations.

NOTE PC2

REVENUE

kEUR	2017	2016
Other revenue, management fee allocated to the Group's units	8,534	7,567
Total revenue	8,534	7,567

NOTE PC3

EMPLOYEES, PERSONNEL EXPENSES, REMUNERATION TO SENIOR EXECUTIVES

SALARIES AND PERSONNEL EXPENSES	2017	2016
Salaries and vacation pay	1,851	1,799
Payroll tax	378	411
Pension expenses incl. payroll tax	188	121
Other personnel expenses	1,108	127
Total	3,525	2,458

At the end of the year, the number of full-time equivalents was 13 (12) and the average over the year was 10 (12).

Remuneration to senior executives totalled kEUR 463 (369). For more information, refer to Note 20 for the Group.

NOTE PC4

OTHER EXPENSES

OTHER EXPENSES	2017	2016
Property rental related expenses	87	69
IT costs, equipment leases, maintenance and other costs	106	0
Travel costs	322	319
Fees for outsourced services	4,590	1,446
Marketing and selling costs	0	78
Insurance, warranties and service	85	184
License and patent costs	5	1
Shared service fee	703	3,148
Audit, see following table	623	214
Other expenses	2,761	380
Total	9,283	5,838

FEES FOR THE AUDITORS	2017	2016
Ernst & Young AB		
Audit assignment	141	188
Other auditing activities	470	4
Tax consultancy	12	6
Other services	0	16
Total	623	214

NOTE PC5

YEAR-END APPROPRIATIONS

In 2017, the company paid a Group contribution totalling kEUR 508 to the subsidiary Handicare AB.

NOTE PC6

SUBSIDIARIES

Handicare Group AB owns 100% of Handicare Group AS, which in turn owns the other subsidiaries. Refer to Note 7 for the Group for further information.

NOTE PC7 TANGIBLE FIXED ASSETS

	Machinery, fixtures and fittings, and equipment
COST	
1 January 2017	51
Purchases	0
Divestments	0
31 December 2017	51
DEPRECIATION	
1 January 2017	-18
Depreciation for the year	-12
Impairment	0
Divestments	0
31 December 2017	-30
Carrying amount per 31 Dec 2017	21
COST	
January 1, 2016	37
Purchases	14
Divestments	0
31 December 2016	51
DEPRECIATION	
1 January 2016	-8
Depreciation for the year	-10
Impairment	0
Divestments	0
31 December 2016	-18
Carrying amount per 31 Dec 2016	33

NOTE PC8 PREPAID EXPENSES AND ACCRUED INCOME

kEUR	2017	2016
Prepaid insurance premiums	66	41
Prepaid rent	94	84
Other prepaid expenses and accrued revenue	0	7
Total	160	132

NOTE PC9 ACCRUED EXPENSES AND DEFERRED REVENUE

kEUR	2017	2016
Provision for salaries, bonus and vacation pay	313	691
Other accrued expenses	2,273	433
Total	2,586	1,124

NOTE PC10 FINANCIAL INCOME AND EXPENSES

kEUR	2017	2016
Interest income	1	92
Exchange-rate gains	3,560	1,669
Other financial income	25	-
Total financial income	3,586	1,761
Interest expense	-8	-2
Exchange-rate losses	-3,367	-1,825
Other financial expenses	0	-881
Total financial expenses	-3,375	-2,708
Net financial items	211	-947

NOTE PC11 APPROPRIATION OF PROFITS

kEUR	
The following earnings are at the disposal of the Annual General Meeting:	
Share premium reserve	273,798
Retained earnings	-20,080
Total unappropriated earnings	253,718

kEUR	
The Board of Directors proposes the following allocation of unappropriated earnings:	
SEK 0.50 per share to be distributed to shareholders	2,994
To be carried forward	250,724
Total unappropriated earnings	253,718

The Board of Directors proposes the dividend is fixed to SEK 0.50 per share equal to EUR 0.05 (based on EUR/SEK 10.2692).

Assurance of the Board of Directors and the President

The Board of Directors and President affirm that the consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS), as endorsed by the EU, and provide a fair and accurate account of the Group's financial position and profit. The Annual Report has been prepared in accordance with the generally accepted accounting practices in Sweden and accurately reflects the Parent Company's financial position and performance. The Board of Directors' Report for the Group and the Parent Company provides a true and fair view of trends in the Group's and Parent Company's operations, financial position and performance, and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group. The income statements and balance sheets will be presented for approval to the Annual General Meeting on 8 May 2018.

Stockholm, 4 April 2018

Lars Marcher
Chairman of the Board

Johan Ek
Board member

Joakim Andreasson
Board member

Maria Carell
Board member

Elisabeth Thand Ringqvist
Board member

Claes Magnus Åkesson
Board member

Asbjørn Eskild
President and CEO

Our auditor's report was submitted on 4 April 2018

Ernst & Young AB

Stefan Andersson Berglund
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Handicare Group AB (publ),
corporate identity number 556982-7115

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Handicare Group AB (publ) except for the corporate governance statement on pages 41-49 for the year 2017 (the financial year). The annual accounts and consolidated accounts of the company are included on pages 26-86 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 41-49. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are

independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of goodwill and intangible assets with indefinite useful lives

Description	How our audit addressed this key audit matter
<p>Per December 31, 2017, the majority of the Group's total assets consisted of goodwill and intangible assets with indefinite useful lives. The majority of the parent company's assets consisted of shares in subsidiaries (hereinafter referred to as assets together with goodwill and intangible assets with indefinite useful lives). The assets are recorded at historical cost and are tested annually for impairment or indications of impairment. An impairment is recorded if the recoverable value of an asset is lower than its carrying value.</p> <p>The recoverable value of the assets is based on the Group's future opportunity and ability to sell products and services on the market and in that way generate cash flows. The company's assessment of the recoverable amount as at December 31, 2017 is therefore based on the company's internal forecast of future cash flows. The assessment include, among other, discount rates and growth rates.</p> <p>With respect to the value of assets in relation to the Group's and parent company's total assets and the uncertainty connected with the assessments of the recoverable amount, we have determined the valuation of the assets as a key audit matter in our audit.</p>	<p>We have in our audit evaluated the forecast of future cash flows, which includes the growth rate at which the company based its valuation models. The internal forecast was evaluated for reasonableness in comparison with our knowledge of the Group's business and historical information as well as the Company's past accuracy in developing forecasts. We have in our audit been assisted by our internal valuation specialists in the evaluation of the valuation model and sensitivity analysis prepared by the Company.</p> <p>Refer to note 1, 2 and 10 for the Company's description of the assets and impairment tests. We have assessed whether the disclosed information is suited for the purpose.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-25 and 90-94. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Handicare Group AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's

profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 41-49 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm with Stefan Andersson-Berglund as auditor in charge was appointed as auditors of Handicare Group AB by the general meeting of the shareholders on the 28th of April 2017 and has been the company's auditors since the 29th of September 2014. Handicare Group AB (publ) has been a public interest entity since October 10th, 2017.

Stockholm, 4 April 2018
Ernst & Young AB

Stefan Andersson-Berglund
Authorized Public Accountant

Definitions

Handicare uses certain alternative performance measures (APMs) not defined in the rules for financial reporting adopted by Handicare. The purpose of these APMs is to provide a better understanding of how the business develops. These APMs, as defined, cannot be fully compared with other companies' APMs.

Alternative performance measures	Definition	Reason for use
Gross margin	Gross profit as a percentage of revenue.	This measure is used by Group management to monitor the return on direct manufacturing costs.
Gross profit	Revenue less direct costs (direct material, direct labour and freight costs) for the manufacture and sale of products.	This measure is used by Group management to monitor the contribution for covering indirect costs.
EBIT margin	Operating profit (EBIT) as a percentage of revenue.	Handicare believes that EBIT margin, together with revenue growth, is a useful measure for monitoring value creation.
EBITA	Earnings before interest, tax and amortisation.	Handicare believes EBITA shows the profit generated by the operating activities.
EBITA margin	EBITA as a percentage of revenue.	Handicare believes that EBITA margin, together with revenue growth, is a useful measure for monitoring value creation.
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Handicare believes EBITDA provides an understanding of operating earnings generated by the business, regardless of how it is funded.
EBITDA margin	EBITDA as a percentage of revenue.	Handicare believes that EBITDA margin, together with revenue growth, is a useful measure for monitoring value creation.
Expansion CAPEX	Investments (capital expenditure) in tangible and intangible fixed assets related to automation of production and the new ERP system.	Expansion capital expenditure provides a picture of discretionary growth investments that are not expected to occur on an annual basis in subsequent years.
Capital expenditure (CAPEX)	Investments in both tangible and intangible fixed assets, excluding financial assets.	Handicare uses capital expenditure as a figure for showing the total investments in operating assets.
Adjusted EBITA	EBITA excluding other specified items Other specified items cover transaction costs, integration costs, restructuring costs, IPO costs, recall costs, mobility costs and other efficiency projects.	Handicare believes that Adjusted EBITA is a useful measure for showing the company's profit generated from operating activities and monitors adjusted EBITA as the main measure of profit and loss for the company.
Adjusted EBITA margin	Adjusted EBITA as a percentage of revenue.	Handicare believes that Adjusted EBITA margin is a useful measure for showing the company's profitability generated by operating activities.
Adjusted EBITDA	EBITDA excluding other specified items Other specified items cover transaction costs, integration costs, restructuring costs, IPO costs, recall costs, mobility costs and other efficiency projects.	Handicare believes that adjusted EBITDA is a useful measure for showing the company's profit generated by operating activities.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of revenue.	Handicare believes that the adjusted EBITDA margin is a useful measure for showing the company's profitability generated by operating activities.
Adjusted operating cash flow	Cash flow from operating activities (including changes in working capital) excluding other specified items. Other specified items cover transaction costs, integration costs, restructuring costs, IPO costs, recall costs, mobility costs and other efficiency projects.	Adjusted cash flow from operating activities is used to monitor the cash flow of operations, regardless of financing structure.
Adjusted operating cash flow/Adjusted EBITDA	Adjusted operating cash flow from operating activities as a percentage of Adjusted EBITDA.	Adjusted operating cash flow from operating activities/Adjusted EBITDA is used to monitor the yield on working capital and investments.

Alternative performance measures	Definition	Reason for use
Constant currency	Translation of the preceding period at the average exchange rates for the current period.	Improves comparability of revenue between periods.
Net debt	Interest-bearing liabilities less cash and cash equivalents.	Net debt is a measure showing the company's total indebtedness.
Net debt/adjusted EBITDA	Interest-bearing net debt in relation to adjusted EBITDA.	Handicare believes that this measure helps show financial risk and is useful to Group management for monitoring the company's level of indebtedness.
Organic growth	<p>Organic growth refers to revenue growth excluding (i) growth related to acquisitions and divestments and (ii) growth related to fluctuations in currency exchange rates. Average organic growth is calculated as the sum of organic growth during the relevant periods divided by the number of periods measured. The various components of organic growth are calculated as follows:</p> <p><i>Acquisitions and divestments</i> Represents how acquisitions and divestments completed during the relevant period have affected reported revenue.</p> <p>To estimate the impact of acquisitions on the actual change in revenue, revenue contributions from acquired entities for the current period are subtracted from total revenue for the current period. For example, the effect of a business that was acquired on 30 September in a particular year represents the contributions to revenue from the acquired business in the fourth quarter of that year.</p> <p>To estimate the impact of divestments on the actual change in revenue, the revenue of the divested entities in the current period and in the comparative (prior) period, respectively, is subtracted from total revenue for the current period and for the comparative (prior) period, respectively.</p> <p><i>Currency exchange rate fluctuations</i> Represents how the reported revenue has been affected by the conversion of revenue generated in currencies other than EUR (which is the Group's reporting currency) when exchange-rate differences occur between the relevant period and the corresponding period for the previous year. Revenues in different currencies other than EUR for the comparative (prior) period are converted using the applicable exchange rate of the current period to eliminate, for the relevant periods, the effect of exchange rate fluctuations on total revenue between the periods.</p>	Organic growth is used by Handicare to monitor the underlying development of revenue between different periods at constant currency and excluding the impact of any acquisitions and/or divestments.
Equity/assets ratio	Equity in relation to total assets.	Handicare believes this is a good measure for showing the proportion of total assets financed by equity, and is used by Group management to monitor the company's long-term financial strength and ability to withstand losses.
Maintenance CAPEX	Investments (capital expenditures) in tangible and intangible assets required to maintain the functionality and efficiency of such assets.	Maintenance capital expenditure provides a picture of the ongoing requirement for investments to continue the current operations.

Below is a reconciliation of the significant alternative performance measures Handicare uses.

MEUR	2017	2016
Revenue	284.3	244.7
Direct material	-128.0	-116.4
Direct labour	-25.3	-21.5
Freight (inbound/outbound)	-10.0	-6.9
Gross profit	121.1	99.8

MEUR	2017	2016
Operating profit/loss (EBIT)	14.0	-4.4
Amortisation and impairment of intangible assets	5.0	3.4
Other specified items	7.1	18.2
Adjusted EBITA	26.2	17.2
Depreciation and impairment of tangible assets	3.5	3.5
Adjusted EBITDA	29.7	20.7

MEUR	2017	2016
Cash flow before changes in working capital	21.0	0.0
Income tax paid	0.4	0.7
Net interest income	-16.4	-12.9
Net financial items in profit or loss	17.6	16.1
Other non-cash items	1.7	-0.1
Divested operations	-	-
Other specified items	7.1	18.2
Divested operations	-1.7	-1.4
Adjusted EBITDA	29.7	20.7

Change in working capital	-12.4	5.6
Net investment in tangible/intangible assets	-5.6	-11.1
Adjusted operating cash flow	11.6	15.1

MEUR	2017	2016
Restructuring costs	1.9	5.4
Transaction costs	0.1	4.0
Integration costs	0.4	3.6
Recall costs	-	3.1
IPO costs	4.8	1.2
Mobility costs	-	0.3
Other efficiency projects	-0.0	0.6
Other specified items	7.1	18.2

Prism, MEUR	2017	2016
Revenue	49.6	15.6
Adjusted EBITA	6.3	0.4
EBIT	3.6	-4.8

The Annual General Meeting of Handicare Group AB (publ) will be held at 1:00 p.m. on Tuesday, 8 May 2018 at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm.

PARTICIPATION

Shareholders wishing to participate must:

- Be included in the shareholder's register maintained by Euroclear Sweden AB as of 2 May 2018.
- Notify their attendance to the company not later than 2 May 2018, at which point the number of assistants (maximum of two) must be stated.

NOTIFICATION

Notification may be made:

- By post, Handicare Group AB, c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden.
- By telephone, +46 8 402 91 81 weekdays between 9:00 a.m. and 4:00 p.m.
- Via www.handicaregroup.com.

When registering, the shareholder must indicate their name, personal ID or corporate registration number, address, and telephone number as well as their shareholding. The information submitted during registration will be processed and used only for the 2018 AGM. If participation is by virtue of power of attorney, this must be submitted to Handicare, prior to the AGM.

SHARES HELD IN TRUST

Shareholders who have registered their shares in the name of a trustee must temporarily register the shares in their own name in order to participate in the AGM. For this registration to be entered into the shareholder's register on 2 May 2018, the shareholder must request that the trustee carry out a registration of this kind well in advance of that date.

DIVIDEND

The Board of Directors has proposed a dividend for 2017 financial year of SEK 0.50 per share, with 11 May 2018 as the record date. If the AGM resolves in accordance with this proposal, distribution of the dividend is expected to take place from Euroclear Sweden AB on 16 May 2018.

Interim report January–March	8 May 2018
Annual General Meeting	8 May 2018
Interim report January–June	14 August 2018
Interim report January –September	24 October 2018

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Handicare Group AB (publ)
Ingmar Bergmans gata 4
SE-111 34 Stockholm, Sweden
Tel: +46 (0)8-557 622 00
www.handicaregroup.com