



Annual Report **2019**

Handicare in brief

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MAKING EVERYDAY LIFE EASIER

WHAT

Handicare offers solutions to increase the independence of disabled or elderly people, and to facilitate for their care providers and family.

Our offering encompasses a comprehensive range of curved and straight stairlifts, transfer, lifting and repositioning aids, vehicle accessibility products.

TO WHO



75%

For care in the home, "Homecare"



25%

For hospitals and institutions, "Institutional"

WHERE

We are a global company with sales in more than 20 countries. Our head office is located in Stockholm, Sweden, and sales are conducted through our own sales offices in Europe and North America as well as

through distributors and dealers around the globe. Manufacturing and assembly are located at our five facilities distributed across North America, Asia and Europe.

NORTH AMERICA

25%
22%

Share of Sales
Share of Employees

EUROPE

73%
75%

Share of Sales
Share of Employees

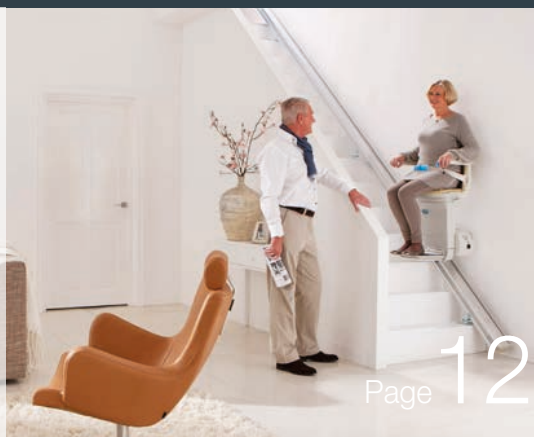
REST OF THE WORLD

2%
3%

Share of Sales
Share of Employees

ACCESSIBILITY

Accessibility manufactures, installs and services curved and straight stairlifts. We also have products and solutions for vehicle conversion.



2019 IN BRIEF

- Revenue increased 0.5 percent to MEUR 271.0 (269.8).
- Organic growth was 1.1 percent.
- The adjusted EBITA margin was 7.8 percent (7.7%).
- Adjusted operating cash flow amounted to MEUR 13.6 (17.2).
- Launch of the 1100 stairlift in North America and the UK
- Stable progress in Patient Handling Europe and continued challenges in North America.
- The business unit Puls was divested in May and Handicare Auto A/S (a part of Accessibility) was divested in December.
- In order to expose Handicare's underlying values, the Board initiated a review of different strategic alternatives for the company in October 2019.
- The Board of Directors has decided to withdraw the previously communicated proposal to the Annual General Meeting of 0.07 EUR dividend per share due to the current uncertainties around the Covid-19 pandemic.

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.

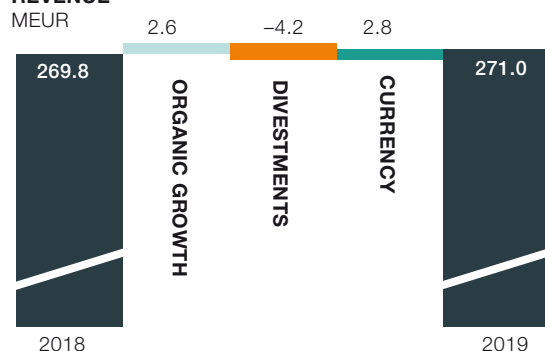


KEY FIGURES

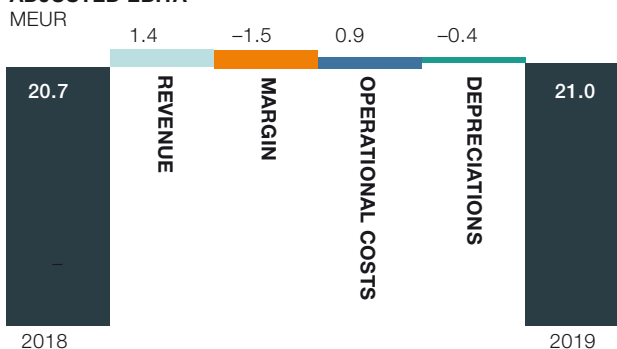
MEUR	2019	2018
Revenue ¹⁾	271.0	269.8
Adjusted EBITA ¹⁾	21.0	20.7
Adjusted EBITA margin, % ¹⁾	7.8%	7.7%
Net profit/loss for the year (incl discontinued operations)	2.3	11.4
Earnings per share before and after dilution, EUR	0.04	0.19
Adjusted operating cash flow ¹⁾	13.6	17.2
Net debt/Adjusted EBITDA, times ¹⁾	2.6	3.3
Dividend per share, EUR ²⁾	–	0.05

1) Alternative Key Performance Indicators. See page 95-97 for definition
2) Board proposal

REVENUE



ADJUSTED EBITA



CEO's Comments

DEAR SHAREHOLDERS,

It's with mixed feelings that I'm summarizing 2019. We've worked hard to improve our operational platform and to rationalize our processes. Continued challenges in Patient Handling in the US meant that we didn't achieve satisfactory organic growth or profit. Organic growth reached 1.1 percent and the adjusted operating margin was 7.8 percent, which represented a marginal increase on 2018. This was a clear disappointment as our target was far more ambitious. The disappointment was accentuated by the fact that our sharp operational focus has strengthened the company. The purpose of these comments is to outline the changes that occurred in 2019 and to provide clarity to our future potential.

We started 2019 with the ambition of delivering stable organic growth and improved margins. We saw considerable potential to further strengthen Stairlifts' leading market position and to turn around Patient Handling's negative development. A large proportion of the actions related to increasing the focus on quality and the customer experience in combination with rationalization measures. This led to concrete programs of measures adapted to the various operational segment's opportunities and challenges. Overall, the measures mainly related to clarifying responsibility for results and improving follow-up systems. We also saw the need to improve our incentives structure to ensure a committed and loyal reseller chain, committed to work extensively with our offering and play an active part in launching new products.

The customer survey carried out in the first quarter clearly confirmed Handicare's leading position in Accessibility and Patient Handling. Customers reported that we have an attractive product offering, a strong geographical presence and a reasonably priced product range. The survey also indicated some areas for further improvement that we've incorporated into our program of measures: These include the customer experience and service quality, while the breadth of our offering could also be improved further.

The program of measures has had a positive impact on the Stairlifts business, Patient Handling Europe and Canada, while Patient Handling USA continued to make negative progress due to ineffective management. After the summer, it became clear that the operations were not gathering momentum and we were forced to carry out another organisational restructuring which involved engaging our Canadian management team in implementing a similar program of measures to the one that's generated positive results in Canada. We now have a well-functioning organization in place in the US and progress is heading in the right direction, albeit with a lag of 9-12 months.

Despite continued challenges in Patient Handling in the US, we've advanced our positions during the year and have built a solid platform for future profitable growth.

Change processes clearly illustrate how your staff actually work, and I'm impressed by how the organization has rolled up its sleeves and continued to solve task after task. We now have a markedly different level of engagement throughout the organization and are seeing signs of increased sales activity, deepened customer relations and commitment, and improved product and service quality. We still have scope for increasing our operational efficiency, and our new working methods have created the right conditions for further improvements.

LOOKING AHEAD

To ensure increased transparency looking ahead, we have divided the company into three segments: Accessibility, Patient Handling and Vehicle Accessibility. The three segments face different opportunities and challenges, which is also reflected in their respective plans for 2020.

Accessibility (the Stairlift business) is the star performer and has returned strong organic growth and improved profitability. The long-term market trends favor Accessibility, and the goal is to outgrow the market with increased profitability. Growth will be both organic and through complementary acquisitions. Product development is a key driver of continued organic growth, which resulted in the successful launch of our latest stairlift, the 1100. We are allocating increased resources to research, development and quality control. Innovation allows us to contribute to improving people's opportunities to continue to live their lives at home.

Patient Handling also has a strong brand, but has lost confidence and market share for a number of years due to ineffective management. The pieces of the puzzle are now starting to fall in place, and we now have the platform needed to turn things around. Progress in Canada and Europe is heading in the right direction and we're now mainly focusing on turning the US operations around, particularly the business focusing on hospitals and long term care institutions. A key improvement that's taken place is that our sales staff now offer the full product portfolio, to extend our offering to win an increased share of our customers business. It's taking time

for the sales process to become effective, although we're seeing signs of increased customer dialog and interest.

Vehicle Accessibility, excluding divested operations, is the market leader in Norway and comprises 8 percent of Group sales. Vehicle Accessibility's market growth is low, and looking ahead we're focusing on increased operational excellence and growing into market segments where our competences and service quality provide a competitive advantage.

Strategic review continues

Initially, our ambition was to grow through complementary acquisitions, but following the Board's decision to carry out a strategic review, the focus has shifted towards clarifying the strategic focus, and we divested our shares in Handicare Auto A/S (Vehicle Accessibility Denmark) in the fourth quarter. The divestment generated a capital loss of MEUR 9.3, but also freed up resources that can be invested in developing strategic areas with more potential to deliver sustainable and profitable growth.

As we've previously communicated, the strategic review continues, and we'll be providing updates as soon as new material information emerges.

Continued focus to make our customers' everyday lives easier

Handicare now has a stronger operational platform. We have clear long-term goals and a clear understanding of what's required to achieve them. We're seeing positive signs in the operations, and I would like to thank all our committed and competent employees who work hard to make our customers' everyday lives easier. With their commitment we're building a sharper and more focused Handicare – ready to deliver on our long-term goals.

Update regarding coronavirus

When I wrote this CEO's Statement at the end of February, I couldn't have imagined that I would be dealing with the effects of a pandemic and an unprecedented economic crisis. The world is at war - against a virus. In just a few weeks, the corona virus has spread across the globe, and nation after nation has imposed far-reaching and historic measures to halt the spread of the virus. The measures have largely affected the markets where we have significant operations and in particular our customer groups in Accessibility. Given recent progress, we consider that there is very high risk of extensive disruption to sales and installations of stairlifts. The Patient Handling operations in North America have also been affected by a number of postponed installations. For other operations in Patient Handling and Vehicle Accessibility, we assess that



the risk of disruption is lower as homecare and mobility products do not require the same type of customer interaction. Our assessment is that the current situation will lead to more healthcare being provided directly in the home as an important measure aimed at minimizing the risk of infection, and offloading healthcare services. Given the speed of current developments, the future is hard to predict, although in these uncertain times it is also important to remember the fundamentals: Demand for our products and services are driven by long-term structural growth. We have world-leading products and a very strong brand. In addition, there is a very strong collective interest in rebuilding a society in economic growth as quickly as possible and collaboratively. Right now, we need to ensure that the elderly and sick survive the acute crisis.

Stockholm, Sweden, March 2020

Staffan Ternström
CEO and President

Business model

MISSION:

MAKING EVERYDAY LIFE EASIER

RESOURCES

OPERATIONS

- Carefully selected suppliers
- Local presence in eleven countries
- Five production and assembly plants and twelve workshops
- Capital expenditure on product development

FINANCIAL CAPITAL

- 274 MEUR in capital employed

HUMAN CAPITAL

- About 1,050 employees.
- Specialist competence

RELATIONSHIP CAPITAL

- Close collaboration with suppliers
- Close collaboration with dealers
- Close customer relationships
- Strong corporate culture

STRATEGIC PRIORITIES



PROFITABLE GROWTH

[Read more on page 7](#)



PROFITABILITY

[Read more on page 7](#)



DEVELOP PRODUCT AND SERVICE OFFERING

[Read more on page 8](#)



EMPLOYEES

[Read more on page 8](#)



SUSTAINABLE BUSINESS OPERATIONS

[Read more on page 16](#)

CORE VALUES

INTEGRITY, COMMITMENT, RESPECT, PASSION, OPENNESS

BUSINESS CONCEPT

Through continuous product development, efficient production and distribution, Handicare offers products and solutions that improve the quality of life and increase independence for the elderly and 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.

OFFERING**ACCESSIBILITY****STAIRLIFTS AND VEHICLE ACCESSIBILITY**

[Read more on page 10](#)

PATIENT HANDLING**PRODUCTS AND SOLUTIONS FOR
PATIENT TRANSFERS AND AIDS
FOR BATHROOM SAFETY**

[Read more on page 12](#)

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

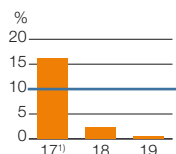
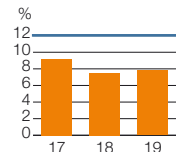
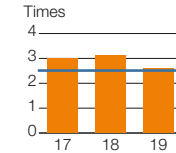
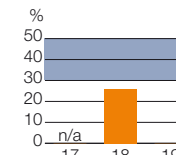
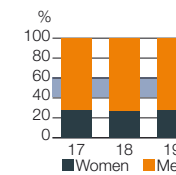
- Jobs
- Contribute to increased quality of life for people with disabilities; increased mobility
- Make it possible for people to live at home longer
- Contribute to better health and safety and fewer work-related injuries
- Cost-effective healthcare

SHAREHOLDERS

- Long-term, sustainable investment
- Dividends

ESS TO CHANGE

Goals

	GOAL	WHY	RESULT 2019												
GROWTH															
 <table><caption>Average annual growth (%)</caption><tr><th>Year</th><th>Growth (%)</th></tr><tr><td>17¹⁾</td><td>~15</td></tr><tr><td>18</td><td>~2</td></tr><tr><td>19</td><td>~1</td></tr></table>	Year	Growth (%)	17 ¹⁾	~15	18	~2	19	~1	<p>Average annual growth of 10 percent, of which 4–6 percent organic, in the medium term.</p> <p>1) Prism was acquired towards the end of 2016.</p>	Shows our ability to leverage our strengths and presents a picture of our competitiveness.	Revenue increased by 0.5 percent. Organic growth amounted to 1.1 percent.				
Year	Growth (%)														
17 ¹⁾	~15														
18	~2														
19	~1														
PROFITABILITY															
 <table><caption>Adjusted EBITA margin (%)</caption><tr><th>Year</th><th>Margin (%)</th></tr><tr><td>17</td><td>~9</td></tr><tr><td>18</td><td>~7</td></tr><tr><td>19</td><td>~8</td></tr></table>	Year	Margin (%)	17	~9	18	~7	19	~8	Adjusted EBITA margin exceeding 12 percent in the medium term.	Measures our ability to cover operating expenses and to generate profit.	The adjusted EBITA margin was 7.8 percent.				
Year	Margin (%)														
17	~9														
18	~7														
19	~8														
CAPITAL STRUCTURE															
 <table><caption>Leverage (times)</caption><tr><th>Year</th><th>Leverage (times)</th></tr><tr><td>17</td><td>~2.5</td></tr><tr><td>18</td><td>~2.5</td></tr><tr><td>19</td><td>~2.5</td></tr></table>	Year	Leverage (times)	17	~2.5	18	~2.5	19	~2.5	Leverage of approximately 2.5 times net debt/LTM (last 12 months) adjusted EBITDA, with flexibility for strategic activities.	Shows dependence on external financing and our ability to pay liabilities over the long term.	Net debt/LTM adjusted EBITDA amounted to a multiple of 2.6 at 31 December 2019.				
Year	Leverage (times)														
17	~2.5														
18	~2.5														
19	~2.5														
DIVIDEND															
 <table><caption>Dividend (%)</caption><tr><th>Year</th><th>Dividend (%)</th></tr><tr><td>17</td><td>n/a</td></tr><tr><td>18</td><td>~25</td></tr><tr><td>19</td><td>~25</td></tr></table>	Year	Dividend (%)	17	n/a	18	~25	19	~25	Pay 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.	Shows our ability to generate returns for shareholders.	The previously communicated proposal is withdrawn due to uncertainties around Covid-19. The Board has the ambition to convene an Extraordinary General Meeting in the second half of 2020 to decide on the dividend.				
Year	Dividend (%)														
17	n/a														
18	~25														
19	~25														
EMPLOYEES															
 <table><caption>Employee Gender Distribution (%)</caption><tr><th>Year</th><th>Women (%)</th><th>Men (%)</th></tr><tr><td>17</td><td>~25</td><td>~75</td></tr><tr><td>18</td><td>~25</td><td>~75</td></tr><tr><td>19</td><td>~25</td><td>~75</td></tr></table>	Year	Women (%)	Men (%)	17	~25	~75	18	~25	~75	19	~25	~75	We will be an inclusive workplace and provide equal opportunities for everyone. We promote an equitable gender distribution; the proportion between genders will be 40/60 percent or even more equitable.	Companies with greater ethnic diversity and equality have greater opportunities to increase their revenue than average companies.	At 31 December 2019, 28 percent of the employees in the Group were women. In Group management and its direct reporting, the share of women was 28 percent.
Year	Women (%)	Men (%)													
17	~25	~75													
18	~25	~75													
19	~25	~75													
SUSTAINABILITY															
	In 2030, 80 percent of the material used in our products will be sustainable and 80 percent of the material will be recyclable.	Shows how we can promote a reduced environmental impact.	The work is in progress to identify sustainable and recyclable material in our products.												

PROFITABLE GROWTH



Handicare will increase its profitability, both organically and through acquisitions. Organic growth will occur primarily through continuous streamlining of operations, introducing new products, geographical expansion and capitalizing on opportunities to increase our presence in North America. At the same time, we pursue an active acquisition agenda.

Priorities — organic growth

The Commercial Excellence strategy is a strategic platform for creating organic growth from existing and new customers, new markets, and new products and solutions. It focuses on:

- the creation of a more efficient, commercial customer- and market-oriented organization;
- the implementation of commercial initiatives to introduce a Group-wide and uniform structure for our sales teams, sales engineers and pricing structures; as well as
- geographical expansion, including an increased focus on products and markets with higher margins, through an extended distribution network.

We will continue to refine the organization in order to increase efficiency and sharpen our customer focus.

Our presence on existing mature markets will expand through the creation of deeper partnerships with distributors and by supporting their efforts to promote more business. We invest in geographical expansion by establishing a local presence in new regions such as Asia Pacific and Eastern Europe.

To further customize our offering, we have divided the US sales organization into two sections: Institutional and Homecare. Institutional serves hospitals and institutions with lifting and transfer solutions, while Homecare offers dealers stairlifts as well as lifting and transfer solutions. By shifting the sales focus from ceiling lifts towards offering the entire product portfolio, we are strengthening our position on the US market.

Priorities — acquired growth

Since the market comprises only a few major competitors and is otherwise highly fragmented, acquisitions are an important part of Handicare's long term growth strategy. We acquire companies that meet at least one of our three key criteria:

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



Handicare 1100, less intrusive and with no gear rack. A unique Handicare product with patented technology which combines the best in style, design and safety features.

PROFITABILITY



Handicare has a well-invested and scalable business model that provides positive conditions for sustainable operational efficiency and healthy profitable growth. We optimize our pricing structure on the basis of the following three components:

- value-based pricing;
- differentiated pricing for dealers; and
- optimized pricing structures and policies.

Priorities

To lower costs and strengthen margins, we are further enhancing the efficiency of production by inventorying our product program and refining the number of product platforms.

To maximize the opportunities offered by our comprehensive distribution channels and customer contacts, we are optimizing our offering to specific customer segments.

A "best-practice" program was launched in 2019. The program includes developing transparent and comparable key figures for benchmarking among various parts of our operations. This way, we draw lessons from what works well and can implement this in other parts of the organization. Continuous improvements are and will remain an integral part of Handicare's culture.



Photosurvey4D, a quick and easy staircase measurement tool.

PRODUCT AND SERVICE OFFERING



We are working to introduce innovative and relevant solutions in our product and service offering. Without exception, all product development is based on customer needs. During the year, we implemented a Global Product Development Process to ensure that we are launching a competitive product and service program with an efficient development process.

Priorities

A key aspect of our product development is sustainability and we work continuously to increase the share of sustainable and recyclable materials in our products.

EMPLOYEES



To reinforce our leading position, we need to attract the best employees. We aim to be an attractive employer by offering inspiring and challenging work, the ability to influence assignments, and providing opportunities for personal and professional development. Decentralized accountability is a cornerstone of Handicare’s management approach. Continuous further training opportunities are key, as is the dissemination of best practice.

Priorities

We value diversity amongst our employees, since we believe it promotes good dynamics and profitability. We have Group-wide policies relating to equal opportunities, diversity and remuneration.

Maintaining our customer focus is key to our progress, and we strive to embed a customer-oriented approach throughout the organization, from customer service to technical service and installation. Employee surveys are conducted regularly, and the results form the basis for clearly communicated action plans.

Understanding how external factors impact the market, and the challenges and opportunities these entail for Handicare's operations and our ability to improve and create value, is critical to our competitiveness in terms of meeting the end users' requirements.

Our main markets are characterized by relatively high entry barriers, which favor established companies such as Handicare. It takes global size and specific skills to manage different and sometimes complex market channels, such as direct sales, dealers, public authorities and purchasing organizations.

Increased consolidation in the care sector has resulted in large-scale care operators, where purchasing increasingly takes place in central purchasing functions. This leads to price pressure, which increases the challenges faced by smaller operators with a narrower product range, and benefits suppliers with a history of reliable and high-quality products and solutions.

In order to reach end customers and build up a product base in different product areas and on different markets also requires an extensive network of resellers and distributors.

The end users' immediate needs benefit companies that offer short delivery times, which in turn requires a streamlined and flexible manufacturing process.

Compliance with regulatory requirements is another barrier to entry, as medical device products, including products for patient handling, stairlifts and vehicle conversion products, are subject to official regulations in many parts of the world, such as by the USA, EU, EES.

Accessibility

MARKET VALUE 2019

MEUR **810**

Patient Handling

MARKET VALUE 2019

MEUR **1,160**

DRIVERS

Growth in ageing population

By 2050, the proportion of persons aged 60 and over is expected to more than double in size from 2016, reaching nearly 2.1 billion, according to the United Nations.

→ A higher proportion of elderly people generates 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.

→ This leads 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.

→ This leads to an increased need for Handicare's products and solutions.

Increasing preference to stay at home longer

An increasing number of people with care needs are wanting to remain in their homes for as long as possible.

→ These factors drive demand for our homecare products.

Savings requirements in public care services

Limited resources and a growing proportion of elderly people in the population are leading to calls for savings and demand for more efficient solutions in public care services.

→ These factors increase demand for our homecare products.

Increased care costs

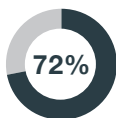
Care costs per capita have risen and are expected to rise further. Many care systems in the world are trying to restrict costs by applying various types of measures. One such measure is to move patients to care in their home environment as soon as possible and also to make it easier for people to live at home for longer.

→ Handicare's products for patient handling contribute to reducing health care costs on several levels:

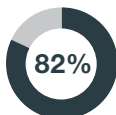
- Reduced number of days required for a hospital stay, for example, by decreasing the incidence of pressure ulcers.
- Reduced number of sick leave days taken by care providers who suffered injuries while handling patients.
- Reduced ancillary staff requirements.
- Reduced number of patient injuries caused by transfers.

Accessibility

SHARE OF REVENUE



SHARE OF ADJUSTED EBITA¹⁾



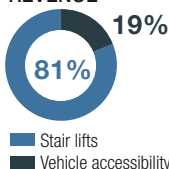
SHARE HOMECARE



SHARE INSTITUTIONAL



REVENUE



Accessibility offers stairlifts, as well as installation and service. We also offer 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 used to be mainly on curved stairlifts, which are specially adapted to follow the shape of the staircase. These require careful measurement, design and manufacture and are thus more expensive and have higher margins. Towards the end of 2018, we launched a new straight stairlift (model 1100) which strengthened our position in straight stairlifts in 2019. We also offer installation and after-market service.

Most users tend to start searching for a solution when an immediate need arises. Handicare can offer very short lead times thanks to our proprietary software solution, Photo-Survey 4D and Vision App. This solution means that an image of the end result can be produced during the customer visit, and information can be transferred automatically to our factories, for use in production.

Vehicle Accessibility

The products and solutions for vehicle conversion provide people with disabilities enhanced independence outside the care and home environment. The operations mainly relate to vehicle conversion, but we also sell vehicle products for people with special needs. Other than cars, minibuses and buses, we also convert ambulances, fire engines and police cars.

The products Handicare offers includes 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.

DRIVERS

Growth in the ageing population, in combination with an increased desire to remain in their own homes, drives the market.

EVENTS DURING THE YEAR

For stairlifts, the year was characterized by the continued roll-out of the 1100, mainly on the important North American market. We have also divested Vehicle Accessibility Denmark, which comprised approximately half of Vehicle Accessibility's revenue.

PRIORITIES

In 2020, we continued to focus on organic growth and improved margins. Through our commercial excellence program, we're continuing to drive and develop our loyalty program for Dealers. We are continuing the launch of the 1100 to strengthen our market share in the straight stairlift segment. We have retained our focus on innovation, product development and process improvements, and aim to grow through complementary acquisitions.

Market overview and market share

The market for stairlifts has historically been relatively traditional, with the family members of the end user often having a strong influence on the purchase decision.

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 a leading position in Europe jointly with a few other companies. Handicare's market share is estimated at 20–25 percent.

Our main markets for stairlifts, where we are also the market leader, are the UK, Germany, the Netherlands, France and Italy. These markets represented the majority of total revenue in Accessibility. The combined market size for stairlifts, including North America, was estimated to amount to MEUR 730 in 2019.

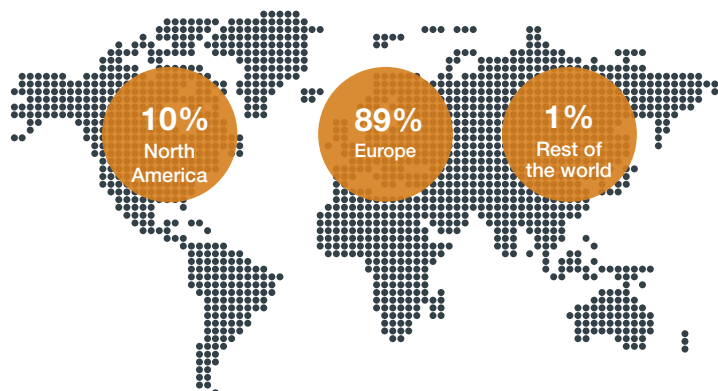
In the US, we are challenging the major players and currently have a relatively low market share of about 8–12 percent, making us the number four in the market. North America currently represents a small share of the business area's revenue, but displays the strongest growth rate.

The market growth on our main markets in Europe is expected to be 2–4% yearly driven by volumes, while the US market is expected to grow by 3–5 percent, driven by a generally lower market maturity than in Europe. Germany, France and Italy are expected to outgrow the European market as a whole.

Our main market for vehicle conversion is Norway. This market is highly concentrated and has remained stable in terms of competition in recent years. Handicare has a 40–45 percent market share in Norway and is the market leader.



REVENUE PER GEOGRAPHY



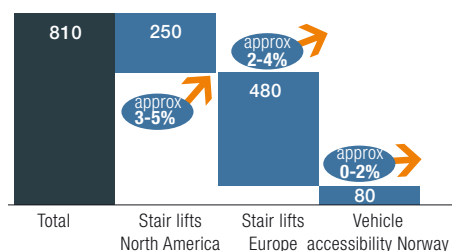
KEY FIGURES

(MEUR)	2019	2018	Change	
			Reported	Organic ¹⁾
Revenue	195.1	189.4	3.0 %	5.5 %
Adjusted EBITA	26.2	25.4		
Adjusted EBITA margin, %	13.5	13.4		
EBITA	26.2	24.3		
EBITA margin, %	13.5	12.8		

1) Adjusted for changes in exchange rates and divested operations.

PRODUCTS

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

MARKET SIZE AND EXPECTED GROWTH¹⁾
ACCESSIBILITY, MEUR

1) Regards Handicare's main markets. Handicare's estimation based on market analysis.

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 end users. Financing is usually through a combination of public funding (such as government subsidies) and private funds (savings or private insurance).

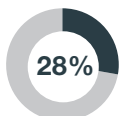
The distribution of this varies between different geographies. The Nordic countries have the largest government funding. The UK and the Netherlands also have a large share of government funding, estimated to approx. 30-35% of the total market.

In the UK and the Netherlands, the government can subsidize a majority of the cost of purchase. 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.

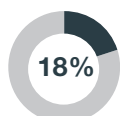
In the vehicle accessibility business, vehicle conversions are primarily sold through a public tender process for approved suppliers. Accordingly, the absolute majority is publicly financed.

Patient Handling

SHARE OF REVENUE



SHARE OF ADJUSTED EBITA¹⁾



SHARE HOMECARE



SHARE INSTITUTIONAL



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 such as body harnesses, sliding sheets and hoisting devices, which are used to facilitate patient mobility, such as lifting and transferring patients. Our broad product offering means that we can provide customized solutions that meet the specific demands of various clinical environments, such as acute care units and pediatric wards. We also provide disposable products which ensure 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.

Bathroom safety

The bathroom safety range includes a wide selection of 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.

DRIVERS

Cost for work-related injuries together with increasing workload in the health care sector are strong drivers for our products in this segment. Further, growth in the ageing population and the increasing prevalence of chronic diseases together with higher life expectancies for patients with chronic diseases drive demand. Many of our aids support health care economics by improving work environments, reduce the number of patient injuries and reducing the need for long-term hospital stays.

EVENTS DURING THE YEAR

Operations in Europe made stable progress in 2019, with new management appointed mid-year. On the North American market, US Institutional (hospitals and other institutional customers) in particular continued to face challenges. During the year, we launched regional sales offices instead of large hubs, focused sharply on commercial excellence and appointed a new management team in November.

PRIORITIES

The focus for 2020 is to return to organic growth in North America. This is driven by the organizational shift towards selling the full product offering, increased sales efficiency, and by focusing on innovation and product development. In addition, will finalize preparations ahead of the new European regulatory framework MDR which becomes effective at the end of May.

Market overview and market share

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 competitors that have a strong presence in selected markets.

Our main markets where we have a strong market position are the US, Canada, UK, the Netherlands, and the Nordics. We have a leading position on our main markets, mainly focusing on small to medium sized hospitals and institutions,

although in Europe the focus is increasingly on home care. In 2019, the size of the main markets amounted to approximately MEUR 1,160. Handicare's market share is estimated at 5–10 percent in Europe and 15–20 percent in North America.

Through local distributors, we also cover other markets throughout the world. North America is the largest market with 66 percent of Patient Handling's sales.

Market growth in Europe is expected to grow at a rate of 2–3 percent per year, while North America is expected to growth of 4–6 percent per year. Market growth is driven by underlying structural

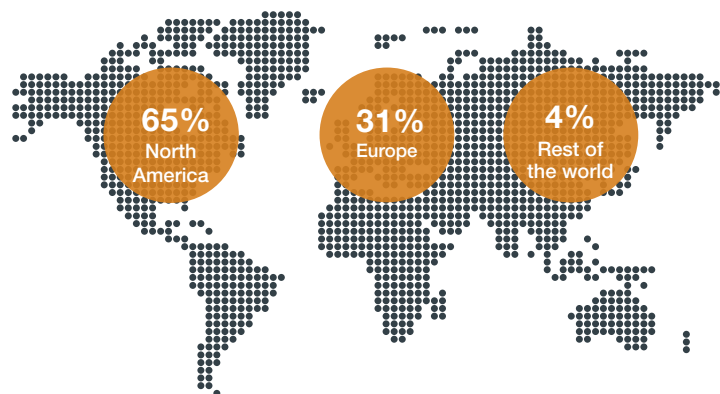
fundamentals, such as an ageing population, increased chronic diseases resulting in decreased mobility and increased focus on caregiver work environment and safety.

Market channels

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.



REVENUE PER GEOGRAPHY



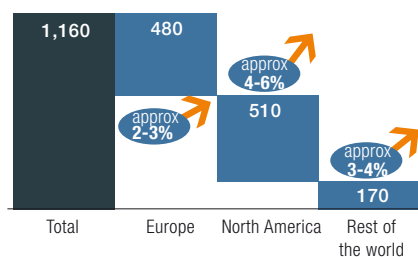
KEY FIGURES

(MEUR)	2019	2018	Change	
			Reported	Organic ¹⁾
Revenue	75.8	80.3	-5.5 %	-8.0 %
Adjusted EBITA	5.8	7.1		
Adjusted EBITA margin, %	7.6	8.8		
EBITA	5.6	5.4		
EBITA margin, %	7.4	6.8		

1) Adjusted for changes in exchange rates and acquisitions.

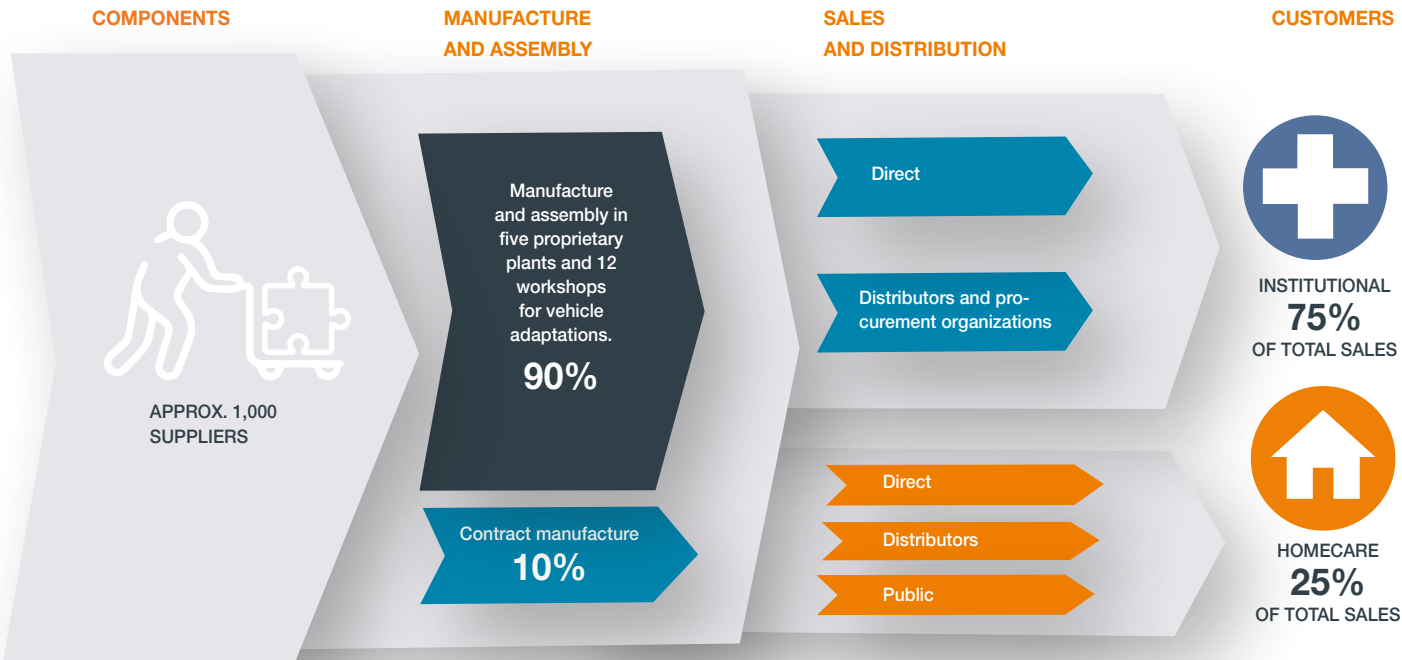
PRODUCTS

	Existing Markets	Distribution channels
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 GROWTH¹⁾
PATIENT HANDLING, MEUR

1) Regards Handicare's main markets. Handicare's estimation based on market analysis.

Manufacturing and distribution



REGULATIONS AND COMPLIANCE

Handicare is subject to regulation by governmental authorities such as the USA, the EU, the EEA and other national and/or local governmental authorities in the countries in which we manufacture and sell our products. The authorities govern regulatory demands on a range of parameters such as testing and manufacture, labelling and documentation. We have established management systems and processes to ensure we follow 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 five manufacturing and assembly facilities. Our stairlifts are manufactured at the facilities located in the Netherlands, the UK and China. Patient transfer and lifting products are manufactured in the US and bathroom products are manufactured in the Netherlands.

After the divestment of Handicare Auto Denmark in December, we now have 12 workshops for vehicle adaptations in Norway.

In 2019, we continued to invest in increased efficiency and long-term sustainability in our manufacturing process. Reduced waste, further improvements in our environmental efforts and increased automation remain key activities. Our production facilities in the UK and the Netherlands have additionally offered recycling and reclamation service for some time.

Capacity utilization at our manufacturing facilities for stairlifts varies between 50 and 60 percent. This is in line with our goal of operating 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 means we could increase manufacturing capacity considerably without significant further capital investment.

SUPPLIERS

Handicare's purchasing function 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 35 percent of the total spend.

To achieve purchasing synergies and mutual benefits, we use a limited amount of suppliers and manage supplier interruption risk with supplier audits and a buffer inventory of key components.

DISTRIBUTION

Distribution is conducted through our distribution centers in the Netherlands, Sweden, the UK and the US.

- The Netherlands serves as a hub for stairlifts for other countries in mainland Europe.
- Our product portfolio for bathroom products is distributed through our own Patient Handling center in the Netherlands.
- The center in the UK serves as a hub for both stairlifts and Patient Handling products in the UK.
- Patient Handling products for other European countries on the Continent 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 distribution centers in Canada (Vancouver and Toronto) and to sales offices and direct to customers in North America.

Key sustainability areas



Sustainability is an integrated part of Handicare's operations. Our products and solutions reduce strain injuries amongst caregivers and our stairlifts allow people to live at home for longer. Our vehicle adaptations increase the quality of life for physically challenged people and help them to live more active lives.

We endeavor to make everyday life easier for the people we collaborate with throughout the value chain and take environmental, social and financial responsibility in the communities where we operate.

In 2017, a dialog with our stakeholders identified the questions that matter most to them. The dialog took the form of an online survey and personal interviews with our customers, dealers, owners, the Board of Directors and employees.

Based on this stakeholder dialogue, Handicare's management has identified the company's key sustainability areas.

Patient safety is always a matter of the highest priority for us, and a pre-requisite for our existence as a company. Handicare is subject to regulation by national and/or local authorities in the countries where we manufacture and market our products.

The task of the authorities is to monitor that applicable legislation in the relevant areas is followed.

Handicare has established a quality management system that ensures the quality of our products and services, and that we follow applicable legislation, regulations and sector standards in the jurisdictions where we have operations.

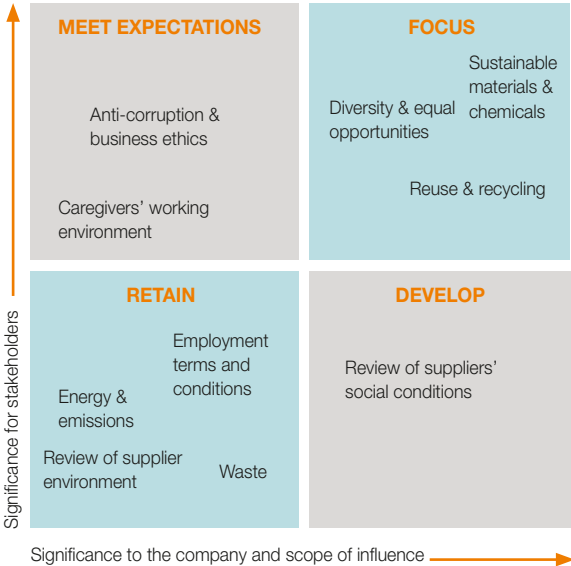
Our sustainability work for the benefit of our stakeholders and the environment is described below.



STAKEHOLDER DIALOG

Stakeholder group	Channel	Key questions
Employees	Monthly newsletter Employee survey Performance review	Competence development Working environment Equal opportunities Diversity
Customers	Meetings Customer support Customer conferences Online forum Training	Offering Quality Engagement Integrity
Suppliers	Tendering Quarterly reviews	Quality Code of Conduct
Community	Charitable organizations Certification bodies (ISO, PCI) Universities and colleges	Laws, regulations and standards Social responsibility an the environment Sustainable business
Shareholders	AGM Financial reports Board meetings Investor meetings	Strategy Financial targets Business ethics

MATERIALITY ANALYSIS





Customers

CAREGIVERS' HEALTH AND SAFETY

Strain injuries are the most common reasons for reported sick leave for both men and women.

In Sweden, some 30 percent of reported work-related injuries in the healthcare sector in 2008-2013 were primarily due to strains. Situations where patients need to be transferred is the key cause of strain injuries amongst care staff.

BETTER TRANSFER TECHNIQUES

A study carried out by a team of researchers in Sweden during 2011-2014 (published in the European Journal of Physiotherapy), showed that of 13,000 employees, an average of 3.5 percent suffer incidents and injuries each year. 10 percent of injuries occur in connection with transferring, lifting and mobilizing patients.

HANDICARE ACADEMY

Our products help reduce workplace injuries caused by transferring, lifting and mobilizing patients in the care sector, although training is also important to ensure our products are used correctly. We hold practical training programs in lifting techniques where we describe different lifting situations.

The goal is to provide knowledge about how to use the products correctly and efficiently to avoid strain injuries, and to demonstrate how patients, depending on ability, can play an active role in their own transfer, which increases their sense of independence.

The people we train in the countries where we are active, then go on to train their colleagues in the workplace. This contributes to reducing strain injuries and costs throughout the care sector, through our products and transfer technique training.



Caregivers' health and safety

Activities in 2019:

1,263 training programs for caregivers.

Goal 2020: Continue to train caregivers in transfer techniques.

Long-term goal: During the next five years, we want to demonstrate the effectiveness of our training and products through training programs and studies that show how to improve health and safety for caregivers.

NUMBERS OF PARTICIPANTS IN TRAINING DURING 2019

Nordic countries	275
United Kingdom	130
Netherlands	55
Canada	265
USA	498
Rest of the world	40



Suppliers

Activities in 2019: All product-related suppliers have undertaken to follow the Code of Conduct for suppliers. 18 of 24 planned supplier reviews were carried out in the year. More than half of the product-related suppliers carried out self-assessments.

Goal 2020: In 2020, we are focusing on ensuring that more of our suppliers sign up for Handicare's Code of Conduct. The Code of Conduct will be updated with demands that we place on our suppliers, who must carry out due diligence for their own suppliers.

Long-term goal: Establish sustainable relations with suppliers who meet the requirements of the Code of Conduct.

Suppliers

Handicare has a global network of suppliers, divided into five categories:

1. Product-related suppliers;
2. Suppliers of complete products (floor lifts e.g.);
3. Suppliers unrelated to products (cleaning services e.g.);
4. Group-internal suppliers; and
5. Not classified (for example, single purchases under EUR 50,000).

Purchases from category 1 and 2 fall within the framework of Handicare's purchasing policy, which also includes our Code of Conduct for suppliers. The Code of Conduct is based on ethical, social and environmental topics and describes our expectations in terms of anti-corruption and ethics; labor standards and human rights; and the environment.

Handicare has close, long-term relations with most of its suppliers and our assessment is that the risk of human rights violations among our suppliers is low, but to ensure that they understand our Code of Conduct and the importance of our expectations, the goal is for all of our product-related suppliers to sign the Code of Conduct.

Category 1 includes 325 product-related suppliers, where 50 percent have committed to comply with Handicare's Code of Conduct for suppliers. Potential breaches of Handicare's Code of Conduct are reported to Group management.

We estimate that approximately 100 out of some 1,000 product-related suppliers are business critical, and have chosen to focus our review on them. All have signed our Code of Conduct and carried out a self-assessment. The goal is to audit all critical suppliers before the end of 2020. Some 18 supplier audits were carried out in 2019. No deviations were found in the supplier reviews, which focused on supplier production, purchasing, the environment, ethics or health and safety.

During 2019, we focused on product-related suppliers that performed a self-assessments under our model. The goal for 2019 was to ensure that at least 50 percent of product suppliers carried out a self-assessment. The outcome was 60 percent.

In 2020, we are focusing on ensuring that more of our suppliers sign Handicare's Code of Conduct. The Code will be updated with new requirements relating to our suppliers who, in turn, must carry out due diligence for their own suppliers.

Transparency regarding our work with suppliers is important, and all standards and documents are published on Handicare's website.





Environment

We strive to conduct our business in an environmentally sustainable manner, for example, by improving efficiency in our production units, and investing in sustainable products, services and technologies. One over-arching environmental goal is to certify all our production units in accordance with ISO 14001. Currently, the factory facilities in Kingswinford and Heerhugowaard have been certified, and the goal is to certify Xiamen and St Louis by 2020.

Handicare is a global group with sales in more than 20 countries, and the company's business travel is another area with significant environmental impact. We want to meet the customers, end users and employees in our business and this gives rise to travel within the group. We endeavor to minimize the amount of air travel and internal meetings are usually held on Skype or by phone. The company's travel policy urges employees to book travel on the basis of the most cost effective and environmentally friendly option. At present, a majority of the business travel of our employees in Sweden and the UK is climate offset, and the aim is to climate offset all of the Group's flights.

At Handicare, we have the greatest environmental impact in locations here we have production, and we have chosen to focus on reducing emissions and energy use, and improving waste management in these production facilities.



REUSE & RECYCLING

By 2030, the goal is for 80 percent of the materials used in our products to be recyclable. To ensure that this goal is met, we have categorized the materials we use in our products and estimate that approximately 50 percent of materials are currently recyclable. For the strategic business unit Patient Handling, we have divided the materials per product category and specified how they should be recycled. Much of the material we use in our products is recyclable, such as steel, aluminum, copper and wood. Battery recycling is also in place in the parts of the world where we conduct sales. However, we need to focus more on plastics, which is harder to recycle and which we use for parts of our products and as a packaging material. The first step is to investigate whether the plastic we use in our packaging can be replaced with a form of bioplastic without compromising functionality. By choosing packing material that is entirely or partially sourced from biomass, we can save fossil resources and reduce greenhouse gas emissions.

In the Netherlands, we have implemented a system for refurbishing stairlift seats and motors, which are then sold as used in the Dutch market. In the UK, we refurbish battery packs and sell them as second hand. A portion of our discontinued transfer and lifting products are donated to the organization Resources Without Borders.

In Kingswinford, the UK, Handicare started a project aiming to reduce the amount of packaging materials and to replace some with more environmentally friendly alternatives. During the year, we changed the packaging material we use for our best-selling stairlift rail, reducing cardboard waste in Kingswinford by 12 percent. During 2019 Handicare started replacing existing foam packaging materials with a more environmentally friendly cardboard alternative.

Reuse & recycling

Activities in 2019: Project aimed at reducing packaging material and replacing it with more environmentally friendly materials, for example recycled materials.

Long-term goal: 80 percent of the material used in our products to be recyclable or reusable.



Sustainable materials and chemicals

Activities in 2019: Initiated evaluating potential switch to environmentally friendly materials.

Long-term goal: 80 percent of the materials used in our products to be sustainable. The next generation products should consume 50 percent less energy during use compared to the 2017 product range.

SUSTAINABLE MATERIALS AND CHEMICALS

One of our over-arching goals is to produce long-term sustainable products. We have collaborated with the University of Guelph in Canada to evaluate which of the plastics we use can be replaced with renewable materials.

We are introducing a new manual for research and development with the aim of eliminating some materials and promote sustainable materials. The goal is for 80 percent of the materials used in our products to be sustainable by 2030.

Another goal that we want to achieve no later than 2030 is to ensure that the next generation of products consume 50 percent less energy during use, compared to the 2017 product line. This mainly pertains to our stairlifts, ceiling lift systems and mobile lifts and is implemented in our global product development process.

Activities in 2019: Replace all lighting with LEDs in the St Louis facilities.

Long-term goal: Reduce environmental impact resulting from production and business travel.

ENERGY, EMISSIONS AND WASTE

In 2019, we reported the Group's energy consumption for the production facilities in Kingswinford, Heerhugowaard and St. Louis, sites where we have the most significant environmental impact.

HEERHUGOWAARD, THE NETHERLANDS

ENERGY	2016	2017	2018	2019
Electricity, kWh	890,501	1,007,618	1,046,945	985,332
kWh per stairlift	89.28	81.84	73.11	66.43

We have continued to improve electricity consumption per stairlift produced in our Dutch factory by an additional 12 percent compared to the figures from 2017. The continued installation of LED lighting in parts of our warehouse and factory facilities was a major contributor to the results. We use 100 percent green (wind) energy in Heerhugowaard.

EMISSIONS	2016	2017	2018	2019
Gas m ³	105,328	108,230	116,357	101,022
m ³ per stairlift	10.56	8.56	8.12	6.81

The continued streamlining of the factory facilities helped improve gas consumption per rail produced by 5 percent year-on-year.

WASTE	2016	2017	2018	2019
Rail parts, kg	39,584	41,032	57,275	59,328
Paper, liters	45,880	54,850	57,319	67,922
Wood, kg	14,760	14,620	31,549	39,893
Other waste, liters	32,134	22,420	27,646	57,758
Aluminum, kg	10,197	3,538	4,089	2,482
Metal, kg	83,573	78,202	102,961	108,078
Batteries, number	628	572	540	416

A total of 152,000 kg of process-related waste was generated in Heerhugowaard in 2019. This is 10 percent more than in 2018 and reflects the significant increase in capacity utilisation at our production facilities. The increase in process-related waste has slowed, and has decreased by 34 percent since 2018 when it was up 44 percent.

We recycle 100 percent of paper, card, wood and foils; 99 percent of all metals and aluminium, as well as 93 percent of batteries. No waste goes to Landfill from Heerhugowaard. Our Heerhugowaard facility in the Netherlands holds ISO 14001 environmental accreditation.

Heerhugowaard

9,000 m²

- Automated production of rails
- Production of complete Freecurve stairlifts

Approximately 70 employees

KINGSWINFORD, UK

100 percent of the UK production units' electricity is from low carbon sources. In 2019, a change in production volumes of more energy-intensive product types caused an 8 percent increase in electricity use per stairlift in the year.

ENERGY	2016	2017	2018	2019
Electricity, kWh	670,129	555,797	555,661	561,079
kWh per stairlift	91.8	72.28	61.18	66.79
Gas, m ³	–	98,751	65,789	49,753
m ³ per stairlift	–	11.3	7.24	5.7

From an initial value of 11.3 m³ per stairlift in 2017, we have substantially increased the efficiency of gas consumption over the past two years, largely due to improvements to the factory layout. The main gas volumes consumed are used to heat the facility, and in 2018 and 2019 we reorganized the plant to reduce the floor area that is heated. Consequently, this reduced our gas consumption per stairlift by 50 percent.

WASTE	2016	2017	2018	2019
Stairlifts, kg	7,300	8,113	9,083	10,536
Paper & Card, liters	33,288	39,996	39,620	33,920
Wood, kg	–	130,000	150,000	164,000
Other waste, liters	2,880	2,760	1,620	1,100
Aluminum, kg	13,110	13,375	17,980	16,720
Metal, kg	156,610	151,647	107,460	167,380
Batteries, number	2,760	2,640	1,875	1,920

Recycling has been a key element of the UK waste management. 75 percent of total waste is recycled.

General mixed waste is sent to a recycling plant which automatically and manually separates recyclable waste. 50 percent of this waste is recycled. Of the remaining 50 percent, half is incinerated in facilities that generate energy from waste.

Production facilities in Kingswinford, the UK, are certified according to ISO 9001, 14001 and 18001.

Vehicle fleet

We identified carbon dioxide emissions from our engineers' vehicle fleet as having a significant environmental impact in the UK. We have worked with our fleet provider to identify lower emission vehicles in connection with replacement over the past 3 years, resulting in a 7 percent average reduction in carbon dioxide emissions.

EMISSIONS CO ₂	2016	2017	2018	2019
CO ₂ emission data (average)	191	187	186	185

Speed limiters are installed in all new commercial vehicles in the factory.

Company cars that are not commercial vehicles currently have an average carbon dioxide level of 100 g/km and 18 percent of these company cars are hybrids.

**Kingswinford**7,500 m²

- Manufacturing of curved stairlifts including assembly (H-series)
- Approximately 70 employees

ST LOUIS, USA

ENERGY	2016	2017	2018	2019
Electricity, kWh	811,840	893,040	978,749	836,160
kWh per product	7.23	7.17	11.7	13.1
Total gas, m ³	75,908	84,953	107,350	41,242
m ³ per product	0.68	0.68	1.28	0.65
WASTE				
Metal, kg	–	–	10,224	9,050
Aluminum, kg	–	–	24,876	26,752

The St Louis production facility has focus on minimizing the environmental impact of our business. Optimizing energy-efficient processes coupled with the installation of energy-efficient LED lighting reduced energy consumption by 15 percent in 2019.

**St Louis**7,500 m²

- Manufacturing and distribution of Patient Handling-products in North America
- Approximately 65 employees



Employees

Diversity and equal opportunities

Activities in 2019:

Carried out work reviews and gender pay gap analysis.

Long-term goal:

Handicare is an inclusive workplace, provides equal opportunities for everyone and has a high percentage of satisfied employees. We work to ensure an even gender distribution.

DIVERSITY AND EQUAL OPPORTUNITIES

Handicare is an inclusive workplace that provides equal opportunities for everyone, regardless of ethnicity, national origin, skin color, language, religion or lifestyle.

These aspects are always taken into consideration in recruitment, salary and terms of employment, and for development opportunities.

Handicare works actively to achieve an even gender distribution throughout the Group. Opportunities for personal and professional development, training and career opportunities are gender-neutral. At the end of the year, the company's staff comprised 291 (28 percent) women and 749 (72 percent) men.

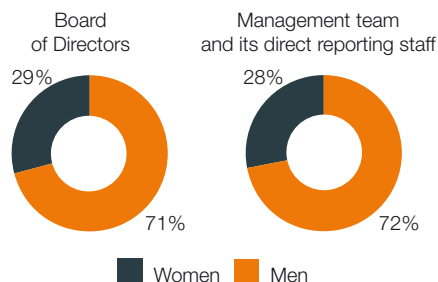
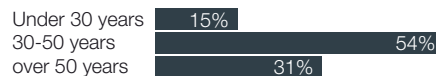
Group management and staff reporting directly to management comprised 28 percent women as of December 31, 2019. Handicare's staff policy is based on equal pay for equal work, which means that men and women receive the same pay, all things being equal.

Gender pay gap analyses are carried out on a site-by-site basis, although we produced a group-wide tool for this in 2019, to facilitate gender pay gap analysis globally. We have also initiated a work task evaluation for 50 senior executives in the company.

Handicare adopts a Group-wide diversity policy that applies throughout the company.

At Handicare, we consider it important that all employees know how they are contributing to the company's goals. All employees in Handicare are included in the performance coaching review (PCR), where the employee and their manager set goals for the year, which are followed up after six months and at the end of the year.

EMPLOYEES, DISTRIBUTED BY GENDER AND AGE



ENGAGEMENT AND WORKING CONDITIONS

We offer a safe and healthy workplace that is continuously improved. We focus on preventative measures to ensure that the number of work-related accidents leading to absences are completely eliminated. Our production units have local goals based on their top-three health and safety topics. Nine workplace-related accidents in production resulting in at least one day of absence were reported in 2019. Preventative measures aimed at avoiding similar accidents have been introduced and the relevant employees have received appropriate training. Handicare's HSEQ committee evaluates the physical working environment to identify potential hazards in the production environment.

We continuously strive to improve the workplace and learn from incidents and accidents by analyzing them and implementing measures to prevent them from occurring in future.

In 2019, we carried out a global employee survey to gain an overall view of how different factors impact our employees from year to year. The results of the employee survey assists us in setting our goals for the coming year. The general goals are to ensure a high percentage of satisfied employees, low employee turnover and that we are positioned as an attractive employer.

During 2019, we produced action plans broken down by task force on the basis of the results of the latest employee survey and focused on implementing these action plans.

Sickness absences per country are presented below, on markets where this data is reported. In the US and Canada, sickness absence is not recognized separately, and no figures for these markets are shown below.

SICK LEAVE PER YEAR, %

Sweden	1.4
Norway	5.0
United Kingdom	2.0
Netherlands	4.0
China	4.0

TERMS OF EMPLOYMENT

Activities in 2019: Follow up on employee survey and produce action plans; implement plans and continuously communicate them to the organization.

Long-term goal: A high percentage of satisfied employees, low employee turnover. Zero tolerance for workplace accidents that lead to absences.

ANTI-CORRUPTION

The foundation of our compliance program is the Code of Conduct, which encompasses ethics, anti-corruption, labor 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. All employees must watch a training video describing the Code's different aspects once per year. It has also been translated to different languages and attached to all new employees' employment contracts.

In addition, employees have been given the opportunity to participate in a webinar about anti-corruption that was held on several occasions during 2019.

The above initiatives mean that 100 percent of Handicare's salaried employees completed or started anti-corruption training in 2019.

The compliance program includes a whistle-blower function. All employees that discover wrongdoing can report this without risk of reprisal or discrimination. The intention is to make it possible to proactively bring up an issue rather than ignoring a problem or seeking an alternative solution outside the company.

Our distributor agreements include the obligation to comply with Handicare's Code of Conduct.

ANTI-CORRUPTION

Activities in 2019: Renewed roll-out of training, 100 percent of employees to have completed or started the training course.

Long-term goal: Prevent corruption through continuous training and transparency.



Social responsibility

Long-term goal: Give back to the communities where we operate.

Social Responsibility

SOCIAL RESPONSIBILITY

It is important for us as a company to give back to the communities in which we operate. We want to do so locally and therefore allow our individual subsidiaries to decide how they want to contribute. Here are some examples.

“Resources Without Borders”

Handicare supports “Resources Without Borders” by donating devices as well as contributing money for sending devices from Sweden to India.

The re-use of devices is an important environmental and financial aspect.

CHARITY WORK IN THE UK

In 2019, Handicare UK supported several charities. These include:

- Think Pink! for Breast Cancer Awareness
- Wimbledon Sweepstake for Leukaemia UK
- Summer BBQ for Guide Dogs for the Blind
- Cream Tea Day for Action Medical for Children
- Christmas Collection Box for the Raffle for Mary Stevens Hospice

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of ABC AB, corporate identity number 556982-7115

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2019 on pages 16–24 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12

The auditor's opinion regarding the statutory sustainability 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.

Opinions

A statutory sustainability statement has been prepared.

Stockholm, April 1, 2020
Ernst & Young AB

Stefan Andersson-Berglund
Authorized Public Accountant

THE SHARE

The Handicare share was listed on Nasdaq Stockholm on October 10, 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 TEUR 81, divided between 58,939,000 shares with a quotient value of EUR 0.00138.

OWNERSHIP STRUCTURE

On December 30, 2019, Handicare had 1,047 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 decided to withdraw the previously communicated proposal to the Annual General Meeting of 0.07 EUR dividend per share. The Board has the ambition to convene an Extraordinary General Meeting in the second half of 2020 to decide on the dividend.

Handicare endeavors to pay a dividend annually corresponding to 30–50 percent of net profit for the period. The distribution decision will be based on the company's financial position, investment needs, acquisition opportunities and liquidity position.

THE TEN LARGEST SHAREHOLDERS AS OF DECEMBER 30, 2019

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	4,056,207	6.9
Danica Pension	2,469,544	4.2
Nordea Investment Funds	2,365,986	4.0
Holta Life Sciences	1,931,032	3.3
BNY Mellon SA/NV	1,670,316	2.8
Third Swedish National Pension Fund	1,179,901	2.0
BNP Paribas	861,573	1.5
HSBC Bank PLC	607,436	1.0
Insurance company Avanza Pension	605,679	1.0
Total for the ten largest shareholders	52,796,574	89.6

SHARE DATA AS OF DEC 31, 2019

Earnings per share before and after dilution, EUR	0.04
Adjusted operating cash flow per share, EUR ¹⁾	0.23
Equity per share, EUR ¹⁾	2.94
Dividend per share, EUR ²⁾	–
Share price at year end, SEK	36.50
Number of shareholders (at December 31, 2019)	1,047
Market capitalization, MSEK	2,151

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

2) Proposal from the Board.

SHAREHOLDER STATISTICS AS OF DECEMBER 30, 2019

No. of shares	No. of shareholders	Share of votes and capital, %
1– 500	796	0.19
501– 1,000	90	0.12
1,001– 5,000	75	0.30
5,001– 10,000	19	0.28
10,001– 20,000	11	0.39
20 001 –	56	98.80
Total	1,047	100

KEY FACTS

Listing:

Nasdaq Stockholm

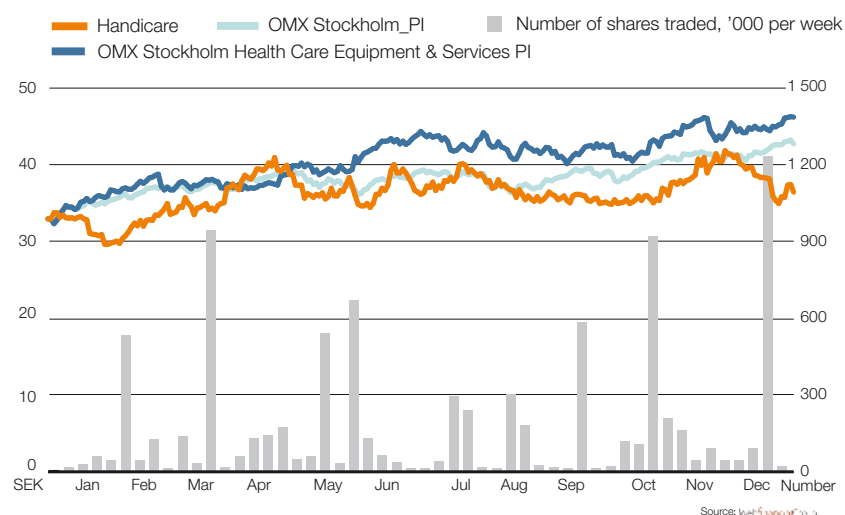
Ticker: Handi

No. of shares: 58,939,000

Market capitalisation at year end: MSEK 2,151

ISIN code: SE0010298109

HANDICARE 2019



OWNERSHIP PER COUNTRY



■ Sweden, 18%
■ Rest of Nordics, 11%
■ Rest of Europe, 71%
(where of Cidron Liberty System, 63%)

SHARE CAPITAL

YEAR	Transaction	Change in number of shares	Change in share capital, EUR 000	Total share capital EUR 000 (unless otherwise stated)	Total number of shares
2014	–	–	–	TSEK 50	50,000
2015	Change in presentation currency	–	–	5.28	50,000
2015	New issue of shares	2	0.0	5.28	50,002
Jan 1, 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

HANDICARE AS AN INVESTMENT



1. Market growing structurally

- **Macro drivers for healthcare** An ageing population. An increase in chronic illnesses and a desire to remain in one's own home for longer are clear market trends.
- **Favourable health economy** Handicare's products and services entail reduced costs for the state healthcare system.
- **Contributes to society.**



2. Global top 3 in Accessibility and Patient Handling

- Good reputation for quality, innovation and reliability.
- Extensive global dealer network provides global coverage.
- Value-adding customer offering.
- Currently capturing market shares on most markets.



3. Well-invested and scalable platform

- Previous investments have generated strong organic and non-organic growth.
- Several automation and purchasing initiatives have been completed to improve gross margins.
- Increased share of revenue from service and installation.



4. Clear strategy for continued profitable growth.

- Clear strategy to outgrow the market organically through new products, new customers and establishment on new geographic markets.
- Opportunities for global expansion.
- Attractive product portfolio.
- Continuous operational improvements.
- Consolidation through acquisitions.

The Board and President of Handicare Group AB (publ), corporate registration number 556982-7115 with its registered office in Stockholm, hereby submit the annual accounts and consolidated accounts for the 2019 financial year.

Handicare offers products and solutions that increase the independence of disabled or elderly people, and enable them to live active lives on their terms, as well as make life easier for their care providers and families.

The Group's offering encompasses a comprehensive range of curved and straight stairlifts, transfer, lifting and repositioning aids and vehicle accessibility products. Approximately 75 percent of sales are for care in the home, "Homecare" and the remainder for hospitals and institutions, "Institutional". Handicare is a global company with sales in more than 20 countries; sales are conducted through our own sales offices in Europe and North America as well as through distributors and dealers around the globe. The Group has production units in the UK, the Netherlands, China and the US. Revenue in 2019 totaled EUR 271 million and the Group had 1,040 employees as of December 31, 2019.

FULL-YEAR 2019

- Revenue increased by 0.5 percent to MEUR 271.0 (269.8).
- Organic growth was 1.1 percent.
- The gross margin was 41.5 percent (42.0).
- Adjusted EBITA amounted to MEUR 21.0 (20.7), corresponding to a margin of 7.8 percent (7.7)
- EBIT amounted to MEUR 4.6 (12.0), corresponding to a margin of 1.7 percent (4.5)
- Net profit (including discontinued operations) amounted to MEUR 2.3 (11.4).
- Adjusted operating cash flow amounted to MEUR 13.6 (17.2).
- The business unit Puls was divested in May and Handicare Auto A/S (part of Accessibility) was divested in December.
- Earnings per share (including discontinued operations) before and after dilution amounted to 0.04 EUR (0.19).
- The Board of Directors has decided to withdraw the previously communicated proposal to the Annual General Meeting of 0.07 EUR dividend per share due to the current uncertainties in relation to Covid-19.

The Group in summary

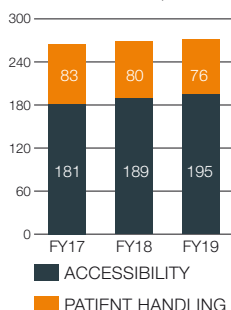
(MEUR)	2019	2018	Change
Revenue	271.0	269.8	0.5 %
Gross profit ¹⁾	112.4	113.3	-0.8 %
Gross margin ¹⁾ , %	41.5 %	42.0 %	-
Adjusted EBITA ¹⁾	21.0	20.7	1.9 %
Adjusted EBITA margin ¹⁾ , %	7.8 %	7.7 %	-
Operating profit (EBIT)	4.6	12.0	-61.7 %
Operating margin (EBIT margin), %	1.7 %	4.5 %	-
Adjusted operating profit/loss (adjusted EBIT) ¹⁾	14.7	15.0	-2.5 %
Adjusted operating margin (adjusted EBIT margin) ¹⁾ , %	5.4 %	5.6 %	-
Net profit/loss for the year (incl discontinued operations)	2.3	11.4	-79.4 %
Earnings per share (incl discontinued operations) before and after dilution, EUR	0.04	0.19	-79.4 %
Dividend per share, EUR ²⁾	-	0.05	-
Number of shares at the end of the period (000)	58,939	58,939	-
Average number of shares (000)	58,939	58,939	-
Adjusted operating cash flow ¹⁾	13.6	17.2	-20.7 %
Net debt / Adjusted EBITDA (LTM), times ¹⁾	2.6	3.3	-22.3 %
Average number of employees	1,107	1,167	-2.3 %

1) Alternative performance measures, refer to page 95-97 for definitions and calculations. From January 1, 2019, the Group applies IFRS 16 Leases. To facilitate comparison between the periods, the alternative performance measures are presented excluding the effects of IFRS 16. The transition effects are set out in Note 32.

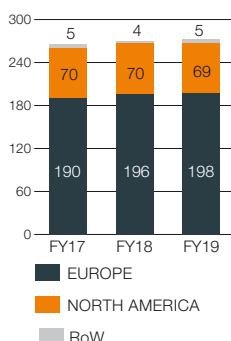
2) 2019 according to the Board's proposal.

Handicare Auto A/S was divested in December and is included in continuing operations. Puls was divested on May 22, 2019 and has been reported as discontinued operations for 2019 and 2018, see Note 6. This report refers to Handicare's continuing operations unless otherwise indicated.

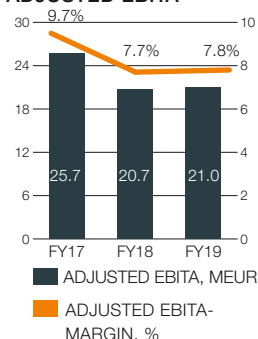
REVENUE PER SEGMENT¹⁾, MEUR



REVENUE PER GEOGRAPHY¹⁾, MEUR



ADJUSTED EBITA¹⁾



GROUP PERFORMANCE

Revenue and earnings

Revenue

Revenue for the full year increased by 0.5 percent to MEUR 271.0 (269.8). Organically, revenue increased 1.1 percent. Accessibility reported organic growth of 5.5 percent, driven by good sales in stairlifts. Patient Handling reported negative organic growth of –8 percent due to slow sales in Patient Handling Institutional USA.

Earnings

EBITA amounted to MEUR 11.0 (17.7). Adjusted EBITA amounted to MEUR 21.0 (20.7), corresponding to an adjusted EBITDA-margin of 7.8 percent (7.7). Other specified items amounted to MEUR –10.5 in the year, mainly due to realized losses of MEUR 9.3 in connection with the divestment of Handicare Auto A/S. The transition to IFRS 16 had a positive profit impact on reported EBITA of MEUR 0.5. Gross margin decreased slightly to 41.5 percent (42.0), influenced by product mix in combination with reduced cost absorption. Operating expenses decreased, both in nominal terms and in relation to revenues, mainly driven by lower IT and consulting costs.

Exchange rate effects (translation effect) on adjusted EBITA was MEUR –0.1.

Net financial items

Net financial items decreased to MEUR –2.0 (–1.2). The total net interest expense was MEUR –4.0 (–2.8), of which MEUR –1.0 relates to leasing liability and transition to IFRS 16 (see Note 32). The exchange rate effect had a positive impact of MEUR 1.9 (2.0) on net financial items. Net financial items were positively affected by MEUR 0.7 after final settlement of the additional purchase consideration from an earlier acquisition (See Note 29). Profit before tax for the remaining operations amounted to MEUR 2.7 (10.9).

Tax

Tax for the period was MEUR –4.9 (–0.7). The increased tax cost during the year was mainly attributable to impairment of previously capitalized loss carry-forwards.

Net profit/loss for the year

Net profit including discontinued operations amounted to MEUR –2.2 (10.2). Profit for the period totaled MEUR 2.3 (11.4), corresponding to earnings per share of EUR 0.04 (0.19) before and after dilution.

Other specified items

Other specified items for the full year 2019 totaled MEUR –10.5 and primarily relate to realized losses in relation to the divestment of Handicare Auto A/S in December, and consultancy costs related to the ongoing strategic review. In 2018, Other specified items totaled MEUR 3.0 and refer to reorganizations carried out and severance costs in conjunction with these.

Cash flow and financial position

Cash flow

Cash flow from operating activities was MEUR 25.1 (22.6). Excluding the IFRS 16 effect, Cash flow from operating activities was MEUR 19.2. The decrease year-on-year was primarily attributable to higher working capital. Payments related to Other specified items amounted to MEUR –1.8 (–3.9) and mainly related to severance pay for the previous management in the North American operations.

Investments, research and development

Investments in 2019 amounted to MEUR 5.0 (5.9), corresponding to 1.8 percent (2) of revenue. These were divided over fixed assets MEUR 2.1, capitalized development expenses MEUR 2.1 and IT MEUR 0.8.

Product development is highly prioritized and is critical to the Group's future progress. Of Group total net sales, sales of products and services developed in-house account for some 90 percent. Research and development work is centralized. Total development expenditure was approximately MEUR 4.5, of which MEUR 2.1 was capitalized in the Balance Sheet.

1) Divested operations reported as discontinued operations have not been included in the above table (the BD operations were divested in 2017 and Puls in 2019).

Financial position

Shareholders' equity

Consolidated shareholders' equity as of December 31 amounted to MEUR 173.4 (171.3), corresponding to EUR 2.9 (2.9) per share at year end. The increase in shareholders' equity was attributable to the increased net profit for the year and currency effects.

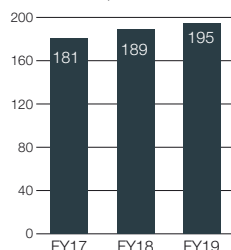
Net debt

Consolidated cash and cash equivalents at the end of the period amounted to MEUR 33.8 (23.6). Interest-bearing net debt (excluding IFRS 16 leasing liability) totaled MEUR 62.5 (80.5) at the end of the period. The year-on-year decrease in net debt was attributable to improved cash flow from operating activities and the divestment of Puls and Handicare Auto A/S. Leasing liabilities according to IFRS 16 totaled MEUR 22.6 at the end of the period. This mainly comprises rental contracts for premises.

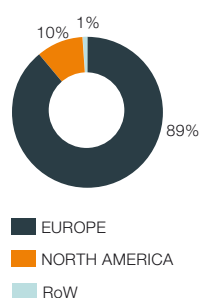
Net debt

(MEUR)	Dec 31 2019	Dec 31 2018
Long-term interest-bearing liabilities	92.9	100.3
Leasing liabilities IFRS 16	22.6	–
Other interest-bearing liabilities	3.4	3.8
Less: cash and cash equivalents	–33.8	–23.6
Less: IFRS 16 – effect	–22.6	–
Interest-bearing net debt	62.5	80.5

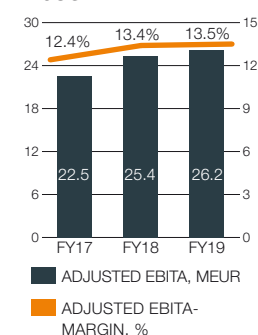
REVENUE, MEUR



REVENUE PER GEOGRAPHY



ADJUSTED EBITA



PERFORMANCE BY BUSINESS SEGMENT

ACCESSIBILITY

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

Revenue for the full year increased by 3.0 percent to MEUR 195.1 (189.4). Organic growth was 5.5 percent. The business area reported solid growth in stairlifts in Europe and North America. Organic growth in stairlifts amounted to 5.6 percent for the full year, of which North America reported organic growth of 11.1 percent. Organic growth for Vehicle Accessibility for the full year amounted to 4.4 percent.

EBITA amounted to MEUR 26.2 (24.3). Adjusted EBITA amounted to MEUR 26.2 (25.4). Adjusted EBITA margin was nearly unchanged year-on-year at 13.5 percent, driven by the fact that gross margin and operating expenses (excluding costs of goods sold) in relation to revenue remained largely unchanged on the previous year.

ACCESSIBILITY (MEUR)	2019	2018	Change
Revenue	195.1	189.4	3.0 %
Vehicle Accessibility Denmark	-18.0	-22.2	-
Currency effects ¹⁾		0.7	-
Revenue excl. acquisitions/divestments and currency	177.2	167.9	5.5 %
Revenue	195.1	189.4	3.0 %
Operating costs	-167.0	-161.6	n/a
Adjusted EBITDA²⁾	28.1	27.8	1.2 %
Depreciation fixed assets	-1.9	-2.3	n/a
Adjusted EBITA²⁾	26.2	25.4	3.3 %
Other specified items	-	-1.1	n/a
EBITA	26.2	24.3	7.9 %
Adjusted EBITA (Excl Vehicle Acc. Denmark) ²⁾	26.1	25.1	4.0 %
Key figures, %			
Adjusted EBITDA margin ²⁾	14.4 %	14.7 %	
Adjusted EBITA margin ²⁾	13.5 %	13.4 %	
EBITA margin	13.5 %	12.8 %	
Adjusted EBITA (Excl Vehicle Acc. Denmark)	14.7 %	15.0 %	

1) Adjusted for translation effect, not transaction effect.

2) Alternative performance measures, refer to page 95-97 for definitions and calculations. Group segments are presented excluding IFRS 16 effects because the segments report lease contracts according to the earlier standard IAS 17 Leases in the internal follow-up to management.

Handicare Auto A/S (Vehicle Accessibility Denmark) was divested in December and is included in continuing operations. Sales are excluded from the calculation of organic growth.

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 decreased by –5.5 percent to MEUR 75.8 (80.3). Organically, revenue decreased by –8.0 percent. North America reported negative organic growth of –11.1 percent, mainly as a result of decreased sales to institutional customers in the US. Revenues in the European operations decreased slightly year-on-year.

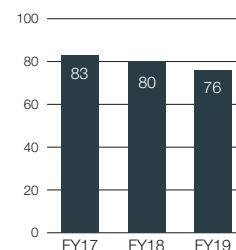
EBITA amounted to MEUR 5.6 (5.4). Adjusted EBITA amounted to MEUR 5.8 (7.1). The adjusted EBITA margin declined to 7.6 percent (8.8), mainly due to a lower gross margin. The gross margin decreased primarily due product mix and lower cost absorption in North America. Operating expenses (excluding cost of goods sold) decreased in nominal terms, but were up slightly in relation to revenues. Profitability in the European operations was solid in the year.

(MEUR)	2019	2018	Change
Revenue	75.8	80.3	–5.5 %
Aquisition / Divestment	–	–	–
Currency effects ¹⁾	–	2.1	–
Revenue excl. acquisitions/divestments and currency	75.8	82.4	–8.0 %
Revenue	75.8	80.3	–5.5 %
Operating costs	–68.6	–71.8	n/a
Adjusted EBITDA²⁾	7.3	8.5	–14.4 %
Depreciation fixed assets	–1.5	–1.4	n/a
Adjusted EBITA²⁾	5.8	7.1	–18.8 %
Other specified items	–0.1	–1.7	n/a
EBITA	5.6	5.4	3.7 %
Key figures, %			
Adjusted EBITDA margin ²⁾	9.6 %	10.6 %	
Adjusted EBITA margin ²⁾	7.6 %	8.8 %	
EBITA margin	7.4 %	6.8 %	

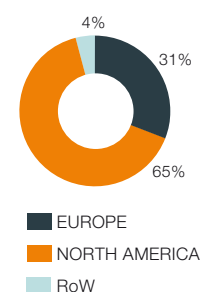
1) Adjusted for translation effect, not transaction effect.

2) Alternative performance measures, refer to page 95-97 for definitions and calculations. Group segments are presented excluding IFRS 16 effects because the segments are report lease contracts according to the earlier standard IAS 17 Leases in the internal follow-up to management.

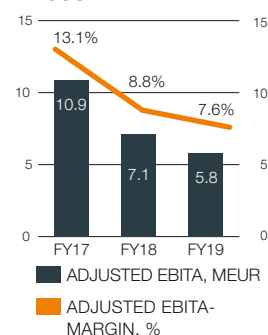
REVENUE, MEUR



REVENUE PER GEOGRAPHY



ADJUSTED EBITA



Group-wide expenses

Group-wide expenses, excluding Other specified items, amounted to MEUR –11.0 (–11.8) for the full year. The lower costs compared to the previous year are largely a result of lower costs for IT and consultants. No amortization or depreciation was included in Group-wide expenses.

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 15 (14) employees.

For the full year, Parent Company revenue amounted to MEUR 10.6 (11.8), which pertained in its entirety to sales of services to Group companies. Profit before tax was MEUR 28.5 (–0.3) and profit for the period was MEUR 28.5 (–0.3). The Parent Company's investments in tangible and intangible assets amounted to MEUR 0.1 (0.5) in 2019. Cash and bank balances amounted to MEUR 19 (0) at year end. Non-restricted equity in the Parent Company amounted to MEUR 276.3 (250.5).

Employees

At the end of the period, the number of employees in the Group was 1,040 (1,190). The average number of employees was 1,107 employees (1,167).

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

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 disabled people and enable them to live an active life. We endeavor to make everyday life easier for the people with whom we collaborate throughout our value chain and assume environmental, social and financial responsibility wherever we operate. Handicare's sustainability report is included in the Annual Report, on pages 16-24.

Disputes

Handicare Stairlifts B.V. is involved in legal proceedings 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. The negotiations with the counterparty could not be concluded in 2019 and will continue in 2020.

The share

Handicare's share capital totaled EUR 81,000 at year end. As of December 31, 2019, there was a total of 58,939,000 shares and voting rights in Handicare. The quotient value was EUR 0.00138.

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 62.9 percent of the votes at year-end 2019.

In accordance with the resolution of the AGM in May 2019, Handicare introduced an incentive program under which a maximum of 1,211,804 warrants can be issued. Upon maximum utilization of the program, the dilution effect will total some 2 percent of the share capital and votes.

In accordance with the resolution of the AGM in October 2017, Handicare introduced an incentive program under which a maximum of 556,416 warrants can be issued. Upon maximum utilization of the program, the dilution effect will be some 1 percent of the share capital and votes.

For more information about the share and the owners, see page 25-26.

EVENTS DURING THE YEAR

Changes to Handicare's Group management

Pernilla Lindén was appointed Executive Vice President Strategy and Business Excellence on January 1, 2019. In June, Pernilla was appointed CFO of the Group effective from August 14 2019 and left her role as EVP Strategy and Business Excellence in connection with this. Pernilla replaced Stephan Révay who left Handicare.

Mattias Hakeröd was appointed Executive Vice President Human Resources as of January 7, 2019.

Tom Vorpahl, who was appointed Executive Vice President North America in February 2019 left the Group on November 22. Staffan Ternström, President and CEO, took up his role as acting President of Handicare North America.

As of June 28, Erik Østby was appointed new Executive Vice President Patient Handling EUROW & Global Commercial Excellence starting from August 12, 2019. Erik replaced Helena Skarle who left Handicare.

Changes to Handicare's Board

Christina Lindstedt was elected new Board member and replaced Elisabeth Thand Ringqvist who declined re-election.

Company transactions

In May 2019, Handicare signed an agreement with Mediq International BV regarding the divestment of Puls AS, a leading

distributor of third party products in the form of medical equipment and consumables in Norway and Denmark. In 2018, Puls' revenue amounted to MEUR 21.1, corresponding to 7 percent of Handicare's total revenue, and EBITA was MEUR 1.2. The purchase consideration was MEUR 10.9 (MNOK 106). The transaction was completed on May 22, 2019.

In December 2019, Handicare announced that the company had signed an agreement with the company Auto Solutions ApS relating to the divestment of Handicare Auto A/S. In 2019, (January-November), revenue for Handicare Auto A/S totaled MEUR 18.0 MEUR, corresponding to 7 percent of Handicare's total revenue, and EBITA was MEUR 0.1.

The price amounted to MDKK 25 (MEUR 3.3) on a debt-free basis (Enterprise Value). The transaction generated realized losses of MEUR -9.3, which burdened the fourth quarter 2019. The transaction was completed on December 16, 2019.

Strategic review

In order to reveal Handicare's underlying values, in connection with the Interim Report for January-September 2019, the Board initiated a strategic review that may include the divestment of one or several operational segments, the entire company or other strategic transactions. The review could also result in operations remaining unchanged. The decision was made against the background that the Board considers that Handicare has a leading position on very attractive growth markets, and that the Board perceives continued long-term potential in Handicare. The review of different strategic alternatives is set to reveal Handicare's underlying value and indicate a clear direction going forward, which will benefit Handicare's customers, employees and shareholders.

The review led to the divestment of Handicare Auto A/S (see above) in the fourth quarter. As a result of the strategic review, management also reviewed the internal reporting structure. From January 1 2020, the Accessibility segment has been divided into two segments; Accessibility (which includes the Stairlifts business) and Vehicle Accessibility. Patient Handling remains unchanged. This increases transparency and more accurately reflects the current business structure. See page 98.

EVENTS AFTER THE REPORTING PERIOD

Changes to Handicare's management

Mattias Hakeröd, EVP HR has decided to leave Handicare in June to take up a position outside the Group.

Effects of Covid-19

In the first quarter of 2020, the world was affected by a pandemic Covid-19. The Corona virus has spread extensively in

countries where Handicare has a significant market presence both in terms of sales and production facilities, and in regions and markets where Handicare conducts purchasing.

Given the uncertainty, and rapid and changeable developments, it is not possible to forecast the duration or extent of this situation. This also means that, at the time of writing, it is also not possible to quantify the effects on Handicare's operations and financial position. However, it is clear that Handicare is at risk from disruptions, particularly in production and the supply chain as a result of government restrictions on several national markets.

Handicare works to safeguard the health and safety of its employees and satisfy the needs of its customers, suppliers, investors and other stakeholders. The Board and Management are working continuously to produce a program of measures aimed at limiting the effects on operations. As a first step, measures are being introduced to reduce the Company's cost base and expenditure in the short term.

ANNUAL GENERAL MEETING 2020

The 2020 Annual General Meeting will be held in Stockholm on May 6, 2020. The announcement of the 2020 Annual General Meeting will be available at www.handicaregroup.com from April 6, 2020.

Proposed distribution of profits

The Board of Directors proposes no dividend for the 2019 financial year, due to the current uncertainties in relation to Covid-19. The Board has the ambition to convene an Extraordinary General Meeting in the second half of 2020 to make the final decision on the dividend for 2019 when the effects of the current Covid-19 pandemic are better understood.

The distribution decision will be based on the assessment that the proposed dividend is justifiable after taking consideration the requirements in terms of 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.

EUR 000

The following earnings are at the disposal of the Annual General Meeting

Share premium reserve	273,798
Retained earnings	2,528
Total unappropriated earnings	276,326

EUR 000

To be carried forward	276,326
Total unappropriated earnings	276,326

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

The Board of Directors proposes that the 2020 Annual General Meeting adopts the following guidelines for remuneration of the CEO and other senior executives, being members of the Group Management. The guidelines apply to agreed remuneration, and amendments to already agreed remuneration, after approval by the AGM. The guidelines do not encompass remuneration authorized by the AGM.

Benefit of guidelines for business strategy, long-term interests and sustainability

The purpose of the guidelines is to provide a structure that adapts remuneration to the Company's business strategy, long-term goals and sustainability. The Company's business strategy consists of offering solutions aimed at increasing independence amongst elderly and disabled people and is described in more detail on the Company's website, www.handicaregroup.com, and in this Annual Report. The Company's business strategy assumes that the Company will be able to continue to attract, motivate and retain key staff. This means that the guidelines must ensure expedient and competitive remuneration is paid to senior executives in the Company.

REMUNERATION	RELATION TO THE COMPANY'S BUSINESS STRATEGY	IMPLEMENTATION	EVALUATION
Fixed salary	<ul style="list-style-type: none"> Fixed salary should reflect the responsibility the role implies. The level of fixed salary aims to facilitate recruitment and ensure that the company pertains its senior executives long term. 	<ul style="list-style-type: none"> Evaluated annually. Revisions may be made during the year if the role changes. 	<ul style="list-style-type: none"> Based on market levels for the relevant role and country of operation. Levels are adjusted after evaluation of the individual's performance and responsibility.
Variable salary (Short-term Incentive, "STI")	<ul style="list-style-type: none"> Variable salary ensures that the company's pre-determined annual goals are achieved or exceeded. These goals take the form of measurable financial and non-financial criteria such as organic growth, profit and cash flow, as well as individual performance indicators, and aim to attract, motivate and retain key employees. 	<ul style="list-style-type: none"> At the end of the measurement period, the Remuneration Committee assesses to what extent the payment criteria for variable cash remuneration have been satisfied. 	<ul style="list-style-type: none"> Satisfying criteria for defined goals.
Pension and other benefits	<ul style="list-style-type: none"> Pension and other benefits to senior executives are included in Handicare's competitive total remuneration, aimed at facilitating recruitment and retaining senior executives. 	<ul style="list-style-type: none"> Offered during the period of employment and may need to be revised depending on factors such as age, level of fixed salary and role. 	<ul style="list-style-type: none"> Based on practice and market levels for the relevant role and country of operation.

SUSTAINABILITY MEASURES RELATING TO THE COMPANY'S STRATEGY

- The Company's sustainability work is evaluated and graded continuously by stakeholders such as investors, analysts and civil operators. This ensures that the Company's working methods and results are subject to independent review and comparisons. This ensures that the Company's sustainability work is continuously developed in line with the requirements of the Company's stakeholders, while it also contributes to share price growth and strengthens the brand. Ultimately, this can also lower the cost of capital as a result of being assigned a lower risk class, and because sustainability work adds value in the form of minimizing risk, improving control and generating business opportunities.

Decision-making process for setting, reviewing and implementing guidelines

The Board has established a Remuneration Committee consisting of three of Board members appointed by the shareholders' meeting. The Committee's tasks include preparing Board decisions on proposed guidelines for remuneration to senior executives. The Board shall propose new guidelines when the need for material changes to these arises or, as a minimum, every four years, an present the proposal to the shareholders' meeting. These guidelines shall apply from the date of authorization by the shareholders' meeting until such time that new guidelines have been adopted by the shareholders' meeting (subject to a maximum period of four years). The Remuneration Committee can seek approval for new guidelines at an earlier date if circumstances arise that affect the purpose of the guidelines.

The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to senior executives, the application of the guidelines for remuneration to senior executives and the applicable remunerations structures and remuneration levels in the Company.

All members of the Remuneration Committee are independent in relation to the Company and management.

Salary and employment terms

When preparing the proposed Board guidelines for remuneration to senior executives, the Remuneration Committee takes into account total remuneration to employees, the various components of remuneration and the scale and rate of increase of remuneration over time in the Remuneration Committee's and Board's supporting documentation for preparing and evaluating the reasonableness of guidelines and ensuing limitations thereof. The difference between remuneration to senior executives and remuneration to other employees will be presented in the annual Remuneration Report.

Forms of remuneration

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, 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. The shareholders' meeting can also

- disregarding guidelines for remuneration to senior executives
- authorize share-based and share price-related remuneration.

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 variable salary in the form of a short-term incentive program (STI) in addition to their fixed salary. The STI is based on the Group's financial performance and/or for the business unit for which the member of Group Management is responsible. The 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 "threshold," "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. By applying pre-determined and measurable financial and non-financial targets and performance indicators that reflect the company's business priorities, the company assesses that its ability to attract, motivate and retain key staff increases, which contributes to the Company's business strategy, long-term interests and sustainability.

When the measurement period for satisfying payment criteria for STI concludes, an assessment is made regarding to what extent the criteria have been met. The remuneration committee is responsible for this assessment regarding STI to the President and other senior executives.

Before payment of variable cash remuneration is made, the Board evaluates whether the potential outcome is reasonable. This evaluation is carried out in relation to the Company's results and financial position.

STIs may amount to a maximum of 60 percent ("stretch" level) of the fixed salary for the President and other members of Group management.

Pension and other benefits

Pension benefits should be defined contribution. Retirement age follows the pension rules of the specific country. Pension benefits may amount to a maximum of 30 percent of fixed salary for the calculation of pension benefits for the President and other members of Group management.

Other benefits may include a company car. Other benefits may amount to a maximum of 10 percent of the fixed salary for the President and other members of Group management.

Notice of termination and severance pay

For the CEO and members of the Group Management, a mutual notice period of six months applies between the company and the CEO. The CEO and other members of Group Management are, in the event the company serves notice of termination of employment, entitled to receive severance pay corresponding up to a maximum of 12 months' fixed salary. No severance pay shall be payable upon resignation by the employee or if the employee is in breach of the employment terms.

Information about share-based incentives programs

Handicare has established long-term share-based incentives programs. These have been authorized by the AGM and are therefore not subject to the remuneration guidelines. The programs encompass the President and other members of group management and key employees, who are nominated on the basis of factors including competences and performance. The outcome of the programs is dependent on share price performance and therefore has a clear link to the business strategy and to the Company's long-term value creation, including sustainability, and creates an increased stakeholder association between participants in the program and the Company's shareholders. More information about these programs, including the criteria the outcome is dependent on, can be found on the Company's website, www.handicaregroup.com.

Authorization for the Board to deviate from the guidelines

The Board can decide to temporarily deviate from the guidelines wholly or in part, if there are specific reasons for this in individual cases and a deviation is necessary to ensure the Company's long-term interests and sustainability or to ensure the Company's financial strength. As indicated above, the tasks of the Remuneration Committee include to prepare Board decisions relating to remuneration, which includes decisions to deviate from the guidelines. In the event of such deviation, this shall be indicated in the annual Remuneration Report.

For information about 2019 and the most recent guidelines for salary and remuneration to the President and other senior executives, see Note 21.

Risks and risk management

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 Handicare's internal control.

Handicare continuously evaluates the risks associated with its operations, both financial and operational, and controls and supervises factors that may affect EBIT. Risk assessment is also central to the annual strategy process, where risks in relation to our ability to achieve our strategic ambitions are specifically evaluated. The Board of Directors is ultimately responsible for risk management in the company. 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.

In the first quarter of 2020, the world was affected by a pandemic Covid-19, that will affect us and our customers. The Corona virus has spread extensively on markets where Handicare has a significant presence both in terms of sales and production resources, and in regions and markets where Handicare conducts purchasing.

Given the uncertainty, and rapid and changeable developments, it is not possible to forecast the duration or extent of this situation. This also means that, at the time of writing, it is also not possible to quantify the effects on Handicare's operations and financial position.

The most significant risks facing the Group and how they are managed are described below.



RISKS	DESCRIPTION	COUNTERACTING FACTORS	OPPORTUNITIES
BUSINESS ENVIRONMENT RISKS			
Business cycle and demand	<ul style="list-style-type: none"> Handicare operates in a large number of markets worldwide. A general downturn in the economy, primarily in the European or US economies and/ or a downturn in the credit and finance markets, could materially impact Handicare's sales and profitability. Furthermore, macro-economic or political decisions and events both within and outside of those national markets where Handicare operates, may affect operations, both locally and at a global level. For example, savings measures and changed priorities in healthcare services and the public sector could lead to decreased sales of products and services. Political uncertainty and weak macroeconomic conditions could also indirectly affect demand for Handicare's products, for reasons including reduced investment appetite amongst Handicare's customers. Business risk linked to political decision regarding restrictions, for example relating to trade tariffs, or otherwise reduced global mobility, could also lead to increased costs of imports, less competitive exports, canceled orders etc. 	<ul style="list-style-type: none"> Market and sales trends are followed up weekly, which enables rapid action to be taken. Handicare operates in a large number of geographical markets. Handicare has a global production network that provides operational flexibility. 	<ul style="list-style-type: none"> Handicare's products and services are countercyclical. Irrespective of the economic conditions, the market trends that underpin Handicare's business idea remain true: growth in the aging population; increased life expectancy of patients with chronic illnesses and an increasing preference for staying at home longer. Handicare's products reduce the number of sick leave days taken by care providers and require less personnel to perform transfers.
Legal risks and regulatory compliance	<ul style="list-style-type: none"> A substantial part of the Group's product range is covered by legislation, such as EU directives and implementing acts for medical devices and the US FDA's regulations and related requirements that, inter alia, stipulate extensive evaluation, quality control and documentation. Failure to pass an FDA audit could have a material impact on the Group's operations and financial position. Handicare conducts operations globally and is exposed to local business risks and is subject to regulation in each of the countries where operations are conducted. 	<ul style="list-style-type: none"> Handicare conducts operations in compliance with the laws and regulations that govern our business. Considerable effort is invested in the implementation and application of guidelines as well as training in said guidelines to secure regulatory compliance. 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. Handicare has introduced policies and developed training and compliance programs to counteract unethical or criminal behavior among employees. 	<ul style="list-style-type: none"> Meeting the legal norms and regulations in a market provides Handicare with the prerequisites for retaining and expanding the customer base and minimizing costs. Regulatory and legal compliance is critical and benefits established participants such as Handicare at the same time as new competitors are hindered from becoming established in the market.

RISKS	DESCRIPTION	COUNTERACTING FACTORS	OPPORTUNITIES
Product liability and damages claims	<ul style="list-style-type: none"> Handicare risks being subject to claims regarding product liability and other legal issues. Such claims can pertain to large amounts and significant legal costs. 	<ul style="list-style-type: none"> We have contracted insurance programs on market terms for the property and liability risks (for example, product responsibility) to which the Group is exposed. 	<ul style="list-style-type: none"> By developing and distributing high-quality products that meet the legal requirements, risks and costs are minimized. At the same time, possibilities are created for growing the customer base.
OPERATIONAL RISKS			
Dependence on reputation	<ul style="list-style-type: none"> Handicare's reputation is a valuable asset that can be affected by our operations and by the actions of external stakeholders. Our products have to live up to the brand promise and maintain a high level of quality, safety and reliability when used by customers. Dissatisfied employees can influence the perception of Handicare and its brand. 	<ul style="list-style-type: none"> The Group's products are tested and quality-assured. The employees receive training in Handicare's Code of Conduct, which includes a business code and ethics. We conduct active dialogs with our stakeholders. We conduct and actively follow up on employee surveys 	<ul style="list-style-type: none"> Customer satisfaction increases on the delivery of tested and quality assured products New opportunities for improvement and innovation are created through active dialogs with stakeholders. Satisfied customers create healthy and challenging work environments and can also attract new competent employees.
IT risk	<ul style="list-style-type: none"> Various IT systems are business-critical. Disruptions to or faults in critical systems directly impact production. Improper administration of financial systems can affect the company's financial reporting. Cybersecurity-related risks are increasing in importance. 	<ul style="list-style-type: none"> The Group has a global policy for IT security, which includes quality assurance processes that govern IT operations. Information security is followed up on a regular basis through IT security audits and our IT system is based on well-known products. Standardized processes are in place for implementing new systems, replacing existing systems and for daily operations. Cybersecurity is a subject for regular discussion and issues are dealt with by the IT security function. Awareness of cybersecurity-related risks increases preparedness to respond quickly to possible attacks. 	<ul style="list-style-type: none"> Robust IT systems, secure IT environments and standardized processes increase efficiency and reduce costs. Preparedness to act quickly in response to possible cyberattacks ensures a stable working environment and continuity of operations.
Dependence on suppliers	<ul style="list-style-type: none"> Handicare purchases most of the components and materials used in production and assembly from a large global network of suppliers. Certain raw materials and key components are only available from individual suppliers. One or more of Handicare's suppliers could cease deliveries of raw materials and components due to an inability or unwillingness to deliver, or could raise prices significantly, this could cause production stoppages and delays in delivery to customers, which would have a negative impact on operations. Delays to deliveries could be caused by a number of factors, such as extreme weather, pandemics or political disruption. Such delays could give rise to costs, absent revenues and a deteriorated reputation. 	<ul style="list-style-type: none"> We work closely with our suppliers. This enables us to ensure that supplies are delivered without interruption while maintaining high quality and reliability. We select and evaluate suppliers based on factors such as quality, delivery, price and reliability. All procurement activities are to be conducted within the framework of the Handicare Code of Conduct and applicable laws and regulations. All product suppliers must endorse our Code of Conduct. Handicare conducts regular audits for all critical suppliers to ensure that any risk of disruption to supplies is manageable. 	<ul style="list-style-type: none"> By clearly stating our requirements and expectations, we can be a natural business partner and promote increased efficiency, sustainability and security. Close relationships with suppliers strengthen our competitiveness.
Product development	<ul style="list-style-type: none"> One of the Group's challenges in terms of its growth and profitability is its continuous development of innovative, sustainable and relevant products that consume less resources throughout their life cycles. National and regional legislation in areas including emissions, changes in supervision and recycling influence Handicare's product offering. 	<ul style="list-style-type: none"> Handicare invests continuously in research and development to produce products that meet customers' demands and expectations, even in periods of economic downturn. The Group applies a lifecycle perspective when developing products and sets measurable efficiency targets for each division's main product categories. The company develops products with lower emissions and increases recycling possibilities to meet regulatory requirements. 	<ul style="list-style-type: none"> There are significant opportunities to strengthen competitiveness through high-quality, sustainable product innovations and through creating an integrated value proposition for customers.

RISKS	DESCRIPTION	COUNTERACTING FACTORS	OPPORTUNITIES
Manufacturing risk	<ul style="list-style-type: none"> An unexpected interruption at the Group's manufacturing or assembly plants as a result of disruptions to specific manufacturing or assembly plants, to deliveries between different production plants or for other reasons, could materially impact the Group's ability to distribute products. <p>The plants are adapted for the manufacture of specific products and the Group does not have redundancy or sufficient surplus capacity at its production plants, and neither the space nor the equipment, to manufacture products at another production facility. Any need to use alternative production capacity or externally manufactured products could lead to higher production and transportation costs, and a loss of competitive advantage. Such alternative production capacity may also become unavailable due to circumstances outside of Handicare's control, including changes to macroeconomic conditions, pandemics or political disruption, which could cause production stoppages.</p>	<ul style="list-style-type: none"> Handicare's production units continuously monitor the production process, test product safety and quality, perform risk assessments and train staff. In recent years, the Group has completed significant investments in productivity improvements aimed at streamlining, automation and professionalisation. 	<ul style="list-style-type: none"> By promoting leading operational know-how, we can streamline production, minimize inefficiency and maintain a high degree of flexibility in the production process. Global knowledge transfer provides us with further opportunities to better utilize working capital.
FINANCIAL RISKS, REPORTING RISK AND TAX			
Currency risk	<ul style="list-style-type: none"> Due to its international operations, Handicare has revenue and costs generated in currencies other than EUR. Accordingly, changes in exchange rates can have a negative impact on the Income Statement, Balance Sheet and cash flow. 	<ul style="list-style-type: none"> Transaction exposure is managed through contractual clauses, guiding purchasing in matching currencies and financial instruments. Currency exposure from net foreign investments are limited through loans in the relevant currency. 	<ul style="list-style-type: none"> Volatility in the Group Income Statement and Balance Sheet is reduced by limiting the currency risk.
Interest-rate risk	<ul style="list-style-type: none"> Fluctuations in market interest rates could lead to increased interest expenses and a decline in cash flow. 	<ul style="list-style-type: none"> Handicare's credit agreements allow it to vary interest periods and to use fixed-income derivatives. 	<ul style="list-style-type: none"> Good management of interest-rate risk contributes to a more stable result for net financial items.
Credit risk	<ul style="list-style-type: none"> The risk that Handicare's financial counterparties are unable to meet their payment obligations. 	<ul style="list-style-type: none"> All financial transactions are conducted with established counterparties with high credit ratings. 	<ul style="list-style-type: none"> A low level of credit risk minimizes unexpected losses.
Liquidity risk	<ul style="list-style-type: none"> Should liquidity be inadequate, Handicare risks being unable to meet its payment obligations. 	<ul style="list-style-type: none"> The Group has a liquidity reserve. Liquidity is concentrated to the Group's account structure and is managed centrally. 	<ul style="list-style-type: none"> Efficient liquidity management improves the Group's net financial items and lowers interest expense.
Refinancing risk	<ul style="list-style-type: none"> Handicare is exposed to the risk of being unable to raise new loans or refinance existing loans due to a lower credit rating or poor conditions in the credit markets. 	<ul style="list-style-type: none"> Handicare 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 counterparties. 	<ul style="list-style-type: none"> Good management of financing risk enables financing at attractive conditions while retaining flexibility to allow growth.
Commodities price risk	<ul style="list-style-type: none"> The Group's operations and earnings are impacted by price changes in commodities and components. 	<ul style="list-style-type: none"> Handicare actively manages its supplier contracts and fixes prices for as long periods as possible. Handicare does not enter into contracts involving financial instruments. 	<ul style="list-style-type: none"> By selecting suppliers and negotiating contracts, limits can be placed on the negative effect of fluctuations in commodity prices.
Tax risk	<ul style="list-style-type: none"> The Group operates in many countries and commits to cross-border transactions. The operations are subject to complex national and international tax rules that change over time. There is a risk that the company's understanding or interpretation of legislation, agreements and other regulations could differ from those of the tax authorities in the various countries. A risk also exists that the Group's tax position changes if countries change laws, tax treaties and other provisions. 	<ul style="list-style-type: none"> The Group's central and local financial departments, together with external tax advisors, monitor risk and compliance with local tax rules. Transfer pricing policies and agreements are entered into the operations and reviewed regularly. 	<ul style="list-style-type: none"> Correct and proper tax management reduces the risk of material errors in tax reporting. More stringent tax reporting requirements increase transparency with regard to tax for different stakeholders.

RISKS	DESCRIPTION	COUNTERACTING FACTORS	OPPORTUNITIES
Reporting risk	<ul style="list-style-type: none"> • The risk arising from the communication of financial information to the capital markets is that the reports do not provide a fair and true view of the Group's actual financial position and performance. • Erroneous reporting or delays could result in the management drawing incorrect conclusions. Difficulty reporting an accurate picture could also arise for a number of reasons, including unpredictable changes in general market conditions and changed reporting requirements from public authorities. 	<ul style="list-style-type: none"> • Handicare's subsidiaries regularly report their financial position pursuant to the International Financial Reporting Standards (IFRS). • The company's operational and legal results are produced using the same figures and systems. They are analyzed by division and group functions prior to publication. • Handicare has procedures in place to ensure compliance with the Group's instructions, standards and rules. 	<ul style="list-style-type: none"> • Work on risk reporting increases transparency and improves the possibility of presenting the business fairly and accurately. • Improved reporting also results directly in improved risk management. • Timely, accurate and effective reporting results in transparency and enables better decision-making.
SUSTAINABILITY RISKS			
Environment	<ul style="list-style-type: none"> • Environmental impact through emissions affecting air quality, soil conditions and waterways. 	<ul style="list-style-type: none"> • To reduce our negative environmental impact, we work with ISO 14001 certifications, initiatives to improve production, improvements to waste management, green electricity and gas consumption and co-packaging for to reduce transportation 	<ul style="list-style-type: none"> • Our proactive work with environmental risks creates possibilities for innovations that strengthen Handicare's competitiveness.
Health and safety	<ul style="list-style-type: none"> • Inadequate safety can lead to workplace injuries. High levels of sickness absence and special arrangements aimed at reducing the spread of infection during events such as pandemics, including quarantine, could affect operational efficiency and productivity, especially at production level where tasks cannot be carried out remotely. 	<ul style="list-style-type: none"> • OHSAS 18001 certification, safety routines, protective equipment and training. 	<ul style="list-style-type: none"> • Good health and safety improve employees' productivity. Handicare's good working environment strengthens its brand and can help attract competent and qualified employees.
Supplier behavior	<ul style="list-style-type: none"> • Suppliers who do not adhere to Handicare's supplier code of conduct. 	<ul style="list-style-type: none"> • Suppliers of direct material should undertake to adhere to our supplier code of conduct. We carefully evaluate new suppliers and conduct reviews of existing suppliers including self-assessments. 	<ul style="list-style-type: none"> • Strong supplier relationships strengthen our competitiveness, promote good working conditions and reduce the risk of corruption.
Employees	<ul style="list-style-type: none"> • We need to secure access to competent and motivated staff if we are to reach the business goals. 	<ul style="list-style-type: none"> • The company has implemented an equality policy and has yearly training in our Code of Conduct. • Handicare has introduced an employee survey. • Initiated an analysis of pay differences between men and women. 	<ul style="list-style-type: none"> • Competent employees that enjoy their work are crucial if we are to exceed the business goals and develop operations.
Corruption	<ul style="list-style-type: none"> • Receiving or giving bribes. Internal and external frauds. 	<ul style="list-style-type: none"> • Handicare has a clear zero-tolerance bribery policy. All employees are trained in our Code of Conduct and the company also has a whistle-blower function in place. 	<ul style="list-style-type: none"> • Acting to prevent corruption and bribes increases our credibility and transparency. It also ensures operational efficiency and increases stability in the markets in which we operate.
Product environmental impact	<ul style="list-style-type: none"> • Product manufacturing also impacts the environment through the material used in the products and their packaging. 	<ul style="list-style-type: none"> • Handicare works with an environmental management system and supplies customers with material specifications and directives on how to recycle the material. We also work with waste recycling, and with reclamation for some products. 	<ul style="list-style-type: none"> • Sustainable products contribute to a sustainable world and strengthen Handicare's reputation.

Corporate Governance Report

PRINCIPLES FOR CORPORATE GOVERNANCE

The Corporate Governance of Handicare Group AB (publ) is based on Swedish law, in particular the Swedish Companies Act (2005:551) and the Swedish Annual Accounts Act (1995:1554). Handicare also complies 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 stock 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 complied with all the rules of the Code since the shares were listed on Nasdaq Stockholm, with the exception of Rule 9.7 of the Code. Handicare deviates from Rule 9.7 of the Code because of the warrant program adopted by the General Meeting on 9 October 2017 ahead of listing on Nasdaq Stockholm, in that 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 subscription period for the series with a two-year period expires in January 2020. At the 2019 Annual General Meeting (AGM) a new 3-year period warrant program was adopted, in accordance with the Code.

Handicare has not committed any breach of Nasdaq Stockholm's Rule Book for Issuers or generally accepted practice in the stock market.

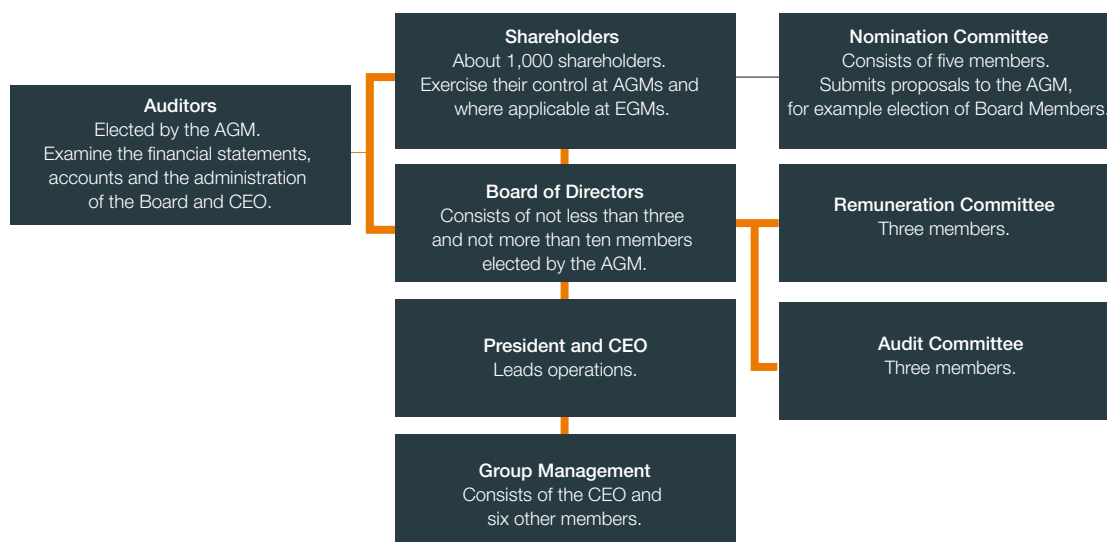
Responsibility for corporate governance and control of the Handicare Group is shared between the shareholders (via the general meeting), the Board of Directors and the CEO.

GENERAL MEETINGS OF SHAREHOLDERS

Pursuant to the Swedish Companies Act, the shareholders' meeting is the company's highest decision-making body, at which the shareholders exercise their voting rights. The AGM, the shareholders' meeting at which the annual report and the auditor's report are presented, must be held within six months of the end of each financial year. Resolutions are taken on a number of key issues at the AGM, including the appropriation of profit or loss, discharge of the Board of Directors from liability, and the election of the Board and auditors. 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. Pursuant to the Swedish Companies Act, a shareholders' 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.

Shareholders who wish to have a matter brought before the General Meeting must submit a written request to this effect 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.

GOVERNANCE STRUCTURE



Right to participate in General Meetings

Shareholders who wish to participate in a shareholders' meeting must be included in the share register maintained by Euroclear Sweden AB five business days prior to the meeting, and notify Handicare of their participation by no later than the date stipulated in the notice convening the meeting.

Shareholders may attend the Meeting in person or by proxy, and may be accompanied by a maximum of two assistants. A shareholder may vote for all shares in the company held by the shareholder.

Annual General Meeting 2020

The Handicare 2020 AGM will be held at 1:00 p.m. on 6 May at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm, Sweden.

Shareholders wishing to submit a proposal to the Nomination Committee or to have business brought before the AGM, are invited to submit their proposal to the Nomination Committee or the Board by 18 March 2020.

Annual General Meeting 2019

The AGM was held on 8 May 2019. Christina Lindstedt was elected as a new member of the Board. Joakim Andreasson, Jonas Arleböck, Maria Carell, Claes Magnus Åkesson, Lars Marcher and Johan Ek were reelected as members of the Board. Lars Marcher was elected Chairman of the Board. All AGM-related documents are available on the company's website.

SHARES

At year end, the share capital amounted to EUR 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 2019, Handicare had 1,047 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 2019. Further information about the share and shareholders is available 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. The Nomination Committee's work is guided by the instructions adopted by the AGM, which are available on the company's website.

At the AGM 2019, it was resolved that the Nomination Committee ahead of the 2020 AGM, will be composed of representatives of the four largest directly registered shareholders (based on voting rights) according to Euroclear Sweden on 31 August 2019 and the Chairman of the Board. The member representing the largest shareholder will be appointed Chairman of the Nomination Committee. If any of the four largest shareholders reject their role in the Nomination Committee, the next shareholder in order of magnitude will be

invited. Changes to the composition of the Committee are announced as soon as they occur. Members of the Nomination Committee prior to 2020 AGM are as follows:

- Fredrik Näslund (Chairman), Cidron Liberty Systems Ltd
- Arne Lööw, Fourth Swedish National Pension Fund
- Katja Bergqvist, Nordea fonder
- Espen Tidemann Jörgensen, Holta 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 endeavoring to have even gender distribution. 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 has consulted the Board evaluation. The Nomination Committee has held four meetings. The required documentation from the Nomination Committee ahead of the 2020 AGM is available on the company's website.

BOARD OF DIRECTORS

Under the Swedish Companies Act, the Board of Directors is responsible for the organization 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 of operations 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 organized 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 seven ordinary members and no deputies. For a presentation of the Board of Directors, see page 46 and 47.

Evaluation 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 the various matters the Board considers should be given more scope, and in what areas competences need to be improved.

For the 2019 evaluation, each Board member responded to an online questionnaire presented to the Chairman of the Board. The results of the evaluation were presented to the Board and 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 2019

In 2019, 12 meetings were held, of which two were Extraordinary General Meetings and one per capsulam. The members' attendance is presented on page 46-47. A key aspect of the Board's work is business development and strategy, financial reporting and internal control. The 2019 action plan for the Board, resolved at the statutory Board meeting, is presented below. Committee work comprises a significant part of the Board's work, see below.

In October 2019 the Board initiated a review of a range of strategic initiatives intended to expose Handicare's underlying value. The review may result in the divestment of one or more business units, the business as a whole or other strategic transactions.

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 2019 and the attendance at these are presented in the table on page 46-47.

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 providing recommendations and proposals to ensure the reliability of reporting;
- with regard to financial reporting, monitoring the efficiency of the company's internal control and risk management;
- staying informed of the audit of the annual accounts and the consolidated accounts;
- 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. During 2019, 7 meetings were held.

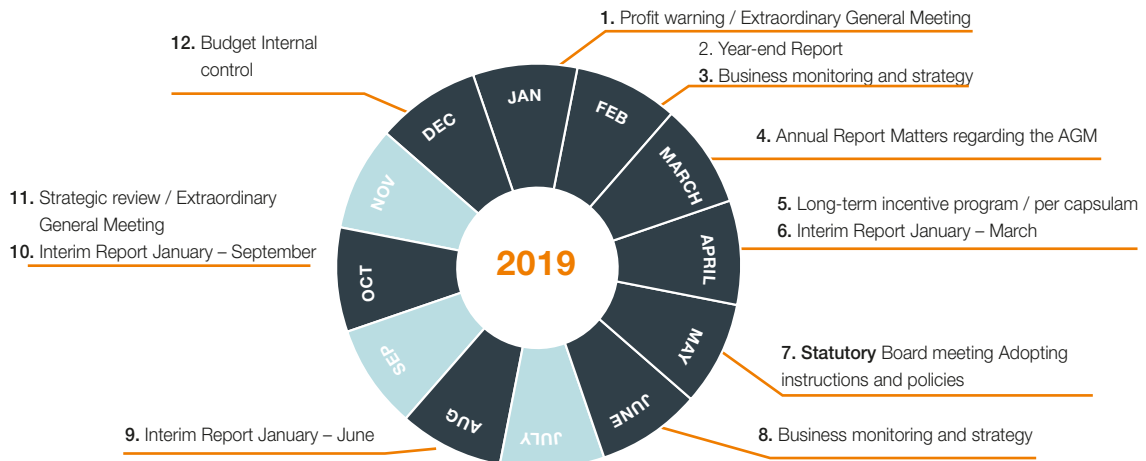
Remuneration Committee

The Remuneration Committee is tasked with:

- preparing proposals concerning remuneration policies, remuneration and other terms of employment for the CEO and 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 Christina Lindstedt. During 2019, three meetings were held.

BOARD MEETINGS 2019



PRESIDENT AND CEO

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 48.

REMUNERATION

Remuneration to the Board of Directors

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

The AGM on May 8, 2019 approved remuneration to the Chairman of the Board of SEK 450,000 and remuneration to other Board members of SEK 180,000 each. Furthermore, the AGM approved remuneration to the Audit Committee of SEK 100,000 to the Chairman and SEK 50,000 each to Committee members. It also approved remuneration to the Remuneration Committee of SEK 50,000 to the Chairman and SEK 25,000 each to Committee members. Board members are not entitled to receive any benefits after the termination of the relevant Board assignment.

Guidelines for remuneration to the CEO and Group management

The Board of Directors determines the remuneration policy for the CEO and Group management. The policy is in accordance with the guidelines for remuneration to the CEO and Group management, as adopted by the shareholders' meeting. Individual remuneration to the CEO is approved by the Board of Directors, while individual compensation to other members of Group management is decided by the CEO following approval by the Chairman of the Board. All decisions on individual remuneration of members of Group management comply with the approved remuneration policy adopted by the Board of Directors.

The AGM 2019 authorized the introduction of an incentive program aimed at senior executives through a targeted warrants issue. Each warrant confers the holder with the right to subscribe for a new share during the subscription period May 17, 2022-June 19, 2022. In total, the program encompasses a maximum of 14 individuals.

PERIOD OF NOTICE AND SEVERANCE PAY

For the CEO, severance pay equivalent to six months' salary is payable upon termination by the company.

A further three members of Group management are entitled to severance pay upon termination by the company. Two members of Group management are entitled to severance pay equivalent to six months' salary, and one member is entitled to severance pay equivalent to three months' salary. Other than the payments stated above, no member of Group management is entitled to post-employment remuneration, except in the event that existing competition clauses apply.

AUDIT

Handicare's statutory Auditor is appointed by the AGM. The Auditor reviews the company's Annual Reports and Financial Statements, applicable accounting policies, and the Board and CEO's management of the company. 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 appoints a minimum of one and a maximum of two auditors, and a maximum of two deputy Auditors. At the 2019 AGM, Ernst & Young AB was re-elected for a period until the end of the 2020 AGM, with Stefan Andersson-Berglund appointed Auditor in Charge. In 2019, total remuneration to the company's auditor amounted to MEUR 0.6.

INTERNAL CONTROL

The Board of Directors' responsibility for internal control is governed primarily by the Swedish 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 below. 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. 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 manager, with responsibility for coordinating, monitoring and reporting internal control events.

The description of Handicare's internal control process is based on COSO, which is published by the Committee of Sponsoring Organizations of the Treadway Commission.

Control environment

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 organizing the business and assigning authority and responsibility, as well as the instructions provided by the Board of Directors. The Board of Directors annually adopts 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 the Board's Rules of Procedure, instructions for committees and remuneration guidelines. Key policies include the financial policy, the authorization policy, the information and communications policy, the insider policy and Handicare's Code of Conduct. In addition, the Group's Financial 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 Group's Financial Manual also contains an internal control handbook.

All Handicare employees are trained in the company's Code of Conduct and the company's salaried employees, approximately half of all employees, receive specialized training in anti-corruption.

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 and the Board of Directors is ultimately responsible for risk management in the company. It is Group management's responsibility to identify, evaluate and manage risks and to report to the Board of Directors. This evaluation is an integrated part of the company's strategic efforts. The evaluation and measures are presented to the Board of Directors and each identified risk has a risk owner within Group management. The main risks facing the Group are divided into the following categories: strategic risks, compliance and legal risks, operational risks and financial risks. See the section Risks and Risk management, page 37.

To further strengthen internal control and risk management, Group management decided to increase the focus on internal audit in 2019. A number of prioritized areas were identified in an internal audit plan which was presented to the Audit Committee. During 2019, a number of audit measures were completed relating to working capital, focusing on inventories. As a part of the audit performed by the company's external auditors, Handicare's internal controls are also assessed. The auditor's opinions are part of Handicare's annual action plan for internal control.

Handicare applies a process description and control matrix for identified key processes, which are updated and improved as a part of the annual internal control work.

Control procedures take place throughout the organization, at 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. Members of Group management are responsible for internal control work within their area of responsibility.

Information and communication

Handicare's management is responsible for informing employees that control responsibilities are a matter of key importance, and ensuring that employees are aware of and understand their role in maintaining the internal control system.

This requires efficient means of internal communication. Handicare's communication structure aims to ensure that relevant information is communicated appropriately, to the right recipient and at the right time. The communication of relevant information within the organization and to external parties, is an integrated part of Handicare's corporate governance and an important part of effective internal control. Group management works to ensure that individuals within the company who are responsible for processes have sufficient knowledge about material risks and control activities relevant to specific processes. Furthermore, established practices ensure that employees report errors and deviations discovered with regard to control even if these have been corrected. The purpose is to obtain a comprehensive view of work flows and to rectify and improve processes. Handicare adopts a communication policy that governs its internal and external communication. The communication policy provides guidance on factors such as disclosure of information to the public. The aim of the policy is to ensure that the company complies with requirements relating to providing accurate 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 implemented procedures on risk assessment and risk management, Group management must report on the activities for monitoring risks, combined with an overall risk assessment, to the Board of Directors on a six-monthly basis. Each year, the Board of Directors reviews and approves policies regarding internal control. If required, such review and approval takes place more frequently.

Board of Directors¹⁾



	Lars Marcher	Joakim Andreasson	Jonas Arlebäck	Maria Carell
Born	1962	1982	1970	1973
Position	Board member since 2014 and Chairman of the Board since 2017. Chairman of the Remuneration Committee Chairman of the Remuneration Committee.	Board member since 2016 and member of the Audit Committee and Remuneration Committee.	Board member since 2018.	Board member since 2016 and member of the Audit Committee.
Nationality	Danish	Swedish	Swedish	Swedish
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 Science in Engineering from Chalmers University of Technology and master of Science in Business Administration from Gothenburg School of Business, Economics and Law.	Master of Social Science in International Business/ Business Administration from Linköping University.
Other current appointments and positions	Member of the Danish Corporate Governance Committee, Senior Advisor and Operating Chairman of Nordic Capital Funds.	Principal Nordic Capital Advisory AB, Board member of KSG Holding AB, Cidron Legion BidCo AB, Cidron Legion MidCo AB, Cidron Legion TopCo AB.	CFO of Lowell Nordic and CEO of Lowell Sverige AB. Board member of Holta Invest AS and EcoFarma Holding AB.	CEO and President of Revision Skincare and Goodier Cosmetics.
Previous assignments	CEO, Ambu A/S, Chairman of Danish Medico Business and Danish Industry IMU.	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.	CFO Handicare Group. Adviser to the Aleris group.	Board member of Meda AB and Akademikliniken AB CEO of Exeltis USA and Granda AB. President of Meda U.S. and Executive Vice President of Meda North America & South Pacific.
Shareholding in the company	493,050 shares	0	327,968 shares	31,333 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.	Not independent in relation to the company and management, but independent in relation to the company's major shareholders	Independent in relation to the company and company management, as well as the company's major shareholders.
Attendance Board meetings	12/ 12	12/ 12	12/ 12	10/ 12
Attendance Audit Committee		7/ 7		6/ 7
Attendance Remuneration Committee	3/ 3	3/ 3		
Approved remuneration in total, TSEK	500	255	180	230

1) The Board as of 31 December 2019. At the 2019 AGM, Elisabeth Thand Ringqvist left her role as a Board member, and Christina Lindstedt was elected as a new Board member.



Auditors

Ernst & Young AB, with Stefan Andersson-Berglund appointed Auditor in Charge.

Stefan Andersson-Berglund, born 1964, is an Authorized Public Accountant.

	Johan Ek	Christina Lindstedt	Claes Magnus Åkesson
Born	1968	1968	1959
Position	Board member since 2013 and vice Chairman of the Board since 2017.	Board member since 2019 and member of the Remuneration Committee.	Board member since 2017 and member of the Audit Committee.
Nationality	Swedish and Finish	Swedish	Swedish
Education and professional experience	Master of Science in Business Administration from Hanken School of Economics.	Master of Science in Business Administration and Business Law from Gothenburg University.	Master of Science in Economics and Business Administration from the Stockholm School of Economics.
Other current appointments and positions	Chairman of the board of GHD GmbH and Sunrise Medical. Board member of Munter Group AB. Senior Advisor and Operating Chairman of Nordic Capital Funds.	Partner of Stockholms Affärs-änglar, Board member of Swedish Lorry Parts, Scanfil Oyj and QleanAir Scandinavia.	CFO for JM AB and Board member of Concentric AB.
Previous assignments	Chairman of Handicare, Saferoad and Corob Engineering and Board member of Acino and Ramirent.	Various roles at Electrolux and Sony Mobile Communications.	Board member of various companies within the JM Group.
Shareholding in the company	293,626 shares	0	25,000 shares
Dependency status	Not independent in relation to the company and company management, nor to the company's major shareholders.	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.
Attendance Board meetings	9/ 12	5/ 12	12/ 12
Attendance Audit Committee			7/ 7
Attendance Remuneration Committee		1/ 3	
Approved remuneration in total, TSEK	180	205	280

Management



	Staffan Ternström	Clare Brophy	Mattias Hakeröd	Pernilla Lindén
Born	1965	1981	1974	1969
Position	President and CEO. Employed and a member of Group management since 2018.	Executive Commercial Director UK, Europe & Far East. Employed in 2009 and a member of Group management since 2018.	Executive Vice President Human Resources. Employed and a member of Group management since 2019.	CFO and Investor Relations. Employed in 2018 and a member of Group management since 2019.
Nationality	Swedish	British	Swedish	Swedish
Education	Master of Science in Business and Economics, University of Gothenburg	St Josephs College Media & Business Studies.	B.Sc. in Human Resource Management and Labour Relations program at Mid Sweden University, and studies in HR & International Working Life at University of Gothenburg/ Keele University.	Master of Science in Business and Economics, University of Gothenburg.
Current assignments	Chairman of Ondosis, Board member at Ferrosan Medical Devices.	None	None	Board member of 10MD
Previous assignments	Executive Vice President Global Commercial Operations and Portfolio at Mölnlycke Health Care, RVP Emerging Markets at Johnson & Johnson, President DACH and Nordics, Medical Devices and Cordis EMEA at Johnson & Johnson.	Cofounder of Companion Stairlifts, Managing Director Companion Stairlifts, Managing Director Handicare Commercial UK.	Senior Vice President Fingerprint Cards 2017-2018, Global Vice President HR/HR Director Mölnlycke 2009-2017.	Vice President Finance Commercial, Acting CFO, Finance Director Surgical and Finance Director Surgical operations, Mölnlycke Health Care.
Shareholding in the company	583,657 call options, 272,657 warrants and 15,000 shares	0	99,714 warrants	99,714 warrants



François Roblin	Peter Slack	Erik Østby
1965	1974	1964
Executive Vice President, Group Purchasing and Product Development. Employed and a member of Group management since 2014.	Executive Vice President, Operations. Employed in 2013 and a member of Group management since 2017.	Executive Vice President Patient Handling Europe & ROW and Global Commercial Excellence. Employed and a member of Group management since 2019.
French	British	Norwegian
Bachelor's degree in Physics from CUST-Polytech Clermont, France.	Master of Science in Business Administration from University of Liverpool.	Business & Administration, Østfold University, Harvard Business School, Executive Program: General Management.
None	Vice Chairman of the board of Wem Rural Parish Council, Group Treasurer of 1st Wem Scouts and Governor and Chairman of the Finance Committee of Newhampton Federation of CofE Schools.	None
CEO, SXP Sourcing eXPerts SARL, Group Vice President Supply Chain management ABB	Operations Director at Prinovis U.K Ltd and Chairman, Deputy Chairman and member of regional advisory panel NW i Engineering Employer's Federation, UK	Mölnlycke Healthcare: Global Director Commercial Excellence, Johnson & Johnson: Director of Marketing, Advanced Sterilization Product (ASP), Europe Middle East & Africa.
30,912 warrants	99,714 warrants	99,714 warrants



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Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

(EUR 000)	Note	2019	2018
Operating revenue	3, 5		
Revenue		271,038	269,771
		271,038	269,771
Operating expenses			
Cost of goods sold		-124,120	-123,617
Personnel expenses	21, 22	-71,554	-69,961
Other operating expenses	11	-45,085	-51,758
Depreciation, amortization and impairment	8, 9, 32	-15,130	-9,393
Other specified items	12	-10,531	-2,998
Operating profit (EBIT)		4,618	12,044
Financial income	17	7,979	13,237
Financial expense	17	-9,938	-14,424
Profit/Loss after financial items		2,658	10,858
Tax expense	24	-4,885	-663
Net profit/loss for the year after tax from continuing operations		-2,226	10,195
Profit after tax from discontinued operations	6	4,571	1,195
Net profit/loss for the year		2,345	11,390
Earnings per share	30		
Earnings per share before and after dilution, EUR (continuing operations)		-0.04	0.17
Earnings per share before and after dilution, EUR (including discontinued operations)		0.04	0.19

From January 1, 2019, the Group applies IFRS 16 Leases. Therefore, the Income Statement for 2019 is not fully comparable with 2018. Refer to Note 32 for a specification of the impact on the Income Statement. Puls is reported as discontinued operations during 2019 and 2018. See Note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 000)	Note	2019	2018
Net profit for the year, continuing operations		-2,226	10,195
Net profit for the year, discontinued operations		4,571	1,195
Net profit for the year		2,345	11,390
Other comprehensive income			
<i>Items that could be reclassified to profit or loss</i>			
Exchange rate fluctuations pertaining to net investment hedges before tax	4	-1,977	130
Translation differences		4,262	-2,112
Tax effect of exchange rate fluctuations and net investment hedges		507	-54
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of net pension obligations before tax	22	-433	-27
Tax effect of remeasurement of net pension obligations		95	6
Total, continuing operations		2,454	-2,062
Total, discontinued operations		105	152
Other comprehensive income for the year, after tax		2,559	-1,905
Total comprehensive income for the year		4,905	9,485

CONSOLIDATED BALANCE SHEET

(EUR 000)	Note	2019	2018
ASSETS			
Fixed assets			
Goodwill	9, 10	159,302	162,822
Other Intangible assets	9, 10	46,260	49,087
Tangible fixed assets	8	7,948	9,651
Right-of-use assets	32	22,477	–
Deferred tax assets	24	3,171	7,981
Non-current receivables	13	83	178
Total non-current assets		239,240	229,719
Current assets			
Inventory	15	27,704	35,570
Accounts receivable	13,14	40,387	43,685
Current tax assets	24	268	141
Other receivables	13	2,827	3,290
Cash and cash equivalents	13,16	33,769	23,572
Total current assets		104,955	106,257
TOTAL ASSETS		344,195	335,977
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	26	81	81
Other contributed capital		261,007	260,807
Reserves		17,924	14,930
Retained earnings including profit/loss for the year		–105,585	–104,549
Shareholders' equity attributable to the Parent Company's shareholders		173,428	171,269
Non-controlling interests		–	–
Total shareholders' equity		173,428	171,269
Liabilities			
Long-term liabilities			
Pension obligations	22	620	187
Deferred tax liabilities	24	5,991	8,316
Pre-paid revenue	18	2,420	2,379
Other provisions	19	762	422
Lease liabilities	32	18,243	–
Interest-bearing loans	4,13	95,053	103,034
Total non-current liabilities		123,090	114,338
Current liabilities			
Interest-bearing loans	4.13	–	45
Lease liability	32	4,395	–
Accounts payable	4,13	23,095	30,480
Other provisions	19	1,208	2,797
Other current liabilities	25	18,979	17,047
Total current liabilities		47,678	50,370
TOTAL EQUITY AND LIABILITIES		344,195	335,977

From 1 January 2019, the Group applies IFRS 16 Leases. Therefore, the balance sheet for 2019 is not fully comparable with 2018. Note that the Balance sheet for 2018 is not adjusted for the divestment of Puls.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 000)	Share capital	Other contributed capital	Translation reserve	Hedge reserve	Other capital	Total shareholders' equity
Shareholders' equity, Jan 1, 2018	81	260,807	14,804	2,116	-113,154	164,654
Net profit for the year					11,390	11,390
Other comprehensive income			-2,072	82	85	-1,905
Comprehensive income for the year	-	-	-2,072	82	11,475	9,485
Transactions with owners						
Dividend					-2,870	-2,870
Transactions with non-controlling interests	-	-	-	-	-	-
Shareholders' equity, Dec 31, 2018	81	260,807	12,732	2,198	-104,549	171,269
Shareholders' equity, Jan 1, 2019	81	260,807	12,732	2,198	-104,549	171,269
Net profit for the year					2,345	2,345
Other comprehensive income			4,368	-1,374	-433	2,561
Comprehensive income for the year	-	-	4,368	-1,374	1,912	4,906
Transactions with owners						
Dividend					-2,947	-2,947
Cash from sale of warrants		200				200
Shareholders' equity, Dec 31, 2019	81	261,007	17,100	824	-105,585	173,428

CONSOLIDATED CASH-FLOW STATEMENT

(EUR 000)	Note	2019	2018
Profit/loss before tax from continuing operations		2,658	10,858
Profit/loss before tax discontinued operations		4,571	1,195
Adjustments for non-cash items:		–	–
Depreciation, amortization and impairment		15,159	9,458
Capital gains/losses		5,004	–
Reversal of interest income/interest expenses		4,244	2,969
Other non-cash items		–417	1,030
Tax paid		–298	–1,564
Cash flow from operating activities before changes in working capital		30,922	23,946
Cash flow from changes in working capital			
Change in inventory		511	500
Change in accounts receivable		–245	–1,799
Change in accounts payable		–4,424	5,678
Change in other current liabilities/receivables		–1,672	–5,725
Cash flow from operating activities		25,092	22,600
Investing activities			
Acquired/divested operations	6,29	11,860	–1,077
Acquisition of tangible and intangible assets		–5,001	–6,108
Proceeds from sale of tangible fixed assets		19	184
Cash flow from investing activities		6,878	–7,000
Financing activities			
Proceeds from borrowings	27		1,307
Change in lease liabilities	27	–5,929	–64
Loan repayments	27	–10,000	–
Additional contributed capital		200	–
Paid dividend		–2,947	–2,870
Interest received		107	100
Interest paid		–3,143	–2,850
Cash flow from financing activities		–21,711	–4,378
Cash flow for the year		10,258	11,222
Cash and cash equivalents at beginning of the year		23,572	12,891
Exchange gains/losses		–61	–555
Closing cash and cash equivalents		33,769	23,572

From January 1, 2019, the Group applies IFRS 16 Leases. Therefore, the Cash Flow Statement for 2019 is not fully comparable with 2018.

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 well as the IFRIC interpretations 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 Supplementary Accounting Rules for Groups 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. The following policies have been applied for all years covered by the Annual Report.

Handicare offers products and solutions to increase the independence of disabled people and the elderly, and to help them live active lives on their own terms, and to facilitate for their care providers and family. Our offering encompasses a comprehensive range of curved and straight stairlifts, transfer, lifting and repositioning aids, vehicle accessibility products. Some 75 percent of sales relate to homecare and the remainder to hospitals and institutions.

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.

CHANGES TO ACCOUNTING AND VALUATION POLICIES**New and amended standards applied by the Group as of January 1, 2019**

A new standard, IFRS 16, has been applied from January 1, 2019. The standard IFRS 16 Leases implies that the Group as lessee reports all leases including operational leases in the Balance Sheet, with the exception of minor and short-term lease contracts. Handicare has opted to apply the modified retrospective approach method, which means that comparative figures have not been restated. The accumulated effect of the initial application of the standard has been reported on the date of first application, i.e. as of January 1, 2019. Handicare has opted to apply the exemptions specified in the standard regarding short-term lease contracts and lease contracts where the underlying asset is of low value. These will be recognized as a cost on a straight line basis over the leasing period. See more detailed information on IFRS 16 below in this Note, and a description of its effects in Note 32.

A number of other changes and interpretations have come into effect for the first time in 2019, but do not affect the Consolidated Financial Statements. The assessment is that none of the IFRS or IFRIC interpretations that have been published and have not yet come into effect are expected to have a material impact on the Group.

The accounting policies deemed significant by company management for the Group are 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 recognized directly in profit or loss for the year. For business combinations in which the consideration exceeds the fair value of separately recognized acquired assets and assumed liabilities, the difference is recognized as goodwill. When the difference is negative, known as a bargain purchase, it is recognized directly in profit or loss for the year. Contingent considerations are recognized at fair value on the acquisition date.

The Consolidated Financial Statements include the Parent Company Financial Statements and the directly and indirectly owned subsidiaries over which the Parent Company exercises a controlling interest. The Group is deemed to exercise a controlling interest over a company when it is exposed to or is entitled to receive variable returns from its holding in the company, and is able to influence the return as a result of its holding in the company. Subsidiaries are included in the Consolidated Financial Statements from the date the controlling influence is transferred to the Group. They are excluded from the Consolidated Financial Statements from the date the controlling influence ceases.

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 included in 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 unrealized gains or losses that arise from intra-Group transactions between Group companies are eliminated in full when preparing the consolidated accounts. Unrealized losses are eliminated in the same manner as unrealized 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 recognized in profit or loss for the period, except for any effective component of net investment hedges, which is recognized 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 (EUR 000) 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 recognized in Other comprehensive income and accumulated as a separate item 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 recognized 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

Handicare primarily generates revenue from sales of finished products, as well as from installation and service.

Revenue from sales of products is recognized when control of the products is transferred, which occurs when the products are delivered to the customer and the Group's performance commitment has been met. In connection with the delivery, all significant risks and rewards of ownership are transferred to the buyer.

Products requiring installation and conversion are primarily sold through the Patient Handling business unit, and to some extent through Accessibility. In these contracts with customers, there are normally two performance obligations: sales of products and installation. Revenue for the products is recognized at the point in time when control over the asset is transferred to the customer; for constructions/installations, revenue and costs are recognized at a pace with the services being performed. 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 recognized.

When the Group performs services such as repair of products, as well as service and maintenance, the revenue is recognized on a straight-line basis over the term of the contract, provided that no other method better measures the fulfilment of the performance commitment. Revenue from repair services is recognized when the service is performed.

Certain contracts with customers include the right to return, trade discounts or volume discounts. Such deductions are estimated when the contract is signed and are subsequently updated. Revenue is recognized at the fair value of the considerations received, or expected to be received, less any discounts provided.

When a contract with a customer provides the right to return the goods within a certain period of time, the right to return is recognized using an expected value-based method if the value is deemed to be substantial. The revenue pertaining to the expected return is deferred and recognized in the statement of financial position under Other liabilities. An equivalent adjustment is made to the cost of goods sold and is recognized in the statement of financial position under Inventory. Currently, the Group has no recognized right to return.

The Group has certain contracts with customers who have guarantee commitments containing services over and above the standard guarantee, which are priced separately. Revenue from such guarantees is recognized on a straight-line basis over the term of the contract, provided that no other method better measures the fulfilment of the performance commitment.

The point in time for revenue recognition, invoicing and payments leads to invoiced accounts receivable and uninvoiced receivables (contract assets) as well as customer advances and customer payments (contract liabilities) on the balance sheet. Invoicing takes place either over the course of the work under the agreed terms of the contract, when milestones are reached or when control of the goods is transferred to the customer. Advances are sometimes received from the customer before the revenue is recognized, which leads to contract liabilities. Payment terms vary from contract to contract depending on what is agreed with the customer.

Handicare has selected a practical solution as regards disclosure requirements and concerning the total amount of the transaction price allocated to performance commitments that are unfulfilled (or partially unfulfilled) at the end of the reporting period. The company does not disclose this information if:

- the performance commitment is part of a contract that has an original expected term of at most one year; and
- the company has the right to compensation from a customer at an amount directly equivalent to the value for the customer of the company's performance that has been achieved to date.

FINANCIAL INCOME AND EXPENSES

Financial income comprises interest income on invested funds. Interest income from financial instruments is recognized using the effective interest method. Income from the sale of a financial instrument is recognized 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 recognized in profit or loss through application of amortized cost using the effective interest method. Exchange-rate gains and losses are recognized gross.

TAXES

Tax expenses for the period comprise current and deferred tax. Income tax is recognized in profit or loss for the year except when the underlying transaction is recognized in other comprehensive income or in shareholders' equity, in which case the associated tax effects are recognized 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 recognized and fiscal values for assets and liabilities. The measurement of deferred tax is based on the expected manner of realization 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 recognized only to the extent that it is probable that the assets can be utilized. The value of deferred tax assets is reduced when it is no longer deemed probable that the assets will be realized.

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 two segments: Accessibility and Patient Handling. 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. Profit or loss in the segment is evaluated and analyzed on an adjusted EBITA basis (i.e. operating profit (EBIT) with reversal of other specified items and amortization and impairment of intangible assets).

FINANCIAL INSTRUMENTS

Financial instruments recognized 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, contingent consideration and borrowings.

Financial instruments are initially recognized at fair value and subsequently at amortized cost, except those that belong to the category of financial assets recognized at fair value through profit or loss (FVTPL), which are recognized at fair value excluding transaction costs.

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

FINANCIAL ASSETS AND LIABILITIES

The Group's financial assets and liabilities comprise the following items: non-current receivables, accounts receivable, other receivables, cash and cash equivalents, borrowing, accounts payable and other current liabilities.

Initial recognition

Financial assets and financial liabilities are recognized when the Group becomes a party under the contractual terms of the instrument. The purchase and sale of financial assets is recognized on the transaction date — the date the Group commits to purchase or sell the asset.

Financial instruments are initially recognized at fair value plus — in those cases where the asset is not recognized at FVTPL — transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability, for example, fees and commissions. Transaction costs attributable to financial assets recognized at FVTPL are recognized directly in profit or loss.

Classification and valuation

The Group classifies and values all its financial assets in the category of amortized cost.

Financial assets valued at amortized cost The classification of investments into debt instruments depends on the Group's business model for managing financial assets and the contractual terms for the asset's cash flow. The Group reclassifies debt instruments only in cases where the Group's business model for the instrument changes.

Assets held for the purpose of collecting contractual cash flows, where the cash flow only constitutes capital amounts and interest, are valued at amortized cost. The recognized value of these assets is adjusted with any expected credit losses recognized (see impairment below). Interest income from these financial assets is reported using the effective interest method and is included in financial income in the statement of comprehensive income. The Group's financial assets, which are valued at amortised cost, consists of the following: other non-current receivables, accounts receivable, other receivables and cash and cash equivalents.

Financial liabilities valued at amortised cost After initial recognition, the Group's other financial liabilities are valued at amortised cost through application of the effective interest method. Other financial liabilities consist of borrowings (current and non-current), accounts payable and other current liabilities.

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 recognized, to the extent that the hedge is effective, in other comprehensive income, and accumulated exchange-rate differences and fair-value changes are respectively recognized in a separate component of shareholders' 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. The gain or loss relating to the ineffective portion is recognized directly in profit or loss as other revenue or other expenses. Accumulated profits and losses in shareholders' equity are reclassified to profit and loss when foreign operations are sold off in full or in part.

Derecognition of financial instruments

Derecognition of financial assets Financial assets, or a portion thereof, are derecognized from the balance sheet when the contractual rights to collect cash flows from the assets have expired or been transferred, and either: (i) the Group transfers essentially all risks and advantages associated with ownership; or (ii) the Group either does not transfer or essentially retains all risks and advantages associated with ownership and the Group has not retained control of the asset.

Derecognition of financial liabilities Financial liabilities are removed from the statement of financial position when the obligations have been settled, annulled or have otherwise expired. The difference between the recognized value for a financial liability (or portion thereof) that has been extinguished or transferred to another party and the amount received, including transferred assets that are neither cash nor assumed liabilities, is recognized in the statement of comprehensive income.

Since the terms for a financial liability are renegotiated and not derecognized from the statement of financial position, a gain or loss is recognized in the statement of comprehensive income. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount recognized in the statement of financial position only when there is a legal right to offset the recognized amounts and the intent to settle them with a net amount or to simultaneously realize the asset and settle the liability. The legal right may not be dependent on future events, and it must be legally binding for the company and the counterparty in both normal business operations and in the event of suspension of payments, insolvency or bankruptcy.

Amortization of financial assets

Assets recognized at amortized cost The Group assesses the expected credit losses linked to assets recognized at amortized cost. The Group recognizes a credit reserve for such expected credit losses on every reporting date.

For accounts receivable, the Group applies the simplified approach for credit reserves (i.e. the reserve will be equivalent to the expected loss over the entire term of the accounts receivable). In order to measure the expected losses accounts receivables are divided based on credit risk and past dues. The Group uses forward looking variables to estimate the expected credit losses.

CASH AND CASH EQUIVALENTS

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.

TANGIBLE FIXED ASSETS

The Group recognizes 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 recognized as an expense in the period in which they are incurred.

Depreciation is on a straight line basis 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
– Right-of-use property	3–13 years
– Right-of-use other assets	3–5 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 recognized 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 recognized as a cost in net profit for the year as it arises. In the statement of financial position, capitalized development expenditure is stated at cost less accumulated amortization and any impairment losses.

Other intangible assets

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

Amortization principles

Amortization is recognized 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 or as soon as there is an indication that the asset may be impaired. Intangible assets with finite useful lives are amortized from the date the asset is available for use. Estimated useful lives:

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

LEASES (APPLIED THROUGH DECEMBER 31, 2018)

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made during the lease period are recognized in profit or loss on a straight-line basis during the lease period. Leases where the Group essentially holds the economic risks and advantages associated with ownership are classified as financial leases. At the start of the lease period, financial leases are recognized in the balance sheet at the leased object's fair value or the current value of the minimum lease fees, whichever is less. Fixed assets held under financial leases are depreciated over the useful life of the asset or the lease period, whichever is shorter. Each lease payment is allocated between amortization of the liability and financial expenses. Similar payment obligations, after deductions for financial expenses, are included in the balance sheet under long- and short-term borrowings. The interest rate portion of the financial expenses is recognized in profit or loss, allocated over the lease period so that each reporting period is charged with an amount equivalent to a fixed interest rate for the liability recognized during the respective periods.

Through leases, the Group rents a number of production facilities, warehouses and office premises, as well as cars, trucks and certain items of office equipment. The main portion of the leases the Group has contracted are classified as operating leases.

LEASES (APPLIED FROM 1 JANUARY 2019)

The Group only acts as lessee. The Group has lease contracts for various types of assets such as property, fixtures & fittings and cars. Property assets are usually subject to leasing terms of between 3–7 years, fixtures & fittings and cars 3–5 years.

The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term lease contracts, i.e. contracts with a term of less than 12 months, and for lease contracts of low value. The Group has lease contracts for office equipment (computers, printers and photocopiers) that are classified as right-of-use assets of low value. Lease payments for these contracts are expensed on a straight line basis over the lease term.

When signing a contract, an assessment is made whether the contract constitutes or contains a lease contract. A contract is or contains a lease if;

- There is an identified asset.
- The lessee has the right to receive all economic benefits that arise from use of the identified asset.
- The lessee has the right to control the use of the asset.

If the criteria outlined above have not been satisfied, the agreement is deemed not to constitute a lease contract or contain a lease, and is therefore classified as a service agreement.

The Group recognizes a right-of-use asset and a financial liability at the start of the lease contract. The Group recognizes the right-of-use asset on a separate line and the lease liabilities on separate lines as short-term or long-term interest bearing liabilities.

As of the start date, right-of-use assets will be valued at cost, which includes the following: the initial amount of the lease liability adjusted for potential lease payments that have been made as of or before the start date, less any lease benefits received and potential initial direct costs that the lessee has incurred and an estimate of the cost the lease will incur in connection with removal and disposal of the underlying asset, returning the site of the asset to its original condition or returning the underlying asset to the conditions specified under the lease contract. The cost of removal, disposal or returning the site and /or the underlying asset to its original condition is only recognized when the Group enters into an obligation to do so.

Right-of-use assets are depreciated on a straight line basis over the shorter of the asset's right-of-use period and the term of the lease contract. The right-of-use period is assessed on the basis of information about the term of the underlying contract and termination and extension clauses.

As of the start date, the lease liability is valued at the present value of unpaid lease payments on initial recognition, discounted at the implied interest rate of the lease contract, or if the interest rate cannot be easily determined, at the Group's incremental borrowing rate. Lease payments included in the valuation comprise fixed fees, variable index-related or interest rate-related lease payments, amounts to be paid in accordance with a residual value guarantee, and lease payments relating to terms that include an extension, if it can be determined with reasonable certainty that the Group will be able to exercise the extension option, and penalty charges for early termination of lease contracts, if it can be determined with reasonable certainty that the Group will terminate the contract prematurely. If a call option is in place, this is included if it can be determined with reasonable certainty that the Group will exercise the option.

The financial liability is recognized at amortized cost in accordance with the effective interest method. More information about lease contracts can be found in Note 32.

INVENTORY

Inventory is recognized at the lower of cost and net realizable value. The cost of inventory is calculated using the first-in/first-out (FIFO) principle. Net realizable 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 recognized as expenses when the related services are received.

A provision is recognized 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 recognized 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 recognized at the earliest point in time at which the company can no longer withdraw the offer to the employees or when the company recognizes restructuring expenses. Remuneration expected to be paid after 12 months is recognized 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 recognized 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 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 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 recognized 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 Balance Sheet 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.

DIVIDENDS

A dividend to the Parent Company's shareholders is recognized as a liability in the Group's financial reports for the period when the dividend has been approved by the Parent Company's shareholders.

CASH FLOW

The cash flow analysis is prepared using the indirect method, and covers only transactions that have resulted in deposits or payments.

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 recognized 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 below refer to the risk of adjustments in the value of assets or liabilities during the coming financial year.

Goodwill impairment

Several assumptions about future circumstances and estimates have been made in the calculation of cash-generating units' recoverable amounts for the assessment of goodwill impairment. These are accounted for in Note 10. Changes in the preconditions for these assumptions and estimates could have a material impact on goodwill in the cash-generating unit. At December 31, 2019, Handicare reported goodwill of MEUR 159.3 (162.8).

Measurement of tax loss carry-forwards

Deferred tax assets primarily attributable to tax losses and temporary differences are recognized if the tax assets can be expected to be recovered through future taxable profits. Changes in assumptions regarding forecast, future taxable profits and changes in tax rates could result in significant differences in the value of deferred taxes. At December 31, 2019, Handicare reported deferred tax liabilities in excess of deferred tax assets at a net amount of MEUR 2.8 (0.3). Unrecognized deficits as of December 31, 2019 amounted to MEUR 28.5 of a total of MEUR 39.5.

Income taxes

The Group reports current tax in line with local tax regulations. Reporting is based on management's assessment and interpretation of applicable legislation, 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 from those of management, this could impact the Group's earnings and financial position.

Accounts receivable

Receivables are recognized net of any provisions for expected credit losses. The net value reflects amounts expected to be received based on the circumstances known on 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 2019, accounts receivable amounted to MEUR 40.4 (43.7). Provisions for future credit losses totaled MEUR 2.0 (1.9) at year-end.

Inventories

Estimates of net realizable value of inventories 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 December 31, 2019, net reported inventories amounted to MEUR 27.7 (35.6).

Moreover, at the end of each accounting period, 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 December 31, 2019, the obsolescence reserve amounted to MEUR 3.8 (4.9).

Capitalized development expenditure

Development expenditure relating to new or improved products or processes, is recognized as an asset in the Balance Sheet, 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 commercialization and streamlining of processes that lead to positive cash flow are uncertain. In 2019, Handicare capitalized MEUR 2.1 (2.8).

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 CEO has been identified as the CODM. Earnings in the segment are evaluated and analyzed by the CODM on an adjusted EBITA basis (i.e. operating profit (EBIT) with reversal of Other specified items and amortization and impairment of intangible assets). The Group's segments are presented excluding IFRS 16 effects as the segments in the internal reporting to management recognizes lease contracts in accordance with the earlier standard IAS 17 Leases. Puls, which was divested in May 2019, has been reported as discontinued operations (see Note 6). Handicare Auto A/S (Vehicle Accessibility Denmark) was divested in December and is included in continuing operations in Accessibility. From January 1, 2020 Accessibility has been divided into two segments; Accessibility (which will include the Stairlifts business) and Vehicle Accessibility. See page 98 for more information.

2019 (EUR 000)	Accessibility	Patient Handling	Group-wide functions	Consolidation
REVENUE/COSTS				
Revenue from external customers	195,131	75,827	80	271,038
Depreciation	1,862	1,511	19	3,392
Segment earnings – adjusted EBITA	26,247	5,750	-10,962	21,035
Investments	2,478	1,878	511	4,867
2018 (EUR 000)	Accessibility	Patient Handling	Group-wide functions	Consolidation
REVENUE/COSTS				
Revenue from external customers	189,401	80,255	115	269,771
Depreciation	2,347	1,404	33	3,784
Segment earnings – adjusted EBITA	25,420	7,079	-11,848	20,651
Investments	2,769	2,481	843	6,093

Handicare normally has no transactions between the different segments.

ADJUSTMENTS AND ELIMINATIONS:

The Group's segments are presented excluding IFRS 16 effects as the segments in the internal reporting to management reports lease contracts in accordance with the earlier standard IAS 17 Leases. 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 earnings and Profit/loss before tax (EUR 000)	2019	2018
Segment earnings – adjusted EBITA	21,035	20,651
Other specified items	–10,531	–2,998
IFRS 16-effect – EBITA	488	–
Amortization and impairment of intangible assets	–6,375	–5,609
Financial income	7,979	13,237
Financial expense	–9,938	–14,424
Profit/loss before tax and discontinued operations	2,658	10,858

For these purposes, fixed assets consist of tangible fixed assets and intangible assets excluding goodwill.

Fixed assets (EUR 000)	2019	2018
Sweden	1,686	2,148
Rest of Europe	42,325	45,015
North America	10,055	11,487
Rest of the world	143	88
Total	54,208	58,738

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 centralized to Handicare's Treasury function and are based on the Board's guidelines. The guiding principle is to minimize 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 minimize volatility in the Income Statement and 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 and CAD. The Group limits cash-flow exposure through currency clauses in customer contracts, by optimizing internal flows (internal hedging) and by controlling the purchase currency for external purchases. At year end, there were no outstanding currency contacts.

The carrying amount 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 recognized 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.

NOTE 4 FINANCIAL RISK MANAGEMENT CONT.

Net assets by currency	12/31/2019		12/31/2018	
	Net assets in local currencies	in EUR	Net assets in local currencies	in EUR
NOK	696,259	70,587	-58,408	-5,871
EUR	32,205	32,205	87,977	87,977
SEK	177,942	17,033	159,171	15,521
DKK	18,990	2,542	106,566	14,271
GBP	13,351	15,693	13,874	15,510
USD	3,408	3,033	3,718	3,247
CAD	45,377	31,085	61,900	39,667
Other currencies		1,251		947
Total		173,428		171,269

Borrowings in foreign currencies	12/31/2019		12/31/2018	
	Borrowings by currency	Borrowings in EUR	Borrowings by currency	Borrowings in EUR
NOK	255,841	25,937	357,030	35,889
GBP	24,160	28,396	24,160	27,008
CAD	27,098	18,563	27,098	17,365

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

Sensitivity analysis currency risk	Translation exchange rate at 12/31/2019			Translation exchange rate at 12/31/2018		
		-5%	5%		-5%	5%
NOK	9.8638	-2,235	2,235	9.9483	2,088	-2,088
GBP	0.8508	-1,273	1,273	0.8945	-1,527	1,527
USD	1.1234	-152	152	1.1450	-162	162
SEK	10.4467	-852	852	10.2549	-776	776
DKK	7.4714	-127	127	7.4676	-714	714
CAD	1.4598	-686	686	1.5605	-1,115	1,115

PRICE RISK

The Group is not exposed to any significant price risk linked to raw materials prices or investments in shares.

INTEREST RATE RISK

Interest rate risk is defined as the risk that fluctuations in market interest rates have a negative effect on Group profit or cash flow. Handicare's goal is to limit undesirable effects on the company's profit and cash flow as a result of unexpected interest rate fluctuations by adopting varying interest rate periods.

The Group's interest rate risk is limited to long-term financing. In 2019, the Group made a voluntary repayment of EUR 10 M of Group debt. As of December 31, 2019, the Group had bank loans and utilized credit facilities totalling MEUR 93.

The impact of a 1 percent change in the floating interest rate in the respective currencies is shown the following table. At the end of 2019, the Group had no positions in interest rate derivatives.

NOTE 4 FINANCIAL RISK MANAGEMENT CONT.

Sensitivity analysis interest-rate risk

12/31/2019	Borrowings by currency	Borrowings in EUR	Variable interest rate	+/- 1% (pp)
NOK	255,841	25,937	NIBOR	259
GBP	24,160	28,396	LIBOR	284
EUR	20,000	20,000	EURIBOR	200
CAD	27,098	18,563	CDOR	174

12/31/2018	Borrowings by currency	Borrowings in EUR	Variable interest rate	+/- 1% (pp)
NOK	357,030	35,889	NIBOR	359
GBP	24,160	27,008	LIBOR	270
EUR	20,000	20,000	EURIBOR	200
CAD	27,098	17,365	CDOR	174

CREDIT RISK

Financial credit risk is the risk that a financial counterparty becomes unable to fulfil their obligations to Handicare as a result of default, e.g. under a financial contract. The Group limits counterparty risk by only entering into financial transactions with established counterparties with a good credit rating. The Group has no financial investments at year end and thereby no issuer risk. The credit risk on bank balances (MEUR 33.8) is very low. The financial credit risk is managed centrally. Historically, losses on other receivables has been low and is expected to remain limited as the Group's counterparties largely comprise public institutions. New customers are subject to credit approval before being issued with credit. See also Note 14.

LIQUIDITY RISK

The Group is exposed to the risk of having unsatisfactory liquidity to meet its obligations at a given point in time. The liquidity risk is managed by means of the Group holding sufficient liquid funds and short-term financing through agreed credit facilities.

Close to 100 percent of the Group' available liquidity is concentrated in Handicare's Group accounts structure, which ensures streamlined and effective control of liquid funds.

At the end of 2019, cash and bank balances totaled MEUR 33.8 and unutilized credit facilities MEUR 38.

FINANCING RISK

The Group maintains flexibility of financing through credit agreements that ensure immediate and long-term access to credit facilities, managing the maturity structure of the loan stock and by raising borrowing from a variety of creditworthy lenders.

The Group was refinanced in connection with market listing in October 2017. Existing credit agreements contain financial credit conditions, known as covenants, relating to the financial key performance indicator net debt/EBITDA. In the event that agreed financial credit conditions are not satisfied, creditors ultimately have the right to terminate credit agreements. In 2019, all financial key performance indicators satisfied the stipulated requirements.

The following table presents an analysis of the Group's financial liabilities, divided over the period remaining to maturity at the Balance Sheet date. Derivatives comprising financial liabilities have been included in the analysis if their maturity date are of material significance for understanding the timings of future cash flows. The amounts presented in the table refer to contractual undiscounted cash flows.

12/31/2019	2020	1–2 years 2021–2022	3–5 years 2023–2025	Over 5 years 2026–
Loans	–	92,897	–	–
Leasing liability	4,395	5,416	8,194	4,633
Interest on credit facilities	2,873	5,745	–	–
Accounts payable and other liabilities	42,074	–	–	–
Total	49,342	104,055	8,194	4,633

12/31/2018	2019	1–2 years 2020–2021	3–5 years 2022–2024	Over 5 years 2025–
Loans	–	–	100,261	–
Interest on credit facilities	2,756	5,512	2,756	–
Accounts payable and other liabilities	49,705	–	–	–
Total	52,461	5,512	103,017	–

NOTE 4 FINANCIAL RISK MANAGEMENT, CONT.**PRESENTATION OF CARRYING AMOUNTS OF BORROWINGS, COLLATERAL AND CREDIT FACILITIES**

Carrying amount	2019	2018
Long-term facility	92,897	100,261
Recognized interest	8	17
Recognized expenses	-617	-841
Contingent consideration	1,603	2,271
Other liabilities	1,171	1,388
Total	95,061	103,096

2019 Overview of facilities	Facility	Utilised	Carrying amount in EUR
Facility EUR	20,000	20,000	20,000
Facility NOK	255,841	255,841	25,937
Facility GBP	24,160	24,160	28,396
Facility CAD	27,098	27,098	18,563
Total			92,896

2018 Overview of facilities	Facility	Utilised	Carrying amount in EUR
Facility EUR	20,000	20,000	20,000
Facility NOK	357,030	357,030	35,889
Facility GBP	24,160	24,160	27,008
Facility CAD	27,098	27,098	17,365
Total			100,261

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 the debt/equity ratio. The debt/equity ratio is to be reduced in stages over time.

	2019	2018
Interest-bearing liabilities (including pension liabilities and excluding leases)	96,298	103,937
Accounts payable	23,095	30,480
Cash and cash equivalents	-33,769	-23,572
Shareholders' equity	173,428	171,269
Total capital	259,053	282,115
Debt/equity ratio	33.1%	39.3%

NOTE 5 REVENUE

EUR 000	2019	2018
Sale of goods	245,344	245,492
Services	25,694	24,279
Total revenue from continuing operations	271,038	269,771

Handicare's registered office is in Sweden. The following table shows total revenue from external customers divided by country, based on where the customers are domiciled.

Geographical information Revenue from external customers (EUR 000)	2019	2018
Sweden	4,654	4,907
Rest of Europe	193,079	192,981
North America	68,556	69,540
Rest of the world	4,749	2,343
Total	271,038	269,771

Information on products and services (EUR 000)	2019	2018
Vehicle adaptation, and related products and services	37,865	41,781
Stairlifts, and related products and services	157,265	147,620
Bathroom safety products and related services	6,828	6,550
Patient handling and related services	68,999	73,705
Other	80	115
Total	271,038	269,771

Interest income during the period totaled TEUR 107 (100). Interest income is included in financial items. During the period, the company 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 recognized on a separate line. When an entity is classified as discontinued, the presentation of the comparative year changes. The presentation of the Balance Sheet for the

current and preceding year is not changed in a corresponding manner. On May 22, 2019 Puls AS was divested to Mediq International BV. Puls AS and its subsidiaries represented the Puls business area in Handicare's segment reporting. As a result of the divestment, Puls has been reported as a discontinued operation. The purchase consideration for Puls amounted to MEUR 10.9 (MNOK 106). Capital gains before tax was MEUR 4.3 and was included in earnings from sale of discontinued operations below.

Discontinued operations Puls EUR 000	2019	2018
Revenue	6,218	21,095
Cost of goods sold	-4,301	-14,682
Personnel expenses	-1,135	-3,662
Other operating expenses	-470	-1,491
Depreciation, amortization and impairment	-29	-65
Operating profit (EBIT)	283	1,195
Earnings from sale of discontinued operations	4,289	-
Profit before tax	4,571	1,195
Tax	-	-
Earnings from discontinued operations	4,571	1,195
Cash flow from operating activities	-86	2,938
Cash flow from investing activities	8,098	-15
Cash and cash equivalents generated from discontinued operations	8,012	2,923

NOTE 6 DISCONTINUED OPERATIONS, CONT.

Profit from divestments EUR 000	2019
Divestment consideration after transaction expenses	9,843
Divested net assets	5,554
Profit on divestment of discontinued operations	4,289
Divested net assets EUR 000	2019
Fixed assets	650
Current assets (incl. cash and bank balances)	7,625
Current liabilities	-2,721
Net assets	5,554

NOTE 7 SHARES IN SUBSIDIARIES

	Operation	Registered office	Owner share	
			2019	2018
Directly owned subsidiaries:				
Handicare Group AS	3	Moss, Norway	100	100
Indirectly owned subsidiaries:				
Magsum B.V.	3	Heerhugowaard, Netherlands	100	100
Crystal Amethyst B.V.	3	Heerhugowaard, Netherlands	100	100
Handicare Bathroom Safety B.V.	1	Pijnacker, Netherlands	100	100
Handicare Accessibility B.V.	3	Heerhugowaard, Netherlands	100	100
Handicare Stairlifts B.V.	1	Heerhugowaard, Netherlands	100	100
Handicare Monte-escaliers	2	Saint Genevieve les Bois, France	100	100
Handicare AS	1	Moss, Norway	100	100
Handicare A/S	2	Brøndby, Denmark	100	100
Handicare AB	1	Kista, Sweden	100	100
Handicare Holding Ltd.	3	Kingswinford, England	100	100
Minivator Group Ltd.	3	Kingswinford, England	100	100
Companion Stairlifts Ltd.	2	Leeds, England	100	100
Handicare Accessibility Ltd.	1	Kingswinford, England	100	100
YouQ B.V.	4	Helmond, 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	Reistad, Norway	100	100
Prism Medical Ltd	1	Toronto, Ontario, Canada	100	100
Handicare USA Inc	1	Delaware, USA	100	100
Ergosafe Products LLC	2	Delaware, USA	100	100

Type of operations: 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
Opening balance January 1, 2019	2,564	19,943	22,507
Purchases	144	1,956	2,099
Divestments/reclassifications	0	-3,055	-3,055
Exchange-rate fluctuations	-4	650	646
December 31, 2019	2,704	19,493	22,197
DEPRECIATION			
Accumulated depreciation and amortization January 1, 2019	-1,081	-11,775	-12,856
Depreciation	-180	-3,212	-3,392
Divestments/reclassifications	0	2,524	2,524
Exchange-rate fluctuations	2	-527	-525
December 31, 2019	-1,259	-12,990	-14,249
Carrying amount at 31 Dec 2019	1,445	6,503	7,948

COST	Land and buildings	Machinery, fixtures and fittings and equipment	Total
Opening balance January 1, 2018	2,460	17,688	20,148
Acquisitions through business combinations	-	117	117
Purchases	117	2,156	2,273
Divestments/reclassifications	-4	-49	-53
Exchange-rate fluctuations	-9	30	22
December 31, 2018	2,564	19,943	22,507
DEPRECIATION			
Accumulated depreciation and amortization January 1, 2018	-924	-8,339	-9,263
Depreciation/impairment	-167	-3,683	-3,850
Divestments/reclassifications	2	163	165
Exchange-rate fluctuations	8	84	92
December 31, 2018	-1,081	-11,775	-12,856
Carrying amount at Dec 31, 2018	1,483	8,168	9,651

The information in the note has not been adjusted for discontinued operations.

NOTE 9 INTANGIBLE ASSETS

COST	Internally generated development expenditures	Customer relations	Brands/Patents	Software/ technology	Goodwill	Total
Opening balance January 1, 2019	17,617	13,422	28,422	16,542	162,822	238,825
Acquisitions	2,069	0	0	833	0	2,901
Divestments/reclassifications	-452	-1,162	0	-7	-7,813	-9,434
Exchange-rate fluctuations	342	336	439	279	4,293	5,689
December 31, 2019	19,575	12,596	28,862	17,647	159,302	237,982
AMORTIZATION						
Accumulated depreciation and amortization January 1, 2019	-10,500	-7,348	-567	-8,500	0	-26,915
Amortization for the year	-2,288	-1,820	-127	-2,106	0	-6,341
Impairment	-35	0	0	0	0	-35
Divestments/reclassifications	378	1,036	0	0	0	1,415
Exchange-rate fluctuations	-234	-118	31	-223	0	-543
December 31, 2019	-12,678	-8,250	-662	-10,828	0	-32,419
Carrying amount at Dec 31, 2019	6,897	4,345	28,200	6,818	159,302	205,562

COST	Internally generated development expenditures	Customer relations	Brands/Patents	Software/ technology	Goodwill	Total
Opening balance January 1, 2018	15,049	11,398	28,161	15,961	163,518	234,086
Acquisitions through business combinations	0	2,150	0	0	1,100	3,250
Acquisitions	2,772	1	19	746	0	3,538
Divestments/reclassifications	0	-297	297	2	0	1
Exchange-rate fluctuations	-204	171	-54	-167	-1,795	-2,050
December 31, 2018	17,617	13,422	28,422	16,542	162,822	238,825
AMORTIZATION						
Accumulated depreciation and amortization January 1, 2018	-8,922	-5,765	-373	-6,339	-	-21,398
Amortization for the year	-1,636	-1,494	-153	-2,267	-	-5,551
Impairment	-58	0	0	0	-	-58
Divestments/reclassifications	0	0	0	0	-	1
Exchange-rate fluctuations	115	-89	-41	105	-	91
December 31, 2018	-10,500	-7,348	-567	-8,500	-	-26,915
Carrying amount at Dec 31, 2018	7,117	6,074	27,856	8,041	162,822	211,909

Research and development expenses that do not satisfy the criteria for reporting as intangible assets are expensed when they arise. Total research and development expenses that were expensed in the period amounted to MEUR 4.5 (4.4) in the year. The information in this note has not been adjusted for discontinued operations.

NOTE 10 IMPAIRMENT TESTING OF INTANGIBLE ASSETS

Handicare has significant values recognized 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 is 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.

EUR 000	2019		2018	
CGU				
Business unit	Goodwill	Brands	Goodwill	Brands
Accessibility	90,239	24,640	95,966	24,217
Patient Handling	69,063	3,537	66,856	3,602
Total	159,302	28,177	162,822	27,818

Impairment testing resulted in no impairment of intangible assets in 2019.

CRITICAL PREREQUISITES AND ASSUMPTIONS

Future cash flows are estimated based on the budget adopted by the Board and overall strategies for 2020-2024. After 2024, 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 between 3 and 6 percent was used. After 2024, a future value of 2 percent was used. For EBITDA, a margin between 12 and 16 percent was used. The discount rate used before tax was 11 percent (11). The growth rate over the coming years will be affected by sales volumes and sales price. Sales volumes and the average growth rate are based on historical outcomes and management's assessment of the market's and company's progress. Selling price is based on current sector trends and the long-term inflation forecast for each country. EBITDA is based on historical outcome and management's judgment regarding future progress.

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 with a 10-year risk-free interest rate on government bonds in the countries where Handicare has a significant part of its 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

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.

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.

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 indeterminate 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

EUR 000	2019	2018
Freight expenses	6,824	6,669
Property rental related expenses (short-term lease, variable costs etc)	6,285	12,168
IT costs, equipment leases, maintenance and other costs	5,855	6,512
Travel costs	4,250	4,008
Outsourced services and fees	3,464	4,027
Marketing and selling costs	13,151	12,685
Insurance, warranties and service	702	1,028
License and patent costs	537	708
Other expenses	4,018	3,952
Total	45,085	51,758

NOTE 12 OTHER SPECIFIED ITEMS

In 2019, Handicare's other specified items burdened profit by MEUR 10.5. These mainly relate to realized losses in connection with the divestment of Handicare Auto A/S and advisory costs for the ongoing strategic review. In 2018, Other specified items totaled MEUR 3.0 and refer to reorganizations carried out and severance costs in conjunction with these.

EUR 000	2019	2018
Restructuring costs	141	2,998
Transaction costs (realized loss Handicare Auto A/S)	9,294	–
Other efficiency projects (strategic review)	1,096	–
Total	10,531	2,998

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: For all financial instruments in the table below valued at amortised cost, the recognized amount is deemed to represent a good approximation of fair value. The additional purchase consideration is classified as level 3 in the fair value hierarchy due to the use of non-observable data. There were no transfers between levels in the fair value hierarchy for recurring valuations at fair value during the year.

12/31/2019	Assets measured at FVTPL	Assets measured at amortised cost	Total
Other non-current receivables		83	83
Accounts receivable		40,387	40,387
Prepayments		2,304	2,304
Other current receivables		523	523
Cash and cash equivalents		33,769	33,769
Total		77,066	77,066

12/31/2019	Liabilities measured at FVTPL	Liabilities measured at amortised cost	Total
Long-term liabilities to credit institutions		93,450	93,450
Accounts payable		23,095	23,095
Contingent consideration	1,603	0	1,603
Total	1,603	116,545	118,148

Assets 12/31/2018	Assets measured at FVTPL	Assets measured at amortised cost	Total
Shares	18		18
Other non-current receivables		160	160
Accounts receivable		43,685	43,685
Prepayments		2,908	2,908
Other current receivables		382	382
Cash and cash equivalents		23,572	23,572
Total	18	70,707	70,725

Commitments 12/31/2018	Liabilities measured at FVTPL	Liabilities measured at amortised cost	Total
Long-term liabilities to credit institutions		100,763	100,763
Accounts payable		30,480	30,480
Contingent consideration	2,271	–	2,271
Other current liabilities		45	45
Total	2,271	131,288	133,559

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. Financial transactions are made with parties with good credit rating. Over the years, the Group has only had limited customer credit losses. The provision for expected losses is made at the inception of the receivable and the level of provision depends on the probability of payment default. The amount provided for outstanding receivables changes over time. The recognized amounts for financial assets represent the maximum credit exposure. The maximum exposure to credit risk at year end, as below.

ACCOUNTS RECEIVABLE	2019	2018
Contract assets	1,602	1,747
Accounts receivable	40,815	43,812
Provision for expected losses	–2,030	–1,874
Total	40,387	43,685

The contract assets above are primarily attributable to the Group's Patient Handling operations in North America

PROVISION FOR CUSTOMER CREDIT LOSSES	2019	2018
Provision at 1 January	–1,874	–1,203
Provisions during the year	–394	–692
Reversed during the period	259	30
Divestments	36	–
Exchange-rate fluctuations	–56	–10
Total provisions	–2,030	–1,874

Reversed provisions are recognized under Other operating expenses.

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

	Total	Not past due	<30 days	30–60 days	60–90 days	More than 90 days
2019	40,387	23,550	7,502	2,636	2,792	3,907
2018	43,685	24,414	8,585	2,885	2,259	5,541

NOTE 15 INVENTORY

EUR 000	2019	2018
Raw materials and semi-finished goods	10,279	14,749
Work-in-progress	44	238
Finished goods	17,381	20,583
Total	27,704	35,570

The inventory is valued at the lower of cost and net realizable value less selling costs. No component of inventory is measured at fair value. At December 31, 2019, the provision for obsolescence was TEUR 3,785 (4,858). During the year, the company's cost of goods sold totaled TEUR 124,120 (123,617). No reversals of impairment have occurred.

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 North America. All subsidiaries bear joint and several liability for the use of credits. At December 31, 2019, the Group account holder was Crystal Amethyst BV. The Group's bank balances amounted to TEUR 33,769 (23,572).

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 recognized as exchange-rate gains or losses, respectively.

EUR 000	2019	2018
Interest income	107	100
Exchange-rate gains	7,152	13,048
Other financial income	720	90
Total financial income	7,979	13,237
Interest expense	-4,351	-3,070
Exchange-rate losses	-5,268	-11,079
Other financial expenses	-319	-275
Total financial expenses	-9,938	-14,424
Net financial items	-1,958	-1,186

NOTE 18 CONTRACT LIABILITIES

EUR 000	Contract liabilities (Deferred revenue)	EUR 000	Contract liabilities (Deferred revenue)
Balance at Jan 1, 2019	2,379	Balance at Jan 1, 2018	2,372
Provisions during the year	1,903	Provisions during the year	1,597
Recognized during the year	-1,938	Recognized during the year	-1,578
Reversal of previous provisions	0	Reversal of previous provisions	0
Translation differences	76	Translation differences	-12
Closing balance, Dec 31, 2019	2,420	Closing balance, Dec 31, 2018	2,379

NOTE 19 PROVISIONS

EUR 000	Restructuring costs	Guarantee provisions	Other provisions and obligations	Total
Balance at Jan 1, 2019	2,797	205	216	3,218
Provisions during the year	0	200	234	434
Recognized during the year	-1,601	-48	-	-1,648
Divestments			-46	-46
Translation differences	11	0	0	11
Closing balance, Dec 31, 2019	1,208	357	405	1,970
Of which long-term		357	405	762
Of which short-term	1,208			1,208
Balance at Jan 1, 2018	2,757	1,150	452	4,359
Provisions during the year	2,998	0	66	3,064
Recognized during the year	-2,940	-396	-302	-3,638
Reversal of previous provisions	0	-551	0	-551
Translation differences	-17	2	1	-14
Closing balance, 31 Dec 2018	2,797	205	216	3,218
Of which long-term		205	216	422
Of which short-term	2,797			2,797

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 20 FUTURE MINIMUM LEASING FEES FOR NON-CANCELLABLE LEASES

Leases were reported in accordance with IAS 17 in 2018. For information regarding the transition to IFRS 16 and information about the Group's leases in 2019 see Note 32.

2018 (EUR 000)	2019	2020	2021	2022	2023	After 2024	Total
Premises rental expenses	4,545	4,139	2,774	2,042	1,573	2,204	17,278
Leased machinery and equipment	199	178	171	156	48	0	752
Leased transportation	1,652	966	401	198	54	0	3,272
Leased IT systems	6	4	0	0	0	0	10
Other leases	20	20	16	12	2	0	69
Total	6,423	5,307	3,362	2,408	1,677	2,205	21,382
Finance leases							
Leased machinery and equipment	39	38	31	5	0	0	114
Leased transportation	64	197	0	0	0	0	261
Total	104	235	31	5	0	0	375

In 2018, recognized leasing fees for the period amounted to TEUR 7,543.

NOTE 21 EMPLOYEES, PERSONNEL EXPENSES, REMUNERATION TO THE BOARD AND SENIOR EXECUTIVES

Average number of employees by region	2019	2018
Europe	827	886
North America	243	253
Rest of the world	37	28
Total	1,107	1,167
Of which men	797	852
Of which women	310	315

Salaries and personnel expenses	2019	2018
Salaries and vacation pay	58,954	57,077
Payroll tax	7,606	7,957
Pension expenses incl. payroll tax	2,353	2,055
Other personnel expenses	2,641	2,871
Total	71,554	69,961

REMUNERATION TO SENIOR EXECUTIVES

2019 (EUR 000)	Fixed salary	Variable salary	Pension expenses	Long-term incentives	Other benefits ¹⁾	Total
President and CEO	371	54	91	76	19	612
Other members of Group management ²⁾	1,594	184	206	98	62	2,144
Total	1,966	238	297	174	81	2,756

1) Pertains to housing, vehicle and travel benefits.

2) Six members of which 2 women and 4 men

2018 (TEUR)	Fixed salary	Variable salary	Pension expenses	Long-term incentives	Other benefits ³⁾	Total
President and CEO ¹⁾	143	7	36	–	9	194
Former President and CEO ²⁾	417	10	7	–	14	448
Other members of Group management ⁴⁾	1,354	130	225	–	101	1,810
Total	1,914	147	268	–	125	2,453

1) President and CEO Staffan Ternström was designated new CEO by the Board on August 13, effective from August 14, 2018.

2) Former CEO Asbjørn Eskild stepped down from his position on August 6, 2018; his employment terminated on February 28, 2019. The cost of his remuneration for 2019 was taken in 2018 and is included in the amount above. The remuneration for August 2018 - February 2019 amounted to TEUR 227.

3) Pertains to housing vehicle and travel benefits.

4) 8 members of which 3 women and 5 men.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

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

Members of Group Management are entitled to variable salary in the form of a short-term incentive program (STI) in addition to their fixed salary. The STI is based on the Group's financial performance and/or for the business unit for which the member of Group Management is responsible. STIs may amount to a maximum of 60 percent ("stretch" level) of the fixed salary. The Board of Directors will conduct an annual

evaluation of whether a long-term incentive program (for example, share or share-price based) should be proposed to the Annual General Meeting. Pension benefits should be defined contribution. Retirement age follows the pension rules of the specific country. For the CEO and members of the Group Management, a mutual notice period of six months applies between the company and the CEO. The CEO and other members of Group Management are, in the event the company serves them with notice to terminate their employment, entitled to receive severance pay corresponding up to a maximum of 12 months' fixed salary. No severance pay is payable when notice is given by the employee.

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 to members of the Group management are within the approved remuneration policy adopted by the Board of Directors.

The Board has the right depart from the guidelines adopted by the shareholders' meeting if, in a individual case, particular reasons exist for so doing.

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 TSEK 3,800 annually. Variable remuneration can total up to a maximum of 60 percent 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. The CEO is entitled to compensation for housing and travel costs, as well as vehicle benefits.

Upon voluntary termination 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.

As regards the CEO, the company implements a monthly pension provision of 25 percent of the CEO's monthly salary.

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 a maximum of 60 percent of 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, cash flow, and individual goals based on personal performance.

For members of Group management, upon resignation, salary and other employment benefits will be paid in full during the notice period. All management members are party to employment contracts, including terms of notice, in accordance with local legislation in the respective countries.

Three members of Group management are entitled to severance pay of 3-6 months' salary upon termination of employment. 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 allocates monthly premium pension provisions of between 5 and 27 percent of 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 AGM. The AGM held on May 8, 2019 resolved that remuneration of SEK 450,000 be paid to the Chairman of the Board and remuneration of SEK 180,000 be paid to other Board members.

It was also resolved that, for work on Board committees, fees of SEK 100,000 each would be payable to the respective Chairs and SEK 50,000 to other Committee members. 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 other Committee members. Members of the Board of Directors are not entitled to any benefits upon ceasing to serve as Directors.

EUR 000	2019		2018	
	Fee	Fee for Board committee	Total Fee	Total Fee
Lars Marcher	43	5	47	49
Joakim Andreasson	17	7	24	25
Jonas Arlebäck	17	0	17	18
Maria Carell	17	5	22	22
Johan Ek	17	0	17	18
Christina Lindstedt	17	2	19	
Claes Magnus Åkesson	17	9	27	27
Elisabeth Thand Ringqvist				20
Total	145	28	173	178

LONG-TERM INCENTIVE PROGRAMMES**LTIP 2019**

The AGM on May 8, 2019 authorized the introduction of a long-term incentive program aimed at senior executives. In total, the incentive program encompasses 10 people. The incentive program implies that senior executives are offered to acquire warrants a market value. Each warrant confers the right to subscribe for one (1) share in the Company. The subscriptions price per share under the warrants corresponds to 126.0 percent of the volume-weighted average of the Company's closing price a number of days after the AGM on May 8, 2019. The subscription price was set at SEK 45.8. Each warrant confers the right to subscribe for a new share in the Company during the subscription period May 17, 2022 – June 19, 2022.

The warrants were transferred on market terms at a price (premium) determined on the basis of an estimated market value of the warrants at the time of transfer, applying the Black & Scholes valuation model calculated by an independent valuation institution. The value was determined at SEK 2.46 per warrant.

LTIP 2017

In conjunction with the listing in 2017, five members of Group management were offered an incentive program 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 percent of the total number of shares.

The warrants were issued in two separate series. Series 2017/2019 comprises up to 278,208 warrants that may be exercised during the following subscription period: October 10, 2019–January 10, 2020. Series 2017/2020 comprises up to 278,208 warrants that may be exercised during the following subscription period: October 10, 2020–January 10, 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.

CALL OPTIONS ISSUED BY CIDRON LIBERTY SYSTEMS

In August 2018, Handicare's largest shareholder, Cidron Liberty Systems SARL, issued 583,657 call options, which gives Handicare's CEO the right to acquire 583,657 Handicare shares. The call options were acquired for a total purchase price of MSEK 1.5. Each call option grants the right to purchase one Handicare share for a brief period after the publication of Handicare's quarterly report for Q2 2020. These options involve no cost to Handicare.

PROGRAM	Subscription period	President and CEO	Other members of Group management)	Other participants	Expired/ repurchased	Total	Subscription price (SEK)
LTIP 2019	17/5 2022 - 19/5 2022	272,657	398,856	185,994	-99,714	757,793	45.8
LTIP 2017 17/20	10/10 2020 - 10/1 2021	0	15,456	262,752	0	278,208	64.2
LTIP 2017 17/19	10/10 2019 - 10/1 2020	0	15,456	262,752	0	278,208	59.1
Total		272,657	429,768	711,498	-99,714	1,314,209	

NOTE 22 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 recognized as an expense in the income statement at the rate at which they are earned by employees performing services for the company during a period. During the year, the expenses recognized for defined-contribution plans amounted to TEUR 2,230 (1,839). 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 through the assessment of the future benefit earned by the employees through their service in the current and prior periods, this remuneration is discounted at present value. The expense recognized for the year was TEUR 123 (216). The net debt recognized in the balance sheet was TEUR 620 (187). The present value of the defined-benefit plans is TEUR 4,422 and the plan assets total TEUR 3,802.

NOTE 23 FEES TO AUDITORS

EUR 000	2019	2018
Fees for the audit engagement	600	600
Fees for other audit operations apart from the audit engagement	33	68
Tax consultancy	12	35
Other services	0	44
Total	645	746

Ernst & Young is the Group Auditors.

NOTE 24 TAX EXPENSE AND DEFERRED TAX

TAX EXPENSE	2019	2018
Current tax		
Current tax for the year	-2,195	-939
Adjustment in relation to last year	91	-176
Total current tax	-2,104	-1,115
Deferred tax		
Temporary differences	-2,889	-112
Change in tax rate	108	565
Total deferred tax	-2,781	453
Tax expense for the year	-4,885	-663

Deferred tax liabilities and receivables	2019	2018
Intangible assets	-23,526	-24,710
Fixed assets	2,612	5,317
Pension obligations, net	590	207
Unrealised currency effects	-5,465	-6,652
Provisions and other non-current items	3,937	-2,825
Inventory	4,658	4,398
Accounts receivable	678	618
Provisions and other current items	3,172	-1,113
Loss carry-forwards	39,509	53,948
Total	26,165	29,187
Estimated deferred tax	7,134	7,835
Unrecognized tax loss carry-forwards and other temporary differences	-9,954	-8,170
Net deferred tax	-2,820	-335
Deferred tax assets	3,171	7,981
Deferred tax liabilities	-5,991	-8,316

NOTE 24 TAX EXPENSE AND DEFERRED TAX CONT.

RECONCILIATION OF DEFERRED TAX	2019	2018
Opening balance	-335	-2,405
Recognized in profit or loss	-2,781	453
Recognized in other comprehensive income	602	-48
Recognized in shareholders' equity	0	0
Acquisition/Divestment of operations	-460	0
Reclassification, balance sheet	0	1,389
Translation effects	154	276
Total	-2,820	-335

RECONCILIATION OF EFFECTIVE TAX	2019	2018
Profit/loss before tax	2,658	10,858
Profit/loss before tax discontinued operations	4,571	1195
Tax based on Swedish tax rate (21.4% 2019, 22% 2018)	-1,547	-2,652
Impact of changed tax rates	371	565
Non-deductible expenses	-1,724	-378
Non-taxable income	309	690
Recognition of previously unrecognized loss carry-forwards	4,687	3,284
Unrecognized tax loss carry-forwards during the year	-2,369	-1,758
Change in unrecognized temporary differences	-4,953	-89
Other items	-8	113
Differences in tax rate	350	-439
Tax expense	-4,885	-663
Effective tax rate	-67.6%	5.5%

MATURITY STRUCTURE OF TAX LOSS CARRY-FORWARDS	2019	2018
Maturing in 2019	0	0
Maturing in 2020 or later	23,702	29,981
No time limitation	15,808	23,967
Total loss carry-forwards	39,509	53,948
Unrecognized loss carry-forwards	-28,504	-28,172

NOTE 25 OTHER CURRENT LIABILITIES

EUR 000	2019	2018
Provision for salaries, bonus and vacation pay	6,020	7,016
Contract liabilities – Advances from customers	499	561
Tax liabilities	3,046	1,660
Other accrued expenses	9,414	7,811
Total	18,979	17,047

Other accrued expenses include, inter alia, customer discounts, audit fees and Board fees.

NOTE 26 SHARE CAPITAL**SHARE CAPITAL**

Share capital consist of ordinary shares, and all of the shares are of the same class and all of the shares in the company carry equal rights in all respects.

OTHER CONTRIBUTED CAPITAL

Other contributed capital comprises share premium reserve and contributions received from shareholders.

RESERVES

The translation reserve includes all exchange rate differences that arise on conversion of foreign subsidiaries reporting in a currency different from that of the Group's Financial Statements (EUR). The accumulated amount is reclassified to the Income Statement when the net investment is divested.

The hedging reserve comprises hedges in net investments in subsidiaries. The loans are valued at the exchange rate prevailing on the Balance Sheet date. To the extent that a

hedging relationship exists in practice, the exchange rate difference on loans is reported in Other comprehensive income, and thus corresponds to exchange rate changes on net investments in foreign operations. The accumulated amount is reclassified to the Income Statement when the net investment is divested. Exchange rate changes for the ineffective proportion of a hedging relationship is reported immediately in net financial items in the Income Statement.

RETAINED EARNINGS

In addition to accrued earnings, retained earnings also comprise changes in pension liabilities derived from the revaluation of defined-benefit pension plans etc. that are reported under Other comprehensive income.

NON-CONTROLLING HOLDINGS

Non-controlling holdings comprise the equity share held by external owners in some subsidiaries in the Group.

Handicare's share capital totaled KEUR 81 at year-end. As of December 31, 2019, 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 in number of shares and share capital.

YEAR	Transaction	Change in number of shares	Total number of shares	Change in share capital, EUR 000	Total share capital EUR 000
1/1 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 issue of shares	11,439,000	58,939,000	15.8	81.21

The total impact on shareholders' equity from the new share issue and refinancing in 2017 totaled 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 27 RECONCILIATION OF CHANGE IN FINANCING ACTIVITIES

Changes attributable to non-cash items							
Cost	2018	Cash flow	Exchange-rate effects	Implementation of IFRS 16	Unwinding of financing costs	Contingent consideration	2019
Non-current loans	103,079	–10,000	2,672		224	–922	95,053
Leasing liability		–5,929	363	28,203			22,638
Total liabilities related to financing activity	103,079	–15,929	3,035	28,203	224	–922	117,692
Changes attributable to non-cash items							
Cost	2017	Cash flow	Exchange-rate effects	Unwinding of financing costs	Contingent consideration		2018
Non-current loans	100,003	1,307	–1,107	219	2,271		102,693
Finance leases	446	–64	4	–	–		386
Total liabilities related to financing activity	100,449	1,243	–1,103	219	2,271		103,079

NOTE 28 RELATED-PARTY TRANSACTIONS

Sales to related parties takes place on market terms. See the Parent Company's directly owned subsidiaries in Note 7, Shares in subsidiaries.

Information on Board members and Group management, and remuneration to this group, is reported in Note 21, Employees, personnel expenses, remuneration to the Board and senior executives. No unusual business transactions occurred between Handicare Group and Board members or senior executives in the Group. The value of the transactions that did occur is insignificant.

NOTE 29 BUSINESS COMBINATIONS AND DIVESTMENTS**DIVESTMENTS**

On December 16, 2019 the shares in Handicare Auto A/S were divested to Auto Solutions ApS. In 2019, Handicare Auto A/S' revenue amounted to MEUR 18.0 and EBITA was MEUR 0.1. Handicare Auto A/S was included in remaining operations in the period before divestment. The sales price for Vehicle Accessibility amounted to MDKK 25 (MEUR 3.3) on a debt-free basis and resulted in a realized loss of MEUR 9.3. The effect of the sale has been reported under other specified items. The effect on Consolidated Cash Flow was MEUR 3.8 and has been included under Acquired/invested operations in Investing activities in the Consolidated Cash Flow Statement.

ACQUISITIONS

Handicare did not complete any acquisitions in 2019. In January 2018, Handicare acquired the assets of a distributor in North America. A majority of the purchase consideration was conditional and based on the distributor's future sales. The conditional purchase consideration was estimated at MEUR 2.3. The acquisition analysis from the acquisition is presented below.

ACQUISITION ANALYSIS (MEUR)

Tangible fixed assets	0.1
Customer contracts and customer relations	2.2
Inventory	0.4
Identifiable net assets	2.6
Goodwill	0.8
Total net assets	3.4
Less:	
Contingent consideration	-2.3
Net cash flow — investing activities	1.1

Goodwill pertains to expected synergy effects from the merger of the Group's and the distributor's US operations. The final purchase consideration of MEUR 1.6 will be paid in 2020. This resulted in the dissolution of MEUR 0.7. This effect was reported in the Group's net financial items in 2019.

NOTE 30 EARNINGS PER SHARE

EUR 000	2019	2018
Earnings attributable to Parent Company shareholders		
Continuing operations	-2,226	10,195
Discontinued operations	4,571	1,195
Earnings attributable to Parent Company shareholders	2,345	11,390
Weighted average number of shares	58,939,000	58,939,000
Dilution effect	0	—
Weighted average number of shares adjusted for dilution effect	58,939,000	58,939,000
Earnings per share before/after dilution, EUR (continued operations)	-0.04	0.17
Earnings per share before/after dilution, EUR (incl discontinued operations)	0.04	0.19

NOTE 31 CONTINGENT LIABILITIES AND PLEDGED ASSETS

Handicare Group has no pledged assets. Handicare Stairlifts B.V. is currently involved in legal proceedings 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. The negotiations with the counterparty could not be concluded in the fourth quarter and will continue in 2020.

Within the framework of its normal business activities, Handicare is party to disputes relating to commercial issues and product liability. Such disputes include claims for damages, compensation for material damages or injury and may include claims for punitive

damages. Handicare is externally insured against major liability damages and continuously evaluates ongoing claims and disputes and takes the measures that are deemed necessary. The Company considers that these activities contribute to decrease the risks. It is difficult to predict the outcome of every dispute, but based on currently known circumstances Handicare assesses that none of these disputes will have a materially negative impact on the overall results of operations or financial position.

NOTE 32 TRANSITION TO IFRS 16 LEASES

IFRS 16 Leases became effective for the financial years that commenced 1 January 2019. The standard has been approved by the EU. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The implementation of the standard entails the recognition of almost all leases in the lessee's Balance Sheet, as the distinction between operating and finance leases is removed. Under the new standard, the lessee recognises a right-of-use asset (the right to use a leased asset) and a lease liability for the obligation to make lease payments.

In 2018, Handicare reviewed the Group's leases to evaluate the effects on the Group's financial reporting. The Group's leases have been grouped into the following asset classes: properties, vehicles and inventory. Handicare have applied the modified retrospective approach, which means that the comparative figures has not been restated. The accumulated effect of the initial recognition of the standard has been recognized on the date of initial application, in other words, 1 January 2019. Handicare have measured the right-of-use assets in the Group's leases at amounts corresponding to the lease liability after adjustment for any prepayments or accrued lease fees pertaining to leases. The Group has chosen to use the exemptions contained in the standard with regard to short-term leases and leases of low-value assets. These will be recognized as straight-line expenses over the lease period. The Group has leases for office equipment (computers, printers and photocopiers) that are classified as low-value right-of-use assets.

For leases that were previously classified as financial leases under IAS 17, the carrying amounts for the right-of-use and the lease liability on the transition as of 1 January 2019 will be the same as the carrying amounts for the asset and the lease liability as of 31 December 2018 in accordance with IAS 17.

As of December 31, 2018, the Group's non-cancellable operational lease commitments totalled MEUR 21.4. Of these commitments, approximately MEUR 0.7 is attributable to short-term leases and MEUR 0.5 to low-value leases, which will be recognized as a cost on a straight-line basis over the lease period.

For the remaining lease commitments, the Group expects to recognize a financial liability totaling MEUR 27.1 as of January 1. The difference between the non-cancellable operating leases and financial liability for lease commitments under IFRS 16 consists largely of considerations of renewal options and discounting. In accordance with IFRS 16, the Group has included renewal options that, with reasonable certainty, can be expected to be exercised when calculating the financial liability.

The effect on the consolidated Balance Sheet as of January 1, 2019, including a bridge from operating lease contracts in accordance with IAS 17 to lease liabilities in accordance with IFRS 16, is shown below:

EFFECT ON THE CONSOLIDATED BALANCE SHEET AS OF JANUARY 1, 2019 (MEUR)

Assets	27.1
Tangible fixed assets	27.5
Deferred expenses	-0.3
Liabilities	27.1
Long-term lease liabilities	21.7
Current lease liabilities	5.4

The application of IFRS 16 implied that Group EBIT improved slightly, and interest expenses increased slightly. The Group's fixed assets increased, alongside Group net debt.

BRIDGE SHOWING OPERATING LEASE CONTRACTS FROM IAS 17 TO LEASE LIABILITIES UNDER IFRS 16 (EUR 000)

Obligations for operating lease contracts as of December 31, 2018	21,382
Less, effect from discounted future minimum lease payments	-4,417
Less, short-term lease contracts	-683
Less, lease contracts where the underlying asset is of low value	-539
Plus, lease contracts where extension option will be exercised with certainty	12,915
less, loss-making contract	-1,528
Lease liabilities according to IFRS 16	27,130

Incremental borrowing rates are determined individually in different countries and according to asset class and with consideration to the respective contract term. The Group's weighted average incremental borrowing rate for lease liabilities was 3.5 percent on transition to IFRS 16.

	Properties	Vehicles	Inventories	Total	Leasing liability
Opening balance January 1, 2019	24,382	2,621	460	27,463	27,130
Additional contracts	970	1,323	7	2,300	2,295
Depreciation	-3,936	-1,298	-129	-5,363	-
Terminated contracts	-593	-40	-	-633	-646
Remeasured contracts	2,185	-	-12	2,173	2,210
Interest expense	-	-	-	-	984
Leasing expenses	-	-	-	-	-5,851
Discontinued operations	-3,840	-	-	-3,840	-3,847
Currency effects	296	63	16	375	363
Opening balance January 1, 2019	19,465	2,669	342	22,477	22,638
Of which short-term element					4,395
Of which long-term element					18,243

The maturity analysis for lease liabilities is presented in Note 4.

Amounts posted to consolidated profit/loss for the year from leasing operations are indicated below:

	1/1/2019 - 12/31/2019
Amortization of right-of use assets	-5,363
Interest expense on lease liabilities	-984
Costs relating to short-term lease contracts	-457
Costs of agreements where the underlying asset is of low value	-441
Costs of variable lease payments	-5,387
Total	-12,632

Impact on the consolidated Income Statement and Balance Sheet as of December 31, 2019. Consolidated Cash Flow from operating activities, compared to the previous year, improved by MEUR 5.9, with the corresponding decrease in cash flow from financing activities.

Income statement	January – December 2019		
MEUR	Incl IFRS 16	IFRS 16 effect	excl IFRS 16
Revenue	271.0	-	271.0
Cost of goods sold	-124.1	-	-124.1
Personnel expenses	-71.6	-	-71.6
Other operating expenses	-45.1	-5.9	-50.9
Depreciation, amortization and impairment	-15.1	5.4	-9.8
Other specified items	-10.5	-	-10.5
Operating profit (EBIT)	4.6	-0.5	4.1
Net financial items	-2.0	1.0	-1.0
Profit before tax	2.7	0.5	3.2
Tax	-4.9	-0.1	-4.9
Profit for the period	-2.2	0.4	-1.8
Selected Key Performance Indicators			
EBITDA	19.7	-5.9	13.9
EBITA	11.0	-0.5	10.5
EBIT	4.6	-0.5	4.1

Balance Sheet	December 31, 2019		
MEUR	Incl IFRS 16	IFRS 16 effect	excl IFRS 16
Total fixed assets	239.2	-22.5	216.7
Total current assets	105.0	0.4	105.3
Total assets	344.2	-22.2	322.0
Total shareholders' equity	173.4	0.4	173.9
Leasing liability	18.2	-18.2	-
Borrowings	95.1	-	95.1
Other non-current liabilities	9.8	-	9.8
Long-term liabilities	123.1	-18.2	104.8
Leasing liability	4.4	-4.4	-
Other current liabilities	43.3	-	43.3
Current liabilities	47.7	-4.4	43.3
Total equity and liabilities	344.2	-22.2	322.0

Parent Company Financial Statements

PARENT COMPANY INCOME STATEMENT

EUR 000	Note	2019	2018
Operating revenue			
Revenue	2	10,642	11,774
		10,642	11,774
Operating expenses			
Personnel expenses	3	-4,924	-4,558
Depreciation/amortisation	9	-141	-31
Other operating expenses	4	-7,423	-8,381
EBIT		-1,846	-1,196
Other interest income and similar items	12	31,141	2,314
Interest expenses and similar items	12	-766	-1,422
Profit/Loss after financial items		28,529	-304
Year-end appropriations	5	0	0
Tax expense	8	0	0
NET PROFIT/LOSS FOR THE YEAR ¹⁾		28,529	-304

1) Correspond to comprehensive income for the year

PARENT COMPANY BALANCE SHEET

EUR 000	Note	2019	2018
ASSETS			
Intangible fixed assets			
Capitalized expenditure for development etc		330	384
Tangible fixed assets			
Fixtures and fittings, and equipment		63	76
Financial non-current assets			
Shares in Group companies	6	272,082	272,082
Deferred tax assets		487	487
Non-current receivables		279	105
Total non-current assets		273,242	273,134
Current assets			
Receivables from Group companies		140	254
Other receivables		105	102
Prepaid expenses and accrued income	10	176	170
		421	526
Cash and cash equivalents		19,000	0
Total current assets		19,421	526
TOTAL ASSETS		292,663	273,660
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		81	81
Non-restricted equity			
Share premium reserve		273,798	273,798
Retained earnings		-26,002	-22,950
Net profit/loss for the year		28,529	-304
Total shareholders' equity		276,406	250,624
Liabilities			
Current liabilities			
Liabilities to Group companies		15,025	21,605
Accounts payable		130	485
Other current liabilities		208	60
Accrued expenses and deferred revenue	11	894	887
Total liabilities		16,257	23,036
TOTAL EQUITY AND LIABILITIES		292,663	273,660

PARENT COMPANY CASH-FLOW STATEMENT

EUR 000	Note	2019	2018
Cash flow from operating activities			
Profit/Loss after financial items		28,529	-304
Non-cash items			
Depreciation, amortization and impairment		141	31
Capital gain/loss		-	-
Other non-cash items		28	28
Tax paid		-	-
Cash flow from operating activities excluding changes in working capital		28,698	-245
Changes in working capital			
Changes in Group receivables/liabilities		-6,469	4,906
Changes in accounts payable		-354	-157
Changes in other current liabilities/receivables		146	-1,437
Cash flow from working capital		-6,677	3,312
Cash flow from operating activities		22,021	3,068
Investing activities			
Investment in tangible fixed assets		-6	-86
Investment in intangible assets		-68	-384
Cash flow from investing activities		-75	-470
Cash flow from operating activities and investing activities		21,947	2,598
Financing activities			
Loan repayments		-	-
Paid dividend		-2,947	-2,870
Group contributions provided/received		-	-
Cash flow from financing activities		-2,947	-2,870
Cash flow for the year		19,000	-272
Cash and cash equivalents at beginning of the year		0	272
Cash and cash equivalents at end of the year		19,000	0

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium reserve	Retained earnings	Net profit/loss for the year	Total
Shareholders' equity at 1 Jan 2018	81	273,798	-15,482	-4,598	253,799
Appropriation of preceding year's earnings			-4,598	4,598	0
Net profit/loss for the year				-304	-304
Transactions with owners					
Dividend			-2,870		-2,870
Shareholders' equity at 31 Dec 2018	81	273,798	-22,950	-304	250,624
Shareholders' equity at 1 Jan 2019	81	273,798	-22,950	-304	250,624
Appropriation of preceding year's earnings			-304	304	0
Net profit/loss for the year				28,529	28,529
Transactions with owners					
Proceeds from sale of warrants			200		200
Dividend			-2,947		-2,947
Shareholders' equity at 31 Dec 2018	81	273,798	-26,002	28,529	276,406

NOTE PC1 BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Parent Company's Annual Report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. RFR 2 implies that the Parent Company follows the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), issued by International Accounting Standards Board (IASB) as adopted by the EU, and interpretation statements from IFRS Interpretations Committee and its predecessor Standing Interpretation Committee (SIC) to the extent allowed under the Swedish Annual Accounts Act and given the connection between reporting and taxation.

The Parent Company thereby observes the same principle presented in Note 1 of the Group's notes, with the exceptions noted below.

Presentation

The Income Statement and Balance Sheet follow the presentation requirements of the Annual Accounts Act.

Shares in subsidiaries

Shares in subsidiaries are valued before potential impairment at cost.

Group contributions

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

Reporting of leasing liabilities

The Parent Company is exclusively the lessee for operating leases. These are recognized as straight-line expenses over the lease period.

NOTE PC2 REVENUE

EUR 000	2019	2018
Other revenue, management fee allocated to the Group's units	10,642	11,774
Total revenue	10,642	11,774

NOTE PC3 EMPLOYEES, PERSONNEL EXPENSES, REMUNERATION TO SENIOR EXECUTIVES

SALARIES AND PERSONNEL EXPENSES	2019	2018
Salaries and vacation pay	2,224	1,106
Payroll tax	752	520
Pension expenses incl. payroll tax	531	283
Other personnel expenses	1,417	2,649
Total	4,924	4,558

	2019		2018	
	Salaries and other pay	Social security expenses (of which pension expenses)	Salaries and other pay	Social security expenses (of which pension expenses)
Remuneration to CEO and other senior executives	1,534	720 (265)	580	282 (99)
Other Personnel	691	563 (265)	526	521 (184)
Total	2,224	1,283 (531)	1,106	803 (283)

	2019		2018	
AVERAGE NUMBER OF EMPLOYEES	Total	Of which women	Total	Of which women
Sweden	15	8	14	9
Total	15	8	14	9

	2019		2018	
THE BOARD AND GROUP MANAGEMENT	Total	Of which women	Total	Of which women
Members of the Board and deputies	7	2	7	2
CEO and other Senior Executives	7	2	7	2

NOTE PC4 OTHER EXPENSES

OTHER EXPENSES	2019	2018
Property rental related expenses	244	242
IT costs, equipment leases, maintenance and other costs	3,916	4,439
Travel costs	426	421
Fees for outsourced services	538	1,631
Marketing and selling costs	5	60
Insurances, warranties and service	56	80
License and patent costs	0	8
Audit, see following table	109	202
Other expenses	2,129	1,298
Total	7,423	8,381

FEES FOR THE AUDITORS	2019	2018
Ernst & Young AB		
Fees for the audit engagement	109	141
Fees for other audit operations apart from the audit engagement	33	0
Tax consultancy	12	23
Other services		38
Total	154	202

NOTE PC5 YEAR-END APPROPRIATIONS

In 2019 and 2018, the company neither paid nor received any Group contributions.

NOTE PC6 SUBSIDIARY

Handicare Group AB owns 100 percent of Handicare Group AS, which in turn owns other subsidiaries. Refer to Note 7 on page 67 for further information.

SUBSIDIARY DIRECTLY OWNED BY THE PARENT COMPANY	Operation	Registered office	Holding	
			2019	2018
Handicare Group AS	Holding	Moss, Norway	100	100

During 2019, the Parent company received dividend of TEUR 30,000 from Handicare Group AS.

NOTE PC7 RELATED-PARTY TRANSACTIONS

The Parent company's transactions with subsidiaries are primarily invoicing of management fees.

INFORMATION REGARDING RELATED PARTIES, PARENT COMPANY	2019	2018
Sales to Group companies	10,642	11,774
Purchases from Group companies	-5,332	-6,114
Interest expenses to Group companies	-235	-2
Dividend received from Group companies	30,000	0
Long-term receivables from Group companies	202	0
Short-term receivables from Group Companies	140	254
Long-term liabilities to Group companies	0	0
Short-term liabilities to Group companies	15,025	21,605

NOTE PC8 INCOME TAX

	2019	2018
Current tax	0	0
Deferred tax loss/receivables from change in temporary differences	0	0
Total	0	0

The correlation between the Swedish tax rate of 21.4 per cent and reported tax is illustrated in the following table.

	2019	2018
Profit/Loss after financial items	28,529	-304
Tax charged at 21.4 per cent	-6,105	67
<i>Tax effect related to:</i>		
Dividend from subsidiaries	6,420	0
Effect of deferred tax assets (change in corporation tax rate)	0	0
Non-deductible expenses	-315	-67
Non-taxable income	0	0
Recognized tax expense	0	0
DEFERRED TAX ASSETS / LIABILITIES	2019	2018
Deferred tax assets at the start of the year	487	487
Deferred tax expense / income	0	0
Deferred tax assets at the end of the year	487	487

NOTE PC9 TANGIBLE AND INTANGIBLE FIXED ASSETS

	Machinery, fixtures and fittings, and equipment	Internally generated development expenditures
ACQUISITION COST		
Opening balance January 1, 2019	137	384
Purchases	6	68
Divestments		
December 31, 2019	143	452
DEPRECIATION / AMORTIZATION		
Accumulated depreciation and amortization January 1, 2019	-61	0
Depreciation/amortization for the year	-18	-122
Impairment for the year		
Divestments		
December 31, 2019	-79	-122
Carrying amount as at Dec 31, 2018	63	330

	Machinery, fixtures and fittings, and equipment	Internally generated development expenditures
ACQUISITION COST		
Opening balance January 1, 2018	51	0
Purchases	86	384
Divestments	0	0
December 31, 2018	137	384
DEPRECIATION / AMORTIZATION		
Accumulated depreciation and amortization January 1, 2018	-30	0
Depreciation/amortization for the year	-31	0
Impairment for the year	0	0
Divestments	0	0
December 31, 2018	-61	0
Carrying amount as at Dec 31, 2018	76	384

NOTE PC10 PREPAID EXPENSES AND ACCRUED INCOME

EUR 000	2019	2018
Prepaid insurance premiums	40	41
Prepaid rent	54	56
Other prepaid expenses and accrued income	83	72
Total	176	170

NOTE PC11 ACCRUED EXPENSES AND DEFERRED REVENUE

EUR 000	2019	2018
Provision for salaries, bonus and vacation pay	743	522
Other accrued expenses	151	364
Total	894	887

NOTE PC 12 FINANCIAL INCOME AND EXPENSES

EUR 000	2019	2018
Interest income	4	2
Exchange-rate gains	1,137	2,313
Other financial income	30,000	0
Total financial income	31,141	2,314
Interest expenses	-267	-54
Exchange-rate losses	-481	-1,365
Other financial expenses	-18	-2
Total financial expenses	-766	-1,422
Net financial items	30,375	892

NOTE PC13 APPROPRIATION OF PROFITS

EUR 000	
The following earnings are at the disposal of the Annual General Meeting	
Share premium reserve	273,798
Retained earnings	2,527
Total unappropriated earnings	276,325

EUR 000	
The Board of Directors proposes the following allocation of unappropriated earnings:	
To be carried forward	276,325
Total unappropriated earnings	276,325

Assurance of the Board of Directors and the CEO

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 May 6, 2020.

Stockholm April 1, 2020

Lars Marcher
Chairman of the Board

Joakim Andreasson
Board member

Jonas Arlebäck
Board member

Maria Carell
Board member

Johan Ek
Board member

Christina Lindstedt
Board member

Claes Magnus Åkesson
Board member

Staffan Ternström
President and CEO

Our auditor's report was submitted on April 1, 2020

Ernst & Young AB
Stefan Andersson-Berglund
Authorized 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 2019 (the financial year). The annual accounts and consolidated accounts of the company are included on pages 27-91 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 2019 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 2019 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, 2019, 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 the assets together with goodwill and intangible assets with indefinite useful lives). Goodwill is recorded at 159 MEUR and shares in subsidiaries are in the parent company recorded at 272 MEUR as per 31 December 2019. The assets are recorded at historical cost and are tested annually per cash generating unit for impairment or when indications of impairment exist. 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 and the cash generating unit'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, 2019 is therefore based on the Company's internal forecast of future cash flows for the cash generating units. The assessment includes, among other, discount rates and growth rates.</p> <p>Refer to note 1,2 and 10 for the Company's description of the assets and the impairment test.</p> <p>With respect to the value of assets in relation to the Group's and parent company's total assets and the inherent 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 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. The by the Company identified cash generating units have been evaluated and compared with how the Company internally evaluates its business. We have in our audit been assisted by our internal valuation specialists in the evaluation of the valuation model and discount rates prepared by the Company.</p> <p>We have assessed whether the disclosed information is suited for the purpose.</p>

Divestments

Description	How our audit addressed this key audit matter
<p>As seen in note 6, during the year the Group divested the business Puls AS and its subsidiaries, representing the business unit Puls in Handicare's segment reporting.</p> <p>The divested operations are classified as discontinued operations at December 31, 2019. The divestment resulted in a capital gain of EUR 4.3 million. The recording of the transaction is considered to involve an increased risk as a result of its nature, materiality and because it is of a one-off nature.</p> <p>Accounting for divestments of operations contains a number of delimitations that affect the accrual, classification in the income statement and valuation in the balance sheet. How the demarcation is made affects the key figures for remaining operations.</p>	<p>We have in our audit read and assessed the purchase agreement that was signed in regard to the divested business as well as read the Group's documentation regarding the sale. We have reconciled the capital gain calculation prepared by the Company against supporting documentation and recalculated the outcome. Finally, we have reviewed the supplementary information provided in the annual report.</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 1–15 and 94–99. 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 2019 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 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 8th of May 2019 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 the 1 April 2020
Ernst & Young AB

Stefan Andersson-Berglund
Authorized Public Accountant

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
Adjusted EBITA	EBITA excluding other specified items. Other specified items cover transaction costs, integration costs, restructuring costs, IPO costs, recall 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 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 EBITDA	EBITDA excluding other specified items. Other specified items cover transaction costs, integration costs, restructuring costs, IPO costs, recall costs, and other efficiency projects.	Handicare believes that the adjusted EBITDA is a useful measure for showing the company's profitability 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 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 as a percentage of Adjusted EBITDA.	Adjusted operating cash flow/Adjusted EBITDA is used to monitor the yield on working capital and investments.
Capital employed	Total debt and shareholders' equity less non-interest bearing liabilities including deferred tax.	
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.
Constant currency	Translation of the preceding period at the average exchange rates for the current period.	Improves comparability of revenue between periods.
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 amortization.	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.
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.
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.

Alternative performance measures	Definition	Reason for use
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. The various components of organic growth are calculated as follows:</p> <p>Acquisitions and divestments 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>Currency exchange rate fluctuations 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
Revenue / Adjusted EBITA Excl Vehicle Acc. Denmark	Performance measure excluding Vehicle Accessibility Denmark, divested December 2019.	Handicare considers that Revenue and EBITA adjusted for divested operations is a useful measure to illustrate the Company's profit generated from operating activities.

ALTERNATIVE PERFORMANCE MEASURES

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

(MEUR)	2019	2018
Revenue	271.0	269.8
Direct material	-120.6	-119.4
Direct labour	-27.7	-26.2
Freight (inbound/outbound)	-10.4	-10.8
Gross profit	112.4	113.3
Gross margin (%)	41.5%	42.0%
(MEUR)	2019	2018
Operating profit (EBIT)	4.6	12.0
Other specified items	10.5	3.0
IFRS 16 - impact (rent)	-5.9	-
IFRS 16 - impact (depreciation)	5.4	-
Adjusted operating profit/loss (adjusted EBIT)	14.7	15.0
EBIT margin	1.7%	4.5%
Adjusted operating margin (adjusted EBIT margin)	5.4%	5.6%
Operating profit (EBIT)	4.6	12.0
Amortization and impairment of intangible assets	6.4	5.6
EBITA	11.0	17.7
Other specified items	10.5	3.0
IFRS 16 - impact (rent)	-5.9	-
IFRS 16 - impact (depreciation)	5.4	-
Adjusted EBITA	21.0	20.7
EBITA margin	4.1%	6.5%
Adjusted EBITA margin	7.8%	7.7%
Operating profit (EBIT)	4.6	12.0
Amortization and impairment of intangible assets	6.4	5.6
Depreciation of tangible fixed assets	8.8	3.8
EBITDA	19.7	21.4
Other specified items	10.5	3.0
IFRS 16 - impact (rent)	-5.9	-
Adjusted EBITDA	24.4	24.4
EBITDA margin	7.3%	7.9%
Adjusted EBITDA margin	9.0%	9.1%

(MEUR)	2019	2018
Cash flow before changes in working capital	30.9	23.9
Taxes paid	0.3	1.6
	-4.2	-3.0
Net financial items per the profit or loss statement	2.0	1.2
Other non-cash items	0.4	-1.0
Other specified items (excl capital loss Veh Acc DK)	1.2	3.0
IFRS 16 - effect	-5.9	-
Divcontinued operations	-0.3	-1.3
Adjusted EBITDA	24.4	24.4
Change in working capital	-5.8	-1.3
Net investment in tangible/intangible assets	-5.0	-5.9
Adjusted operating cash flow	13.6	17.2

The Group excl Vehicle Accessibility Denmark

(MEUR)	2019	2018
Revenue	271.0	269.8
Vehicle Accessibility Denmark	-18.0	-22.2
Revenue Excl Vehicle Acc. Denmark	253.1	247.6
Adjusted EBITA	21.0	20.7
Vehicle Accessibility Denmark	-0.1	-0.3
Adjusted EBITA excl Vehicle Acc. Denmark	20.9	20.4
Adjusted EBITA margin excl Vehicle Acc. Denmark	8.3%	8.2%

CHANGE IN SEGMENT REPORTING 2020

From January 1, 2020 segment reporting in the Group's external financial statements will comprise 3 business areas; Accessibility (which will include the stairlifts business), Vehicle Accessibility and Patient Handling. The following table illustrates the figures for 2019 remeasured to reflect the new segments. In order to increase transparency and improve comparability between years, Vehicle Accessibility Denmark will be reported alongside group-wide functions under Other.

Accessibility					
(MEUR)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Revenue	38.7	39.6	38.7	40.2	157.3
Operating costs	-32.0	-32.6	-32.2	-34.1	-131.0
Adjusted EBITDA ¹⁾	6.7	7.0	6.5	6.1	26.3
Depreciation fixed assets	-0.4	-0.4	-0.4	-0.4	-1.6
Adjusted EBITA ¹⁾	6.3	6.6	6.1	5.7	24.7
IFRS 16 – impact	0.0	0.0	0.0	0.0	0.1
Adjusted EBITA (incl IFRS 16)	6.3	6.6	6.1	5.8	24.8
Adjusted EBITDA (incl IFRS 16)	7.3	7.6	7.1	6.8	28.8
Key figures, %					
Adjusted EBITDA margin ¹⁾	17.3%	17.6%	16.8%	15.2%	16.7%
Adjusted EBITA margin ¹⁾	16.2%	16.6%	15.8%	14.3%	15.7%
Adjusted EBITA – (incl IFRS 16)	16.2%	16.7%	15.9%	14.4%	15.8%
Adjusted EBITDA – incl IFRS 16)	18.8%	19.2%	18.4%	16.9%	18.3%

For 2019, the Group's segments reported leasing contracts in accordance with the earlier standard IAS 17 Leases. From January 1, 2020, the segments report leasing contracts in accordance with IFRS 16 internally, and remeasured figures for 2019 are shown below.

Patient Handling					
(MEUR)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
Revenue	19.0	19.3	17.6	20.0	75.8
Operating costs	-17.4	-16.7	-16.2	-18.3	-68.6
Adjusted EBITDA ¹⁾	1.6	2.6	1.4	1.7	7.3
Depreciation fixed assets	-0.4	-0.4	-0.4	-0.4	-1.5
Adjusted EBITA ¹⁾	1.2	2.2	1.1	1.3	5.8
IFRS 16 – impact	0.0	0.0	0.0	0.1	0.2
Adjusted EBITA (incl IFRS 16)	1.2	2.2	1.1	1.4	5.9
Adjusted EBITDA (incl IFRS 16)	1.9	2.9	1.8	2.1	8.7
Key figures, %					
Adjusted EBITDA margin ¹⁾	8.3%	13.4%	8.1%	8.5%	9.6%
Adjusted EBITA margin ¹⁾	6.3%	11.5%	6.0%	6.5%	7.6%
Adjusted EBITA (incl IFRS 16)	6.5%	11.7%	6.2%	6.8%	7.8%
Adjusted EBITDA (incl IFRS 16)	10.0%	15.1%	10.1%	10.5%	11.5%

1) Alternative performance measures, refer to page 95-97 for definitions and calculations. Group segments are reported excluding IFRS 16 effects as the segments, in their internal reporting to management, report leasing contracts in accordance with the earlier standard IAS 17 Leases.

Vehicle Accessibility

	Q1	Q2	Q3	Q4	FY
(MEUR)	2019	2019	2019	2019	2019
Revenue	4.3	5.5	4.8	5.2	19.9
Operating costs	-4.0	-5.0	-4.6	-4.8	-18.3
Adjusted EBITDA ¹⁾	0.4	0.5	0.2	0.5	1.6
Depreciation fixed assets	0.0	0.0	-0.1	0.0	-0.1
Adjusted EBITA ¹⁾	0.4	0.5	0.1	0.4	1.4
IFRS 16 – impact	0.0	0.0	0.0	0.0	0.1
Adjusted EBITA (incl IFRS 16)	0.4	0.6	0.2	0.4	1.6
Adjusted EBITDA (incl IFRS 16)	0.6	0.8	0.5	0.7	2.6
Key figures, %					
Adjusted EBITDA margin ¹⁾	8.4%	9.8%	4.2%	8.7%	7.9%
Adjusted EBITA margin ¹⁾	8.1%	9.5%	3.1%	7.9%	7.2%
EBITA margin ¹⁾	8.7%	10.0%	3.7%	8.5%	7.8%
Adjusted EBITDA margin (incl IFRS 16)	14.5%	14.6%	9.6%	13.7%	13.1%

Other

	Q1	Q2	Q3	Q4	FY
(MEUR)	2019	2019	2019	2019	2019
Revenue	5.1	5.0	4.5	3.5	18.0
Operating costs	-7.8	-7.8	-7.0	-6.1	-28.7
Adjusted EBITDA ¹⁾	-2.7	-2.8	-2.6	-2.6	-10.7
Depreciation fixed assets	0.0	0.0	0.0	0.0	-0.1
Adjusted EBITA ¹⁾	-2.7	-2.8	-2.6	-2.7	-10.8
IFRS 16 – impact	0.0	0.0	0.0	0.0	0.1
Adjusted EBITA (incl IFRS 16)	-2.7	-2.8	-2.6	-2.7	-10.8
Adjusted EBITDA (incl IFRS 16)	-2.4	-2.6	-2.3	-2.5	-9.8
Key figures, %					
Adjusted EBITDA margin ¹⁾	-52.4%	-56.2%	-57.3%	-76.5%	-59.3%
Adjusted EBITA margin ¹⁾	-53.1%	-56.9%	-58.2%	-77.3%	-60.0%
EBITA margin ¹⁾	-52.8%	-56.6%	-57.9%	-77.0%	-59.7%
Adjusted EBITDA margin (incl IFRS 16)	-47.8%	-51.5%	-52.2%	-71.5%	-54.5%

Group

	Q1	Q2	Q3	Q4	FY
(MEUR)	2019	2019	2019	2019	2019
Revenue	67.2	69.4	65.6	68.8	271.0
Operating costs	-61.2	-62.1	-60.1	-63.2	-246.6
Adjusted EBITDA ¹⁾	6.0	7.3	5.6	5.6	24.4
Depreciation fixed assets	-0.9	-0.8	-0.9	-0.8	-3.4
Adjusted EBITA ¹⁾	5.1	6.5	4.7	4.8	21.0
IFRS 16 – impact	0.1	0.1	0.1	0.1	0.5
Adjusted EBITA (incl IFRS 16)	5.2	6.6	4.8	4.9	21.5
Adjusted EBITDA (incl IFRS 16)	7.4	8.8	7.0	7.1	30.3
Key figures, %					
Adjusted EBITDA margin ¹⁾	8.9%	10.5%	8.5%	8.2%	9.0%
Adjusted EBITA margin ¹⁾	7.6%	9.3%	7.2%	7.0%	7.8%
Adjusted EBITA margin (incl IFRS 16)	7.7%	9.5%	7.4%	7.2%	7.9%
Adjusted EBITDA (incl IFRS 16)	11.0%	12.6%	10.7%	10.3%	11.2%

1) Alternative performance measures, refer to page 95-97 for definitions and calculations. Group segments are reported excluding IFRS 16 effects as the segments, in their internal reporting to management, report leasing contracts in accordance with the earlier standard IAS 17 Leases.

Annual General Meeting 2020

Calendar

The Handicare Group AB Annual General Meeting will be held May 6, 2020 at 13:00 (CET) at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm.

PARTICIPATION

Shareholders wishing to participate at the AGM must:

- Be recorded in the share register kept by Euroclear Sweden AB on April 29, 2020.
- Notify their attendance to the company not later than April 29, 2020, at which point the number of assistants (maximum of two) must be stated.

REGISTRATION

Registration can occur:

- By post, addressed to Handicare Group AB, Ingmar Bergmans gata 4, SE-114 34 Stockholm, Sweden.
- By telephone, +46 (0)73 305 30 65 weekdays between 9:00 a.m. and 4:00pm.
- www.handicaregroup.com.

When registering, the shareholder must indicate their name, personal ID or corporate registration number, address, and telephone number. The information submitted during registration will be processed and used only for the 2020 AGM. If participation is by virtue of a power of attorney, this must be submitted to Handicare prior to the AGM.

SHARES HELD IN TRUST

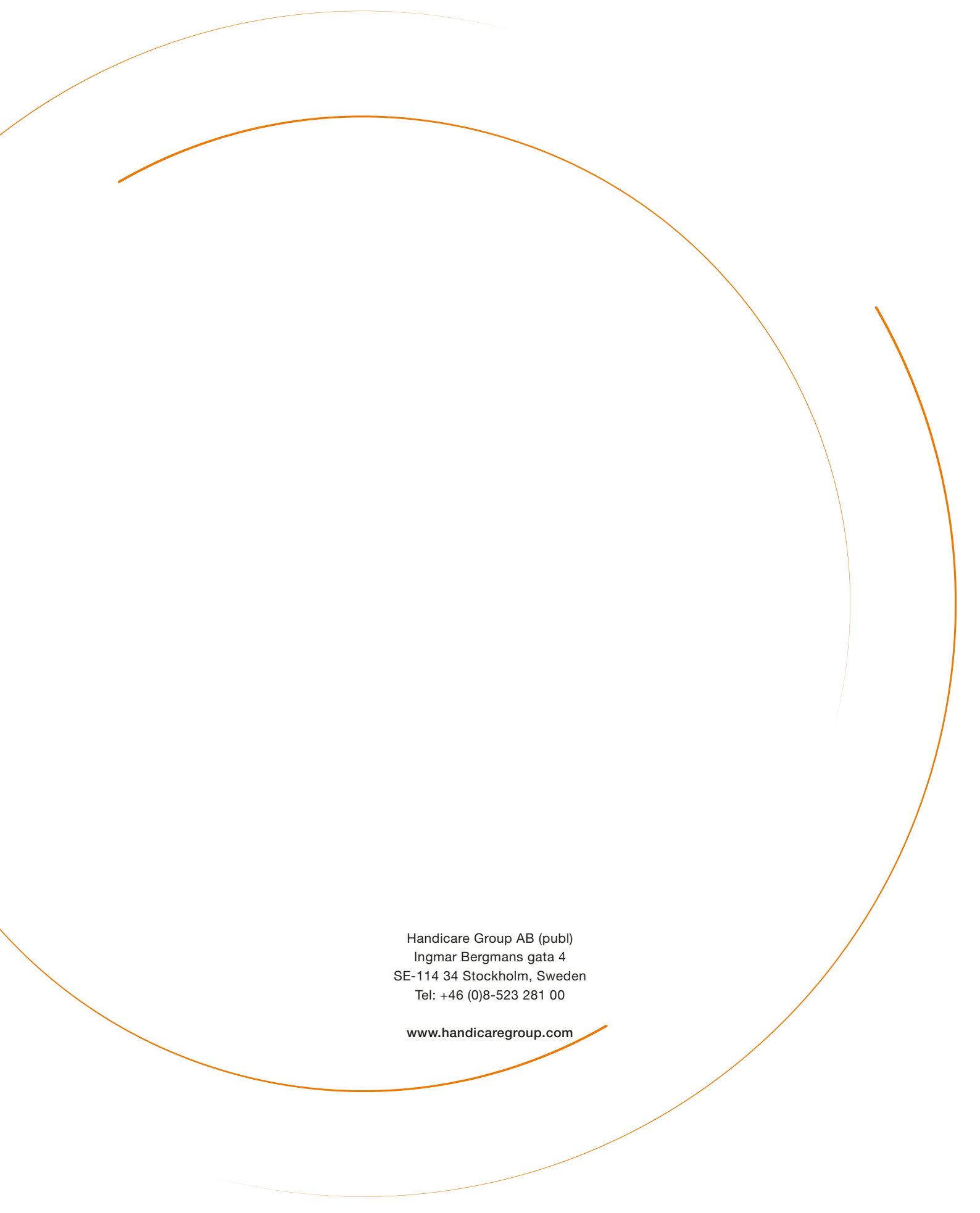
Shareholders who have registered their shares in the name of a trustee must temporarily register the shares in their own name in order to participate in the AGM. For this registration to be entered into the share book on April 29, 2020, the shareholder must request that the trustee carry out a registration of this kind well in advance of that date.

DIVIDEND

The Board of Directors has decided to withdraw the previously communicated proposal to the Annual General Meeting of 0.07 EUR dividend per share. The Board has the ambition to convene an Extraordinary General Meeting in the second half of 2020 to decide on the dividend.

Interim report January–March
Annual General Meeting
Interim report January–June
Interim report January–September

April 23, 2020
May 6, 2020
July 17, 2020
Nov 5, 2020

The page features several large, thin, orange-colored arcs that sweep across the background, creating a sense of motion and design. These arcs are centered around the text area.

Handicare Group AB (publ)
Ingmar Bergmans gata 4
SE-114 34 Stockholm, Sweden
Tel: +46 (0)8-523 281 00

www.handicaregroup.com