Annual and Sustainability report 2021

'We believe that it's our responsibility to equip customers with innovative healthcare products in a way that's sustainable – for our business, our employees, our communities and the planet.'

Mölnlycke®

We are Mölnlycke®

a world-leading medical products and solutions company

Contents

The Mölnlycke Sustainability report is prepared, on a voluntary basis, in accordance with the Swedish Annual Accounts Act, chapter 6, section 10 and 11 (in line with the EU Directive on Non-Financial Reporting).

The preparation of the report has been inspired by Global Reporting Initiative (GRI) Standards and Mölnlycke will continue working to align its reporting with the GRI Standards and to the guidelines from the Task Force on Climate-related Financial Disclosures (TCFD) in 2022.

Mölnlycke® at a glance

Our purpose is to advance performance in healthcare and we aspire to equip everyone in healthcare, from clinicians to procurement managers, to perform at their best.

8,070
employees worldwide

99%
owned by Investor AB

1849
the year when Mölnlycke was founded

14 manufacturing sites in eight countries

39 countries with sales and marketing offices

countries with sales through distributors

Our business areas

Wound Care

Extensive range for chronic and acute wound treatment, including dressings with Safetac®, negative pressure and oxygen therapies, plus Mölnlycke's pressure ulcer prevention solutions.

Operating Room Solutions

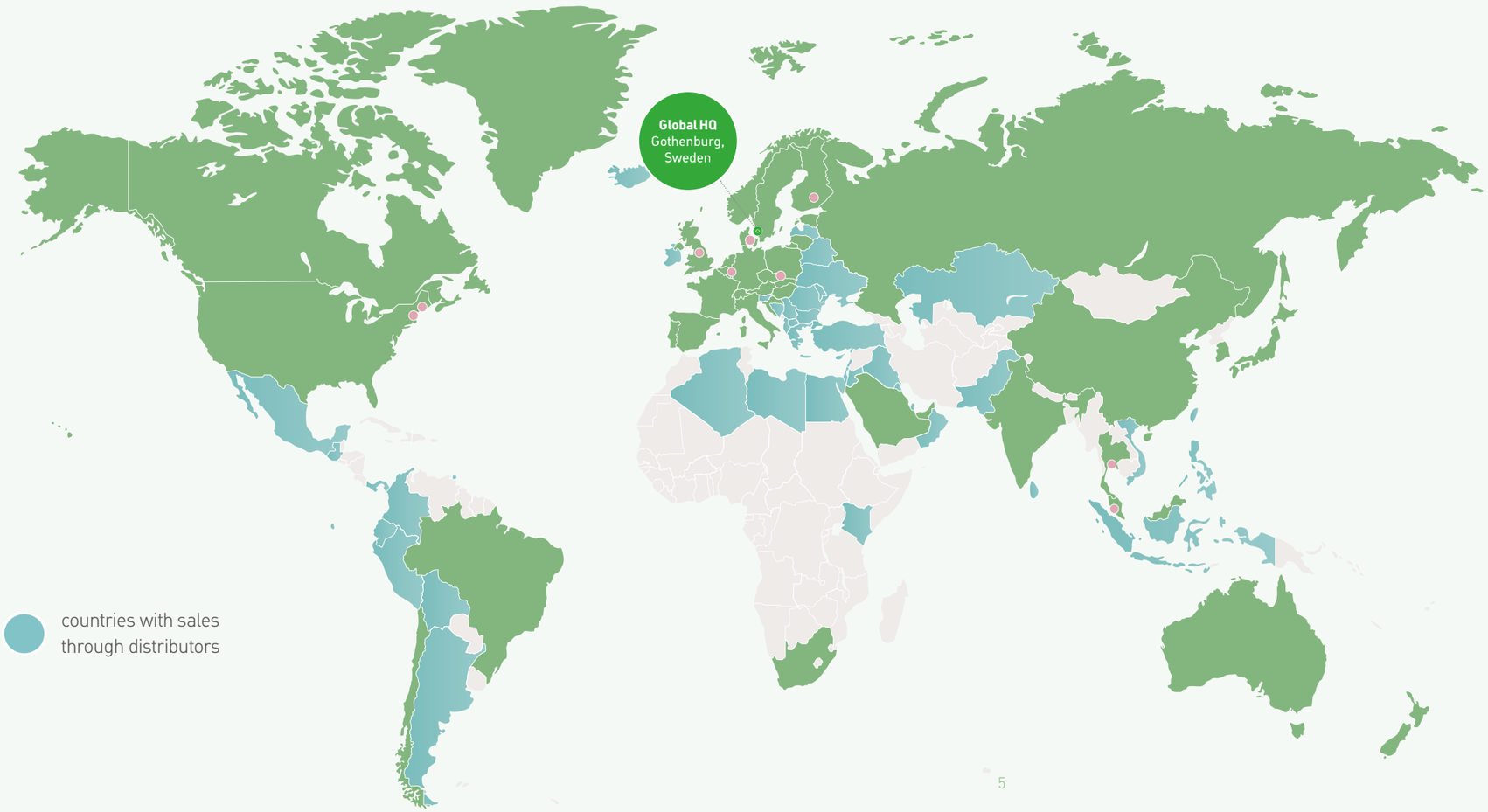
Procedure Pak® customised trays, surgical instruments plus Barrier® drapes and surgical clothing – for efficiency and infection prevention in the operating room.

Gloves

Biogel® gloves to protect healthcare professionals and patients during surgery.

Antiseptics

The Hibi® range of antiseptics for handwashing, wound disinfecting and patient bathing.



2021 in brief

We advanced healthcare with product innovation

Our topical haemoglobin spray Granulox® was awarded the prestigious Prix Galien for best new medical device. Our new Avance® Solo solution helps patients stay mobile during negative pressure wound therapy.

We reorganised our business

Mölnlycke® now has four business areas, each with full responsibility for all operational and business-specific functions to enable us to meet customer needs. The business areas are Wound Care, Operating Room Solutions (ORS), Gloves and Antiseptics.

COVID-19 continued to affect our business

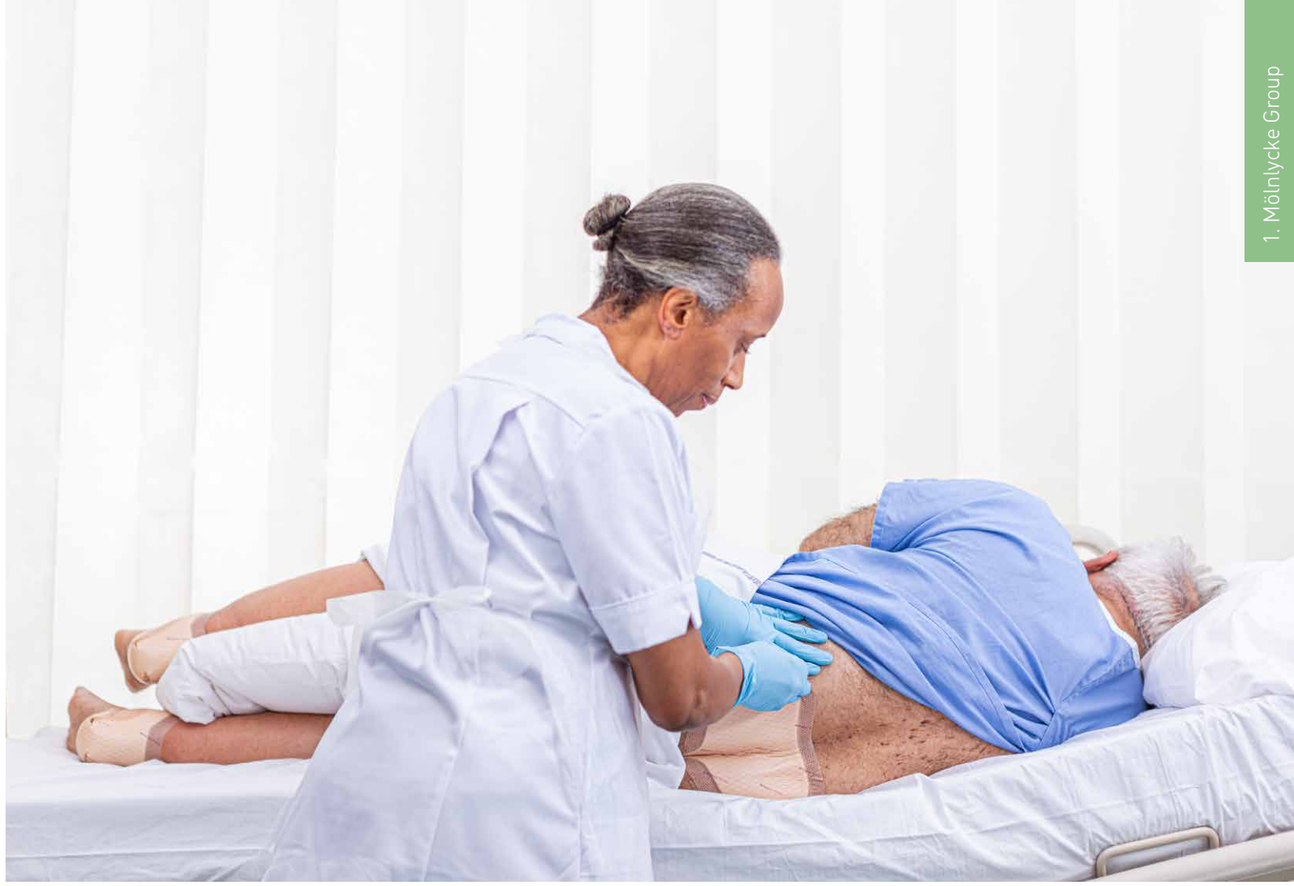
Worldwide lockdowns, the slowdown in elective surgeries and global disruption in our supply chain impacted orders, production, deliveries and sales to customers.

Our Executive Leadership Team is now 50:50 male:female

Internal promotions as a result of our new structure mean that we now have five men and five women on the ELT.

We developed our sustainability journey

We have defined a sustainability strategy and ambitions, to fully integrate sustainability throughout our business, help customers meet their sustainability goals and better contribute to the UN Sustainability Development Goals.



Our financial performance

Consolidated net sales were EUR 1,686 million. This is down 6% on 2020. However, 2020 figures were supplemented by personal protective equipment (PPE) sales of EUR 233 million – compared to EUR 68 million in 2021. Adjusting for this factor, we achieved organic sales growth of 4% in 2021.

In 2021, we generated an EBITDA of EUR 486 million, down from EUR 540 million in 2020. This was also largely due to the reduction in PPE sales in 2021 compared to 2020, together with significantly increased transportation and material costs of EUR 65 million.

We saw strong growth in Wound Care throughout the year, which compensated for some of the challenges we faced. In 2021, Mölnlycke distributed EUR 250 million to its shareholders.

1,686
1,793 in 2020

Annual global sales, million EUR

486
540 in 2020

EBITDA, million EUR

-6%

Organic sales growth

29%

EBITDA margin

Finding our way through the pandemic

2021 saw continued COVID-related turbulence in many areas of our business. We also benefited less from one-off personal protective equipment (PPE) sales that balanced the disruption in 2020.

‘A core part of Mölnlycke’s priority going forward will be a customer centric strategy based on ethnographic behavioural customer insight studies.’

Throughout the year, Mölnlycke® responded with agility and adjusted their working practices to meet customer needs, despite lockdowns, lack of elective surgeries and supply chain disruption. It is testament to our employees’ commitment to healthcare professionals and patients that we ended the year as well as we did. My sincere thanks to everyone for their hard work and dedication during these hard circumstances.

Achieving a solid financial performance in 2021
Given the volatile environment, I am proud of our solid performance this year. Our total sales fell by 6% in 2021, to EUR 1,686 million. However, in 2020, we saw a significant increase in PPE sales at the beginning of the pandemic. If we exclude the effects of the one-off surge in PPE sales, we increased our sales by 4% in 2021.

Looking into the results, we managed to generate an EBITDA of EUR 486 million. This is down EUR 54 million compared to 2020, but excluding PPE the result was in line with previous year.

Like other medical device businesses, we faced significant increases in the cost of goods sold caused by raw material and transportation costs, which has impacted our financial performance. Lockdowns in Malaysia meant our glove factories were closed for one month, which led to a reduction of approximately 10% of our annual production volume. On top of that elective surgeries remained at 90% of pre-pandemic levels, which reduced demand for our products. All this impacted sales negatively and resulted in a high level of back orders.

These challenges were balanced by strong Wound Care performance and a high degree of customer loyalty thanks to our long tradition of reliability.

Our **sales growth** was driven by Wound Care, our largest Business Area, where sales increased by 10% compared to the year before. The other three Business Areas faced declining sales in 2021, which can be explained by COVID-related disruption to demand, production and logistics.

During 2021 we started to deploy our negative pressure wound therapy solution (NPWT) Avance® Solo, in selected pilot markets. The initial feedback has been very promising and during the year Avance® Solo received a 510k clearance by The US Food and Drug Administration (FDA) and is thereby approved for sales in the US. Our ongoing commercialisation activities within the NPWT area will continue according to plan.

Finally, 2021 was a year of very high investment to meet future customer needs. We decided and initiated substantial investments into increased manufacturing capacity for both Wound Care and Gloves. This to secure future sustainable growth.

Reorganising our business to meet customer needs
During 2021, we strategically assessed our overall business and recognised that Mölnlycke operates in four distinct businesses; Wound Care, Operating Room Solutions (ORS), Gloves and Antiseptics. We therefore reorganised our business, moving from a traditional functional organisation into four business areas focused to meet customer needs. The business areas have end-to-end responsibilities for their business and they are fully empowered and accountable for developing and driving their own strategies into success.

We are also defining three corporate strategic focus areas into which we will invest; Customer Centricity, Digitalisation and Sustainability.

Customer Centricity and addressing mega trends – Digitalisation and Sustainability
A core part of Mölnlycke’s priority going forward will be a customer centric strategy based on ethnographic behavioural customer insight studies. This will become the foundation for our future commercial and innovation investments. During last year we carried out ethnographic studies in close to 100 hospitals and met more than 200 customers.

Digitalisation is a megatrend where we have taken on the challenge to become a leader within our industry. We are accelerating our activities within this area and have initiated projects that encompasses big data, artificial intelligence (AI), machine learning, and data science within selected prioritised areas. However, we still have a long way to go.

Within sustainability, another important megatrend, we are defining and developing our roadmaps based on three cornerstones; ethical business, responsible relationships and a green mindset. As part of our new sustainability strategy, we have set ambitious, long-term goals.

Ready to respond to disruption
Going forward, we now recognise that current volatile conditions will remain for some time. In response, we are exploring how to shorten our supply chains and build robustness into our own businesses.

The pandemic has left us with a backlog in elective surgeries, which negatively affects our business. As a result of postponed and cancelled elective surgeries during the past two years, many patients have become immobilised leading to an increase in chronic wounds. The extremely stretched situation in hospitals and other care facilities has led to increased shortage of health care providers in all care settings. All this means that Mölnlycke’s role, to ensure that healthcare professionals all around the world are appropriately equipped with product and solutions, is becoming increasingly important.

For 2022, we have to be humble and recognise there will be additional unknowns so adaptability and agility will be key guiding stars. Making a difference to customers and patients will continue to be our key focus. I am confident that our strategies and renewed customer focus will set us on a path to success.

Zlatko Rihter
CEO

Sustainability performance

We work continuously to improve our sustainability performance. Our ambition is to be as transparent as possible about the results we have achieved and what we strive for. This is a summary of our progress in 2021. More details can be found in each chapter.

Responsible relationships

	Our objectives	Our performance 2021
Product complaints	We continuously strive for industry leading reliability and quality in our products and services in the interest of patient safety, customer satisfaction and business excellence. Our objective for 2021 was to have a CPM (complaints per million) level below 1.5.	In 2021, we achieved a **CPM rate of 1.3 which exceeded our target.** The result is the same as we had in 2020.
Health and safety	We aim to provide a safe environment for our employees, suppliers and visitors at all of our sites around the world. Our objective for 2021 was to reduce the number of lost time incidents (LTIs) to 1.2 per million working hours.	We missed our target with a LTI rate of 1.6, partly because safety activities such as management walks and training were restricted during the pandemic. In 2020, we achieved a LTI rate of 1.1.
Gender diversity and inclusion	We have recognised that we need to take action on gender diversity at a senior leadership level. Our ambition is for women to make up above 40% of our leaders at director level and above by 2023.	In 2021, women made up **38%**, which is on par with previous year.

	Our objectives	Our performance 2021
Employee engagement and well-being	We measure levels of job satisfaction and engagement with the company across through our annual culture survey.	Employee engagement was 77%, down 2% on 2020 but in line with expectations in a year of reorganisation.

Ethical business

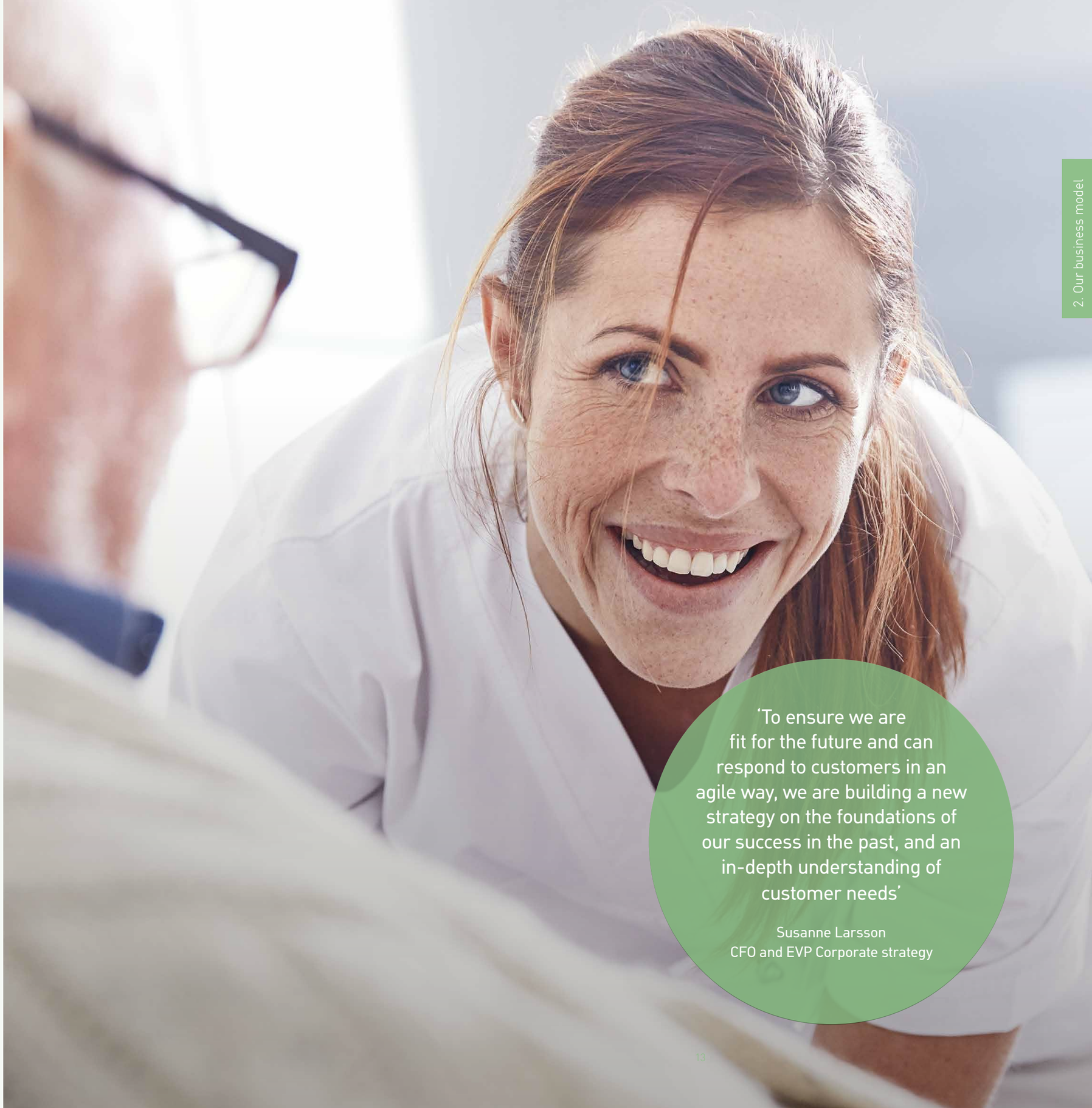
	Our objectives	Our performance 2021
Business ethics and compliance	100% of white-collar employees trained in Code of Conduct. 100% of white-collar employees trained in anti-bribery and corruption.	**99% of white-collar employees** were trained in our Code of Conduct. 97% of white-collar employees were trained in anti-corruption and bribery.

Green mindset

	Our objectives	Our performance 2021
Emissions: Scopes 1 and 2	We are committed to reducing our climate impact. To achieve this, we are taking steps to reduce the consumption of fossil fuels across our operations. Our objective for 2021 was to reduce CO_{2e} emissions by 2% per produced tonne of finished product.	Total emissions per produced tonne of finished product for 2021 were down **by 3.2%, exceeding our target**.
Waste management	We seek to use materials more efficiently to reduce the amount of potentially harmful waste we generate. Our goals for 2021 were to achieve a rate of reuse, recycling, and incineration with energy recovery of 85% and to reduce the amount of waste generated at our sites by 2% relative to production.	• **We met our target with 85% of the total waste generated at our sites recycled or incinerated with energy recovery,** up from 81% in 2020. • We missed our relative target with a 7.4% increase in waste per tonne of finished product.

Our business model

- Our strategy
- Our value chain



‘To ensure we are fit for the future and can respond to customers in an agile way, we are building a new strategy on the foundations of our success in the past, and an in-depth understanding of customer needs’

Susanne Larsson
CFO and EVP Corporate strategy

Our strategy

Mölnlycke seeks to advance performance in healthcare by improving clinical and health economic outcomes. Our core business is in four areas: Wound Care, Operating Room Solutions, Gloves and Antiseptics.

Our goal is to equip everyone in healthcare – from clinicians to procurement managers – to perform at their best. We do it through innovation, education and building strong and lasting relationships with our customers.

Building on our strong heritage and global presence, our ambition is to be the global market leader in all product segments and all territories where we operate. We enable growth by innovating and developing our existing products, expanding into new product areas and technologies, digitalising our supply chain, demonstrating positive clinical and health economic outcomes and continuous investment in sales and marketing capabilities to meet the changing needs of our customers.

We enable growth in our mature markets through an emphasis on clinical performance and through channel expansion. We develop sales and marketing capabilities in markets with high potential, such as China, the Middle East and Brazil.

As new challenges emerge, such as global supply chain disruption and increases in the cost of goods sold, we are also re-examining our sourcing and operations footprint, tackling price erosion and designing in redundancies to ensure we can deliver to customers and add value, while remaining lean and efficient.

> Our ambition is to be the global market leader in all product segments and all territories where we operate.

Reshaping our strategy for the future

To ensure we are fit for the future and can respond to customers in an agile way, we are building a new strategy on the foundations of our success in the past, and an in-depth understanding of customer needs.

From mid 2022, we will have distinct strategies and plans for each of our four business areas: Wound Care, Operating Room Solutions, Gloves and Antiseptics.

We will continue to focus on premium solutions, but invest in more radical innovation than in the past.

Customer centricity, digitalisation and sustainability are our three corporate strategic priorities and cut across the four business areas.

Advancing customer-centricity
In Wound Care, Operating Room Solutions, Gloves and Antiseptics, Mölnlycke has four business areas that meet the needs of four distinct customer groupings.

During 2021, each business area undertook significant customer interviews applying an ethnographic approach. Such customer insights will form the new strategy for each business area and the Mölnlycke Group.

Accelerating digitalisation
The trend towards digitalisation has accelerated over the last few years. While we continue to meet customers in person, in the future, we will digitalise more of our business models and develop products and services leveraging big data and machine learning.

Embedding sustainability
We are currently reviewing our sustainability strategy to increase our ambition still further and ensure it is integrated throughout our whole business. We have also developed a sustainability roadmap to support the implementation of the strategy. Our owner Investor has set stretching emissions reductions targets, and we will continue to strive for high standards in ethics and responsible relationships with stakeholders.

New Mölnlycke Corporate Model

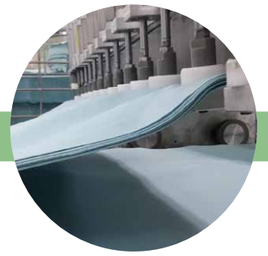
Digitalisation | Customer centricity | Sustainability

Our value chain

Mölnlycke has robust governance processes across our value chain to serve the long-term interests of all of our stakeholders, enable informed decision-making and drive the sustainable future of our company.

Research and development

The future of Mölnlycke is about improving patient outcomes, innovating to increase safety and effectiveness for healthcare providers, and reducing the environmental impact of our solutions. Our R&D teams work continuously to improve our offering, advancing performance in health care while lowering total climate impact.



Materials and components

We recognise that the materials and components we use have an environmental and social impact. We have hundreds of supply partners located all over the world, and work closely with our primary suppliers to better understand the impact so that we can make evidence-based decisions and reduce the carbon footprint of our products while preserving product safety and quality.

Manufacturing

Mölnlycke operates 14 manufacturing sites in eight different countries, whose processes are inherently energy and labour-intensive. We are setting ambitious targets to reduce the emissions from our facilities and are seeking out ways to make our processes more resource-efficient and reduce our waste. We also work to protect human rights, enhance health and safety, and ensure respect for everyone in our workforce.

Distribution and Logistics

Transportation and warehousing play a vital role in getting our healthcare solutions to customers safely and on time. From the transport of materials and components to our manufacturing sites, to the movement and storage of finished products, we work closely with our logistics partners to reduce emissions and increase load capacity while maintaining the quality and efficiency our customers depend on.

Commercial and Customer Care

Mölnlycke is a customer-centric organisation and we work closely with customers, patient associations and healthcare providers to ensure their needs are met. Our commercial and customer care teams add value in a variety of ways, including keeping customers informed about our solutions and helping them meet their sustainability goals. They also support aftercare priorities such a processing orders and managing and minimising customer complaints.

End of Life/Disposal

Many of our products are single-use to prevent infection and are exposed to biological contaminants and therefore are often incinerated or sent to landfill at their end of life. We collect a small percentage of our products for recycling and reuse as raw materials, and are challenging ourselves to further reduce the environmental impacts of our products after use.

Use

As a world-leading medical solutions company, the high quality and safety of our products are core to our business. Mölnlycke provides healthcare systems worldwide with innovative products and solutions to prevent infection and create efficiencies in hospitals and to help healthcare professionals reduce pain and suffering for millions of patients.

Our business areas

- Wound Care
- Operating Room Solutions
- Gloves
- Antiseptics

‘Inspired by the compassion and dedication of nurses, clinicians and hospital management teams, our focus is always on supporting our customers to do the best job for their patients.’

Emma Wright,
Chief Medical Officer

Wound Care

Every day, patients around the world suffer physically and emotionally from acute and chronic wounds, which can be persistent, difficult to treat, and costly to manage. Mölnlycke works with patients, caregivers, and healthcare systems to reduce the burden of these wounds through innovative solutions for prevention, faster healing and better quality of life.

5 factories in Finland, US, UK and Denmark

1bn wound care products manufactured each year

7,000 customers through own sales companies or distributors

1,000 product codes

67% acute care

33% post-acute and home care

93% of products manufactured in-house

7% contract-manufactured

2,049 employees

Our organisation and core markets

Mölnlycke is a leading global provider of wound care products and therapy-based solutions for chronic and acute wounds used in hospitals, post-acute settings and home care. We have a global footprint with sales offices in 38 countries. Our major markets are in the US and Europe, including France, Germany, the UK and the Nordic countries.

We make the vast majority of our products in our own factories. Wound care staff work across a range of functions, including research and development, marketing, business development, manufacturing, procurement, medical and economic affairs and sales.

Our products and solutions

Mepilex® Border Flex

Multi-layered bordered dressings designed to conform and stay on complex wounds such as pressure ulcers, leg and foot ulcers and traumatic wounds.

Exufiber® and Exufiber® Ag+

Exufiber® dressings used to treat medium to highly exuding wounds including cavities. The dressings transform into a gel upon contact with exudate, helping them to softly conform to the wound bed.

Avance® Solo

Avance® Solo is a portable battery-powered single use negative pressure wound care system used to draw out exudate and infectious material from chronic and surgical incisions.

Mepilex® and Mepilex® Ag

Mepilex® absorbent foam dressings for chronic and acute wounds with Safetac® soft silicone adhesion, helping to reduce pain and minimise damage to the wound and skin at removal.

Oxygen therapy

Oxygen therapy solutions including Granulox®, a haemoglobin oxygenating spray used in the treatment of chronic wounds, and Granudacyn®, an irrigation solution for cleansing and moisturising acute, chronic and contaminated wounds, as well as for first and second degree burns.

Pressure Ulcer prevention solutions

Anatomically shaped dressings with Deep Defense® Technology and Turning and Positioning systems, designed to protect delicate tissue and allow easier repositioning of patients to help prevent pressure ulcer development.

About our business

Customer needs
Chronic wounds associated with an ageing population and conditions such as pressure ulcers are an increasing burden on patients and health systems. Acute wounds, such as surgical wounds, can be difficult and costly to manage if they become infected.

Healthcare professionals need solutions that can:
- prevent wounds developing wherever possible
- support effective treatment strategies
- prepare the wound bed to enable healing
- protect the wound environment from risk of infection or deterioration
- prevent wounds from reoccurring.

Customers have needed more help with education, training and product support during the pandemic, as staff were reallocated to new roles, and patients suffered delayed treatment, making their wounds worse on presentation.

Although not a primary focus in wound care, customers increasingly expect sustainability to be factored into product development and include it as a general requirement in tenders and contract documents.

Responding to customer needs
We engage with customers, including clinicians, caregivers, surgeons and procurement, throughout our relationship from the first point of contact, to explore their clinical, economic, and service needs. This process allows us to optimise and customise solutions to deliver the best possible clinical outcomes, improve patient quality of life, and reduce total cost of care.

Our wound care solutions help prevent wounds from developing, reduce patient pain and discomfort, stop wounds becoming infected and promote faster, more effective healing.

- Therapy-based solutions including prophylactic dressings and efficient patient turning and positioning systems, help prevent pressure ulcers.
- Advanced wound care dressings create excellent conditions for healing of acute and chronic wounds, staying on for longer and causing less pain for patients at dressing removal.
- Negative pressure wound therapy transfers exudate to the dressing and cannister from chronic and surgical wounds, creating a better environment for healing.
- Oxygen therapy solutions, including haemoglobin sprays and irrigation solutions, protect wounds from infection and accelerate healing.
- Gelling fibre wound contact layers help to manage chronic wound exudate and infection.

As well as manufacturing products, we help educate patients and clinicians, both in person and virtually, on the safe and effective use. We increased this effort during the pandemic offering more support for healthcare staff who may have been using our products for the first time.

This year, we have conducted an extensive customer listening and ethnographic study to ensure we understand customers' in-depth needs. We are now evolving our future strategy based on the findings. We are also currently exploring how we can reduce the environmental impact of our products and raw materials through the life cycle.

> We are also currently exploring how we can reduce the environmental impact of our products and raw materials through the life cycle.

1. Clinical Infectious Diseases, Volume 72, Issue 10, 15 May 2021, Pages e506–e514, https://doi.org/10.1093/cid/ciaa1228 Published 21 August 2020

Our business environment
Our global Wound Care business faces ongoing challenges from the disruption caused by COVID-19, including the rising cost and limited supply of raw materials as well as delays and complexity in global logistics. Demand for our products fluctuated as wound care services and surgery were disrupted in many countries. Our normal contact with customers was reduced and we also faced recruitment challenges in some markets due to concerns about changing companies.

As we come out of the pandemic, customers are placing a greater value on quality wound care products that add value by reducing infection risk, promoting faster healing and reduce the total cost of care. We see this as an opportunity for Mölnlycke in the coming years. We are also seeing an increasing volume of patients returning for regular clinics and elective surgeries.

> As we come out of the pandemic, customers are placing a greater value on quality wound care products that add value by reducing infection risk and promoting faster healing.

Innovating for sustainability

We continually work to reduce environmental impacts from our factories. During 2021, our Mikkeli factory in Finland introduced a closed cooling circulation system for EtO sterilization, **which has led to a 50% reduction in factory water usage in Finland.**

The factory also has a new heat recovery system which collects exhaust heat from various processes, heat sources and heat pump technology and uses it to heat the building. This will save 500 tonnes of CO_2 emissions a year, reducing total emissions from our Wound Care operations by 8%.

Our US factories have reduced their water usage by 40%, and made waste savings totalling to USD 300,000 in disposal costs avoidance. Reuse of plastic totes instead of single use has also resulted in waste savings.

Our Mikkeli, Brunswick, Oldham and Horsens factories now purchase 100% green electricity. Our Wiscasset site is still looking for options to move to green electricity.

We are also looking at opportunities to increase use of **solar energy**, replace steam in our manufacturing processes with less energy intensive alternatives, and replace light fuel oils and other fossil fuels.

50%

reduction in factory water usage in Finland and 40% reduction in US factories

100%

green electricity in our Mikkeli, Brunswick, Oldham and Horsens factories

Helping patients stay mobile during NPWT

Avance® Solo is a breakthrough for patients who need negative pressure wound therapy (NPWT), giving them more mobility and freedom while managing exudate effectively and supporting healing.

NPWT is used for exuding chronic wounds, such as pressure ulcers and diabetic foot ulcers, as well as closed incision, closed skin graft and open abdomen wounds. It works by pumping out exudate from the wound and optimising blood flow, while also stimulating angiogenesis and granulation, creating a better environment for healing.

Identifying unmet needs

Mölnlycke carried out research with healthcare professionals and patients to identify unmet needs in this treatment area. They found that some patients have issues around mobility and compliance with treatment when using traditional NPWT. Traditional benchtop units were too bulky for patients to move freely with, while existing portable units were not as effective as traditional units in delivering consistent negative pressure or managing higher volumes of exudate. Frequent dressing changes were often required, causing discomfort. Based on the research, a team that included R&D, Marketing, Manufacturing and Sourcing, developed Avance Solo, a battery-powered, pocket-sized NPWT system.

Portable yet powerful system

The Avance Solo pump is small and has minimal impact on patient mobility[1]. The system uses proprietary Controlled Fluid Management technology: a combination of controlled air flow, absorptive dressing and distal canister. This enables the Avance Solo NPWT system to deliver continuous regulated negative pressure[2] and act in a similar way to benchtop systems. Avance Solo multilayer dressings with Safetac® adhesive cover the wound during therapy, minimising pain to the patient during dressing removal[3].

> These combined features create a solution that meets medical needs and helps to improve quality of life for patients

'These combined features create a solution that meets medical needs and helps to improve quality of life for patients' said Nick Rothwell, Vice President Global Marketing, Wound Care. 'Following pilots in 2020, we launched Avance Solo in 2021 in an initial 10 countries, with positive feedback in terms of clinical efficacy, useability and cost-effectiveness.'

1. Avance Solo CMM data on file (ref 24,15). 2. Avance Solo CMM data on file (ref 10, 18, 23). 3. Avance Solo CMM data on file (3,4,5,6,7,8)

Operating Room Solutions

In the Operating Room, healthcare professionals need innovative solutions that are designed for safety, tailored for efficiency, and personalised to their needs. Mölnlycke is their trusted partner in optimising surgical care and preventing infection; sharing our experience, expertise and insight to guide them through the complexities and help them achieve better health economic and healthcare outcomes.

5 factories in Thailand, the Czech Republic and Belgium

150 suppliers of surgical components and staff clothing

16,000 product codes

7 million Procedure Pak customised trays manufactured each year

1.5 million products a day, delivered to customers

20% of our drapes products to have a sustainable option by early 2022

2,335 employees

Our organisation and core markets

EMEA (Europe, Middle East and Africa) is our main market, accounting for 94% of sales. APAC (Asia Pacific) is also a strategically important market for our business, having experienced extensive growth during the past three years. ORS staff work across a range of functions, including manufacturing, procurement and supply chain management, HR, finance, marketing, sales and logistics.

We manufacture much of our staff clothing and protection in our own factories, supplemented by contract manufacturing. We assemble and sterilise procedure trays in our own factories.

Our products and solutions

Barrier® Drapes and Staff clothing

A range of surgical patient drapes, equipment drapes, surgical gowns, scrub suits, facemasks, isolation gowns, headwear and patient clothing designed to protect clinicians and patients and enhance hospital infection control. Mölnlycke's drapes and staff clothing can be supplied single-packed or included in procedure trays.

ProcedurePak® customised trays

Sterile procedure packs that include all the single-use products needed for specific surgeries and to enhance efficiency in the operating room, with a particular focus on orthopaedics and laparoscopy. Our innovative online tool, the Mölnlycke Portal, gives customers control and transparency over all their trays and the items within them.

Surgical instruments

A wide range of specific surgical instruments to equip clinicians with tools to support good clinical outcomes. Surgical instruments can be included in the customised procedure trays or bought separately as a single pack.

About our business

Customer needs

More than ever before, staff and patients need infection control they can rely on. During the pandemic, healthcare professionals have been at increased risk of contracting COVID-19 at work, compared to the general population. Even before the pandemic, one in 18 patients acquired an infection in a healthcare setting[1].

Efficiency is also a key driver. Staff losses and high spending during the pandemic mean healthcare needs to be delivered with fewer resources. With hospital waiting lists of many months for elective surgeries, surgeries need to be managed more efficiently.

To deliver more with less, healthcare providers need to address inefficiencies in the system and optimise how they use operating theatres.

There is a greater focus on sustainability objectives. In the EU, healthcare providers have committed to halve their carbon footprint by 2030, so they need transparency about their emissions and to see them minimised. They also want to be confident that their supply chains are ethical. Hospitals are also increasingly demanding security of supply.

We are starting to introduce products that are part-made or made solely from sustainable materials. We are also minimising packaging across all our products and using more cardboard that is certified by the Forestry Stewardship Council (FSC).

Responding to customer needs
Our portfolio has been designed to support customers to meet their challenges. As our customers' trusted partner, we drive efficiency, ensure infection control and add value. We do this by closely collaborating with them and guiding them through complexities.

This year, we have been conducting an extensive customer insight study in five markets to ensure we understand what they really need and can respond to fast-changing requirements. This will report in early 2022.

Mölnlycke demonstrates our value with evidence and benchmarking. A 2010 study showed that using trays saves up to 40% of time[1]. A more complete study is currently underway in Italy to update this evidence.

We are also delivering more services alongside our solutions to free customers to focus on their priorities and smooth the patient pathway. We are exploring how to capitalise on data to improve efficiency in the operating room, and continuing to increase the functionality in our Mölnlycke Portal to help them optimise their surgical trays.

At Mölnlycke, we work hard to understand our customers' core processes, and offer logistics services to support them. These include a trolley service, which helps to improve flow in the operating theatre, while reducing packaging. We are also making direct deliveries from our factories to customers to improve efficiency and minimise miles travelled.

Using trays saves up to **40%** of OR time

We have also introduced a range of new processes to ensure customers have security of supply.

To help customers meet their sustainability objectives, we are working on how to measure the environmental impact of our products, and taking steps in our journey to improve their sustainability, while balancing safety, quality and cost.

Our business environment
As the world opens up, there is significant disruption in our supply chains. Freight congestion around European ports is making it challenging to deliver to our customers on time, tying up capital and driving up delivery costs. The cost of raw materials in our products is also rising, especially for polymer resins and pulp in our BARRIER products.

There is erratic demand for our products, driven by overstocking after the pandemic, and the slowdown in elective surgeries. However, we have remained close to customers, and are in a stronger position than many competitors due to the customer relationships we developed during the pandemic. Although healthcare is lagging behind other sectors in its digital transformation, we are starting to see more healthcare providers make use of both digital engagement tools and big data. We expect these trends to grow in the coming years.

Innovating for sustainability

We are still early in our sustainability journey in OR Solutions. Many of our products need to be single-use to help manage infection. Historically, plastics materials have been used because renewable technology has not been advanced enough to ensure quality and fit for purpose. However, we are introducing a lifecycle analysis approach into our product development, and working to lower our environmental impact from design and packaging through to disposal.

1. Greiling M. A multinational case study to evaluate and quantify time-saving by using custom procedure trays for operating room efficiency. Poster presentation at the 23rd Congress of EAHM, Zürich, Switzerland, 9-10 Sep 2010)

Tackling the problem of surgical plume

As part of our commitment to taking care of healthcare professionals, we have launched a plume evacuation pencil to reduce OR teams' exposure to harmful chemical and bacteriological matter.

The danger of surgical smoke
Surgical plume or 'smoke' is released when thermal energy devices are used during surgery. Liquid contained in the tissue's cells is released as a vapour, and can contain a variety of particles including carbon, blood products, faecal matter, HIV, Hepatitis B, Coronavirus, and carbon monoxide.

Just one gramme of surgical plume has the same level of toxicity as smoking between three and six cigarettes. With around five procedures taking place during an average working day, OR personnel may be exposed to the equivalent of smoking 20–30 cigarettes per day.

> We really want to raise awareness of the danger of plume exposure in the OR and the solution we're offering with this device

Many countries have now adopted mandatory regulations on surgical plume, including Denmark, Sweden and Norway, and others are likely to follow.

Safer surgeries for OR staff
The new Mölnlycke-branded plume evacuation pencil offers a solution to the problem by minimising plume exposure through high-suction capacity. It is now available to customers as part of our procedure trays as well as in single packs.

'We really want to raise awareness of the danger of plume exposure in the OR and the solution we're offering with this device,' says Agnès Poulaillon, Global Marketing Manager Trays. 'Wellbeing in the OR is a hot topic, considering shortage of staff and exhaustion of health care professionals. Caring for the carers is part of our raison d'être and our plume evacuation pencil will play a key role in ensuring the safety and sustainability of the entire surgical team.'

Clinical Infectious Diseases, Volume 72, Issue 10, 15 May 2021, Pages e506–e514, https://doi.org/10.1093/cid/ciaa1228 Published 21 August 2020.
Bree K., et al. (2017). The Dangers of Electrosurgical Smoke to Operating Room Personnel. A Review. Workplace Health & Safety, vol. 65, no. 11.

Gloves

Gloves are an important line of defence for surgical staff at the frontline of infection control. Mölnlycke works with clinical teams to create double gloving solutions strong enough to protect them and their patients, while retaining the precision, sensitivity and feel they need for their complex work.

100% of Biogel® gloves are quality checked and air-inflate tested for perforations

30 markets worldwide

4 billion pairs of Biogel gloves made since 1984

700 product codes

4 factories in Malaysia

2,335 employees

Our organisation and core markets

Biogel® is a top three global surgical glove business with commercial operations in US, Europe and APAC. We manufacture all of our gloves in our four owned factories located in Malaysia, and are responsible for all operational and business-specific functions. These range from research and development through to manufacturing, procurement and supply chain management, marketing, sales and logistics.

Our products and solutions

Biogel® gloves

Biogel gloves are powder-free, easy to don and maintain excellent sensitivity for precise surgical work. Available in a synthetic materials, or natural rubber latex, they are designed to offer extra protection from blood-borne infection used as a double glove solution. The patented Puncture Indication System clearly shows up pinprick holes in a bright colour as soon as they occur.

About our business

Customer needs
Blood-borne infection from sharps injuries continue to be one of the biggest risks to surgical staff. Meanwhile the pandemic has increased the risk of hospital-acquired infections, including surgical site infections.

Surgical teams increasingly need reassurance that their equipment meets the highest standards of quality and safety, so they can work with confidence that both they and their patients will be protected.

At the same time, clinical staff need gloves to act like a second skin, with the fingertip sensitivity and precision required for intricate surgery. Fit, comfort and feel are essential attributes that cannot be sacrificed for safety.

Environmental concerns are rising up the agenda for customers, particularly in relation to energy consumption, emissions, water use and waste management.

Customers also need reassurance that Mölnlycke maintains the highest standards of human rights and social conditions, both in our own factories and within our suppliers' operations.

How we respond to customer needs
We check our gloves at multiple quality control points during manufacture, including an air-inflate test to detect tiny holes. All defect gloves are rejected. The Puncture Indication System immediately flags if a puncture occurs during surgery so gloves can be changed to maintain infection control.

Biogel gloves exceed industry standards for tensile strength and elongation. This reduces the risk of glove failure, enabling clinical staff to work with greater confidence.

Our Biogel team work with clinical staff to find the right material, features and sizes, and the right combination of overglove and underglove, to suit their precise needs. Product variations offer extra strength or sensitivity, depending on the requirements of a particular surgery.

The team supports customers to develop and implement double gloving policies, including help with educational programmes. They offer guidance on issues like infection prevention, recommended best practice and the proper use of surgical gloves.

In the coming years, we expect to see increased demand for gloves, as countries catch up with backlogs of elective surgeries delayed by the pandemic.

Over 2021–22, we are conducting an extensive customer insight study to ensure we understand our customers' in-depth needs. The findings will then inform the development of our future strategy.

Mölnlycke has very high standards of human rights and positive social conditions both in our operations and in our suppliers' operations.

Our business environment
COVID-19 has focused increased attention on how to protect both clinical staff and patients from infection while they are working or receiving treatment. In the coming years, we expect to see increased demand for gloves, as countries catch up with backlogs of elective surgeries delayed by the pandemic.

However, as the world opens up, we are also seeing significant disruption in our supply chains. Our gloves come from our factories in Malaysia, mostly destined for customers in Europe and North America. Therefore, glove supplies are heavily impacted by logistical issues such as lack of shipping capacity, increased shipping times, re-routing of ships, congestion at inbound ports and availability of truck drivers.

Innovating for sustainability

The manufacturing process used to make our gloves requires repeated cycles of heating and cooling, which makes it more energy- and water-intensive than some of our other products.

To address the environmental impact of our production, we are developing a comprehensive roadmap striving to reduce scope 1 and 2 emissions by 50% in our glove operations by 2030.

Infection control is our top priority. Therefore our gloves are all designed for single use in the Operating Room. However, we are exploring ways to reduce waste throughout the life cycle, from design and packaging through to disposal.

Roadmap to reduce our carbon footprint from glove operations

We are working to significantly reduce emissions from our gloves operations by 2030 by:

- reducing energy use in our factories through efficient heating recovery and cooling systems
- maximising use of renewable energy, with solar panels on all sites by 2024
- increasing the efficiency of our plant machinery and reducing waste
- using electric vehicles for movements between our sites
- commissioning a new waste water treatment plant
- achieving LEEDS green building certification for our new factory opening in 2022 (see case study).

1. MKT004. Why Choose Biogel. 2009. Data on file.

Case Study

Building sustainability in our new gloves factory

Sustainability has been designed in to our new gloves plant in Kulim, Malaysia, due to open in late summer 2022.

The new plant is a key part of our future plans and will enable us to expand glove production to meet projected demand. But it will achieve this in a less energy intensive way. Emission reducing measures include smart digital energy management to monitor how energy is being used and where it is being lost, and prompt action to reduce consumption.

Smart internal sensors will detect the presence of people, heat and daylight and turn off lights and air conditioning when they are not needed. A glass façade with UV protection will deflect heat, further reducing the need for air conditioning, while maintaining a comfortable temperature for our employees.

Highly efficient manufacturing equipment will use less energy, while solar panels on the roof will generate some of the factory's energy needs. Environmentally friendly landscaping around the site will include planting trees that require minimal irrigation.

Antiseptics

Mölnlycke's antiseptic products provide lasting antibacterial protection for the skin, especially when used in pre- and post-operative washing. We help our customers enhance this natural barrier, supporting them to integrate antiseptic washing into infection control protocols.

56 unique product codes

4.2 million Hibi® antiseptic baths provided to hospital patients annually

16 focus markets

8.7 million surgical procedures use preoperative Hibi antiseptic showering annually

150,000 products per day delivered to customers

31 employees

Our organisation and core markets

Mölnlycke is a leading supplier of antimicrobial cleansers for use in pre- and post-operative infection control, and in home care. Our largest markets are in the US and Europe, including the UK and the BeNeLux countries.

Our products are contract manufactured to our formulations in the US, UK and Germany, close to the markets where they are sold. The Antiseptics business area is responsible for all aspects of our business, from research and development through to procurement, supply chain management, marketing and sales.

Our products and solutions

Hibiclens® and Hibi® Universal Bathing System (HUBS)

For daily bathing of inpatients in US healthcare facilities and preoperative showering.

Hibiscrub®

For the whole body washing of patients before surgery and surgical hand washing in Europe.

Antiseptic wound cleansers

A range of gentle solutions based on chlorhexidine gluconate, an effective antiseptic agent that kills the pathogens that can cause infection.

Hibi® Liquid Hand Rub+

A hand disinfectant for healthcare professionals.

About our business

Customer needs
As well as COVID-19, we have seen a rise in multi-resistant bacteria in recent years. Preventing hospital-acquired infection has become an increasing priority for pre- and post-operative surgical patients. In particular, it's essential to reduce the risk of bacteria spreading before surgical intervention.

Healthcare professionals need effective, easy to use antiseptic solutions that encourage compliance with infection prevention protocols, from simple hand hygiene to whole body washing in the acute care setting.

Customers also need reassurance that antiseptic products are produced as sustainably as possible, while maintaining the highest standards of human rights and social conditions in our supply chain.

How we respond to customer needs
Rather than being absorbed, our antiseptics form lasting protection on the skin, which persists in fighting infection long after the initial wash. This makes them a useful addition to pre- and post-operative infection control protocols, as well as supporting infection control around the hospital and in home care settings.

We listen to our customers, from routine meetings with our field sales representatives to annual roundtables, and help them find the best solutions for their staff and patients.

We also help them evidence those solutions – for example, we are currently carrying out clinical research on the effectiveness of daily patient bathing with antiseptics in preventing hospital-acquired infection.

We audit our contract manufacturing suppliers to ensure they meet our ethical standards and that they effectively monitor their suppliers. We constantly work with them to improve processes and will collaborate with them on sustainability goals from 2022 (see Innovating for sustainability below).

Our business environment
Elective surgery was cancelled during much of 2021, which led to reduced demand for pre- and post-operative washing solutions. However, over the coming years, we expect to see increased demand as health systems catch up with the backlog of surgery, and as the evidence grows around inpatient bathing as an effective method of infection control.

We face ongoing challenges in sourcing raw materials due to the global supply chain crisis, as well as a rise in the cost of materials. Delivering to customers on time has also been challenging in markets where there is a shortage of truck drivers.

Innovating for sustainability

During 2022, we plan to review our footprint, maturity, plans and activities within Sustainability. All of our product containers are made of plastic monomaterials which makes recycling of the bottles feasible. As part of taking responsibility for the environmental impact of our products, we will investigate the possibility of recycling these bottles over the coming years.

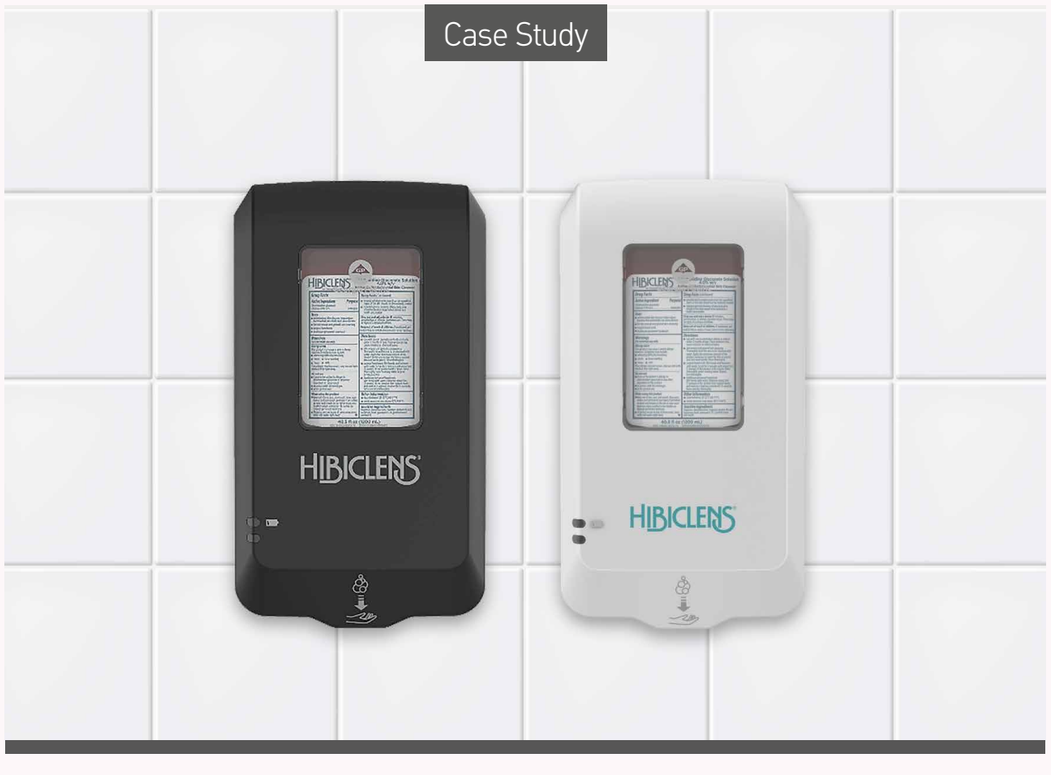
We will also start mapping the carbon footprint of our products using LCA so that we can measure the improvements we make as we are developing our products and making sure that we at the same time are reducing our carbon footprint.

We listen to our customers, from routine meetings with our field sales representatives to annual roundtables, and help them find the best solutions for their staff and patients.

BUSINESS AREA – ANTISEPTICS

3. Our business areas

Case Study



Helping hospitals meet hand hygiene guidelines

We're helping to improve hand hygiene across the hospital in a partnership with Georgia-Pacific, one of the leading providers of wall-mounted soap dispensers for healthcare settings in the US.

As part of the partnership, Hibiclens antiseptic cleanser will be used in dispensers everywhere from surgical preparation areas to patient wash rooms and rest rooms – wherever there is a need for good hygiene.

Effective but gentle solution
'Georgia-Pacific were reviewing their supply following revised guidance from the Food and Drug Administration (FDA) on the active ingredients contained in hand cleansing products,' said Global Marketing Manager Jason Liles. 'They needed a seriously effective antiseptic that would offer lasting protection, while also being gentle enough for anyone to use. Hibiclens fulfils all of those requirements.'

Mölnlycke developed a bespoke Hibiclens liquid soap solution which has now received FDA approval. The first hospitals will begin using the product in 2022, with the potential to roll out across the US as the partnership develops. Sales are expected to reach $12 million in the first five years.

> They needed a seriously effective antiseptic that would offer lasting protection

Raising awareness in hospitals
'The Hibiclens name will be clearly visible, which will help to raise awareness. For example, when we talk to surgical teams about the benefits of our antiseptics for pre- and post-operative washing, they may already know something about our products from their daily hand and arm scrub.'

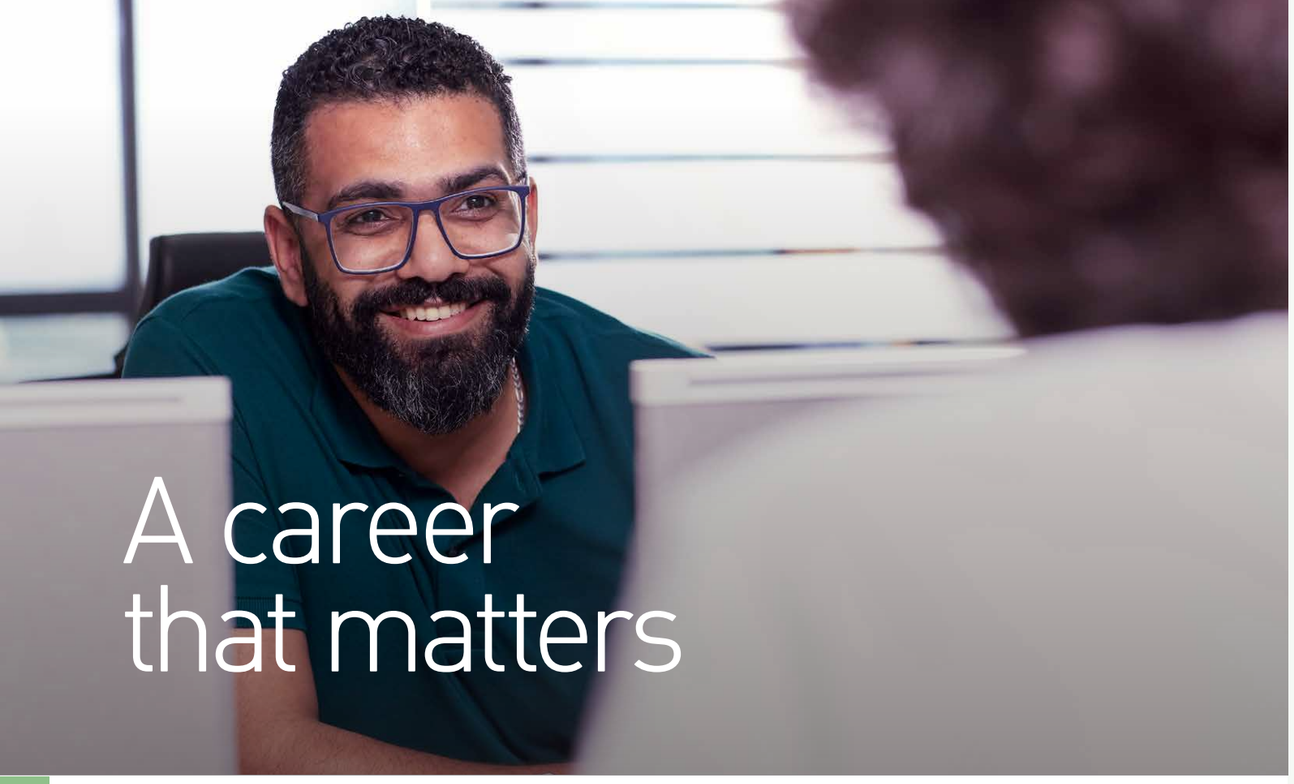
Georgia-Pacific will also benefit from bringing Hibiclens to their hospital customers.

Our people

‘Mölnlycke has a positive and inclusive culture where everyone is empowered to perform at their best and contribute to our success’

Martin Lexa
Chief People & Communications Officer

4. Our people



A career that matters

Our people are motivated by a desire to help healthcare professionals, supporting them to do the best job for their patients. They go beyond selling products and listen to our customers, helping them define what they need and tailor solutions that can improve healthcare outcomes.

It's what has guided our expansion from our Swedish roots into a global company that's respected around the world for our knowledge, experience and innovation. We aim to exceed our customers' expectations every day – and we expect everyone to play their part.

With 8,070 people at Mölnlycke, we're small enough for our employees to have an impact. Our leaders are approachable and trust their teams to make the right decisions. We strive to empower all our employees to grow and develop to their full potential.

> We aim to exceed our customers' expectations every day – and we expect everyone to play their part.

8,070
People at Mölnlycke

A workplace that celebrates success

We recognise employees who go further to deliver good results. Our Reward Programs celebrate long- and short-term achievements. They incentivise our people to not only drive successful outcomes for the business, but also promote our culture and values. Our compensation is strongly linked to our overall results as a company, engaging everyone in the pursuit of our collective growth. Find out more about Employee engagement at Mölnlycke: Responsible relationships, page 50 and 56.

Testimonial – Opening doors to ambition

Lina Karlsson, Executive Vice President, Antiseptics, joined Mölnlycke's Executive Leadership Team in 2021. Here, she talks about her journey and how she has achieved her ambitions since joining the company.

'The doors are open for women who aspire to leadership positions at Mölnlycke, all you need is the talent and motivation,' says Lina. 'That was clear to me from the day I joined and even during the selection process. The appealing culture is part of the reason I moved here'.

'The commitment to achieving gender balance in leadership positions is very impressive. On the Executive Leadership Team, we are at 50/50. This sends a strong message to women considering a career with the company. And the policy of promoting talent internally says you'll have a chance to progress to that level once you're here'.

'Before I came to Mölnlycke, I'd had a successful and varied career working in R&D and operations for a variety of Global medical technology and pharma companies. But one of my unfulfilled ambitions was to take leadership responsibility for an entire business division. My development planning has been focused on this for many years'.

'When I started as ORS R&D Director in 2019, I was very open about my career ambitions. Although it seemed like a big step, the company did not see this as a problem. In fact, they embraced it and gave me every support to achieve my goal'.

'I was enrolled in the leadership development programme and encouraged to learn everything I could about the business side of the company. When the position opened up as leader of the Antiseptics business area, I was asked if I was up for the challenge'.

'I'm thankful for the flexible working culture. Something I hear from our employees in different parts of the world – including a lot of men – is that they like working at Mölnlycke because it allows them to take a greater role at home while still having productive and successful careers. And this, in turn, allows their partners to pursue their careers at equal levels. It's one of the things that makes me proud to work at Mölnlycke'.

Career progression

We're committed to recognising, developing and promoting internal talent. Developing employees who have the skills and capabilities to succeed is crucial for Mölnlycke to stay competitive in a demanding global environment. In 2021, we filled 75% of our positions at manager level and above with internal talent, and 85% of positions at director level.

We encourage our managers to have meaningful career and development conversations with each team member. Together, they create a personal development plan, which informs our talent and succession planning. We provide training and support for managers to help them have better conversations and develop everyone to their full potential.

Opportunities for growth

We're a successful company with an ambitious strategy to grow the business further. As the company grows, our employees will grow. We invest in people's careers over the long term, empowering them to contribute to our success through learning and development programmes and opportunities for progression.

Learning and development
Mölnlycke is a global learning organisation that invests in skills and encourages all our employees to develop themselves from the first day they join the company.

Testimonial – Achieving personal growth

A culture of respect and the freedom to ask questions has helped power **Catherine Reyes-Gloria's** progression from a Product Manager in the Gulf to **Global Marketing Manager for Oxygen Therapy**.

'Other places where I'd worked were quite rigid and hierarchical,' says Catherine. 'When I came to Mölnlycke, it felt very different. It was like joining a family where everyone respected each other. I was free to question things and contribute my ideas regardless of my role'.

'I've been with the company for more than 15 years and I've grown along with the business. When I started in Wound Care in the Middle East and Africa (MEA) region, few people there knew of Mölnlycke, or about the importance of reducing pain and trauma in wound healing. Now we're the market leader there'.

'I loved being able to work directly with clinicians, spreading the word about how Safetac® technology reduces pain and supports faster healing, while also learning about their needs and issues and developing my own skills and capabilities.

'As our business grew, opportunities opened up for me from Wound Care Product Manager in the Gulf to Business Development Manager and eventually becoming the Marketing Manager for both business areas of the Middle East and African region'.

'It's felt like a natural progression, with each step leading on from the last. The company provided the right support and training. In the last five years, I've had leadership and growth mindset training as part of my development plan, which has really helped me broaden my horizons'.

'Finally I decided I was ready for a global position and applied for my new role. I'd already launched Granulox® oxygen therapy in the MEA region, and am passionate about the product, so it felt right to be taking that to the world. Now I'm based in Gothenburg, which is a big drop in temperature from Dubai – but a big move forward in my career'.

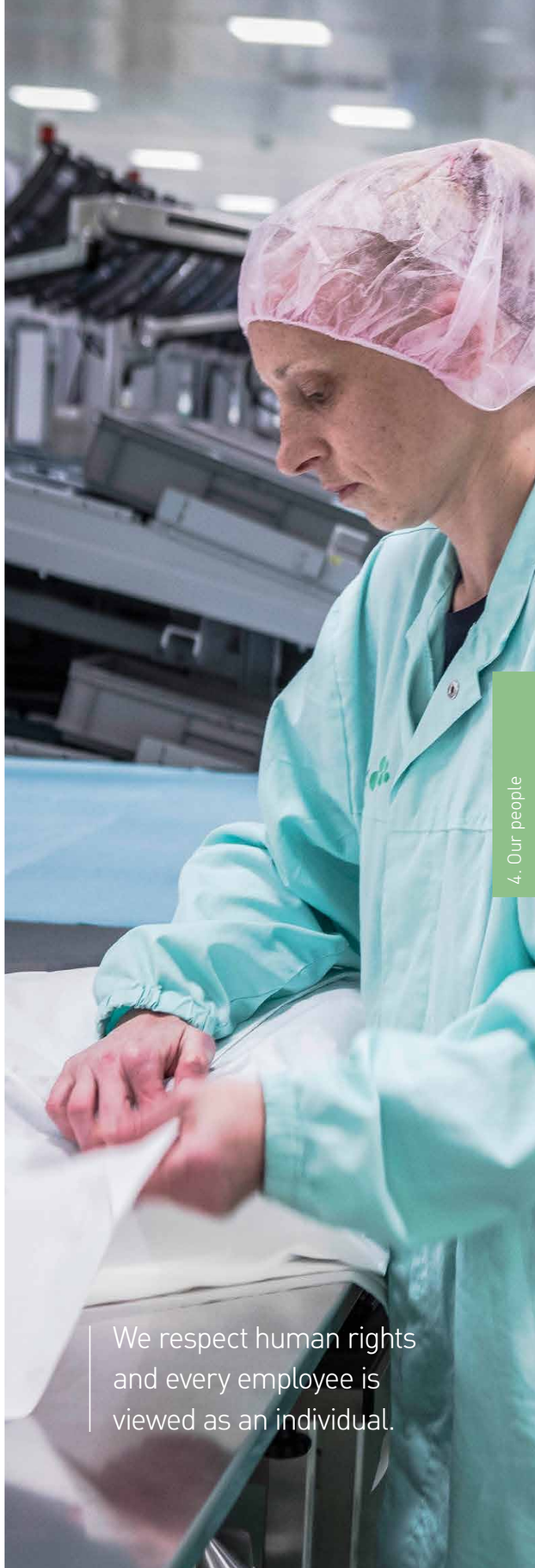
Fair recruitment practices

While our primary focus is on developing internal talent, we also need to attract people with new capabilities from outside the company from time to time. In a highly competitive labour market, we need to ensure that our recruitment process is simple, transparent and fair to everyone. We advertise all vacancies globally on our state-of-the-art recruitment portal. Applicants can quickly apply for vacancies and receive regular updates on the process.

We aim to recruit people from diverse backgrounds who have the right expertise and skills and who can innovate and think outside the box. Our recruitment decisions are based on merit. All selection criteria are consistently and transparently applied to all candidates, whether we are recruiting internally or externally.
We do not tolerate any kind of discrimination, either in recruitment or employment, on the basis of gender, race, religion, age, disability, origin, union membership or pregnancy.

A responsible employer

We're a responsible employer. We respect human rights and every employee is viewed as an individual. It is our absolute ambition that everyone is treated fairly, regardless of their gender, ethnicity, religion or sexuality, and has good and safe working conditions. We do not tolerate any physical, sexual, psychological or verbal harassment or abuse.



Sustainability at Mölnlycke®

Our sustainability strategy

- Responsible relationships
- Ethical business
- Green mindset

‘As a healthcare company with a Swedish heritage, sustainability is fundamental to our business approach and runs through everything we do. We believe that it’s our responsibility to equip customers with innovative healthcare products in a way that’s sustainable – for our business, our employees, our communities and the planet.’

Eric de Kesel,
COO and EVP Sustainability

Our sustainability strategy

In recognition of increased urgency of the global sustainability agenda, sustainability is one of our corporate strategic priorities. We have been a committed signatory of the UN Global Compact for many years, and have made contributions to the UN Sustainability Development Goals.

We have a sustainability strategy, based on our purpose, with ambitious targets for the medium and long term. We have newly appointed a sustainability function to support the ELT and the rest of the business in defining and developing Mölnlycke's sustainability strategy, objectives and global reporting. And we are now defining a roadmap to 2030, to show how we will make improvements each year to achieve our goals.

Mölnlycke's sustainability strategy will see the business integrate a green mindset throughout the product lifecycle in order to minimise emissions – which will need to be balanced by the fact that we cannot compromise on quality and patient safety. We already have high standards of business ethics and responsible relationships with stakeholders. But we will introduce new frameworks and programmes to advance our approach in the areas where we need to become more mature.

This year, we have introduced new sustainability governance, including a Sustainability Committee and sustainability function. In order to be transparent, we are also making TCFD and CDP disclosures.

Balancing product quality and sustainability

As a medical solutions company, we can never compromise on the quality and safety of our products. Many of our wound care products, operating room solutions and gloves have to be single-use to minimise the risk of infection, as they are contaminated by human tissue after use. As part of our new strategy, we are exploring the use of sustainable raw materials and investigating how we can take responsibility for our products across the lifecycle.

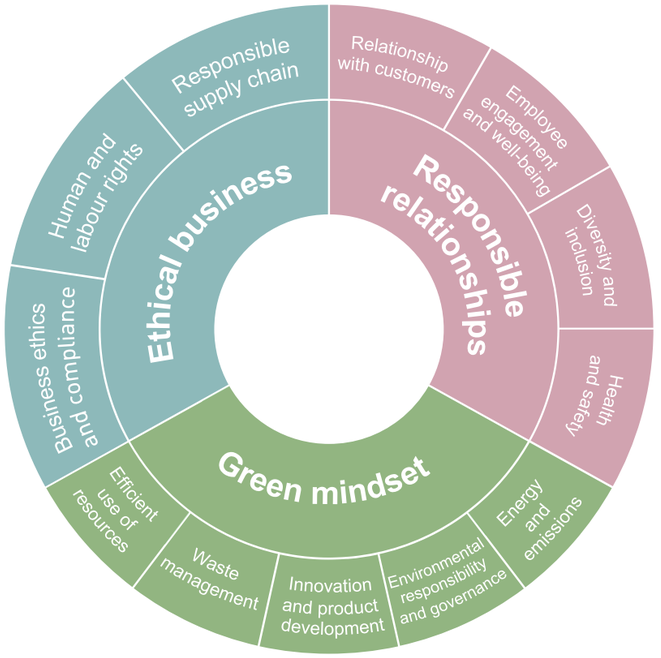
> We already have high standards of business ethics and responsible relationships with stakeholders.

Materiality at Mölnlycke®

We began the journey towards a new strategy in 2020, with an update of our materiality analysis, which we validated in 2021. Our work has involved:

- navigating the expectations, risks and opportunities of our internal and external stakeholders
- identifying which issues to prioritise, manage and monitor, and how our company creates value for society and our stakeholders
- identifying future challenges and opportunities, and ensuring that our strategy takes important social, environmental and governmental aspects into account.

We also further developed our work on our contribution to the UN global Sustainable Development Goals. While we can impact all 17 goals, there are six where we believe we can make the biggest difference.



Our KPIs

As part of our strategy, we are developing associated KPIs for our material aspects under our three themes over the long term. We are also defining a roadmap for how we will achieve our long-term targets, and identifying detailed actions and responsibilities within our functions to achieve them. Our long-term targets will be aligned with the Global Reporting Index (GRI).

Responsible relationships

Leading the way in building strong, mutually-beneficial relationships with customers, employees and other stakeholders

Topic	Measure	2021 target	Long-term KPI	SDG	See page
Product complaints	Product complaints per million	Below 1.5	Below 1.5		55
Health and safety	Lost time incidents per million working hours	1.2	Less than 1 ppm in our operations by 2025	8	55
Gender diversity and inclusion: directors and above	% gender parity at director level and above	Above 40% female: by 2023	45% female by 2025	5	56
Gender diversity and inclusion: managers and above	% gender parity at manager level and above	n/a	50% gender parity by 2025	5	
Cultural diversity and inclusion	Number of nationalities in the ELT	n/a	Greater than 5 by 2025	16	
Employee engagement and well-being	% engagement index score on culture survey	n/a	Greater than 80% by 2025	8	56

This year, we are reporting against targets set at the beginning of the year. For 2022 and beyond, we will embark on our roadmap of gradual improvements to achieve our long-term KPIs.

Ethical business

Setting high standards of ethics and responsibility in our business

Topic	Measure	2021 target	Long-term KPI	SDG	See page
Business ethics and compliance	% employees trained in anti-bribery & corruption policy and Code of Conduct by 2025	100% of white-collar employees trained in Code of Conduct; 100% of white collar trained in anti-bribery and corruption	100% of employees trained by 2025	16	61

Green mindset

Innovating to develop high-quality, safe products and solutions that are resource-efficient and generate minimal (CO2) footprint

Topic	Measure	2021 target	Long-term KPI	SDG	See page
Emissions Scopes 1 and 2*	% reduction in CO_2e emissions	2%	50% reduction by 2030	13	65
Waste management	% waste recycled from own production sites	85%	Greater than 90% by 2025	12	67

*We don't currently have a reduction target for scope 3 emissions, however it is our intention to develop this in the coming years.

Responsible relationships

As a healthcare business, maintaining strong, mutually-beneficial relationships with all our stakeholders has always been paramount. We care for our customers patients, and our employees as individuals, our suppliers' employees – and societal development in general.

We recognise that our employees' commitment to our purpose and their high degree of motivation are what make Mölnlycke different. We therefore strive to create a great working environment, with the health and safety of all of our employees as our top priority. For the last few years we have added focus on increasing employee engagement, create a diverse and inclusive work envorinment and ensuring occupational health and safety.

Going forward, we will maintain our focus on these areas, while challenging ourselves to go further, faster. By 2025, we want lost time incidents to be below one per million working hours, and for us to offer one of the safest workplaces in the medtech sector. We will also seek to minimise work-related ill health.

Diversity and inclusion will be a key area of focus. We will seek to have gender parity at manager level by 2025, and more than five nationalities in our Executive Leadership Team.

The high quality and safety of our products are core to our business. For the last few years, we have therefore focused on maximising customer satisfaction and minimising product complaints. Going forward, we will drive customer satisfaction with a new measure based on a net promoter score.

We want to continue the progress we have made in employee engagement, and achieve engagement score higher than 80%, which will put us among the top 25% of all businesses.

Our policy and approach:

Customers

We provide healthcare systems worldwide with products and solutions to prevent infection and harm and create efficiencies in hospitals and to help healthcare professionals reduce pain and suffering for millions of patients.

Our purpose is to advance performance in healthcare. In order to achieve this, we continuously innovate our products and solutions based on researching and understanding customer needs. Where appropriate, we share our knowledge and support healthcare bodies in designing new working protocols to promote good practice. We also support healthcare professionals around the world to develop their knowledge, with online and in-person professional education programmes, such as Mölnlycke Talks and the Mölnlycke Advantage online hub.

We continuously strive for industry leading reliability and quality in our products and solutions in the interest of patient safety, customer satisfaction and business excellence. We ensure this through compliance to standards and regulations, supported by our process-based quality management system.

We continuously strive for industry leading reliability and quality in our products and solutions in the interest of patient safety, customer satisfaction and business excellence.

Our policy and approach:

Employees

We want Mölnlycke to be characterised by an environment where employees feel empowered to grow, develop and contribute through their commitment to our purpose. Mölnlycke values a diverse workforce and believes that diversity and inclusion is part of what makes us successful.

We ensure that all our employees have safe and fair working conditions, and there is respect and inclusion in the workplace. Salaries and benefits correspond to best practice in the market.

Workers' rights for our employees are set out in our Code of Conduct, and Modern Slavery Statement. We are committed to ensure that:

- work is freely chosen, and forced, bonded and compulsory labour are prohibited
- no form of child labour under 15 years is accepted
- employees should not be prevented from associating freely
- working conditions should be safe and hygienic
- wages and working hours meet national legal standards
- discrimination is prohibited.

In factories where there are unions, we have collective bargaining agreements and as applicable by country, we have work councils to include employee participation in health and safety work.

To help ensure that human and social rights are respected, we encourage our employees and business partners to speak up and let us know if they have any concerns including any concerns related to human, labour and social rights. Concerns and complaints may be raised through our Compliance Helpline which offers reporting in local languages. Complaints are promptly investigated, and appropriate corrective action is taken as needed.

Responsible relationships with suppliers

As a multinational company and purchaser, we believe that we are in a position to impact ethical and social conduct associated with human rights, the workplace and working conditions, gender and race equality, fair competition, the environment and anti-corruption in a positive way among our suppliers. We therefore require our suppliers to sign our Supplier Code of Conduct and Supplier Standard.

See Ethical business page 60

Testimonial – Enhancing our safety culture

Oli Waheed joined Mölnlycke as a **machine operator** at our Mikkeli factory in Finland during 2021. For him, the extra safety protocols introduced to manage COVID-19 are part of normal practice and go hand in hand with the factory's high quality standards.

'I came to Finland from Bangladesh to study and decided to stay,' says Oli. 'While I was applying for traineeships, this job opened up at Mölnlycke. It felt like a good opportunity to join a dynamic global company and learn about process technology, which is connected with my studies'.

'I work making Mepilex Border Flex®. Every day is different, with product variations and changing customer requirements. We're making lots of adjustments, quality checks and measurements, which have to be very precise. We also take part in occupational safety observation. It's a highly responsible job'.

'The safety culture is excellent here. We have well documented standard operating procedures (SOP), regular safety briefings and inspections and everyone has very clear instructions on how to work safely, from when they enter the building to when they leave, tailored to their specific function and role. We have training in ergonomics, safe body postures in physical tasks and quick exercises we can do in our breaks'.

'The factory already had a sterile and hygienic working environment, which is necessary for our wound care products. With COVID-19, extra measures were introduced to protect against the virus. For example, at the beginning of each shift, we clean not only machine parts and production areas but also every potential contact area, including small work tools and computer keyboards. We also reduced handling of raw materials during final production'.

'These measures are designed to keep the workforce safe from infection, but I think they are just a better way to work and further enhance our quality systems. It makes sense to keep many of them as standard practice from now on'.

'I'm planning to stay in Finland for some time. I've found the people here to be very welcoming and supportive and I like the challenge of becoming part of society by learning the Finnish language – I can't say I'm fluent yet but I am getting there'.

Helping to establish a cleft care centre in the Philippines

Mölnlycke and its employees are helping to establish a cleft care centre on Cebu. In its first three years, Operation Smile and Mölnlycke estimate that the centre will support up to 10,000 surgeries, via a hub and spokes model in the community. More than 26,000 patients will receive consultations and 1,800 community health workers will be trained – alongside 400 Operation Smile volunteers and hospital staff.

Supporting with funds, products and expertise
Mölnlycke has committed to an initial three-year partnership agreement to support the centre at Cebu. In addition to funds, the company will donate products, train healthcare professionals in infection prevention and provide logistics support. As expertise within Cebu and the surrounding area grows, the ambition is for the centre to become less reliant on direct support and more self-sufficient.

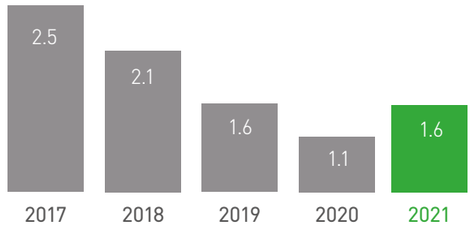
Employee fundraising
As a result of our employees' efforts during, we were able to send EUR 160,000 to the centre. In particular, the money will help fund a family lounge, so that families can be there to support their children before their surgeries, reducing their anxiety and helping them to prepare.

> Our employees value the opportunity to make a difference for patients in some of the world's most deprived areas through our global charity partner Operation Smile.

Performance

Health and safety

LTIs per million working hours



	2019	2020	2021
Management walks (planned v performed %)	94	88	91
Closed near miss investigations (%)	100	99	100

This KPI was calculated with the guidance of GRI disclosure 403-9

Our primary health and safety target relates to Lost Time Incidents (LTIs) per million working hours. These are any workplace incidents that cause an employee to miss their next scheduled work day or shift.

As part of our EHS programme we set an ambitious target of 1.2 LTIs per million working hours. Our rate of 1.6 is disappointing. The need to ensure a COVID-safe work environment limited our ability to carry out some management walks and training, which may have contributed to the increase. However we are taking steps to return to a downward trend in 2022, including specialised manual handling training that could not be completed during 2021. The ratio of performed vs. planned management health and safety walks was 91%. Although this was below our target of 95%, it was an increase of 3% over the previous year. All of our near misses were corrected, exceeding our target of 95%.

Product complaints

We continuously strive for industry leading reliability and quality in our products and services. Our objective for 2021 was to have a CPM (complaints per million) level below 1.5.

1.3 CPM

We received 1.3 complaints per million during 2021.

Diversity and inclusion

Our diversity and inclusion target relates to gender parity at director level and above. In 2018, we introduced a gender diversity charter with the ambition for women to make up above 40% of our senior leaders by 2023. By the end of 2021, 38% of our senior leaders were women.

38%

38% is on a par with previous year.

Employee engagement

Our annual culture survey is designed to assess levels of job satisfaction and engagement with the company. The key metric is our engagement index, calculated based on the answers to four survey questions:

- Overall, I am very satisfied with Mölnlycke as a place to work
- I would recommend Mölnlycke as a great place to work
- I rarely think about looking for a new job with another company
- I am proud to work for Mölnlycke

In 2021, with 88% of employees participating, our engagement index score was 77%. This is slightly down from 79% in 2020 but was broadly in line with expectations in a year when the company went through a significant reorganisation. We are above the norm published by our global engagement survey partner Qualtrics.

77%

Engagement index achieved.
2 percentage points less than in 2020.

3

Percentage points above the norm published by our global engagement survey partner Qualtrics.

Our people

We have 8,070 employees worldwide, of which 9% work in the Americas, 48% in Asia Pacific and 43% in EMEA (Europe, Middle East and Africa).

8,070

Employees worldwide.

Our job types

Our blue collar work force is mainly located in Asia Pacific where our largest factories are situated.

Americas		
Blue collar	193	26%
White collar	538	74%
Total	**731**	100%

Asia Pacific		
Blue collar	3,189	82%
White collar	698	18%
Total	**3,887**	100%

Europe, Middle East/Africa		
Blue collar	1,447	42%
White collar	2,005	58%
Total	**3,452**	100%

Our contracts of employment

In Asia Pacific and the Americas, around 95% of us have permanent contracts of employment.
In EMEA, 84% of us are permanent.

Americas		
Permanent	727	99%
Temporary	4	1%
Total	**731**	100%

Asia Pacific		
Permanent	3,863	99%
Temporary	24	1%
Total	**3,887**	100%

Europe, Middle East/Africa		
Permanent	3,134	91%
Temporary	318	9%
Total	**3,452**	100%

For the purpose of this report, the number of employees is our headcount: all employees, including temporary employees, with an employment contract with Mölnlycke, who are also paid through the company pay-roll.

Gender diversity

Almost two-thirds (64%) of our employees are female.

Americas		
Female	318	44%
Male	413	56%
Total	**731**	100%

Asia/Pacific		
Female	2,711	70%
Male	1,176	30%
Total	**3,887**	100%

Europe, Middle East/Africa		
Female	2,147	62%
Male	1,305	38%
Total	**3,452**	100%

Ethical business

Mölnlycke applies high business ethical standards. We do all we can to ensure compliance with all applicable laws, regulations and industry standards where we do business. We also seek to go beyond this to meet our own high expectations and those of our stakeholders.

We set challenging targets for our suppliers and our distributors in order to ensure ethical business throughout our value chain. **As a global company and purchaser, we recognise we are in a position to impact business ethics and social conduct, in a positive way together with our suppliers.** This includes issues such as forced labour, human rights, the workplace and working conditions, gender and race discrimination, fair competition and anti-corruption.

Going forward, our ambition is to further develop a detailed business ethics compliance programme in order to continuously improve in our own business. We will achieve this by training and educating our employees, and ensuring we have an understanding of our responsibilities throughout the value chain and how we can meet them. We will then go broader and deeper in our third-party management programmes in the years to come.

> Our ambition is to further develop a detailed business ethics compliance programme in order to continuously improve in our own business.

Our policy and approach:

Code of Conduct

Our Code of Conduct outlines the principles and standards – and sets the tone – of how we do things at Mölnlycke. It also serves as a reference guide on specific issues or situations. Mandatory e-learnings ensure employees understand our Code of Conduct and know how to implement it. In addition, we offer in person and virtual training activities on specific topics and to targeted groups.

Our policy and approach:

Anti-bribery and corruption

Mölnlycke and our employees are subject to various anticorruption laws around the world. We prohibit all forms of corruption and bribery at our business and in the businesses that work on our behalf.

Our goal is both to reduce the negative impact of bribery and corruption – and to protect Mölnlycke, its employees and our stakeholders from being implicated in bribery, corruption or any conflict of interest.

We take action to combat bribery, corruption and inappropriate business dealings both within our own operations and with our business partners. Doing business with integrity is paramount to us as a company. It is particularly important because we have interactions on a daily basis around the world with public hospitals, government authorities, healthcare organisations and healthcare professionals.

Our actions include robust processes and procedures to prevent bribery and corruption and e-learnings for employees. In addition, we conduct live and virtual training sessions.

> Doing business with integrity is paramount to us as a company.

Our policy and approach:

Suppliers

We ask all our suppliers to meet our Supplier Code of Conduct, which is based on our Code of Conduct for Mölnlycke employees. They in turn are asked to apply similar Codes among their own partners and suppliers.

We also have a Supplier Standard, which incorporates our Supplier Code of Conduct, as well as requirements for quality, sustainability and the environment, for raw materials suppliers, component suppliers and high-risk indirect suppliers.

New suppliers to Mölnlycke are evaluated based on their ability to meet our requirements. In addition, we conduct on-site assessments of suppliers. **We have risk-based evaluations linked to the MDR class of the product to maximise patient safety. We have focused efforts on suppliers located in risk countries according to Amfori BSCI where there is a heightened risk of Code of Conduct violations in relation to suppliers from other countries.** On-site assessments are carried out of other suppliers where appropriate. The list of Code of Conduct-risk countries is updated annually.

Suppliers are regularly assessed throughout our relationship with them by either Mölnlycke employees or a third-party expert in the local market. We are willing to work with suppliers if minor issues are identified during assessments – as long as they follow a corrective action plan. However, we do not work with suppliers where major non-conformities to our code of conduct are identified.

We see our suppliers as true business partners. Our people are committed to building long-term relationships with our suppliers and leading by example. We believe that living the Code of Conduct, and promoting fairness, collaboration, transparency and open communication when we conduct visits and business reviews make a difference.

Our policy and approach:

Raising concerns

At Mölnlycke, we have an open culture, where both our employees and business partners are encouraged to raise concerns. All employees are made aware of our grievance policy and procedure.

Employees can report concerns to their manager, or their manager's manager. However, there are several other channels for when this is not appropriate.

These include our **Business Ethics Compliance function and our externally operated Compliance Helpline**, which is open to both employees and others to report concerns on serious misconduct anonymously, in several different languages. Irrespective of the channel used, employees who bring forward concerns are protected against intimidation and retaliation.

We have a formal procedure for grievance resolution to ensure confidentiality and data privacy as well as appropriate assessment and investigation. **We seek to deal with issues constructively; including identifying the root causes of any issue so that we can put in place actions to prevent it from happening again**.

Once an issue is resolved, we formally report the outcome back to the person who raised it, where possible under data privacy regulations. All concerns reported through the Compliance Helpline and all investigations carried out under our investigation procedures are reported to the Audit Committee.

Business ethics and compliance

In 2021, we continued the development of our business ethics programme. We developed e-learning to reinforce our new Code of Conduct and provided face-to-face and virtual training on anti-bribery and anti-corruption for white collar employees in areas such as sales and finance.

99%

Of white-collar employees trained in our Code of Conduct.

97%

Of white-collar employees trained in anti-corruption and anti-bribery.

Working with suppliers

Due to COVID-19, we have not been able to conduct all on-site Supplier Code of Conduct assessments according to plan. We are either postponing the assessments to 2022 or using self-assessment tools until it is possible to travel and visit supplier locations.

Number of direct suppliers	388
Number of supplier assessments	16

Taxation

We pay corporation tax in each and every one of the 38 jurisdictions worldwide where we have a fiscal presence. For fiscal year 2021 we paid EUR 117 million in corporation tax. In addition to our corporation tax contribution we also collect and pay our share of VAT, payroll tax, social security, custom and other taxes.

We seek to be compliant with the laws of the countries in which we operate and ensure that we pay our share of tax. The group's effective tax rate for the year ended 31 December 2021 was 21.8 % reflecting the relative levels of profits arising in the Group's operating jurisdictions.

EUR million in corporation tax	117
Effective tax rate for the year	21.8%

Green mindset

To prevent infections we promote single-use products. We recognise our responsibility to create high-quality, safe solutions that advance performance in healthcare, and at the same time, are resource-efficient and generate minimal CO_2.

We are at a turning point in our approach to minimising our impact on the environment. Up to and including 2021, our focus has been on scopes 1 and 2, product-related transport, waste management, water and materials and chemicals. However, we recognise the urgency of collective action to achieve the 2030 targets on climate action set out in the UN Sustainable Development Goals, and the Paris Agreement.

Going forward, our targets will be more ambitious and the actions we take, more far-reaching. We have committed to reducing scopes 1 and 2 emissions by 50% of their 2016 baseline by 2030. We are also looking at scope 3 emissions, beyond product-related transport. We will also seek to introduce a more circular approach and increase the proportion of renewable materials we use, while minimising waste.

This requires a transformation in how we measure our impact and the actions we take to improve. For this year, we are still at the start of our journey, and we are reporting on the targets we set at the beginning of the year.

For 2022 and beyond, we have set a new strategy, with ambitious targets. We know that our solutions impact the environment across their lifecycle, from the raw materials through production, transport, use and end of life. These impacts are a priority for our customers and patients, supply partners and investors.

This year, we have been working to map the steps we need to take to understand the full impact of our solutions. We have also been working to establish interim target KPIs to take us to a 50% reduction of scopes1 and 2 emissions by 2030.

Once we understand the full impact of our solutions across the lifecycle, we will develop comprehensive and credible methods for reducing their impact.

> We have committed to reducing scopes 1 and 2 emissions by 50% of their 2016 baseline by 2030.

Our policy and approach:
Environment

Mölnlycke continually works to prevent harm to the environment. We want our business to be conducted in a long-term sustainable way and we take responsibility for the environmental impact and pollution caused by our activities, products and services.

Our sustainability policy, which is approved by the Board, sets the direction for our environmental management activities. Our environmental management framework provides structure and standards for overseeing daily activities.

We have global systems to measure, track and manage relevant data at all of our sites on environmental management and performance. This data is communicated to employees to drive engagement and improvement, and is reviewed by factory and executive management against performance indicators, enabling us to identify risks and opportunities for improvements and share successes. Each of our sites has additional measures and systems in place to support local compliance and help set and achieve site specific environmental objectives and targets. We follow up and share best practices with regards to all EHS data monthly during Global EHS meetings.

Our management system promotes proactive change and assists us in improving our environmental performance year over year.

ISO 14001
We have held a multi-site ISO 14001 certification since 2002 for all of our manufacturing sites outside the United States. ISO 14001 certification is scheduled at our US sites in 2022, following COVID-19 delays this year.

> Each of our sites has additional measures and systems in place to support local compliance and help set and achieve site-specific environmental objectives and targets.

Extending our use of plant-based raw materials

We are increasing the number of products that use renewable, bio-based raw materials as we continue the push for sustainability across our product platforms to help customers meet their targets.

Tall oil replaces fossil fuels

During lifecycle assessments of several products, the Barrier® team found that raw materials had a much bigger CO_2 impact than any other aspect of the supply chain. This led to an internal project to investigate using more sustainable raw materials in surgical drapes, and eventually to the introduction last year of an ISCC*-accredited set of universal drapes.

This year, two more sets of universal drapes which include op-sheets and op-towels has been awarded ISCC accreditation. Both sets of universal drapes, used for traditional four-square draping in a variety of surgical procedures, contain plastic that is made with tall oil – a by-product from the forestry industry.

Making a difference

'Universal drapes are one of our most popular products,' says Andreas Hellman, Global Marketing Director OR Solutions. 'So substituting traditional plastic made from oil with a renewable, bio-based polymer has the potential to make a big difference to our sustainability commitments.'

Peter Jonason, Marketing Manager Drapes and Staff Clothing, agrees: 'As well as being a renewable, by using tall oil, we're using something that would otherwise have been wasted.'

The search for other bio-renewable materials continues. At the moment, one of the three layers that make up the drapes contain ISCC-certified mass-balanced tall oil-based plastic. A second layer contains more than 70% bio-based cellulose. These raw materials are unsuitable for the third layer, so the team is on the hunt for an alternative.

Committed to a sustainable future

The ISCC-accredited drape sets deliver the same product quality and infection control customers expect from all Mölnlycke products. 'We made a decision not to market the sustainable products in a different way,' says Peter. 'This isn't a 'green line' or 'environmental range' – this is how all of our products will be one day: made with as many sustainable, renewable raw materials as possible.'

> We are taking a responsible approach that supports our sustainability targets and delivers the product quality our customers expect

The speed of this transition depends on many factors. 'We have started with a mass-balance approach,' says Andreas. 'Product quality needs to remain the same and we can't risk shortage of supply. We're confident that new alternatives will evolve as we move forward, enabling even more ways to make our products more sustainable.

'In the short term we will continue to offer traditional versions of the universal drape sets because not all of our customers can pay the increased cost of sustainable alternatives. Over time, we believe traditional version will no longer be necessary as we see more and more customers willing to invest in a more sustainable solution in order to meet their environmental ambitions´, says Andreas.

'We are taking a responsible approach that supports our sustainability targets and delivers the product quality our customers expect', Peter concludes.

* International Sustainability and Carbon Certification (ISCC).

Performance

Reducing emissions

In 2021, we performed better than target of a 2% reduction in CO_{2e} emissions from scope 1 and 2 activity per tonne of finished product. This was partly due to increasing the use of energy from renewable sources as part of our clean energy commitment. Our factory in the UK and one of our US factories have been operating on renewable electricity since July 2021. We are also using waste heat recovery, where possible, to reduce our scope 1 emissions and continue to work with energy efficiency projects at all of our facilities.

There was a small increase of 0.2% in total CO_{2e} emissions from scope 1 and 2 activity compared to 2020. This meant we missed our target of a 2% reduction in total emissions.

However 2020 was not a comparable year as production was significantly reduced due to the initial impact of the pandemic. Compared with the last similar year, 2019, there was a 4.4% reduction in total CO_{2e} scope 1 and 2 emissions in 2021 and a 4.6% reduction in emissions per tonne of finished product.

We recognise that our production facilities in Malaysia comprise of over 74% of Mölnlycke's total scope 1 and 2 emissions. During 2021, we performed a thorough investigation into activities to reduce the absolute emissions and the intensity of production in Malaysia. From this investigation a roadmap of improvement opportunities has been identified and we will begin implementation during 2022 and forward. Additionally, we utilised this opportunity to make sustainability and emissions reductions paramount in the new Malaysian facility currently under construction.

'We estimate that we have now hit peak emissions and we are confident we will start to reverse the trend in 2022 in order to meet our 2030 target of 50% reduction of emissions from scopes 1 and 2 from the 2016 baseline'.

At our production sites, we are acting to minimise the energy required to run equipment as well as to heat, cool and light our sites. We measure and monitor our consumption of energy and our CO_{2e} emissions. Some of the processes required to produce high-quality, sterile medical and surgical products are energy intensive and we are constantly evaluating how we can make these processes more energy efficient and make use of renewable energy technology.

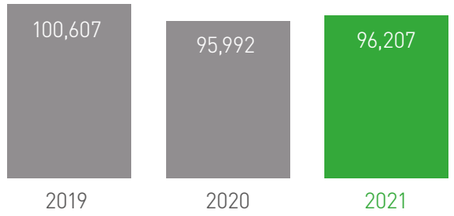
We are working to reduce air freight, to optimise the fill rate of trucks and to optimise transport routes and deliveries to our customers, so fewer product transport journeys are needed. In collaboration with our transportation partners, we measure the climate impact of the transport of raw materials to our factories, semi-finished and finished goods sent between our factories – and finished goods going to our distribution centres.

3.2%

Reduction of total emissions per produced tonne of finished product for 2021.

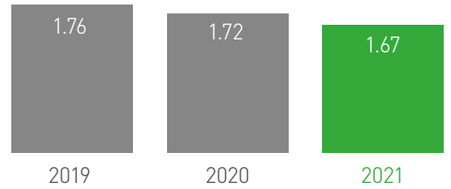
Scopes 1 and 2 total CO_{2e} emissions

(tonnes)



Scopes 1 and 2 relative CO_{2e} emissions

(tonnes of CO_{2e} per produced tonne of finished product)



The following targets have been calculated using guidance of GRI disclosures 305-1, 305-2, and 305-4.

Energy consumption

	2019	2020	2021
Gigajoules	1,119,586	1,117,056	1,156,740
Gigajoules per produced tonne of finished product	19.64	20.03	20.03

Reducing energy consumption is directly related to our emissions reduction ambition. While we do not currently have a target for this, we actively measure, track, and work with efficiency projects at all of our manufacturing sites.

3.6%
increase 2021

39,684
increase in gigajoules 2021

0
increase in gigajoules /tonnes 2021

Total CO_{2e} emissions per scope

	CO_{2e} tonnes		
Scope 1	2019	2020	2021
Natural gas	30,366	31,476	33,325
Light fuel oil	10,505	10,164	9,707
Propane	1,272	1,002	1,117
Refrigerants	1,109	777	313

Scope 1 emissions are defined as emissions directly generated at our manufacturing facilities.

	CO_{2e} tonnes		
Scope 3	2019	2020	2021
Transports*	22,944	20,478	19,787
HQ air travel**	1,884	1,131	465
Waste***	978	770	685

Scope 3 emissions are defined as emissions from product related transport.

* Transport of raw materials, finished and semi-finished goods between sites and to distribution centers

** Employees registered to headquarters business travel

*** Waste in our operations

During 2021, we increased the scope of our scope 3 reporting by tracking the emissions generated through waste disposal. We will continue to widen this scope in 2022.

Water consumption

	2019	2020	2021
Total cubic metres	2,081,946	2,101,619	2,169,059
Cubic metres per produced tonne of finished product	36.4	37.65	37.55

While water consumption is not a material aspect for Mölnlycke overall, we recognise that it is a significant aspect for our operations in Malaysia, which makes up over 93% of our total water consumption.

3.2%
increase in 2021

67,440
increase in total m^3 in 2021

0.3%
reduction in water use intensity

Waste management

85%

Of the total waste generated at our sites during 2021, 85% was recycled or incinerated with energy recovery, up from 81% in 2020.

7.4%

Increase in waste per tonne of finished production over 2020.

Maximising the use of resources contributes to our priority SDGs 12 and 13, and is imperative for the future of our operations. Since the majority of our products are single use and must be incinerated to prevent the spread of infections and bacteria, it is often not possible for our customers to recycle the used products.

Our current focus is to reduce the amount of our operational waste sent to landfill. We have continually shifted waste streams from either landfill or incineration without energy recovery, to reused, recycled, or incineration with energy recovery.

Our target was 85% of all waste generated within our operations, to be diverted from landfill or incineration without energy recovery. Waste per tonne of finished product increased by 7.4% year-on-year, missing our target for a 2% reduction. However, the increase was only 0.5% over the last comparable production year in 2019. To enable further waste reductions, our sites are embarking on extensive analysis of their waste streams and handling methods. This will be strengthened by additional work from research and design. We will continue to explore alternative options for waste treatment and improve any design and processes that contribute to waste generation.

Waste handling by category	2019	2020	2021
Recycling and reuse	5412	5390	6570
Composting and incineration with energy recovery	4921	4503	5005
Landfill and destruction	3079	2386	2063

Waste intensity	2019	2020	2021
Waste per tonne of finished production	0.235	0.220	0.236

The target for waste either recycled or incinerated with energy recovery has been calculated using the guidance of GRI disclosures 306-4 and 306-5.

Materials and chemicals

We actively work to remove potentially hazardous chemicals from our manufacturing processes and our products and replace them with less harmful chemicals and solutions wherever possible. We assess new materials and chemicals to ensure that we comply with the regulations and directives that apply to our products, such as REACH – Registration, Evaluation, Authorisation and Restriction of Chemicals, Restriction of Hazardous Substances (RoHS), and the Waste Electrical and Electronic Equipment (WEEE) directive. During product development we evaluate materials and products against these and other relevant environmental regulations, external stakeholder expectations as well as our own internal objectives and demands. Our manufacturing sites continually monitor the amount of chemicals used on site in order to minimise their consumption.

5. Sustainability

Governance

- Risk factors
- Governance

‘At Mölnlycke, we take a proactive approach to managing risks across the business, so that we consistently deliver to high standards.’

Kristin Hedlund,
EVP Legal

Risk factors

We face a range of strategic, operational, regulatory and financial risks, which we proactively manage and develop mitigations to reduce.

Risk management
At Mölnlycke, risk management is an integral part of how we run the business, both at enterprise level and in each of our business areas.

The Board is responsible for ensuring efficient risk management across the company and has adopted policies that identify risk levels and set limits on the amount of risk we will accept.
Each of the business areas report to the Board regularly through our Enterprise Risk Management (ERM) process. These reports inform a twice-yearly comprehensive risk and opportunity assessment to identify and evaluate existing and emerging risks. The assessment looks at Mölnlycke's four risk categories – strategic, operational, legal and compliance, and financial. All risks that we assess as material become part of a company-wide risk map. We develop and implement action plans to minimise their probability and impact.

The conclusions drawn from the risk assessments and action plans are discussed and confirmed with both the Executive Leadership Team and the Board. As these risks can, individually or in combination, have a major negative impact on the business. Actions to mitigate them are crucial to our success and are integrated in our everyday work.

Identifying climate-related financial risks
During 2021, we began working to Task Force on Climate Related Financial Disclosures (TCFD) guidelines. The guidelines are based on governance, strategy, risk management, metrics and targets. Using this process, we identified a number of climate-related financial risks in the TCFD risk and opportunity matrix.

COVID-19
During 2021, the global economy has slowly recovered and as vaccines have become available, societies have started to find a new normal. However, mutations in the virus have caused new waves of infection, forcing new protective measures. COVID-19 remains an uncertainty factor for Mölnlycke.

For example, the pandemic has had a positive impact on our PPE business, but the disruption to elective surgeries has reduced demand for our core products. We have also suffered from temporary production disruption at some of our factories and increased raw material and freight costs and lead times.

How we manage the business

Strategic risks	Mitigation
Risks related to industry shift and market development Shifts in the medical device industry as well as in market trends could have a big impact on Mölnlycke´s competitiveness and market position. These include changing customer expectations and requirements, and significant product innovations and technological advances from competitors which could change or even disrupt the market. Intensified price competition is also a risk for Mölnlycke.	We are carrying out in-depth insight work for each business area and for the company as a whole, in order to better understand the market's needs. In order to stay competitive, Mölnlycke continuously works to differentiate itself through clinical evidence, continuous innovation and professional education. Improvement and product development are cornerstones at Mölnlycke which strengthen our customer offering.

Strategic risks	Mitigation
Sustainability risks Risks related to sustainability continue to grow in importance. It is crucial we meet customers and stakeholders' expectations with regard to emission targets, sustainable energy and materials, and reporting. In particular, we need to focus on environmental and climate-related risks linked to our factories and production processes.	With sustainability identified as one of our key priorities, we are putting a new sustainability strategy and roadmap in place. Our Executive Leadership Team will ensure we put KPI´s in place to reach the Paris Agreement targets and that we meet our customers' expectations. In 2021, we also started working according to TCFD to identify what climate-related financial risks in our operations and how to mitigate them.
Political, economic and social risks A deteriorating world economy, or economic changes in an individual market, could have a negative impact on demand for Mölnlycke's products. Imbalances in the global market can impact our cost base and pricing model. Political decisions in individual countries can also have an effect on our operations. Changes to the healthcare reimbursement system can have a major impact on individual markets and products by reducing or deferring payments.	The Board and the Executive Leadership Team monitor and work proactively to assess political and geopolitical risks and how they affect Mölnlycke. They take account of how these risks might affect our business across a large number of geographical areas and markets.

Legal and compliance risks	Mitigation
Business ethics risk The foundation for a strong and sustainable business is to act with integrity and to apply high ethical standards in all situations throughout the value chain. The risk of unethical behaviour, including unfair competition, within Mölnlycke´s organisation or supply chain could have a significant negative effect on both Mölnlycke, our owner and other stakeholders, and could also affect the future development and success of the business.	To mitigate the risk of unethical business behaviour, Mölnlycke continues to improve its business ethics programme by implementing preventive measures such as risk assessments, procedure development, and regular employee training to strengthen awareness, and by providing various grievance mechanisms including an externally operated Compliance Helpline, where both employees and external stakeholders may bring forward concerns. We have a Supplier Code of Conduct and carry out regular supplier assessments and conduct due diligence of distributors to ensure high standards of business ethics throughout our value chain.
Regulatory risk Parts of Mölnlycke's product range are covered by regulations that require rigorous assessments, quality control and documentation. Mölnlycke's business, financial position and earnings could be negatively impacted in the future by new and ongoing efforts to comply with regulations and requirements of authorities and control bodies, or changes to such regulations and requirements.	To limit risks relating to compliance, Mölnlycke has an extensive focus on quality and regulatory improvements. We comply with all laws in the markets where we do business. In the last few years, we have put a lot of effort into preparing for the new EU Medical Device Regulation (MDR). Our quality management system is certified to the standards applicable to the products the company manufactures.
Intellectual property risk Mölnlycke is a market leader in some of the areas in which it operates and invests significant amounts in product development and intellectual property. An inability to uphold IP rights could have a major impact on the company.	To secure returns on these investments, Mölnlycke actively upholds its rights and monitors competitors' activities closely. If required, Mölnlycke will protect and defend its intellectual property rights through legal processes.

Legal and compliance risks

Human rights risk
Mölnlycke is a global health care company with operations in many countries. Our products are mainly used by healthcare professionals as an essential element of their personal protection and as part of different treatments of patients. Hence, products not meeting the quality and standards might cause health risks for people. We work with contract manufacturers and suppliers to develop and produce our wide range of products. Some of these operations are located in countries where the risk of human rights violations is considered to be more significant.

Mitigation

Product quality is essential for Mölnlycke. Our quality management system meets the standard ISO 13485 and is integrated into our main processes and continuously monitored and followed-up. Workers' rights for our employees are set out in our Code of Conduct. We also require all our contract manufacturers and major suppliers to sign our Supplier Code of Conduct that sets requirements for ethical and social conduct associated with human rights. Mölnlycke follow-up the adherence to the Supplier Code of Conduct and also keeps the right to perform audits at the manufacturing site or at the suppliers locations. To help ensure that human and social rights are respected, we encourage our employees and employees at our business partners to speak up and let us know if they have any concerns including issues related to human, labour and social rights. Concerns and complaints may be raised through our Compliance Helpline which offers reporting in local languages. The Board for Mölnlycke has also signed the Modern Slavery Statement, that can be found at Mölnlycke webpage.

Operational risks

Manufacturing risks
Mölnlycke has 14 factories in eight different countries and a number of contract manufacturers. A major disruption at one or more of its facilities may have a material adverse effect on our business. For some products, the majority of production is concentrated in the same geographical area, which makes us more sensitive to climate-related incidents and sourcing of materials.

Mitigation

Mölnlycke strives to manage this risk with by having manufacturing back-up plans and dual sources of raw materials, as well as by working closely with our logistic partners. We are continuously evaluating how we can further reduce these risks by reviewing our manufacturing footprint. This includes qualifying contract manufacturers to secure back-up production.

Single source supplier risks
Mölnlycke is reliant on certain key suppliers of raw materials and finished products. If the supplier could not meet our demand due to severe supply disruption or quality issues, it would affect our manufacturing and our business.

We are developing a dual sourcing strategy to reduce the risk if a key supplier falls short. Where possible, we investigate alternative materials from other companies to support dual sourcing. We also continuously review our safety stock.

Logistic and supply chain risk
As a global company, we have a well-developed logistics chain to supply customers worldwide with our products. However, the pandemic has shown how sensitive a global logistics chain can be. Port congestion, lack of containers and truck driver shortages are just a few examples of disruptions that can put the entire chain in imbalance – and lead to loss of revenue and reduced customer confidence.

We evaluate our supply chain to make sure we have the right logistic infrastructure in place. We establish partnerships with our suppliers to find solutions that can replace our normal logistics flows and eliminate supply chain risks in difficult times. We also strive for accurate forecasts of volumes from our factories to the receiving distribution centre.

Operational risks

Cyber risks
Cyber threats are becoming more frequent and sophisticated. Security incidents, cyber-attacks, hacking or data leakage may have a direct impact on Mölnlycke's operations, through operational disruptions and data loss.

Mitigation

Mölnlycke has identified cyber security as a focus area where we will invest resources and act proactively. Together with our partners, we follow defined processes to ensure our IT systems are stable and secure, including measures to prevent cyber incidents. Our group security programme is designed to increase our employees' awareness, protect our data and to improve the efficiency of our security processes and controls.

Financial risks

Mölnlycke is exposed to four financial risks: currency risk, interest rate risk, credit risk and liquidity risk. As we are a global company, currency fluctuations are the major financial risk. Credit risk is the risk of losses due if our partners are unable to fulfill their commitments. Liquidity risk is the risk that funds are unavailable to meet payment commitments or that financing cannot be obtained or only at increased cost due to changed market conditions.

Mitigation

Limits for financial risks are set in the Finance Policy adopted by the Board. Currency risks are mainly centralised to Group Treasury through the internal netting system. Currencies are netted out or can be hedged by using derivative instruments. Interest rate risk is reduced by having fixed interest on a major part of the company debt. We require a minimum credit rating from our partners and set maximum limits for the amount of risk we will accept. We have procedures to monitor, evaluate and report to the group management on current exposure. We mitigate risks by managing the liquidity ratio, allocating debt maturities over time and diversifying sources of capital. Regular reports on exposure versus set limits are provided to the Audit Committee and Group Management.

Task Force on Climate Related Financial Disclosures (TCFD)

We manufacture a large number of products in our plants globally and some of the processes required to produce high-quality, sterile medical and surgical products are energy-intensive.
We have identified some climate related risks, both in our existing production and as we transition to more sustainable systems.

Lack of renewable electricity infrastructure in some areas where we have manufacturing facilities is a challenge for us. To mitigate this, we have developed initiatives focusing on improving energy efficiency and sourcing of renewable energy which are governed locally.

Carbon pricing and a significant likelihood of increasing energy prices are two additional risks that would have an impact on Mölnlycke. All manufacturing sites are working to improve energy efficiency and converting to renewable sources where possible.

Some of the plants are also located in areas where there is a risk of flooding or drought. This could have an impact on our production. Initiatives are ongoing to conserve water and optimise production processes for water efficiency. The risks of flooding are identified and monitored via the ERM process.

Market insights indicate a demand for reusable products. As part of our strategic roadmap, we are looking at a range of measures, such as 'multiple use' product ranges and products using renewable materials.

Governance

Mölnlycke has a systematic governance framework to assure strategy and execution, high ethical standards, adherence to laws and regulations and high performance. Our system of policies, procedures, codes and processes supports proper decision making, accountability, controls and behaviours throughout the business. High level compliance and sustainability committees add to the oversight provided by the Board.

Accountabilities

The Board

The Board is responsible for overseeing Mölnlycke's strategies, objectives, policies and plans, as defined by the Executive Leadership Team (ELT) and driven by customer needs. Our owner Investor AB, which sets the overall direction of the holdings in its portfolio, including Mölnlycke, has xx seats on the Board. The Audit Committee, which meets five times a year, oversees the company's financial reporting, audit, internal controls and compliance with laws and regulations. Our Remuneration Committee meets twice a year, and more often if required.

The Board also monitors how we identify and manage risks as part of the overall enterprise risk management process, and the actions implemented to manage these risks. The Board has final responsibility for ensuring sustainability is embedded throughout Mölnlycke, based on our materiality analysis, as recommended by the ELT.

The Executive Leadership Team

The CEO leads the day-to-day management of the company, supported by our Executive Leadership Team. The ELT consists of the CEO and the nine Executive Vice Prseidents, who lead the four Business Areas and the corporate functions. The ELT works to define and implement our corporate strategy and to ensure customer centricity, sustainability and digitalisation are embedded throughout the business. The ELT is responsible for setting activities that deliver the strategy and making sure they are carried out.

The Global Compliance Committee

The Global Compliance Committee (GCC) ensures compliance with all applicable laws and regulations and industry standards where Mölnlycke does business. The committee consists of the CEO (Chairman of the committee), the Executive Leadership Team, and the Chief Compliance Officer. The GCC promotes a compliance culture and defines our compliance programme framework and related principles as set out in our Code of Conduct, Sustainability policy and other policies and procedures. The respective ELT members are responsible for compliance within their business areas and functions, supported by the Legal and Compliance function.

Sustainability function and Sustainability Committee

The Sustainability function has been created this year to support the ELT and the rest of the business in defining and developing Mölnlycke's sustainability strategy, objectives and global reporting. The Sustainability function also assists the business areas and corporate functions in implementing their sustainability roadmaps and raises awareness of sustainability within the functions, with the support of the Sustainability Committee. The Sustainability Committee is a cross-functional and cross-business area team responsible for co-ordinating sustainability activities in the company.

Business areas

Mölnlycke's four business areas: **Wound Care, Operating Room Solutions, Gloves and Antiseptics** have end-to-end responsibility for delivering all operational and business-specific functions in their areas – from strategy and implementation, research and development through to manufacturing, procurement, marketing and sales. The leader of each business area sits on Mölnlycke's Executive Leadership Team.

Governance for strategy and operations

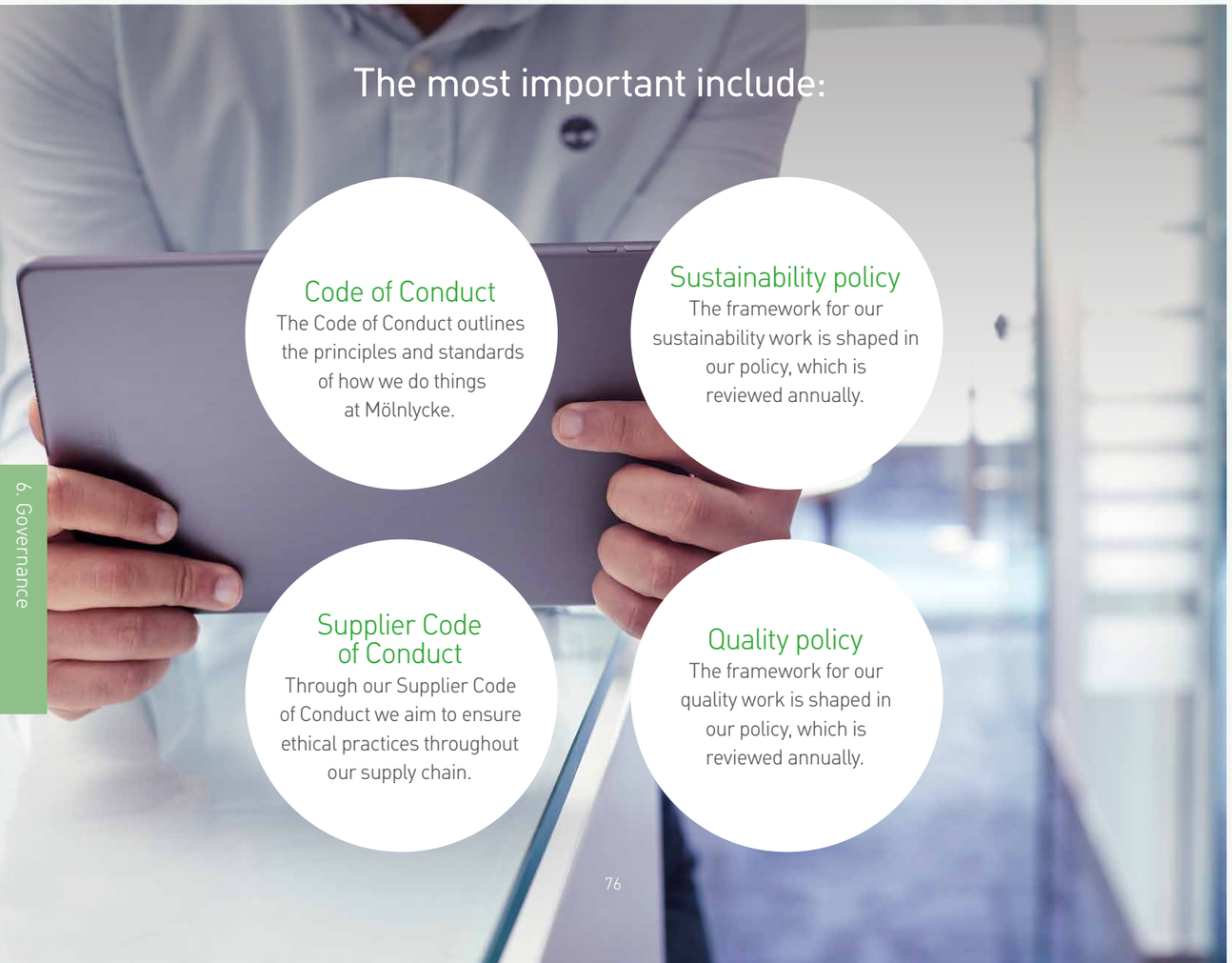
The business areas and corporate functions are governed through quarterly business reviews in which strategic and operational matters are discussed and decided upon.

How we manage the business

Policy framework

A robust framework of codes, policies and procedures ensures ethical behaviours throughout our business, in accordance with our strategy. The policies and procedures are defined and owned by the relevant functions, and approved by the Compliance Committee, ELT and Board.

We comply with all international, national and local laws and standards where we do business, including International Labour Organisation (ILO) standards.



Corporate management systems

Mölnlycke has established, documented, and implemented a process-based global and local quality management system to ensure product quality. We are committed to maintaining its effectiveness and driving continual improvement.

The high quality and safety of our products are core to our business, which we ensure through compliance with our process-based quality management system. Our quality management system is based on the quality policy and certified to ISO 9001. Integrated within our quality management system is our environmental, health and safety management system which is certified to both ISO 14001:2015 and ISO 45001:2018 and is multi-site. Our manufacturing facilities as well as our headquarters have complementary local quality, environmental, health and safety systems with policies and procedures appropriate to the scale and nature of their activities and the communities in which they operate. We constantly analyse and review quality throughout the product life cycle, and seek to continuously improve everything we do.

Quality management system

The quality system is defined and managed as a series of interlinked processes based on:

- Identifying the inputs and outputs required at each step in the process.
- Determining what activities are needed to get from input to output.
- Defining roles and responsibilities for each step of the process.

The systematic approach gives a high level of transparency, which allows us to view and analyse the way we work to ensure expectations are met. This provides a solid foundation for continuous improvement.

To continuously deliver customer improvements and benefits, we follow our sustainability performance monitoring, including the corrective action and preventative action (CAPA) process, audits, management reviews, managing suppliers, product life cycle management, and compliance and certification.

In addition, we focus on:

- Design controls
- Quality control
- Customer feedback
- Post-production surveillance

Our certifications include:

ISO 14001 Environmental Management	**ISO 45001** Occupational Health and Safety Management	**ISO 9001** Quality Management	**ISO 13485** Quality Management System Medical Devices	**MDSAP** Medical Device Single Audit Program

Our Board of Directors

Gunnar Brock
Chairman of the Board
Born 1950
Nationality: Swedish

Gunnar is Chairman of Stena AB and Neptunia Invest, and a director on the boards of ABB, Investor and Patricia Industries. He is also a member of the Royal Academy of Engineering Sciences. Previously he has served as CEO of Alfa Laval, Tetra Pak, Thule and Atlas Copco.

Christian Cederholm
Board Member
Born 1978
Nationality: Swedish

Christian has been Head of Patricia Industries since 2021. Christian serves on the board of Hi3G Scandinavia, Permobil and SignUp Software. He holds an M.Sc. in Finance from the Stockholm School of Economics.

Sharon James
Board Member
Born 1961
Nationality: British

Sharon, who holds a Ph.D. in Neurobiology is a highly experienced Research & Development (R&D) leader who, for more than 25 years has been heading and transforming large global R&D teams. Her extensive executive experience includes R&D leadership roles with Bayer Consumer Health, Reckitt Benckiser, PepsiCo and GlaxoSmithKline. She also serves on the board of Novozymes and is a senior advisor to Bain & Company.

Johan Malmquist
Board Member
Born 1961
Nationality: Swedish

Johan was President and CEO of Getinge Group for 18 years. He is the Chairman of the board of Getinge AB, Arjo AB and member of the boards of Chalmer's Foundation, Elekta AB, Dunkerstiftelserna, Stena Adactum and Trelleborg AB.

David Perez
Board Member
Born 1959
Nationality: American

David has spent his entire career in healthcare. He was President & CEO of Terumo BCT (and its predecessor companies Cobe BCT, Gambro BCT, and Caridian BCT) for 18 years and previously served on the Terumo Corporation Board of Directors, headquartered in Tokyo, Japan. He serves on the board of directors of Laborie, Sarnova, Advanced Instruments (Chairman), Ortho Clinical Diagnostics as well as Book Trust and Nurse Family Partnership. In addition, he serves on the United States Department of Health & Human Services Advisory Committee for Blood & Tissue Safety & Availability.

Zlatko Rihter
Board Member
Born 1970
Nationality: Swedish

Zlatko joined Mölnlycke in November 2020 as the President and CEO. He has extensive experience from the healthcare sector after having spent 25 years within the industry. Prior to joining Mölnlycke, he was President and CEO of Sweden-based CellaVision, listed on Nasdaq Nordic. Previous positions include EVP Global Sales & Marketing at Cooper Companies, President Chronic Dialysis and EMEA commercial at Gambro and VP Patient Handling Product Division at Arjo.

OUR BUSINESS MODEL

Johan Torgeby
Board Member
Born 1974
Nationality: Swedish

Johan is President and CEO of Skandinaviska Enskilda Banken (SEB) since 2017. He serves as member of the boards of the Swedish Bankers' Association, the Institute of International Finance and Mentor Sweden. Johan has more than 20 years of banking and financial services experience and has previously worked at Morgan Stanley & Co in London.

Karl-Henrik Sundström
Board Member
Born 1960
Nationality: Swedish

Karl-Henrik was the CEO of Stora Enso for five years until 2019 and has held several other leadership positions, including as the CFO of NXP Semiconductors and as the CFO at Ericsson. He is also a board member of the following organisations: NXP Semiconducters, Boliden, Vestas A/S, Marcus Wallenberg Foundation and Chairman of Climate Leadership Coalition and of the tax delegation for Swedish Business and Commerce.

Kristina Willgård
Board Member
Born 1965
Nationality: Swedish

Kristina is the CEO of AddLife since 2015 and has held several other leadership positions, including as the CFO of Addtech and as Finance Director of Ericsson. Kristina is also a board member of Addnode Group AB, Mediplast AB, Healthcare21 Ltd, Vision Ophtalmology Group, Biomedica Medizinprodukte GmbH and Biolin Scientific AB.

Jenny Ashman Haquinius
Deputy Board member
Born 1986
Nationality: Swedish

Jenny has been an investment professional at Patricia Industries since 2015. Jenny serves on the Board of Vectura and Navigare Ventures. She holds a M. Sc. in Finance from the Stockholm School of Economics.

Lars Axelsson
Employee representative
Born 1961
Nationality: Swedish

Elected by Akademikerföreningen, which is a part of the Swedish confederation of Professional Associations, SACO, Lars has been a member of the Mölnlycke board since April 2021. He is a Senior Product Developer, R&D OR Solutions.

Niclas Flach
Employee representative
Born 1975
Nationality: Swedish

Elected by Unionen, Niclas has been a member of the Mölnlycke board since April 2021. He is a Senior Concept Designer, R&D Wound Care, most recently within NPWT to develop Avance Solo.

Our leadership team

President and Chief Executive Officer

Zlatko Rihter
CEO
Born: 1970
Nationality: Swedish

Zlatko joined Mölnlycke in November 2020 as the President and CEO. He has extensive experience from the healthcare sector after having spent 25 years within the industry. Prior to joining Mölnlycke, he was President and CEO of Sweden-based CellaVision, listed on Nasdaq Nordic. Previous positions include EVP Global Sales & Marketing at Cooper Companies, President Chronic Dialysis and EMEA commercial at Gambro and VP Patient Handling Product Division at Arjo.

Business areas

Anders Andersson
EVP OR Solutions
Born: 1971
Nationality: Swedish

Anders is responsible for our focused OR Solutions organisation, which includes Mölnlycke's product range for Procedure Trays, staff clothing and drapes. Anders has been with the company since 2000. During the years with Mölnlycke he has held various senior roles in Operations, Commercial and R&D. Before taking on his current role, he was Vice President of Global Manufacturing.

Katriina Öberg
EVP Gloves
Born: 1966
Nationality: Finnish

Katriina has grown her career with Mölnlycke since she joined in 1999. During her years at the company, she has held various senior leadership roles in our global and regional Commercial businesses, within both marketing and sales. Most recently she was Regional Vice President Asia-Pacific stationed in Singapore, where she moved after serving as General Manager in Region North.

Lina Karlsson
EVP Antiseptics
Born: 1973
Nationality: Swedish

Lina joined Mölnlycke in April 2019 as head of ORS R&D, with a broad medtech and pharma background, much of which was at Gambro and Baxter. She has held senior global positions in R&D and Operations, with responsibility for a range of projects, including customer-focused innovation, cost optimisation, quality improvements, organisational development and integrations.

Rob Claypoole
EVP Wound Care
Born: 1971
Nationality: American

Rob is responsible for our global Wound Care business. He joined Mölnlycke in March 2017 as President US, before assuming the role of Executive Vice President, US, and then Executive Vice President, Global Commercial. He was previously at Medtronic where he held various leadership roles including Global GM, Soft Tissue Repair and Global GM, Obesity & Metabolic Health along with other leadership roles. Before Medtronic, Rob held several marketing roles at Johnson & Johnson's Vision Care division.

Corporate functions

Emma Wright
Chief Medical Officer & EVP Regulatory and Quality Affairs
Born: 1973
Nationality: British

As our Chief Medical Officer, Emma is responsible for Clinical Affairs, Medical Affairs and Health Economics. She also leads the Regulatory Affairs and Quality Assurance teams. Emma joined Mölnlycke in 2018 and has spent her entire career in medical devices, particularly in the wound care and surgical implant space. She has worked across various markets, for a range of medtech businesses, from start-ups to large global companies.

Eric De Kesel
Cheif Operations Officer and EVP Sustainability
Born: 1965
Nationality: Belgian

Eric has been with the company since 2002. He has many years of experience in global leadership roles at functional and/or business area level. He held various senior roles as GM of manufacturing site, as well as heading up various Global Business Units within our organisation. Before taking on his current role, he was President of the Surgical Division and later Executive Vice President, Global Operations & Regulatory Affairs and Quality Assurance. He has also worked across various industries.

Kristin Hedlund
EVP Legal
Born: 1968
Nationality: Swedish

Kristin joined the ELT in 2018. Before taking on her current role at Mölnlycke she held a number of positions within DB Schenker. Most recently she served as General Counsel and member of the Board at Schenker AB. Kristin has more than 20 years of experience in Legal affairs. At Mölnlycke she is responsible for the Legal function and coordinates compliance-related activities in support of the execution of our strategy.

Martin Lexa
Chief People & Communications Officer
Born: 1965
Nationality: German

Martin joined Mölnlycke in 2016 and has a long track record of HR leadership in growth companies in the pharmaceutical and medical devices industries in both mature and developing markets. Before joining, he spent three years within the Novartis Group, first as HR Head of the Over-The-Counter Business for Europe at Novartis Consumer Health, followed by an assignment as HR Head for Europe, Middle East and Africa at Alcon. Prior to Novartis, he worked at Medtronic for five years as VP HR Europe, Middle East & Africa and Canada and at Bristol-Myers Squibb for eight years in international HR roles and as HR Head for Germany.

Susanne Larsson
CFO and EVP Corporate Strategy, M&A, IT, Global Business Services and Indirect Procurement
Born: 1968
Nationality: Swedish

Susanne joined the company in March 2020 as CFO. Since then Strategy, Global Business Services and Indirect procurement has been added to her responsibility. Prior to joining Mölnlycke, Susanne was CFO at Gunnebo AB Group, listed on Nasdaq Stockholm. Before that she spent more than 20 years at the AB SKF Group in various financial and strategic leadership positions. Susanne is currently board member and chairs the Audit Committee in Dovista A/S Group (privately owned) and Ambu A/S Group (Listed at Nasdaq Copenhagen).

6. Governance

Financial report

- Financial statements
- Notes on financial statements
- Signatures
- Independent auditors' report
- Definitions
- Five year overview

Consolidated income statement, MEUR

	Notes	2021	2020
Revenue	6	1,685.6	1,792.7
Cost of sales	7	-813.7	-880.0
Gross profit		**871.9**	**912.7**
Selling costs	7	-298.7	-294.0
Administrative costs	7	-127.7	-122.3
Research and development costs	7	-45.1	-43.1
Other operating income and expenses	7	1.7	1.7
Operating profit		**402.1**	**455.0**
Finance income	8	3.2	16.8
Finance costs	8	-40.6	-40.3
Profit before tax		**364.7**	**431.5**
Income tax expense	9	-79.4	-93.5
Profit for the year		**285.3**	**338.0**
Attributable to:			
Owners of the Company		285.3	338.0
Non-controlling interests		–	–
		285.3	**338.0**

Consolidated statement of comprehensive income, MEUR

	2021	2020
Profit for the year	**285.3**	**338.0**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising during the year on translation of foreign operations (net of tax of MEUR 3.7 (2020: MEUR -3.0)	12.2	1.1
Revaluation of cash flow hedges (net of tax of MEUR 0.1 (2020: -0.1))	-0.5	0.4
Hedge result reclassified to profit or loss (net of tax of MEUR -0.2 (2020:0.2))	0.8	-0.7
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit pension plans (net of tax of MEUR -1.4 (2020: MEUR 1.8))	4.0	-5.9
Total comprehensive income for the year	**301.8**	**332.9**
Attributable to:		
Owners of the Company	301.8	332.9
Non-controlling interests	–	–
	301.8	**332.9**

Consolidated statement of financial position, MEUR

	Notes	12/31/2021	12/31/2020
ASSETS			
Non-current assets			
Property, plant and equipment	10	245.2	227.2
Right of use assets	18	72.9	77.8
Goodwill	11*	2,136.6	2,137.8
Other intangible assets	12	626.6	651.2
Other non-current assets		2.4	2.2
Investments – equity method	4	1.5	–
Deferred tax assets	9	43.1	42.3
		3,128.3	**3,138.5**
Current assets			
Inventories	13	283.3	251.9
Trade and other receivables	14	288.6	312.3
Receivables, parent company		–	178.7
Current tax receivables		65.3	41.1
Derivative financial instruments	22	–	1.6
Cash and cash equivalents	15	541.0	597.0
		1,178.2	**1,382.6**
Total assets		**4,306.5**	**4,521.1**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		0.1	0.1
Share premium		999.9	999.9
Cash flow hedging reserve		–	-0.3
Foreign currency translation reserve	*	42.1	29.9
Retained earnings	*	494.0	764.4
Equity attributable to the Company	16	**1,536.1**	**1,794.0**
Non-current liabilities			
Bond notes	22	1,891.0	2,011.2
Retirement benefit obligations	19	94.6	96.4
Deferred tax liabilities	9*	124.1	115.3
Lease liabilities	18	52.0	60.1
Long term provisions	20	0.9	0.9
Other non-current liabilities		2.6	2.8
Bank loans	22	–	–
		2,165.2	**2,286.7**
Current liabilities			
Trade and other payables	21	353.2	389.7
Current tax liabilities		20.1	31.0
Liabilities, Parent company		88.1	–
Lease liabilities	18	21.1	17.9
Bond notes	22	122.4	–
Provisions	20	0.3	0.3
Derivative financial instruments	22	0.0	1.5
		605.2	**440.4**
Total liabilities		**2,770.4**	**2,727.1**
Total equity and liabilities		**4,306.5**	**4,521.1**

* See note 27 for details regarding restatement of financial positions for prior periods.

7. Financial report

Consolidated statement of changes in equity, MEUR

	Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2020	**0.1**	**999.9**	**–**	**37.3**	**911.5**	**1,948.8**
Restatement*				-8.5	-22.6	-31.1
Restated total equity at the beginning of the finacial year	**0.1**	**999.9**	**–**	**28.8**	**888.9**	**1,917.7**
Profit or loss for the year	–	–	–	–	338.0	338.0
Other comprehensive income for the year	–	–	-0.3	1.1	-5.9	-5.1
Total comprehensive income for the year	**–**	**–**	**-0.3**	**1.1**	**332.1**	**332.9**
Group contribution	–	–	–	–	-156.6	-156.6
Dividend	–	–	–	–	-300.0	-300.0
Total transactions with owners	**–**	**–**	**–**	**–**	**-456.6**	**-456.6**
Balance at 31 December 2020	**0.1**	**999.9**	**-0.3**	**29.9**	**764.4**	**1,794.0**
Profit or loss for the year	–	–	–	–	285.3	285.3
Other comprehensive income for the year	–	–	0.3	12.2	4.0	16.5
Total comprehensive income for the year	**–**	**–**	**0.3**	**12.2**	**289.3**	**301.8**
Group contribution	–	–	–	–	-139.7	-139.7
Dividend	–	–	–	–	-420.0	-420.0
Total transactions with owners	**–**	**–**	**–**	**–**	**-559.7**	**-559.7**
Balance at 31 December 2021	**0.1**	**999.9**	**–**	**42.1**	**494.0**	**1536.1**

* See note 27 for details regarding restatement of financial positions for prior periods.

Consolidated statement of cash flows, MEUR

	Notes	2021	2020
Cash flow from operating activities			
Operating profit		402.1	455.0
Adjustments for:			
Depreciation, amortisation and impairment charges		83.5	81.4
Other items		-3.3	-1.8
Operating cash flow before movements in working capital		**482.3**	**534.6**
Decrease/(increase) in inventories		-23.6	-43.6
Decrease/(increase) in trade and other receivables		31.5	-55.7
Increase/(decrease) in trade and other payables		-41.9	90.9
Cash generated from operations		**448.3**	**526.2**
Tax paid		-116.7	-100.9
Cash flow from operating activities		**331.6**	**425.3**
Cash flow from investing activities			
Interest received		0.1	0.3
Investments in intangible assets		-10.2	-13.7
Acquisition of businesses	3	-0.3	-11.3
Investments in property, plant and equipment		-38.5	-24.3
Proceed from sale of investments		–	1.9
Investment in JV	4	-1.5	–
Cash flow from investing activities		**-50.4**	**-47.1**
Cash flow from financing activities			
Interest paid		-28.9	-30.0
Changes in bank overdrafts	17	–	-0.2
Principal elements of lease payments	17	-21.3	-20.3
Proceeds from bonds issued	17	–	398.5
Cash transfer to Parent company		-35.3	–
Repurchase of bonds	17	–	-130.6
Distribution to the owners of the Group	16	-250.0	-350.0
Cash flow from financing activities		**-335.5**	**-132.6**
Cash flow for the year		**-54.3**	**245.6**
Cash and cash equivalents at the beginning of the year		**597.0**	**338.9**
Effect of foreign exchange rate differences		-1.7	12.5
Cash and cash equivalents at the end of the year	**15**	**541.0**	**597.0**

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Notes to the Consolidated Financial Statements

1. Summary of siginificant accounting policies

GENERAL INFORMATION

Mölnlycke Holding AB (publ) is a public limited company incorporated in Sweden with its registered office in Gothenburg. The Company was first registered on 13 December 2005 and undertook no significant activities until it acquired MHC UK Ltd and its subsidiaries on 30 March 2007.

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 15 March 2022.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), which includes interpretations from the IFRS Interpretations Committee (IFRIC).

The consolidated financial statements are presented in millions of Euro rounded to the nearest hundred thousand, and are prepared on the historical cost basis modified by the revaluation of certain financial instruments.

The consolidated financial statements of Mölnlycke Holding AB (publ) and its subsidiaries (the 'Group') cover the year ended 31 December 2021. The comparative information covers the year ended 31 December 2020. There were no material discontinued operations in either period and all of the results presented refer to continuing operations.

The Company is not required to prepare consolidated financial statements under Swedish Law and these consolidated financial statements are not the Company's Swedish statutory accounts.

The Company's immediate parent company is Mölnlycke AB, a company incorporated in Sweden, and its ultimate parent company is Investor AB, a company incorporated in Sweden and listed on Nasdaq OMX Stockholm.

PRINCIPAL ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

All acquisitions that meet the definition in IFRS 3 of a business combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see 3.16.2); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised as a financial income or expense in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Foreign currencies

All foreign subsidiaries report in their functional currency being the currency of the primary economic environment in which the subsidiary operates (its functional currency). Transactions denominated in foreign currencies during the year have been translated at the exchange rate prevailing at the

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respective transaction date. Trade receivables and trade payables and other receivables and payables denominated in foreign currency have been translated at the exchange rates prevailing at the balance sheet date. Such exchange rate gains and losses are included in operating profit. Exchange rate gains and losses on translation of intra-group receivables from, or liabilities to, a foreign operation that in substance is part of the net investment in the foreign operation are reported in 'Other comprehensive income'. Other foreign currency items have been included in financial income and financial expense.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign subsidiaries are expressed in EUR, the functional currency of the parent company, using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Revenue recognition
The Group's revenue from contracts with customers relates entirely to sale of surgical and wound care products. For all products revenue is recognized at a point in time when products are shipped to the customer and the customer obtains control of the assets. The sales contracts can, to a limited extent, also include various forms of services. These services have however been concluded to not be material in relation to the overall cost of the product to the customer. As a result, no separate performance obligation for services are accounted for.

The evaluations made by the Group in order to identify when a customer obtains control of promised goods is to a large extent based on the shipping terms. This is because shipping terms typically specifies when title passes and will also affect when risk and rewards of ownership transfer to the customer – both mentioned by IASB as indicators of the transfer of control. For the majority of the Group´s sale, control is transferred when goods are delivered to the customer since, at that point of time, the customer has legal title to the asset and the significant risks and rewards have been transferred to the customer based on the shipping terms used.

The Group is determining the transaction price based on the consideration the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding sales tax. Where a contract contains elements of variable consideration such as rebates, discounts and bonuses revenue is reported net after reporting a liability for such variable considerations. The liability is calculated based on contractual agreements and historical experience for the respective customer. When sales are made to a distributor the transaction price is reported net after considerations payable to the customer such as distributor fees.

The Group´s payment terms varies normally from 30–60 days and could in some instances be up to 90 days. Hence, the contracts does not involve any significant financing component. The Group has elected to use the practical expedient to not adjust the amount of consideration for the effects of financing components since the period between when the Group transfer a promised good to a customer and when the customer pays for that good is expected to be one year or less at contract inception. For certain countries and customers, when deemed appropriate from a credit risk perspective, payment in advance is requested before delivery of goods. When payment in advance is requested the time from when payment is received until goods are shipped is normally short. As of 31 December 2021 the Group had MEUR 0.1- in contract liabilities reported for prepayments from customers (2020: 27.6). The majority of these prepayments related to the sale of personal protective equipment in the UK.

The Group only has very limited performance obligations for right of returns, refunds, warranties and similar obligations. As a result, the Group has not reported any liabilities for performance obligations that are not satisfied at the end of the reporting period. This is unchanged compared to prior year. Neither have there been any material revenue recognised in the period from performance obligations satisfied in previous periods.

The Group pays some sales commissions that meet the definition for a cost of obtaining a contract. The Group has elected to use the practical expedient to recognise these costs as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less. Since all sales commissions paid would have been amortised within one year, no costs to obtain or fulfil a contract with a customer has been capitalised as an asset in the Group´s balance sheet.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income is recognised when the shareholders' rights to receive payment have been established.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for recognition.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants
Government grants towards staff re-training costs are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants that relate to the acquisition of an asset are recognised as a reduction in the cost of the asset.

Retirement benefit costs
Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administrated funds. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with in the same way as payments to defined contribution plans where the obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out once a year. Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service costs, past service costs, as well as gains and losses on curtailments and settlements) – included as a cost in arriving at operating profit.
- Net interest cost or income – included as a net finance cost or income.
- Remeasurement – included as part of other comprehensive income.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. Refer to note 19, Retirement benefit obligations, for further details.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises the termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value, if material.

Profit-sharing and bonus plans
The Group recognises a liability and an expense for bonuses when it is contractually obliged to pay a bonus or where there is a past practice that has created a constructive obligation.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, other comprehensive income or directly to equity depending on where the item that the deferred tax relates to is recognised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Refer to note 9 Income taxes.

Group contributions
Group contributions are accounted for directly against equity together with the Group contribution's tax effect.

Leasing
The Group has leasing agreements for company cars, office rentals, warehouses and certain factory buildings. Company cars normally have lease terms of around three years while the leasing contracts for offices, warehouses and factories have varying terms for up to 15 years. Leasing contracts for company cars do normally not include any extension options. Outstanding leasing agreements for offices, warehouses and factories include various extension and termination options as well as contracts that are automatically extended for a certain period if not actively being cancelled.

In accordance with IFRS 16, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Lease liabilities are initially measured at the net present value of the fixed payments during the contract period and periods under extension options that are deemed reasonably certain to be utilized. The Group does not have any leases involving residual value guarantees or variable lease payments. The determination of the lease term for contracts with an extension option is based on the current business plan for each location and all facts and circumstances that create an economic incentive to exercise an extension option such as the cost for moving to a new facility. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group´s incremental borrowing rate in a similar economic environment with similar terms, security and conditions is used.

Right-of-use assets are initially measured at the amount of initial measurement of the lease liability plus any lease payments made at or before the commencement date and depreciated over the shorter of the asset´s useful life and the lease term on a straight-line basis.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not to exercise) it. The assessment of reasonable certainty is only revised if a significant event or a change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less while all leases of office equipment are considered as being of low-value.

Property, plant and equipment
Property, plant and equipment (land, buildings, and fixed installations as well as machinery and equipment) are measured at cost less accumulated depreciation and accumulated impairment losses. No depreciation is effected for land.

Cost includes the acquisition price, costs directly related to the acquisition, and expenses of making ready the asset until the time when it is ready to be put into operation. Subsequent costs are included in the property, plant and equipment's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs for repairs and maintenance are charged to the income statement in the period in which they are incurred.

Depreciation is charged so as to write off the cost, other than land and properties under construction, over its expected useful life using the straight line method. In case where items of property, plant and equipment is comprised of different components each having a cost and expected useful life significantly different than the total item, such components are depreciated separately over each components useful life.

Depreciation commences when the assets are ready for their intended use. Useful lives are reviewed annually. The expected useful lives of the major categories of property, plant and equipment are:

Properties	25–40 years
Land improvements	30–40 years
Heavy machines	7–15 years
Smaller machines and transport equipment	3–5 years
IT-equipment and other equipment	3–10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss but is not included in revenue.

Goodwill
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 'Business combinations' above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Internally-generated intangible assets
Research and development expenditure:
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development projects is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of directly attributable expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Capitalized development projects are amortised on a straight-line basis over their estimated useful lives, which normally is between 3 to 5 years.

Computer software:
Computer software intangible assets are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over the expected useful lives, being 3–10 years.

Costs associated with maintaining computer software assets are recognised as an expense as incurred.

Other Intangible assets
Intangible assets separately acquired are initially measured at purchase cost. Intangible assets acquired as part of a business combination are initially measured at fair value.

Proprietary technologies:
Proprietary technologies are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives from the time they are available for use. The expected useful lives are reviewed annually and the amortisation period is between 15 and 20 years.

Customer contracts:
Customer contracts are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life. The estimated useful lives for customer contracts are based on the expected cash flow regarding the customer contracts acquired and are between 4 and 10 years.

Trademarks and brands:
Trademarks and brands are valued independently as part of the fair value of the business acquired from third parties where the trademark has a value which is substantial and long-term and where the trademark can be sold separately from the rest of the business acquired or where it arises from contractual or legal rights. One important element of the strong development of the Group has been the long-term brand building efforts. The trademarks and brands of the Group have a very strong position in the market and several of the Group´s trademarks and brands are therefore considered to have an indefinite useful life. Trademarks and brands that are considered to have an indefinite useful life are subject to an impairment test annually or more

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often if there is an indication that their value might be impaired. The expected useful lives for trademarks and brands that are not considered to have an indefinite useful life are reviewed annually and the amortisation period is between 5 and 15 years.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Non-current assets held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale and the sale should be expected to be completed within one year from the date of classification as held for sale.

Non-current assets (and disposal groups when applicable) classified as held for sale are measured at the lower of the asset's previous carrying amount the fair value less cost to sell. Non-current assets held for sale are not depreciated.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is generally determined on a first in, first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Trade receivables
Trade receivables are held in a hold to collect business and are at initial recognition measured at fair value and subsequently at amortised cost using the effective interest rate method. The Group applies the IFRS 9 simplified approach to measure credit losses which uses a lifetime expected loss allowance for all trade receivables. All overdue receivables are assessed on an individual basis and a loss allowance is reported for the difference between the asset's carrying amount and the present value of estimated future cash flows for all receivables that are considered doubtful. The same principle is applied to all non-overdue receivables for which other lagging borrower-specific factors are observed. For all receivables not considered doubtful a loss allowance is reported based on an expected loss rate calculated from the historical credit losses experienced over a period of 36 months before the balance sheet day. As of 31 December 2021 this expected loss rate amounts to 0,0341%. In addition, separate calculations and provisions are made for markets for which the expected credit losses expects do deviate significantly from the Group average. Assets for which there is no reasonable expectation of recovery is written off through profit and loss to the extent of expected loss.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In order to be classified as cash and cash equivalents, the maturity of the cash and cash equivalents instruments is three months or less at the time of acquisition. The Group´s Cash and cash equivalents are considered to be held in a hold to collect business and are valued at amortised cost. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Bank and other borrowings
Interest-bearing bank loans, overdrafts and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when it is extinguished, i.e. when the debt has been paid off or the primary obligation specified in the contract is cancelled or has expired.

Derivative financial instruments
Derivatives are only used for economic hedging purposes and not as speculative investments. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at sub-sequent reporting dates. All derivatives with a positive fair value are recognised in derivative financial instruments on the assets side and all derivatives with a negative fair value are recognised in derivative financial instruments on the liabilities side of the balance sheet.

Changes in the fair value of derivative financial instruments that are not designated as part of a hedging relationship are recognised as operating profit or financial gain, operating loss or financial loss, depending on the objective of using the derivative and whether the derivative is attributable to operational or financial items.

In 2020 the Group entered into fx forward contracts and fx-swaps in order to hedge the currency risk in certain specific sales orders entered with customers during the year. The Group designated these derivatives as cash flow hedges. As a result, the effective portion of the changes in the fair value of these derivatives is recognised in the cash flow hedge reserve within equity and amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. In 2021 all these contracts have matured. There were no ineffectiveness to be recorded from these hedges during the year.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS'S)
New accounting policies for 2021
In 2021 no new or revised IFRSs or interpretations from the IFRS Interpretations Committee have had any effect on the profit or loss financial position or disclosures for the Group.

New accounting policies for 2022 and later
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods. None of these standards that are not yet effective have been early adopted by the Group or would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

7. Financial report

2. Critical accounting judgements and key sources of estimation uncertainty

Inherent in the application of many of the accounting policies used in the preparation of the financial statements is the need for management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual outcomes could differ from the estimates and assumptions used. The following summary provides further information about the critical accounting judgments and key sources of estimation uncertainty that could have a significant impact on the results of the Group.

Recoverability of the carrying values of goodwill and indefinite-lived intangible assets
Significant judgment is required to determine the extent to which goodwill and indefinite-lived intangible assets have a value that will benefit the Group over future periods. To assist in making this judgment, the Group undertakes an assessment, at least annually, of their carrying values.

As from 1 July 2021 Mölnlycke has a new structure with four decentralized, customer-centric and empowered business areas; Wound Care, OR (Operating Room) Solutions, Gloves and Antiseptics supported by focused corporate functions. Management has after the reorganisation made an assessment and concluded that the Group´s four business areas are the lowest level of assets (or groups of assets) for which there are separately identifiable cash flows whereby they meet the definition in IFRS of cash-generating units (CGU's). In the previous organisation the Group´s CGUs were the two product segments Surgical Solutions and Wound Care. Since the Wound Care business areas consists of the same operations as the previous Wound Care product segment no reallocation of the goodwill previously reported to Wound Care has been made. For the Goodwill previously reported to Surgical Solutions a reallocation to Gloves, OR Solutions and Antiseptics has been performed by comparing value in use and carrying value for the respective Business Area and split the Goodwill pro rata based on the delta. Please refer to note 11 Goodwill for the amount of Goodwill reallocated to the respective CGU.

The impairment testing is based on a calculation of value in use in which assumptions of future growth and operating margins are important components. The growth rates and margins used to estimate future performance are based on and is consistent with past performance and experience of growth rates and margins achievable in the Group's key markets. The estimated values for the first 5 years are derived from the Group's forecasting and strategic planning process. A growth rate of 2% (2%) have been used to extrapolate the cash flows for the years beyond this 5 year period, which is considered reasonable given historical growth, geographical positioning and industry fundamentals. Estimated cash flows have been discounted using a pre-tax discount rate of 7.8% for Wound Care, 9.9% for ORS, 7.9% for Gloves and 12.2% for Antiseptics. No impairment requirement has been identified since the carrying values are lower than calculated value in use. The assessment is that no reasonable possible change in any key assumption will lead to a calculated recoverable amount that is lower than the carrying amount.

Taxation – unrecognised temporary differences
The Group has recognised deferred tax assets in respect of unutilised losses and other timing differences. The Group also have losses for which no value has been recognised for deferred tax purposes in these financial statements. These relates to loss-making subsidiaries where the future economic benefit of these timing differences is not deemed to be probable or subsidiaries where the timing differences are of such a nature that their value is dependent only on certain types of profit being earned, such as capital profits. If trading or other appropriate profits are earned in future in these companies, the timing differences may yield benefit to the Group in the form of a reduced tax charge.

In accordance with IAS 12 Income taxes an entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that 1) the entity is able to control the timing of the reversal of the temporary difference and 2) it is probable that the temporary difference will not reverse in the foreseeable future. The accounting for such temporary differences therefore involves management´s intention in regards to the reversal of these temporary differences. Management's assessment is that these criteria to not report a deferred tax liability are fulfilled in relation to two temporary differences associated with investments in subsidiaries. If these intentions are changed in the future this could result in an increased current or deferred income tax expense for the Group in the period when this occurs.

Please refer to note 9 for further information on the Group´s unrecognised temporary differences and the assessments made in relation to these temporary differences.

Retirement benefits
Retirement benefit accounting requires a number of key assumptions to be made in order to value the Group's obligations and to determine the liabilities to be recognised and the charge to be recognised in the income statement. It is managements responsibility to set the assumptions used in determining the key elements of the costs of meeting the Group's retirement benefit obligations. These assumptions are set after consultation with qualified actuaries. Details of the assumptions used are given in note 19. Whilst management believe that the assumptions used are appropriate, a change in the assumptions used would affect Group profit or loss and financial position.

Inventory obsolescence
In accordance with IAS 2 Inventories the Group´s inventory is stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. During 2020 the global market for personal protective equipment experienced significant price fluctuation with large price increases during the first half of the year due to an increased demand driven by the pandemic and a return to a more normal price level during the second half of the year as a result of an increased global production capacity. In 2021 this market has experienced further price pressure from low cost competitors. The assessment of the net realisable value of the Group´s inventory of personal protective equipment as of the balance sheet day is based on management´s current best estimate of the net realisable value of these products. The majority of the specific personal protective products sourced during the early phase of the pandemic still in stock has been considered as obsolete with a market value of zero as of December 31, 2021. These values could vary from the values that will be realised based on the future development in the market for these products.

3. Acquisitions and disposals

Purchase consideration – cash outflow, MEUR	2021	2020
M&J Airlaid Products A/S		
Release of retention amount and earn-out payments	–	9.1
	–	**9.1**
SastoMed GmbH		
Release of holdback account and earn-out payments	0.3	2.2
	0.3	**2.2**
Net outflow of cash – investments in subsidiaries	**0.3**	**11.3**

7. Financial report

4. Principal subsidiaries

The Company's only directly held subsidiaries are MHC UK Ltd, (Reg. No. 5886297), Great Britain and MHC Sweden AB (Reg. No. 556716-2150), Sweden. MHC UK Ltd, Great Britain and MHC Sweden AB, Sweden owns, direct and indirect, 100% of the following companies:

Mölnlycke Health Care Pty Ltd., Australia
Mölnlycke Health Care GmbH, Austria
Mölnlycke Health Care N.V./S.A., Belgium
Mölnlycke Health Care Brazil Ltda., Brazil
Molnlycke Health Care Vends de Prod. Médicos Ltda., Brazil
Mölnlycke Health Care Inc., Canada
Mölnlycke Health Care Chile SpA., Chile
Molnlycke Healthcare (Shanghai) Co. Ltd., China
Mölnlycke Health Care Adria d.o.o, Croatia
Mölnlycke Health Care Klinipro s.r.o., Czech Republic
Mölnlycke Health Care s.r.o., Czech Republic
Mölnlycke Health Care ProceduréPak s.r.o., Czech Republic
Mölnlycke Health Care A/S, Denmark
M&J Airlaid Products A/S, Denmark
Mölnlycke Health Care OÜ , Estonia
Mölnlycke Health Care Oy, Finland
Mölnlycke Health Care SAS, France
Mölnlycke Health Care GmbH, Germany
SastoMed GmbH, Germany
Medlock Medical Ltd, Great Britain
Mölnlycke Health Care Ltd., Great Britain
Regent Medical Holdings America Ltd, Great Britain
Regent Medical Ltd, Great Britain
Regent Medical Overseas Ltd, Great Britain
Mölnlycke Health Care Ltd./Kft., Hungary
Molnlycke Health Care Hong Kong Limited, Hong Kong
Molnlycke Health Care India Pvt Ltd, India
Mölnlycke Health Care S.r.l., Italy
Mölnlycke Health Care K.K., Japan
Mölnlycke Health Care Korea Co, Ltd., Korea
Molnlycke Health Care UAB, Lithuania
Molnlycke Health Care Sdn Bhd., Malaysia
Molnlycke Health Care Sales Sdn Bhd., Malaysia
Mölnlycke Health Care B.V., Netherlands
Mölnlycke Health Care AS, Norway
Mölnlycke Health Care Polska Sp. z o.o., Poland
Mölnlycke Health Care LDA., Portugal
Mölnlycke Health Care Asia Pacific Pte. Ltd, Singapore
Mölnlycke Health Care Slovakia s.r.o. Slovakia
Mölnlycke Health Care S.L., Spain
Mölnlycke Health Care South Africa (Pty) Ltd, South Africa
Mölnlycke Health Care AB, Sweden
Mölnlycke IP AB, Sweden
Sälöknapp AB, Sweden
Mölnlycke Health Care S.A., Switzerland
Mölnlycke Health Care (Thailand) Ltd., Thailand
Mölnlycke Health Care Sales (Thailand) Co., Ltd., Thailand
Mölnlycke Health Care US LLC, USA
Mölnlycke Manufacturing US LLC, USA
Mölnlycke US Funding, LLC, USA
Sundance Enterprises, Inc, USA

Interests in joint ventures

In 2021 the Group has formed a Joint Venture in Saudi Arabia, Tamer Mölnlycke Arabia LLC, to manufacture procedure trays for this region. Mölnlycke has an ownership of 33,33% of this entity and it is considered a strategic investment for the Group. Mölnlycke has concluded this arrangement to be a Joint Venture under IFRS to be accounted for using the equity method recognizing the Group's share of the post-acquisition profits or losses of the JV in the Group´s profit or loss, after initially being recognised at cost in the consolidated balance sheet. In 2021 the Group has made a capital contribution to the JV of MEUR 1.5. The JV has only had limited start-up operations in 2021 with only immaterial impact on profit and loss, why no impact is recognised in the Group´s consolidated profit or loss for the year. The JV is not considered to be material to the Group as of December 31, 2021.

5. Segment information

As from 1 July 2021 Mölnlycke has a new structure with four decentralized, customer-centric and empowered business areas; Wound Care, OR (Operating Room) Solutions, Gloves and Antiseptics supported by focused corporate functions. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is since the reorganisation focused on the Group's four Business Areas. Management has after the reorganisation made an assessment and concluded that these four business areas are the Group's reportable segments under IFRS 8.

The Wound Care product segment specialises in providing products for the treatment of acute wounds, caused by burns, trauma and surgery, and the treatment of chronic wounds, including diabetic foot ulcers and venous leg ulcers – as well as the treatment and prevention of pressure sores. Our product range includes brands such as Mepitel®, Mepilex®, Mepiform®, Mepitac®, Mepore®, Mepore Pro®, Mesorb®, Tubifast®, Tubigrip®, Epaderm® and Granulox®.

The OR Solutions product segment specialises in providing single-use surgical products serving customer needs for operating room efficiency and protection of patients and health care workers. Products include drapes (patient and equipment drapes), staff clothing (gowns, caps, facemasks, and scrub suits), surgical instruments and components and custom procedure trays. The segment sells its product range exclusively to hospitals and clinics, under the Barrier® and ProcedurePak® brands.

The gloves segment provide high quality and reliable gloves to the surgical staff. Mölnlycke Biogel® gloves are designed to offer extra protection from blood- borne infection and are used as a double glove solution.

Mölnlycke's antiseptic products are used in pre- and post-operative washing and provide lasting antibacterial protection for the skin. The segment sells its products under the Hibi®, Hibiscrub® and Hibiclens® brand.

Information regarding the Group's reportable segments is presented in the following tables. The disclosures related to 2020 have been restated to reflect the new organisational structure implemented as of 1 July 2021.

	2021				
	Wound Care	**OR Solutions**	**Gloves**	**Antiseptics**	**Total**
Segment revenue	918.6	503.3	215.4	48.3	**1,685.6**
Segment profit	395.3	32.2	55.1	3.0	**485.6**
Exceptional items					–
EBITDA					**485.6**
Depreciation, amortisation and impairment charges	-53.6	-21.3	-7.7	-0.9	-83.5
Operating profit					**402.1**
Net finance costs					-37.4
Profit before tax					**364.7**
Segment assets	422.4	319.7	154.6	18.5	**915.2**
Additions to non-current assets	27.9	9.2	25.5	1.1	63.7
Segment liabilities	44.5	55.1	23.8	2.5	**125.9**

	2020				
	Wound Care	**OR Solutions**	**Gloves**	**Antiseptics**	**Total**
Segment revenue	839.5	659.4	231.6	62.2	**1,792.7**
Segment profit	335.7	117.4	74.0	12.4	**539.5**
Exceptional items					-3.1
EBITDA					**536.4**
Depreciation, amortisation and impairment charges	-52.3	-23.3	-5.4	-0.4	-81.4
Operating profit					**455.0**
Net finance costs					-23.5
Profit before tax					**431.5**
Segment assets	382.1	387.6	109.5	21.9	**901.1**
Additions to non-current assets	37.4	14.4	13.7	0.7	66.2
Segment liabilities	38.4	68.2	15.9	2.9	**125.4**

Reconciliations:
Segment assets

Segment assets are reconciled to total assets as follows	**2021**	**2020**
Segment assets for reportable assets	915.2	901.1
Unallocated:		
Goodwill	2,136.6	2,137.8
Trademark, Technology & Customer contracts	574.8	594.8
Deferred tax asset	43.1	42.3
Current tax receivables	65.3	41.1
Cash and cash equivalents	541.0	597.0
Receivables, parent company	–	178.7
Other	30.5	28.3
Total assets	**4,306.5**	**4,521.1**

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2020: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the earnings before interest, tax, depreciation, amortisation and impairment charges earned by each segment excluding exceptional items. This is the principal measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

In 2020 Exceptional items of negative MEUR 3.1 relates to closing or relocating the production of certain Wound care products and cost related to the CEO transition. There were no Exceptional items reported in 2021.

The only liability that is provided on a regular basis to the chief operating decision maker on a segment level is Trade accounts payable. The total of the reportable segments' liabilities does equal the total Trade accounts payable reported in the Group´s balance sheet, please refer to note 21.

7. Financial report

Geographical information non-current assets, MEUR	12/31/2021	12/31/2020
Sweden	68.5	74.4
Czech Republic	71.2	72.3
Finland	53.7	54.8
Malaysia	58.9	39.0
U.S.	62.2	63.3
Other countries	55.5	57.1
Total	**370.0**	**360.9**

Non-current assets included in the table above comprise property, plant and equipment, right of use assets, capitalised development expenditure and computer software. Goodwill and other intangible assets that have been recognised as a result of the acquisition of geographically diverse subsidiaries (trademarks and brands, proprietary technologies and customer contracts) have not been allocated to different geographical areas and are not included in non-current assets in the above table.

6. Revenue from contracts with customers

The Group's revenue from contracts with customers relates entirely to sale of OR Solutions, gloves, antiseptics and wound care products. For all products, control is transferred and revenue is recognized at a point in time when products are shipped to the customer and the customer obtains control of the assets. The Group derives revenue in the following reportable segments, geographical regions and sales channels. Revenue from external customers is allocated to geographical area by the location of the legal entity in which the revenue is recorded. There were no inter-segment sales in the year (2020: -).

MEUR	2021	2020
Reportable segments		
Wound Care	918.6	839.5
OR Solutions	503.3	659.4
Gloves	215.4	231.6
Antiseptics	48.3	62.2
Total	**1,685.6**	**1,792.7**
Geographical information		
Sweden	60.1	67.7
France	183.9	184.7
UK	179.3	221.0
Europe (excl. Sweden, France and UK), Middle East and Africa	594.5	656.1
U.S.	465.7	473.0
Americas (excl U.S.)	51.1	45.4
Asia Pacific	151.0	144.8
Total	**1,685.6**	**1,792.7**
Sales channels		
Through distributors	1,155.0	1,156.0
Directly to customers	530.6	636.7
Total	**1,685.6**	**1,792.7**

7. Operating costs by nature

The Group classifies operating costs in its income statement according to function. The Group's operating costs can be analysed by their nature as follows:

Operating cost, MEUR	2021	2020
Raw materials and finished goods	-559.1	-588.2
Personnel costs	-410.7	-422.8
Depreciation, amortisation and impairment charges	-83.5	-81.4
Other operating expenses	-231.9	-247.0
	-1.285.2	**-1,339.4**

Other operating income and expenses, MEUR	2021	2020
Realised gain, unlisted equity securities	–	1.8
Revaluation, listed equity securtities	–	-0.1
Reversal of accrual for VAT claim	1.1	–
Insurance compensation	0.4	–
Other	0.2	–
	1.7	**1.7**

8. Finance income and finance costs

Finance income, MEUR	2021	2020
Interest income		
Financial assets at amortized cost		
Cash and cash equivalents	0.7	0.3
Receivables parent company	2.5	6.4
	3.2	**6.7**
Revaluation gain		
Financial assets and financial liabilities at Fair value through profit and loss		
Deferred consideration	–	8.4
Derivative financial instruments – Currency derivatives	–	1.7
	–	**10.1**
Total finance income	**3.2**	**16.8**

Finance costs, MEUR	2021	2020
Interest expenses		
Financial liabilities at amortized cost		
Borrowings 1)	-29.0	-31.5
Current interest bearing liabilities	-0.0	-0.2
Other interest cost	-5.1	-4.2
	-34.1	**-35.9**
Revaluation loss		
Financial assets and financial liabilities at Fair value through profit and loss		
Deferred consideration	–	–
Derivative financial instruments – Currency derivatives	-0.1	–
	-0.1	**–**
Other financial items		
Currency gain/loss	-5.9	-5.9
Other financial items	-0.5	1.5
	-6.4	**-4.4**
Total finance costs	**-40.6**	**-40.3**

1) In 2020, the Group repurchased MEUR 127.7 of its outstanding bond due in 2022. The repurchase of the bond had a negative one-time effect on the Group's income statement for 2020 of MEUR 3.1, reported as interest expenses from borrowings.

9. Income Tax

MEUR	2021	2020
Income tax expense for the period		
Current tax	-72.7	-117.3
Deferred tax	-6.7	23.8
	-79.4	**-93.5**
Income tax recognised in other comprehensive income		
Current tax: Exchange difference on foreign operations	3.7	-3.0
Deferred tax: Actuarial gains/losses on defined benefit pension plans	-1.4	1.8
Deferred tax: Financial derivatives	-0.1	0.1
	2.2	**-1.1**
Income tax recognised directly in equity		
Current tax: Group contribution	36.5	42.6
	36.5	**42.6**
Total tax for the period		
Total current tax	-32.5	-77.7
Total deferred tax	-8.2	25.7
Total	**-40.7**	**-52.0**

Numerical reconciliation of income tax expense, MEUR	2021	2020
Profit before tax	364.7	431.5
Tax at the Swedish domestic income tax rate of 20.6% (21.4%)	-75.1	-92.3
Tax effect of expenses that are not tax deductible	-2.6	-1.7
Tax effect of income that is not taxable	0.3	1.8
Difference in tax rates in foreign subsidiaries	-3.0	-2.0
Adjustments to taxes for previous periods	2.7	3.3
Change of tax rates	-5.0	-3.0
Other	3.3	0.4
Income tax expense for the period	**-79.4**	**-93.5**

Movements in net deferred tax balance, MEUR	2021	2020
Net liability at the beginning of the year	**73.0**	**99.7***
Charged/(credited) to profit or loss for the year	6.7	-23.8
Charged/(credited) to other comprehensive income	1.5	-1.9
Acquisitions	–	–
Exchange rate differences	-0.1	-1.0
Net liability at the end of the year	**81.1**	**73.0**

* See note 27 for details regarding restatement of financial positions for prior periods.

Deferred tax assets and liabilities attributable to, MEUR	12/31/2021	12/31/2020
Deferred tax assets		
Goodwill	14.7	14.9
Other intangible assets	2.8	3.5
Property, plant and equipment	0.9	0.7
Inventories	15.6	16.0
Accounts receivables	1.0	1.3
Retirement benefit obligations	16.9	17.4
Other accruals, provisions and liabilities	10.1	9.4
Tax loss carry forward	0.4	0.4
Gross total	**62.4**	**63.6**
Net of deferred tax liabilities	-19.3	-21.3
Net total	**43.1**	**42.3**
Deferred tax liabilities		
Goodwill	9.3	5.4*
Other intangible assets	114.4	113.8
Property, plant and equipment	19.3	16.9
Other	0.5	0.5
Gross total	**143.5**	**136.6**
Net of deferred tax assets	-19.3	-21.3
Net total	**124.2**	**115.3**

Tax losses, MEUR	12/31/2021	12/31/2020
Unused tax losses fo which no deferred tax asset has been recognised	31.3	29.3
Potential tax benefit	8.3	6.3

The unused tax losses are related to two different subsidiaries. No deferred tax asset has been recognised due to 1) the uncertainty around if the Group will have the specific type of income in the jurisdiction of origin that is needed to utilize these losses and 2) the unused tax losses being incurred by a dormant subsidiary that is not likely to generate taxable income in the foreseeable future. The unused tax losses for both entities can be carried forward indefinitely.

Unrecognised temporary differences, MEUR	12/31/2021	12/31/2020
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised:		
Foreign currency translation 1)	170.4	150.5
Undistributed earnings 2)	48.3	56.8
	218.7	**207.3**
Unrecognised deferred tax liability relating to the above temporary differences	39.9	36.7

1) The Swedish Council for Advance Tax Rulings has in 2019 interpreted Swedish tax law in relation to exchange differences on EUR denominated financial assets in Swedish entities with EUR as presentation currency. Within the Group´s holding structure, external funding denominated in EUR is raised in one of the holding companies and distributed to the Group´s operating entities through a EUR denominated intercompany loan. According to the interpretation in the advanced tax ruling, an unrealized taxable foreign exchange gain exists on this intercompany loan that however will be taxable, triggering a negative cash flow effect, only when the loan is close to fully repaid. The Group has the full decisive power to decide if and when to have this loan repaid and the Group has no intention to do so within a foreseeable future. In accordance with IAS 12 Income taxes the Group has therefore not reported any deferred tax liability for this temporary difference.

2) The Groups production entity in Thailand has undistributed earnings which, if paid out as dividends, would be subject to a 10% withholding tax. An assessable temporary difference exists, but no deferred tax liability has been recognised as the Group is able to control the timing of distributions from this subsidiary and is not expected to distribute these profits in the foreseeable future.

* See note 27 for details regarding restatement of financial positions for prior periods.

10. Property, plant and equipment

MEUR	Properties	Land	Machinery	Equipment	Total
At 1 January 2020					
Acquisition cost	94.1	5.4	260.1	69.2	428.8
Accumulated depreciation and impairment	-26.3	–	-120.8	-39.0	-186.1
Net book amount	**67.8**	**5.4**	**139.3**	**30.2**	**242.7**
Year ended 31 December 2020					
Opening net book amount	**67.8**	**5.4**	**139.3**	**30.2**	**242.7**
Additions	2.7	–	6.3	15.3	24.3
Disposals	–	–	-0.4	-0.1	-0.5
Depreciations	-5.0	–	-18.3	-6.7	-30.0
Reclassifications	0.2	–	5.1	-5.6	-0.3
Exchange differences	-2.9	-0.3	-5.0	-0.8	-9.0
Closing net book amount	**62.8**	**5.1**	**127.0**	**32.3**	**227.2**
At 31 December 2020					
Acquisition cost	94.1	5.1	266.1	78.0	443.3
Accumulated depreciation and impairment	-31.3	–	-139.1	-45.7	-216.1
Net book amount	**62.8**	**5.1**	**127.0**	**32.3**	**227.2**
Year ended 31 December 2021					
Opening net book amount	**62.8**	**5.1**	**127.0**	**32.3**	**227.2**
Additions	9.4	–	20.6	8.5	38.5
Disposals	–	–	-0.2	-0.1	-0.3
Depreciations	-4.7	–	-18.0	-6.0	-28.7
Reclassifications	1.6	–	8.5	-10.3	-0.2
Exchange differences	3.4	0.2	4.6	0.5	8.7
Closing net book amount	**72.5**	**5.3**	**142.5**	**24.9**	**245.2**
At 31 December 2021					
Acquisition cost	108.5	5.3	299.6	76.6	490.0
Accumulated depreciation and impairment	-36.0	–	-157.1	-51.7	-244.8
Net book amount	**72.5**	**5.3**	**142.5**	**24.9**	**245.2**

11. Goodwill

MEUR	2021	2020
At the beginning of the year	**2,137.8**	**2,188.5**
Restatement*	–	-54.0
Restated balance at the beginning of the year	2,137.8	**2,134.5**
Recognised on the acquisition of subsidiaries (note 3)	–	–
Exchange differences	-1.2	3.3
At the end of the year	**2,136.6**	**2,137.8**

Goodwill has been allocated to the Group's cash generating units (CGUs), which corresponds to the Group´s four Business Areas, as follows. Please see note 2 for details on the reallocation of Goodwill that has been made after the Group´s reorganisation effective 1 July 2021.

MEUR	12/31/2021	12/31/2020
Wound care	1,431.9	1,433.1
Surgical	–	704.7
OR Solutions	91.4	–
Gloves	547.4	–
Antiseptics	65.9	–
	2,136.6	**2,137.8**

* See note 27 for details regarding restatement of financial positions for prior periods.

12. Other intangible assets

MEUR	Trademarks and brands	Proprietary technology	Customer contracts	Capitalised development expenditure	Computer software	Total
At 1 January 2020						
Acquisition cost	499.1	226.3	9.0	53.1	70.6	858.1
Accumulated amortisation and impairment	-4.3	-112.3	-4.5	-29.1	-42.3	-192.5
Net book amount	**494.8**	**114.0**	**4.5**	**24.0**	**28.3**	**665.6**
Year ended 31 December 2020						
Opening net book amount	**494.8**	**114.0**	**4.5**	**24.0**	**28.3**	**665.6**
Additions	–	–	–	5.3	8.4	13.7
Disposals	–	–	–	–	-0.1	-0.1
Amortisations	-3.1	-15.0	-1.0	-5.5	-5.8	-30.4
Impairment charges	-1.3	–	–	–	–	-1.3
Reclassifications	–	–	–	0.1	0.2	0.3
Exchange differences	0.1	1.8	–	1.0	0.5	3.4
Closing net book amount	**490.5**	**100.8**	**3.5**	**24.9**	**31.5**	**651.2**
At 31 December 2020						
Acquisition cost	499.2	228.1	9.0	59.5	79.6	875.4
Accumulated amortisation and impairment	-8.7	-127.3	-5.5	-34.6	-48.1	-224.2
Net book amount	**490.5**	**100.8**	**3.5**	**24.9**	**31.5**	**651.2**
Year ended 31 December 2021						
Opening net book amount	**490.5**	**100.8**	**3.5**	**24.9**	**31.5**	**651.2**
Additions	–	–	–	5.2	5.0	10.2
Disposals	–	–	–	-1.0	–	-1.0
Amortisations	-2.9	-15.4	-1.1	-6.5	-7.0	-32.9
Reclassifications	–	–	–	–	0.2	0.2
Exchange differences	–	-0.6	–	-0.5	–	-1.1
Closing net book amount	**487.6**	**84.8**	**2.4**	**22.1**	**29.7**	**626.6**
At 31 December 2021						
Acquisition cost	499.2	227.5	9.0	63.2	84.8	883.7
Accumulated amortisation and impairment	-11.6	-142.7	-6.6	-41.1	-55.1	-257.1
Net book amount	**487.6**	**84.8**	**2.4**	**22.1**	**29.7**	**626.6**

Amortisation and impairment charges are included in the following line items in the Group´s Income Statement:

MEUR	Trademarks and brands	Proprietary technology	Customer contracts	Capitalised development expenditure	Computer software	Total
2021						
Cost of sales	–	-15.4	–	–	-1.5	-16.9
Selling costs	-2.9	–	-1.1	–	-1.8	-5.8
Administrative costs	–	–	–	–	-3.4	-3.4
Research and development costs	–	–	–	-6.5	-0.3	-6.8
Total	**-2.9**	**-15.4**	**-1.1**	**-6.5**	**-7.0**	**-32.9**
2020						
Cost of sales	–	-15.0	–	–	-1.4	-16.4
Selling costs	-4.4	–	-1.0	–	-1.2	-6.6
Administrative costs	–	–	–	–	-3.0	-3.0
Research and development costs	–	–	–	-5.5	-0.2	-5.7
Total	**-4.4**	**-15.0**	**-1.0**	**-5.5**	**-5.8**	**-31.7**

Trademarks and brands assessed as having an indefinite useful life are allocated to the Group's CGUs as follows:

MEUR	12/31/2021	12/31/2020
Wound care	290.0	290.0
OR Solutions	116.6	116.6
Gloves	56.2	56.2
Antiseptics	4.6	4.6
	467.4	**467.4**

7. Financial report

13. Inventories

MEUR	12/31/2021	12/31/2020
Raw materials	70.0	58.1
Work-in-progress	25.6	18.3
Finished goods	201.7	196.3
Consumables	5.6	5.4
Inventories, gross amount	**302.9**	**278.1**
Provision for obsolescence	-19.6	-26.2
Inventories, net after provision for obsolescence	**283.3**	**251.9**

14. Trade and other receivables

MEUR	12/31/2021	12/31/2020
Trade accounts receivable		
Accounts receivable, gross	266.1	294.4
Allowance for doubtful debts	-4.2	-6.0
	261.9	**288.4**
Other financial receivables		
Customer invoices to be issued	3.2	2.7
Deposits	0.9	0.9
Other current receivables	4.5	4.7
	8.6	**8.3**
Financial trade and other receivables	**270.5**	**296.7**
Other current receivables		
VAT	4.7	3.5
Prepaid rent	1.0	1.2
Other prepaid expenses	12.4	10.9
	18.1	**15.6**
Trade and other receivables	**288.6**	**312.3**

Trade accounts receivable does not include any debtors that have been transferred to a financial institution.

Ageing of trade receivables, MEUR:	12/31/2021			12/31/2020		
	Gross amount	Reported allowance	Net amount	Gross amount	Reported allowance	Net amount
Not past due	206.4	-0.1	206.3	219.0	-0.0	219.0
Past due 0–30 days	24.7	-0.2	24.5	15.9	-0.0	15.9
Past due 31–90 days	10.5	-0.4	10.1	35.5	-0.0	35.5
Past due 91–180 days	9.2	-0.4	8.8	12.3	-0.4	11.9
More than 180 days	15.3	-3.1	12.2	11.7	-5.6	6.1
	266.1	**-4.2**	**261.9**	**294.4**	**-6.0**	**288.4**

Movement in the allowance for doubtful debts, MEUR	2021	2020
At 1 January	**-6.0**	**-4.6**
Impairment losses recognised	-0.5	-1.7
Impairment losses reversed	2.3	0.3
Exchange differences	0.0	0.0
At 31 December	**-4.2**	**-6.0**

15. Cash, cash equivalents and short term investments

MEUR	12/31/2021	12/31/2020
Bank balances	291.0	312.0
Short term bank deposits	250.0	285.0
Cash and cash equivalents	**541.0**	**597.0**

Cash and cash equivalents is cash and short-term bank deposits held by the Group with a maturity of less than three months at the time of acquisition.

Cash and cash equivalents as of 31 December 2021, include MEUR 30.8 (30.1) in countries where exchange controls or other legal restrictions apply. Therefore it is not possible to immediately use these liquid funds in other parts of the Group. However, there is normally no limitation to use them for the Group's operation in the respective country.

16. Capital management

The Group considers the capital that it manages to be the equity attributable to equity holders of the parent as shown in the Group's Consolidated statement of financial position.

The Group's objectives when managing capital are to ensure that the Group has adequate funds to continue as a going concern and sufficient flexibility within the capital structure to fund the ongoing growth of the business and to take advantage of business development opportunities including acquisitions. The Group determines the amount of capital in conjunction with its borrowing requirements, taking into account changes in business risks, future funding requirements and any restrictions contained its borrowing facilities (see note 23). The Group's overall strategy remains unchanged from prior year.

In 2021 a dividend of MEUR 420.0 for the year ended 31 December 2020 has been made to the parent company Mölnlycke AB. In 2020 a corresponding dividend of MEUR 300.0 was made for the year ended 31 December 2019. Reported group contribution for 2021 to the parent company Mölnlycke AB amounts to MEUR 176.0 (199.2).

In 2021 distributions of MEUR 250.0 (350.0) have been made by the Group to the Group´s parent company Mölnlycke AB's shareholders on behalf of Mölnlycke AB. From the Group´s perspective this distribution settle reported but not paid dividend and group contribution from the Group to Mölnlycke AB. Please find below a roll forward of the Group´s net receivable/liability to its parent company Mölnlycke AB.

MEUR	12/31/2021	12/31/2020
Receivable at the beginning of the year	**178.7**	**295.6**
Group contribution to parent company	-176.0	-199.2
Dividend to parent company	-420.0	-300.0
Distribution to the owners of the Group, on behalf of parent company	250.0	350.0
Tax paid on behalf of parent company	40.9	25.8
Cash transfer to parent company	35.3	-
Capitalised interest	2.4	6.3
Other	0.6	0.2
Receivable/liability at the end of the year	**-88.1**	**178.7**

17. Cash flow information

The tables below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

			Non-cash changes				
MEUR	01/01/2021	Cash flows	Acquisitions	Amortisation	Exchange differences	Other changes	31/12/2021
Bond notes	2,011.2	–	–	2.2	–	–	2,013.4
Lease liabilities	78.0	-21.3	15.1	–	1.3	–	73.1
	2,089.2	**-21.3**	**15.1**	**2.2**	**1.3**	**–**	**2,086.5**

			Non-cash changes				
MEUR	01/01/2020	Cash flows	Acquisitions	Amortisation	Exchange differences	Other changes	31/12/2020
Bond notes	1,738.5	267.9	–	1.7	–	3.1	2,011.2
Bank loans	2.1	–	–	–	–	-2.1	–
Bank overdrafts	0.2	-0.2	–	–	–	–	–
Lease liabilities	69.0	-20.3	28.2	–	1.1	–	78.0
	1,809.8	**247.4**	**28.2**	**1.7**	**1.1**	**1.0**	**2,089.2**

In 2020, the Group issued a new MEUR 400 10-year bond and repurchased MEUR 127.7 of its outstanding bond due in 2022. The repurchase price of the 2022 bond exceeded book value by MEUR 3.1 which is reported as interest expenses from borrowings in 2020 and in the column 'Other changes' in the above roll-forward.

7. Financial report

18. Leases

MEUR	12/31/2021	12/31/2020
Balance sheet items		
Right-of-use assets		
Buildings	57.3	60.7
Land	2.0	2.1
Vehicles	13.6	15.0
	72.9	**77.8**
Lease liabilities		
Current	21.1	17.9
Non-current	52.0	60.1
	73.1	**78.0**

MEUR	2021	2020
Additions to the right-of use assets during the year	**15.1**	**28.2**
Amounts included in the consolidated income statement		
Depreciation charge of right-of-use assets		
Buildings	8.7	18.6
Land	0.1	–
Vehicles	6.3	9.6
	15.1	**28.2**
Interest expense on lease liabilities	1.4	1.7
Expense relating to short-term leases	0.4	0.5
Expense relating to low-value leases	0.8	0.5
Total cash outflow for leases	**23.9**	**23.0**
Future cash outflows for committed leases not yet commenced	**–**	**–**

Please refer to Note 1 for the accounting policies followed and information about the nature of the Group´s leasing activities and Note 23 for a maturity analysis of lease liabilities.

19. Retirement benefit obligations

Defined contribution plans

In many countries, the Group's employees are covered by defined contribution pension plans. The pension plans primarily entail retirement pensions. The premiums are paid continuously throughout the year by each Group company to separate legal entities, such as insurance companies. The employer's obligation is limited to the premiums the company has undertaken to pay. Under this type of plan, no liability is recognised in the balance sheet, except for accrued contributions.

In Sweden, the total retirement benefit package is a mixed solution, with some parts being defined contribution pension plans and others defined benefit pension plans. The part of the Swedish ITP2 plan (supplementary pensions for salaried employees) concerning family pension, disability pension, and employment group life insurance financed by insurance with Alecta is a defined benefit pension multi-employer plan. The Swedish Financial Accounting Standards Council's Interpretations Committee has however concluded that the information provided by Alecta is not sufficient to be able to account for the Alecta plan as a defined benefit plan. Therefore, the Alecta plan has been reported as a defined contribution plan and this means that premiums paid to Alecta will also be recognized on an ongoing basis as expenses in the period to which they pertain. Alecta's surplus can be distributed to the insurers and/or the insured. At year-end 2021, Alecta's surplus in the form of the collective consolidation level was 172% (148%). For 2022, the Group expects to pay MEUR 0.3 for premiums to Alecta.

During the period the Group expensed MEUR 25.3 (22.8) of contributions to defined contribution plans.

Defined benefit plans

Defined benefit plans are those where the Group's obligation is to provide pension and other post-retirement benefits that participating employees will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group operates defined benefit pension plans for qualifying employees in Sweden, USA, Belgium, Germany, the Netherlands, Thailand, Italy and France.
The defined benefit plans in Belgium, USA and the Netherlands are funded, the remainder are unfunded.

The Swedish plan is the most significant defined benefit plan for the Group, representing 56% of the defined benefit obligation and 71% of the net liability at 31 December 2021 (54% and 69% respectively).

The major risks associated with the defined benefit plans are as follows:
- Investment risk: The defined benefit obligation is calculated using discount rates set with reference to corporate bond yields. If assets in funded plans underperform this yield it will increase the amount of any deficit.
- Interest risk: A decrease in corporate bond yields will increase the value of the defined benefit obligation for accounting purposes, although this would be partially offset by an increase in the value of corporate bonds held as assets.
- Longevity risk: The majority of the obligations are to provide benefits for the life of the plan member so increases in life expectancy will result in an increase in the defined benefit obligation.
- Salary risk: The majority of the obligations are to provide benefits for plan member based on annual salaries during the last few years of employment. If salaries increase faster than has been assumed this will result in an increase in the defined benefit obligation.

The principal assumptions used for the purpose of the actuarial valuations used in preparing the financial statements were as follows:

	Sweden		Others (weighted average)	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Discount rate	1.90%	1.20%	1.10%	0.70%
Expected rate of salary increases	2.70%	2.20%	2.10%	2.10%
Inflation rate	2.00%	1.50%	2.00%	2.00%

The discount rate is set separately for each country and is determined, in consultation with our local actuaries, by reference to market rates on high quality corporate bonds with a duration and currency that is consistent with the duration and currency of the defined benefit obligation. This may involve interpolation of bond yield curves where there is no direct match for duration or the market is not deep for matching bond durations. Other assumptions are based on market conditions in each country.

The amounts recognised in profit or loss in respect of defined benefit plans are as follows:

MEUR	2021	2020
Current service cost	5.7	5.1
Past service cost and (gain) or loss from settlements	–	–
Net interest cost	0.9	1.1
	6.6	**6.2**

The total costs above are shown under selling costs MEUR 1.1 (1,4), administrative costs MEUR 3,8 (2.9), cost of goods sold MEUR 0.8 (0,8) and finance costs MEUR 0.9 (1.1).

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit plans is as follows:

MEUR	12/31/2021	12/31/2020
Present value of funded defined benefit obligations	28.0	31.6
Fair value of plan assets	-25.0	-26.6
Deficit	**3.0**	**5.0**
Present value of unfunded defined benefit obligations	91.6	91.4
Net liability arising from defined benefit obligations	**94.6**	**96.4**

Movements in the present value of the defined benefit obligation in the period were as follows:

MEUR	2021	2020
Opening defined benefit obligation	123.0	107.5
Current service cost	5.7	5.1
Interest cost	1.1	1.3
Contributions from plan participants	0.1	0.1
Past service costs and settlements	–	–
Actuarial losses / (gains):		
– Arising from changes in demographic assumptions	–	-0.1
– Arising from changes in financial assumptions	-8.0	6.3
– Arising from experience differences	1.5	2.9
Benefits paid	-2.8	-1.6
Exchange differences	-1.0	1.5
Closing defined benefit obligation	**119.6**	**123.0**

Movements in the present value of the plan assets in the period were as follows:

MEUR	2021	2020
Opening fair value of plan assets	26.6	24.8
Interest income	0.2	0.2
Return on plan assets, excluding interest income	-1.1	1.4
Contributions from plan sponsors	0.6	0.6
Contributions from plan participants	0.1	0.1
Settlements	–	–
Benefits paid	-1.5	-0.2
Exchange differences	0.1	-0.3
Closing fair value of plan assets	**25.0**	**26.6**

The major categories of plan assets, are as follows:

MEUR	12/31/2021	12/31/2020
Equity investments	3.2	2.4
Fixed income investments	1.2	1.1
Others investments, principally insurance contracts	20.4	23.1
Closing fair value of plan assets	**25.0**	**26.6**

In Belgium and The Netherlands the liabilities are insured. No split of assets underlying the related insurance contracts is available for Belgium or The Netherlands and all of the plan assets for those countries are included against the 'other investments' caption. USA plan assets are included against the relevant caption.

The actual return on plan assets was MEUR -0.9 (1.6).

Sensitivity Analysis
The sensitivity analysis relating to the main actuarial assumptions used to assess the defined benefit obligation for the Group's most significant defined benefit plan (Sweden) is as follows:

	Change in DBO
Discount Rate	
1% increase in the discount rate	-20%
1% decrease in the discount rate	26%
Rate of salary increase	
1% increase in the rate of salary increases	9%
1% decrease in the rate of salary increases	-7%
Inflation rate	
1% increase in the rate of inflation	18%
1% decrease in the rate of inflation	-15%
Longevity	
Plus or minus one year	+/- 4%

These sensitivities have been calculated individually whilst holding the other assumptions constant.

Maturity of the defined benefit obligation and cash flows expected in 2022
At 31 December 2021 the average maturity of the defined benefit obligations under the Swedish plan is 23 years and the weighted average maturity of the defined benefit obligations under the Group's other plans is estimated at 20 years.

It is estimated that Group company contributions to funded defined benefit plans in 2022 will be MEUR 0.6 (0.8) and that benefit payments from unfunded plans in 2022 will be MEUR 1.1 (1.5).

20. Provisions

	Restructuring provision		Provision for legal cases		Total	
MEUR	2021	2020	2021	2020	2021	2020
Balance at the beginning of the year	**0.3**	**1.8**	**0.9**	**0.9**	**1.2**	**2.7**
Provision made	0.0	0.3	–	–	0.0	0.3
Utilisation of provision	0.0	-1.6	–	–	0.0	-1.6
Reversals	–	-0.2	–	–	–	-0.2
Reclassifications	–	–	–	–	–	–
Exchange rate differences	–	0.0	–	–	–	0.0
Balance at the end of the year	**0.3**	**0.3**	**0.9**	**0.9**	**1.2**	**1.2**
Included in the balance sheet as:						
Current	0.3	0.3	–	–	0.3	0.3
Non-current	–	–	0.9	0.9	0.9	0.9
Total	**0.3**	**0.3**	**0.9**	**0.9**	**1.2**	**1.2**

21. Trade and other payables

MEUR	12/31/2021	12/31/2020
Trade accounts payable	**126.0**	**125.4**
Other financial payables		
Accrued interest expense	21.1	18.5
Deferred consideration	0.4	0.4
Goods received not invoiced	14.2	9.2
Withholding personnel tax liabilities	4.6	5.1
Other liabilities	6.6	4.0
	46.9	**37.2**
Financial trade and other payables	**172.9**	**162.6**
Other current liabilities		
Personnel related liabilities	97.2	106.5
Accrued customer rebates	31.5	28.4
VAT	11.2	30.6
Prepayments from customers	0.1	27.6
Other accrued expenses	40.2	34.0
	180.2	**227.1**
Trade and other payables	**353.1**	**389.7**

22. Financial assets and financial liabilities

The group holds the following financial instruments:

MEUR	Notes	12/31/2021	12/31/2020
Financial assets			
Financial assets at amortised cost:			
Trade and other receivables	14	270.5	296.7
Receivables, parent company	16	–	178.7
Cash and cash equivalents	15	541.0	597.0
Other non-current assets		1.9	1.8
Financial assets at fair value through profit or loss (FVPL):			
Other non-current assets		0.4	0.4
Derivative financial instruments held for trading at FVPL	23	–	0.1
Derivative financial instruments –cash flow hedges	23	–	1.5
Total financial assets		**813.8**	**1,076.2**
Financial liabilities			
Financial liabilities at amortised cost:			
Bond notes	23	2,013.4	2,011.2
Trade and other payables	21	172.5	162.2
Liabilities, parent company	16	88.1	–
Other non-current liabilities		1.3	1.2
Financial liabilities at FVPL:			
Other non-current liabilities		1.3	1.6
Trade and other payables	21	0.4	0.4
Derivative financial instruments held for trading at FVPL	23	0.0	0.0
Derivative financial instruments –cash flow hedges	23	–	1.5
Total financial liabilities		**2,277.0**	**2,178.1**

Fair value of outstanding bond notes amounts to MEUR 2,048.5 (2,102.8) as of 31 December 2021 considering changes in credit margins and interest rates in the market from drawdown until the balance sheet date. For all financial instruments except bond notes fair value corresponds to book value as of 31 December 2021 and 31 December 2020.

The following section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table. There were no transfers between the levels for recurring fair value measurements during the year.

At 31 December 2021, MEUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (FVPL):				
Listed equity securities	0.1	–	–	0.1
Unlisted equity securities	–	–	0.3	0.3
Derivative financial instruments held for trading at FVPL	–	–	–	–
Total financial assets	**0.1**	**–**	**0.3**	**0.4**
Financial liabilities				
Financial liabilities at FVPL:				
Deferred consideration	–	–	1.7	1.7
Derivative financial instruments held for trading at FVPL	–	0.0	–	0.0
Total financial liabilities	**–**	**0.0**	**1.7**	**1.7**

At 31 December 2020, MEUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (FVPL):				
Listed equity securities	0.1	–	–	0.1
Unlisted equity securities	–	–	0.3	0.3
Derivative financial instruments held for trading at FVPL	–	0.1	–	0.1
Derivative financial instruments – cash flow hedges	–	1.5	–	1.5
Total financial assets	**0.1**	**1.6**	**0.3**	**2.0**
Financial liabilities				
Financial liabilities at FVPL:				
Deferred consideration	–	–	2.0	2.0
Derivative financial instruments held for trading at FVPL	–	0.0	–	0.0
Derivative financial instruments –cash flow hedges	–	1.5	–	1.5
Total financial liabilities	**–**	**1.5**	**2.0**	**3.5**

Level 1:
The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.
The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2:
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The fair value of the groups foreign exchange contracts is calculated as the present value of future cash flows based on the forward exchange rates at the balance sheet date. Hence, these instruments are included in level 2.

Level 3:
If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.
This is the case for the Group's holding of unlisted equity securities and deferred consideration liabilities related to business combinations.
The following table presents the changes in level 3 items for the periods ended 31 December, 2021 and 31 December, 2020:

MEUR	Unlisted equity securities	Deferred consideration
Opening balance 1 January 2020	**0.8**	**17.6**
Revaluation gain/loss reported in other operating income and expenses	1.8	–
Revaluation gain reported in line Finance income	–	-8.4
Divestments, cash recieved	-1.9	–
Divestments, holdback reported as Other current receivables	-0.3	–
Payment	–	-7.2
Currency revaluation	-0.1	0.0
Closing balance 31 December 2020	**0.3**	**2.0**
Payment	–	-0.3
Currency revaluation	–	–
Closing balance 31 December 2021	**0.3**	**1.7**

The valuation of unlisted equity securities is based on the most resent shares issue adjusted for significant development in the company and in the market.

Deferred considerations are valued based on expected cash outflows originating from earn-out clauses in share purchase agreements. The expected cash flows are determined based on the most recent prognosis of the basis for the earn-outs, discounted with a risk-adjusted discount rate. A majority of the outstanding earn-outs are calculated based on sales for certain products/markets/time periods.

23. Financial Risk Management

The Group is exposed to financial risks such as currency risk, interest rate risk, liquidity- and refinancing risk as well as credit- and counterparty risk. The financial policy of the Group, adopted by the Board, outlines the rules for management and reduction of the financial risks that are generated by the Group's commercial activities. This includes written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

Organisation and activities

The Group's treasury activities are centralised in order to capitalise on economies of scale, consolidate risk exposures and facilitate follow-up and control. Financial activities are managed from Group Treasury, a function within Mölnlycke Health Care AB, which acts as the Group's in-house bank. All financial transactions in the Group are managed and coordinated by the in-house bank that transacts with external counterparties in the foreign currency and interest rate markets.

The Group's executive forum for treasury matters is the Treasury Committee, which includes CFO, Group Treasurer and Treasury Manager. The Treasury Committee proposes changes to the Group's financial policy which is adopted annually by the Board. The Treasury Committee meets on a monthly basis to follow up treasury activities versus the financial policy. Any deviation to Finance Policy is reported to the Board by the CFO.

Currency risk

Through its international activities, the Group is exposed to currency risk. Exchange rate fluctuations could affect the Group's cash flow, income statement and balance sheet negatively. Currency exposure arises from payment flows (transaction exposure), from valuation of balance sheet items in foreign currencies (balance sheet exposure) and from translation upon consolidation of foreign subsidiaries' income statements and balance sheets into EUR (translation exposure).

Currency exposure in EBITDA

The Group´s EBITDA is affected by both transaction and translation currency exposure.

Transaction exposure from commercial flows in foreign currency is generated from internal purchases and sales between manufacturing units and market companies and external sales and purchases in foreign currency. A majority of the Group´s internal transactions flows through Mölnlycke Health Care AB, a company with functional currency SEK. As a result, there is a transactional surplus in this entity of the currencies the Group has it largest sales in (EUR, USD, GBP, CHF etc.) and a transactional deficit of currencies the Group has expenses for production facilities and head quarter functions in (SEK, MYR, CZK, THB etc.).

Also the Groups translation exposure from the consolidation of operating income in foreign subsidiaries affects reported earnings. A large portion of the Group´s EBITDA is generated in Mölnlycke Health Care AB with functional currency SEK. As a result, there is a large EUR/SEK translation exposure from consolidating this entity. This exposure to a large extent offsets the SEK/EUR exposure the net transaction exposure in this entity represents.

The tables below shows the net effect on the Group´s EBITDA from a depreciation(-)/appreciation(+) of 10% of EUR against all other currencies, including both transaction and translation currency exposure.

2021, MEUR	Translation effect EBITDA	Transaction effect EBITDA	Total	EUR -10% vs. Other currencies	EUR +10% vs. Other currencies
USD	25.4	87.5	112.9	11.3	-11.3
GBP	6.8	121.9	128.7	12.9	-12.9
SEK	388.4	-429.7	-41.3	-4.1	4.1
Other	39.4	55.6	95.0	9.5	-9.5
EUR	25.6	164.7	190.3		
Total	**485.6**	**–**	**485.6**	**29.6**	**-29.6**

2020, MEUR	Translation effect EBITDA	Transaction effect EBITDA	Total	EUR -10% vs. Other currencies	EUR +10% vs. Other currencies
USD	26.2	-14.9	11.3	1.1	-1.1
GBP	8.6	164.9	173.5	17.4	-17.4
SEK	412.5	-436.3	-23.5	-2.4	2.4
Other	48.4	78.4	126.8	12.7	-12.7
EUR	40.7	207.4	248.1		
Total	**536.4**	**–**	**536.4**	**28.8**	**-28.8**

Balance sheet exposure affecting the consolidated income statement

Balance sheet exposure consists of financial and operational receivables and liabilities in foreign currency, which may affect the result due to exchange rate fluctuations when valuated at local currency. For 2021 the balance sheet exposure is not hedged with the exemption of internal loan in MYR. In 2020 larger net exposure in currencies such as USD and GBP, expected to result in a cash transaction in the following month, were hedged.

The tables below shows the net effect on the Group´s consolidated income statement from a depreciation(-)/appreciation(+) of 10% of EUR against all other currencies based on the balance sheet exposure and the nominal amount of outstanding derivative instruments on the balance sheet day.

At 31 December 2021, MEUR	Balance sheet exposure	Outstanding derivative instruments	Total	EUR -10% vs. Other currencies	EUR +10% vs. Other currencies
USD	87.7	–	87.7	8.8	-8.8
GBP	24.0	–	24.0	2.4	-2.4
SEK	99.4	–	99.4	9.9	-9.9
Other	24.9	-10.4	14.5	1.5	-1.5
EUR	-236.0	10.4	-225.6		
Total	**–**	**–**	**–**	**22.6**	**-22.6**

At 31 December 2020, MEUR	Balance sheet exposure	Outstanding derivative instruments	Total	EUR -10% vs. Other currencies	EUR +10% vs. Other currencies
USD	18.5	8.2	26.7	2.7	-2.7
GBP	13.2	-19.9	-6.7	-0.7	0.7
SEK	167.8	67.8	235.6	23.6	-23.6
Other	-1.9	–	-1.9	-0.2	0.2
EUR	-197.6	-56.1	-253.7		
Total	**–**	**–**	**–**	**25.4**	**-25.4**

Currency exposure in equity

Translation exposure arises when the balance sheets of foreign subsidiaries with other functional currencies are translated into EUR. The below table shows net effect on the Group´s equity on the balance sheet day from a depreciation(-)/appreciation(+) of 10% of EUR against all other currencies. The calculation is based on the equity of each legal entity in the Group split by functional currency and includes the effects from intra-group receivables and liabilities that in substance is part of the net investment in the foreign operation. In accordance with IAS 21, the exchange rate gains or losses on such receivables and liabilities are reported in Other comprehensive income.

	31 December 2021			31 December 2020		
MEUR	Balance sheet Shareholders' Equity	EUR -10% vs. Other currencies	EUR +10% vs. Other currencies	Balance sheet Shareholders' Equity	EUR -10% vs. Other currencies	EUR +10% vs. Other currencies
USD	144.1	14.4	-14.4	91.1	9.1	-9.1
SEK	41.2	4.1	-4.1	44.2	4.4	-4.4
CZK	120.6	12.1	-12.1	104.5	10.5	-10.5
Other	174.1	17.4	-17.4	204.3	20.4	-20.4
EUR	1,056.1			1,349.9		
Total	**1,536.1**	**48.0**	**-48.0**	**1,794.0**	**44.4**	**-44.4**

7. Financial report

Refinancing and liquidity risk
Refinancing risk and liquidity risk is referred to as the risk of being unable to meet payment obligations as a result of insufficient liquidity or difficulties in obtaining adequate financing. To manage the refinancing risk the average duration of the gross interest-bearing debt shall, according to the Group´s finance policy, exceed 3 years. As at 31 December 2021 the average duration was 5.0 years (6.0 years).

The liquidity reserve, according to the Group´s finance policy, shall at all times exceed MEUR 150 on a consolidated level, consisting of cash, short term investments, committed undrawn overdraft facilities and other committed credit facilities excluding trapped cash (refer to note 15). The liquidity reserve amounted to MEUR 860,2 (916.9) as at 31 December 2021.

The Group's main source of financing is bond notes issues in the European capital markets. Since 2020 the Group has a European Medium Term Note (EMTN) program, which is a loan program intended for long-term financing. The Group´s outstanding bond notes are outlined in the below table. All outstanding bond notes are denominated in EUR, has a fixed interest, are ranked senior and are unsecured.

MEUR	Maturity date	Original facility amount	Outstanding facility amount 12/31/2021	Outstanding facility amount 12/31/2020
Bond 2022	2/28/2022	500.0	122.4	122.4
Bond 2024	2/28/2024	500.0	500.0	500.0
Bond 2025	2/28/2025	500.0	500.0	500.0
Bond 2029	9/05/2029	500.0	500.0	500.0
Bond 2031	1/15/2031	400.0	400.0	400.0
Total			**2,022.4**	**2,022.4**

The Group also has a revolving credit facility with a syndicate of banks. The facility amounts to MEUR 350 with an option to increase the facility with MEUR 100 to a total of MEUR 450 and a maturity date of 14 July 2024. The facility is ranked senior, is unsecured and can be drawn in several optional currencies and would bear interest at IBOR plus a margin. The terms of the facility include loan market standard restrictions on the Group's ability to, among other things, create security over its assets, sell or otherwise dispose assets or incur subsidiary financial debt. The facility is not subject to any financial covenants. As of the balance sheet day the facility is undrawn.

In order to address the interest rate benchmark reform the Group has in 2021 chosen to exclude GBP as an optional currency in its revolving credit facility. Management is currently evaluating how to transition the RCF into alternative benchmark rates before the USD LIBOR will cease publication in June 2023. This transition is not considered to expose the Group to any material risks. The Group has no other exposure to the interest rate benchmark reform. All Group internal loan agreements are already referencing LIBOR or any other official interest rate.

The tables below analyse the Group´s financial liabilities and lease liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed are the contractual undiscounted cash flows including interest.

At 31 December 2021, MEUR	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Bond notes	145.1	4.4	25.0	1,048.1	925.6	2,148.2	2,018.0
Financial trade and other payables	172.9	–	–	–	2.6	175.5	175.5
Lease liabilities	10.6	10.7	27.3	11.6	15.9	76.1	73.1
Total	**328.6**	**15.1**	**52.3**	**1,059.7**	**944.1**	**2,399.8**	**2,266.6**

At 31 December 2020, MEUR	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Bond notes	21.5	4.4	149.4	1,066.2	932.5	2,174.0	2,011.2
Financial trade and other payables	162.6	–	–	–	2.8	165.4	165.4
Lease liabilities	9.6	9.6	29.4	15.7	20.2	84.5	77.7
Total	**193.7**	**14.0**	**178.8**	**1,081.9**	**955.5**	**2,423.9**	**2,254.3**

Interest rate risk
Interest rate risk is the risk of a negative impact on the Group's income statement and cash flow due to changes in the market interest rates. To limit the effects of interest rate fluctuations, the average fixed interest term per currency, according to the Group's finance policy, shall be between 0,5 and 7 years.

The Group's main source of financing is bond notes issued as listed in the above section. All outstanding bond notes are denominated in EUR and has a fixed interest. The average duration of fixed interest as at 31 December 2021 was 5.0 years (6.0 years) and the average interest rate was 1.33% (1.33%). Since the Group has chosen to have all of its financing to a fixed interest rate the Group is not exposed to any interest rate risk on its financing at the end of the reporting period. According to the Finance policy the percentage of fixed interest shall be 50%–100%.

The Group has interest bearing financial assets and liabilities in the form of cash and cash equivalents and receivables liabilities, parent company. Based on the average outstanding balances during the year, a one percentage point parallel movement upward of the yield curve would have increased the Group´s interest income for the year by MEUR 7.6 (6.8).

Credit and counterpart risk
Credit and counterparty risk refers to the risk that a counterpart in a transaction will be unable to fulfil its obligations and that this will create a loss for the Group. The Group is exposed to credit risks primarily through it´s balance of cash and cash equivalents, derivative instruments and through outstanding trade accounts receivables.

In order to manage credit risks, the Group's finance policy states that financial transactions may only be conducted with approved counterparties having high credit worthiness. Counterparties shall have a rating equivalent to A- by Standard & Poor's, A2 by Moody's Investors Service, or better. The finance policy also puts limits for amounts at risk per counterparty which are monitored daily. The following table shows the credit risk exposure in cash and cash equivalents by Standard & Poor´s rating category as of the balance sheet day.

MEUR	12/31/2021	12/31/2020
AAA	29.0	26.0
AA	126.1	185.0
A	373.6	377.0
Lower than A	12.3	9.0
	541.0	**597.0**

When trading with derivative instruments, the Group has entered into ISDA (International Swap and Derivative Association) netting agreements with its counterparties in order to further limit the counterparty risk. ISDA agreements contain enforceable master netting arrangements which allow assets and liabilities arising on separate derivative financial instruments to be set off and settled net in certain circumstances. No derivative balances have been set off in the balance sheet. If existing ISDA agreements would have been used as a basis to set off derivative assets and derivative liabilities, reported net derivative assets in the balance sheet would have amounted to MEUR -0.0 (1.3).

The commercial credit risk is limited since the main part of the Group's sales is directed towards public hospitals/institutions. Regarding sales to private hospitals/institutions, no individual customer is considered to represent a significant part of the Group's sales. The maximum exposure regarding commercial credit risk equals the book value of the trade account receivables. Please refer to note 14 for the ageing of trade receivables including a specification of reported allowance.

24. Contingent liabilities and Assets pledged

Contingent liabilities
The Group is involved in various legal proceedings of non-material magnitude. The Group's assessment is that none of the ongoing legal proceedings are likely to entail any risk of having a material negative effect on the Group's financial position. At 31 December 2021 the Group assess outstanding legal proceedings to represent a contingent liability of MEUR 2.0 (2020: MEUR 2.0)

In one of the Group´s retirement benefit plans the Group has a mutual funding responsibility representing a contingent liability of MEUR 0.5 (0.5) as of 31 December 2021.

Commitments
Commitments for the acquisition of property, plant and equipment not recognised as liabilities amounts to MEUR 13.5 (5.2) as of 31 December 2021.

Assets pledged
The Group has no assets pledged as of 31 December 2021 (2020: Nil).

7. Financial report

25. Related party transactions

The Company´s immediate parent company is Mölnlycke AB. Mölnlycke AB is to 98.9 % owned by Rotca AB (a company controlled by Investor AB, the Company's ultimate parent company) and 1.1% by entities facilitating management's ownership. The Company has been a subsidiary of Investor AB since 1 December 2010. Investor AB is listed on Nasdaq OMX Stockholm.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

During the year, Group entities entered into the following transactions with related parties that are not members of the Group:

	Sales of goods		Finance income	
MEUR	**2021**	**2020**	**2021**	**2020**
Parent company	–	–	2.5	6.4
Other subsidiaries of Investor AB	–	0.1	–	–
Associates of Investor AB	–	–	-0.3	–

The following balances were outstanding at the end of the reporting period:

	Receivables from related parties		Liabilities to related parties	
MEUR	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
Parent company	–	178.7	88.1	–
Other subsidiaries of Investor AB	–	–	–	–
Associates of Investor AB	23.3	–	–	–

SEB is an Associated Company of Investor AB and is one of nine relationship banks participating in the financing of Mölnlycke Holding AB (publ) Group. See note 23 for further information about the Group's financing. Receivables from associates relates as of 31 December 2021 to a cash balance with SEB.

Please see note 16 for an explanation to the change in receivables/liabilities from parent company compared to prior year.

Other transactions

There have been no material transactions with related parties other than those disclosed elsewhere in these financial statements.

Compensation of key management personnel, MEUR	**2021**	**2020**
Short-term benefits	6.2	6.6
Post-employment benefits	0.8	0.7
Termination benefits	1.2	2.2
	8.2	**9.5**

Key management personnel comprise the members of the Group's Executive leadership team.

26. Events after the balance sheet date

In March 2022, Chief People & Communications Office Martin Lexa left the company. His responsibilities have been taken over by CEO Zlatko Rihter on an interim basis. No other significant events have occurred after the balance sheet date that require further disclosures in these financial statements.

27. Restatement of deferred taxes

If goodwill in a business combination constitutes a tax-deductible item with a tax base above nil a temporary difference arises. Thus, a deferred tax asset should be recognised as part of the business combination (thereby reducing goodwill) if it is probable that there will be taxable profits against which the deductible temporary difference can be used.

During 2021, management has made a review of the Group´s deferred tax balances originating from the PPA made in 2007 when Mölnlycke Holding AB acquired MHC UK Ltd and its subsidiaries. In this PPA, no deferred tax assets were recognised for reported goodwill in local entities with tax base above nil. Management has in this review concluded that it must have been probable already in 2007 that the deferred tax benefit of remaining goodwill in legal entities to be depreciated from a tax perspective will be utilized. As such it is to be considered an error in the 2007 PPA that no value was assigned to these temporary differences.

The error has been corrected by restating the Group´s Consolidated statement of financial position for the prior periods as follows. Due to changes in 1) tax rates and 2) currency rates the deferred tax asset that should have been included in the 2007 PPA would, if reported, have declined up until 31 December 2019. This has been adjusted to the Group´s 1) retained earnings and 2) foreign currency translation reserve respectively (both within equity). Since this error did not have any material impact on the Group´s Consolidated income statement or Consolidated statement of comprehensive income for 2020 no restatement of these financial statements has been made.

	01/01/2020	Decrease	01/01/2020	31/12/2020	Decrease	31/12/2020
Goodwill	2,188.5	-54.0	2,134.5	2,191.8	-54.0	2,137.8
Net deferred tax liability	-122.6	22.9	-99.7	-95.9	22.9	73.0
Retained earnings	-911.5	22.6	-888.9	-787.0	22.6	764.4
Foreign currency translations reserve	-37.3	8.5	-28.8	-38.4	8.5	29.9

Signatures

Gothenburg, 15 March 2022

Gunnar Brock
Chairman of the Board

Zlatko Rihter
CEO and Board member

Christian Cederholm
Board member

Sharon James
Board member

Johan Malmquist
Board member

David Perez
Board member

Karl-Henrik Sundström
Board member

Johan Torgeby
Board member

Kristina Willgård
Board member

Lars Axelsson
Employee representative

Niclas Flach
Employee representative

Our audit report was submitted on 8 april 2022

Deloitte AB

Fredrik Jonsson
Authorized Public Accountant

Independent Auditor's Report

To the Board of Directors of Mölnlycke Holding AB,
Corporate identity number 556693-6729

Opinion
We have audited the non-statutory consolidated financial statements of Mölnlycke Holding AB (the Company), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The annual accounts of the Company are included on pages 84–120 in this document.

In our opinion, the accompanying non-statutory consolidated financial statements present a true and fair view, in all material respects, of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Sweden and we have fulfilled our other 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 opinion.

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 consolidated financial statements and that they give a fair presentation 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, 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 Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 opinion. 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 internal control relevant to the 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gothenburg, 8 april 2022

DELOITTE AB

Fredrik Jonsson
Authorized Public Accountant

Definitions

Cash conversion, %
Operating cash flow in relation to EBITDA.

EBITDA
Operating profit before depreciation, amortizations and write-downs.

EBITDA margin, %
EBITDA in relation to revenue.

Equity/Assets ratio, %
Shareholders' equity in relation to total assets.

Interest-coverage ratio
EBITDA in relation to Net interest expenses.

Net Debt/EBITDA ratio
Net interest-bearing debt in relation to EBITDA.

Net Debt/Equity ratio
Net interest-bearing debt in relation to equity.

Net interest-bearing debt
Interest-bearing liabilities including lease liabilities less Cash, cash equivalents and short-term investments (receivables, parent company is excluded from the calculation of net interest-bearing debt).

Net interest expenses
Interest expenses less interest income.

Operating cash flow
EBITDA adjusted for changes in working capital and capital expenditures in PPE and Intangible Assets.

Operating margin, %
Operating profit in relation to revenue.

Organic sales growth, %
Net sales compared to prior year adjusted for changes in currency rates and acquired or divested businesses.

Working capital
Net balance of Inventory, Trade and other receivables and Trade and other payables excluding Accrued interest expenses and deferred considerations.

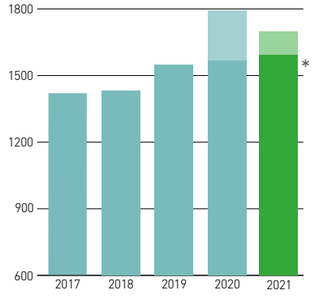
Five-year overview

EUR million (unless otherwise stated)	2021	2020	2019	2018	2017
INCOME STATEMENT					
Revenue[1]	1,686	1,793	1,542	1,452	1,443
EBITDA[2]	486	536	451	418	400
Depreciation, amortisation and impairment charges[2]	-84	-81	-82	-60	-58
Operating profit	402	455	369	359	342
Net interest expenses	-31	-29	-33	-18	-25
Profit before tax	365	432	339	337	303
Profit for the year	285	338	261	272	233
FFO (Funds from operations)	382	390	332	324	313
BALANCE SHEET					
Goodwill and other intangible assets[3]	2,763	2,789	2,854	2,800	2,794
Other non-current assets	365	350	343	280	281
Current assets excluding cash	637	786	816	1,135	776
Cash, cash equivalents and short-term investments	541	597	339	312	418
Total assets	**4,307**	**4,521**	**4,351**	**4,527**	**4,269**
Equity[3]	1,536	1,794	1,949	2,456	2,220
Interest-bearing liabilities, incl. lease liabilities	2,087	2,089	1,810	1,504	1,502
Other liabilities[3]	684	638	593	567	546
Total equity and liabilities	**4,307**	**4,521**	**4,351**	**4,527**	**4,269**
Working capital	240	193	190	174	177
Net interest-bearing debt	1,546	1,492	1,471	1,193	1,084
CASH FLOW					
EBITDA[2]	486	536	451	418	400
Non-cash items in EBITDA	-3	-2	-	-	-
Change in working capital	-34	-8	-8	0	-26
Capital expenditures - PPE and Intangible Assets	-49	-38	-41	-44	-48
Operating cash flow	**400**	**490**	**402**	**374**	**326**
Acquisitions and divestments of subsidiaries	0	-11	-67	-24	-6
Paid taxes	-117	-101	-67	-79	-29
Distributions to the owners of the Group	-250	-350	-425	-350	-450
Adjustment for change in accounting policy[2]	-	–	-58	–	–
Other	-86	-47	-64	-30	-16
Increase (-)/decrease (+) in Net Debt	**-53**	**-21**	**-278**	**-109**	**-175**
FINANCIAL INDICATORS					
Organic sales growth[1]	-6%	18%	4%	3%	2%
Operating margin	24%	25%	24%	25%	24%
EBITDA margin	29%	30%	29%	29%	28%
Net debt/EBITDA ratio	3,2	2.8	3.3	2.9	2.7
Cash conversion	82%	91%	89%	89%	81%
Net debt/Equity ratio	1,01	0,83	0.75	0.49	0.49
Equity/Assets ratio	36%	40%	45%	54%	52%
PERSONNEL					
Number of employees, FTE (full time equivalents)	8,315	7,910	7,790	7,895	7,570

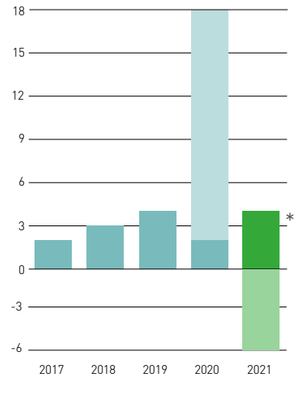
1. Revenue for 2021 and 2020 was positively impacted by one-off orders for staff clothing and protection. Excluding these one-off orders revenue amounted to EUR 1,618 million and the organic sales growth was 4% in 2021 and EUR 1,562 respectively 2% in 2020.
2. EBITDA is positively impacted from the adoption of IFRS16 by approximatly EUR 20 million per year since 2019. Net debt increased in 2019 by MEUR 58 from this adoption.
3. A restatement has been made of the Group´s balance sheeet as of January 1, 2020, please refer to note 27. This restatement goes back to 2007, but no restatement has been made in this Five-year overview of the financial statements for years prior to 2020 due to materiality.

7. Financial report

Revenue
EUR million



Organic sales growth
Constant currency, %

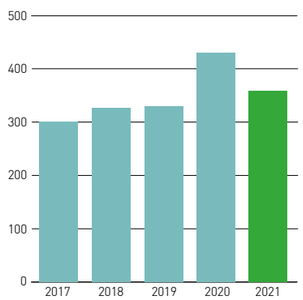


* Excluding the impact from the one-off orders for PPE sales

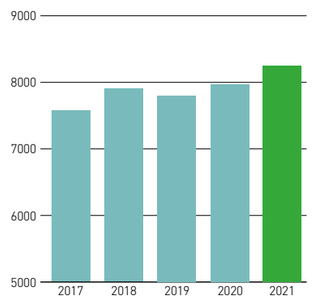
EBITDA
EUR million

EBITDA margin
%

Profit before tax
EUR million



Number of employees
Full-time equivalent



7. Financial report

Above all, our job is to provide the best products, people, tools and training to continue the great work our customers do; to equip them to take healthcare to the next level and face the challenges of the future with confidence.

Find out more at www.molnlycke.com

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