
Interim Report **January – September 2015**

Alex Myers, CEO and Ulf Grunander, CFO

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A quarter of high activity focused on both short term and long term activities

Short term

- Strong focus on delivering healthy order pipeline to deliver on 2015 plan
- Focus on cost containment
- Acceleration of certain restructuring activities

Long term

- Launch of transformation plan consisting of three areas; Big 5 for margin improvement, customer centricity to reignite growth, a global functional organization to enable the realization of the program.
 - On plan to start January 1st 2016
 - Organization design and establishment of functional structure
 - Continued implementation of Big 5 initiatives like shared services & purchasing

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Strong order intake

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Positive order intake

- Good organic order intake 5,2 %
- Healthy development in both capital equipment and recurring items
- Growth in all three regions
- Mixed picture in the BRIC countries

Continued margin decline

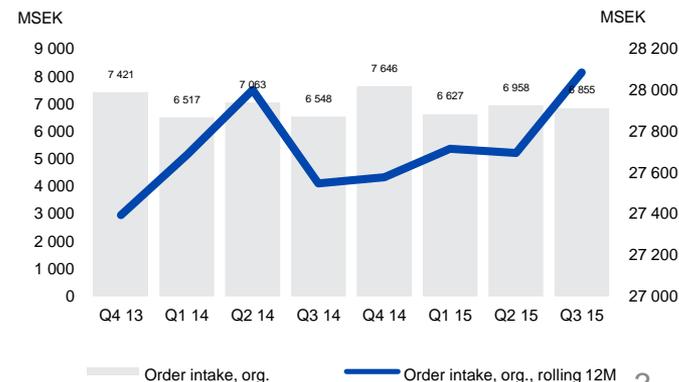
- Negative currency transaction effects, low sales volumes, low utilization of certain capital goods plants
- Selling cost in line with LY
- Increased admin cost due to consolidation of IT systems, legal cost and investments in Group-wide functions

Key activities

- One Getinge transformation program
- Increased restructuring costs due to acceleration of certain activities
- Increased cost containment
- FDA remediation program according to plan

	Q3, 2015	Q3, 2014	Change %
Order intake	7 398	6 414	15,3 %
<i>Organic, %</i>	5,2%	-0,2%	
Net sales	6 925	6 225	11,2%
Gross margin	46,8%	48,9%	-2,1 %
EBITA*	828	920	-10,0 %

*before restructuring, acquisition and integration cost



Medical Systems Business Area

Positive order intake

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- **Overall strong order intake**
 - Strong performance within Cardiovascular & Surgical Workplaces
 - Positive development in both WE & NA
 - RoW grew by a solid 8,8 %
- **Declining gross margin**
 - Negative currency transaction effects
 - FDA effects
 - Low utilization of capital goods plants
- **Negative EBITA development**
 - EBITA margin 14,9 % (18,1%)
 - Negatively impacted by SEK 50 M related to FDA – loss of revenue
 - Selling cost flat Y/Y, admin cost increase due to regulatory and legal cost
- **Other key activities**
 - Full-scale production of the surgical mesh resumed at Atrium's new production unit in Merrimack
 - FDA financial impact in Q3 – SEK 100 M
 - Further development of the FLOW-i anesthesia device
 - Several restructuring activities in the quarter

	Q3, 2015	Q3, 2014	Change %
Order intake	3 946	3 388	16,5%
<i>Organic, %</i>	5,9%	1,6%	
Net sales	3 675	3 258	12,8%
Gross margin	52,6%	55,2%	-2,6%
EBITA*	547	589	-7,1%

*before restructuring, acquisition and integration cost



Extended Care Business Area

Weak quarter following a strong Q2

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- **Decline in order intake**
 - Weak development in all regions
 - Challenges in several key markets
 - Main drivers are continued weak development in the rental business & a weak quarter for the DVT business
- **Gross margin decline**
 - Negative currency transaction effects
 - Continued weak rental business
 - Increased price pressure in DVT product segment
 - Satisfactory cost control
- **Declining EBITA result**
 - EBITA margin 8,7% (12,9%)
 - Negative currency effects of SEK 46 M
- **Other key activities**
 - US rental operations restructuring progressing according to plan
 - Restructuring activities related to the overall transformation program

	Q3, 2015	Q3, 2014	Change %
Order intake	1 849	1 756	5,3%
<i>Organic, %</i>	-3,2%	-4,1%	
Net sales	1 841	1 758	4,7%
Gross margin	43,2%	46,0%	-2,8%
EBITA*	160	227	-29,5%

*before restructuring, acquisition and integration cost



Infection Control Business Area

Solid quarter with very strong order intake

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- **Strong order intake**
 - Positive development in all regions
 - RoW and NA growing by 29,9 % and 16,5 % respectively
 - Strong performance of Life Science and recurring revenues
- **Gross margin flat vs. last year**
 - Negative currency effect of SEK 10 M
 - Margin improvement, when adj. for currency effects, amounts to 0,7 percentage points
- **Improving EBITA result**
 - Good cost control
 - EBITA margin flat vs. last year
- **Other key activities**
 - Focus on the supply chain efficiency agenda
 - Closure of site in Rochester, NY, US and transfer of production to Poznan, Poland proceeding according to plan
 - Finalization of move of production of flusher-disinfectors from Växjö, Sweden, to Poznan, Poland

	Q3, 2015	Q3, 2014	Change %
Order intake	1 603	1 270	26,2%
<i>Organic, %</i>	14,8%	0,8%	
Net sales	1 409	1 209	16,5%
Gross margin	36,3%	36,3%	0,0%
EBITA**	110	89	23,6

*before restructuring, acquisition and integration cost





Key Restructuring and Integration Activities

Third Quarter 2015

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Medical Systems

- Payment to US Government – Consent Decree
- Efficiency enhancements within R&D function - discontinuation of R&D center in San Jose, CA, US
- Integration of Pulsion
- Reorganization within the Cardiovascular division
- Acceleration of other restructuring activities
- Finalization of moving production of vascular implants to La Ciotat, France
- Total Q3 restructuring cost amounts to SEK 160 million

Extended Care

- Ongoing restructuring program for improved rental business in the US
- Restructuring of global market organization
- Acceleration of other restructuring activities
- Total Q3 restructuring cost amounts to SEK 48 million

Infection Control

- Ongoing transfer of production from Rochester, NY, to Poznan, Poland
- Finalization of move of production of flusher-disinfectors from Växjö, Sweden, to Poznan, Poland
- Expansion in emerging markets
- Total Q3 restructuring cost amounts to SEK 5 million

- Restructuring charges amount to SEK 213 m in Q3 2015
- Restructuring charges for 2015 are expected to amount to SEK 630 m (previously SEK 540 M)

FDA Update



FDA – Consent Decree Update

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- Third party inspections
 - Hudson – completed in Q2
 - Merrimack – completed in Q2
 - Wayne, NJ, USA – completed in Q3
 - Hechingen, Germany – ongoing
- Financial impact in Q3 – SEK 100 M
 - SEK 50 M EBITA
 - SEK 50 M restructuring cost (payment to the US government)
- Full-scale production of the surgical mesh resumed at Atrium’s new production unit in Merrimack
- The remediation program is progressing according to plan
- Continued efforts in customer relations incl. clarification of the Consent Decree and Certificate Medical Necessity

FDA

Financial impact – Operating Profit

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First quarter 2015	SEK Million
EBITA result	-50
Restructuring charges	-50
Operating profit	-100
Second quarter 2015	
EBITA result	-75
Restructuring charges	0
Operating profit	-75
Third quarter 2015	
EBITA result	-50
Restructuring charges	-50
Operating profit	-100
TOTAL operating profit, September 30th 2015	-275

- A total of SEK 100 M was charged to the quarter
 - SEK 50 M for loss of revenue and higher costs
 - SEK 50 M for a payment to the US government
- The financial impact on operating profit by September 30th amounts to SEK 275 M
- The total financial consequences related to the consent decree still estimated to amount to SEK 375 M and will impact the Group's operating profit 2015 (instead of SEK 500 M as previously communicated)

FDA Update Remediation Program Provision

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FDA 2014	SEK Million
Provision 1 st quarter	799
Additional provision, 4 th quarter	175
Currency effect	21
TOTAL	995
Completed remediation activities 2014, provisions utilized	-470
Closing balance December 31 st , 2014	525
FDA 2015	
Completed remediation activities, Q1 2015, provisions utilized	-105
Closing balance March 31 st , 2015	420
Completed remediation activities, Q2 2015, provisions utilized	-101
Closing balance June 30 th , 2015	319
Completed remediation activities, Q3 2015, provisions utilized	-47
Closing balance September 30 th , 2015	272

- SEK 47 M was utilized during the quarter
- Closing balance September 30th SEK 272 M

Financials

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Financial Summary

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SEK M	Q3	Q3	Change	Jan-Sep	Jan-Sep	Change
	2015	2014	%	2015	2014	%
Net Sales	6 925	6 225	11,2	20 818	18 184	14,5
<i>Organic</i>			1,1			0,7
<i>FX-effects</i>			10,7			13,9
<i>Aquisitions/Divestments</i>			-0,6			-0,1
Gross Margin	46,8	48,9	-2,1	46,7	49,0	-2,3
Selling cost (% of net sales)	23,4	23,6	-0,2	23,9	23,7	0,2
Admin cost (% of net sales)	11,6	11,2	0,4	12,2	11,5	0,7
EBITA before restructuring	828	920	-10,0	2 260	2 496	-9,5
EBITA margin	12,0	14,8	-2,8	10,9	13,7	-2,8

- Gross margin decline by 2,1 % mainly relating to negative currency transaction effects (130 basic points), low sales volumes and low utilization of some of the Group's capital goods plants
- Adjusted for currency effects, selling cost were in line with LY, and admin cost increased by 5,5 %.

FX effects

Q3

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SEK M	Transaction effects	Translation effects	Total
Gross profit	-93	289	196
EBITA	-93	80	-13
EBIT	-93	24	-69
Profit before tax	-93	1	-92

SEK M	Transaction effects	Translation effects	Total
Gross profit	-270	1 535	1 265
EBITA	-270	520	250
EBIT	-270	320	50
Profit before tax	-270	220	-50

	2015	2014
	Q3	Q3
Cash flow from operation, SEK million	724	742
Cash conversion, %	69,0	60,7
Net Debt, SEK million	23 525	21 360
Equity, SEK million	18 855	16 787
Equity/assets ratio, %	35,2	34,5
Net debt/equity ratio, multiple	1,25	1,27

- Improved cash conversion from operations
- Strong balance sheet with equity ratio of 35,2 % and net debt/equity ratio of 1,25

Outlook

- Organic revenue growth is expected to improve in 2015
- The outcome of the ongoing discussions with the US FDA is expected to have a negative financial impact of approx. SEK 375 M on operating profit for 2015 (instead of SEK 500 M as previously communicated).
- FX effects are expected to negatively impact 2015 pre-tax earnings in the amount of SEK 50 m (previously minus SEK 10 M), based on current exchange rates
 - Transaction effects minus SEK 270 M (previously minus SEK 240 M)
 - Translation effects approx. SEK 220 m (previously SEK 230 M)
- Restructuring charges for 2015 are expected to amount to SEK 630 M (a change compared with the previously announced SEK 540 M)

Q&A

This document contains forward-looking information based on the current expectations of the Getinge Group's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary considerably compared with what is stated in the forward-looking information, due to such factors as changed conditions regarding business cycles, market and competition, changes in legal requirements and other political measures, and fluctuations in exchange rates.

Thank you!

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Getinge Group is a leading global provider of equipment and systems that contribute to quality enhancement and cost efficiency within healthcare and life sciences. We operate under the three brands of Arjohuntleigh, Getinge and Maquet.
