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# Interim Report

# January – March 2015

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Alex Myers, CEO and Ulf Grunander, CFO

April 20, 2015

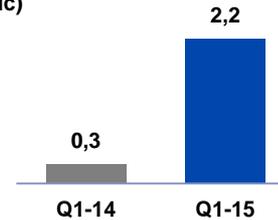
# Getinge Group

## Q1 - Summary

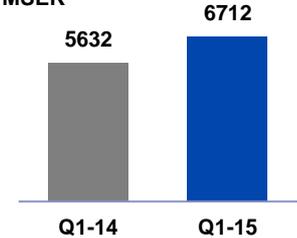
# GETINGE GROUP

- Order intake on a satisfactory level
  - Medical Systems posted positive development, while Extended Care and Infection Control posted weaker performances
- Net sales +19,2%
  - 1,4 % when adjusted for currency effects
- Gross margin decrease
  - Unfavourable product mix
  - Low utilization of capital goods plants
  - Negative currency effects
- EBITA
  - EBITA margin 10,7 % (11,9 %)
  - Positively impacted by non-recurring revenue of SEK 76 m
  - SEK 50 m - FDA loss of revenue and higher costs

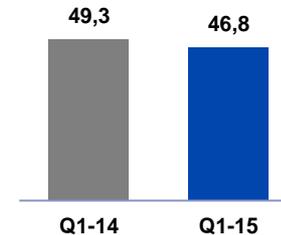
ORDER INTAKE, %  
(organic)



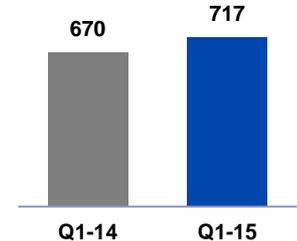
NET SALES, MSEK



GROSS MARGIN, %



EBITA\*, MSEK



\* Before restructuring cost

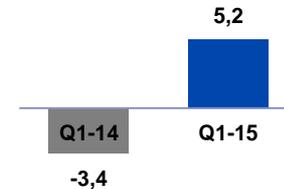
# Medical Systems

## Q1 - Summary

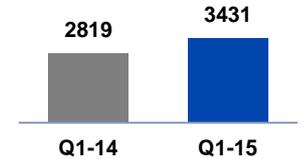
# GETINGE GROUP

- Strong order intake in Q1
  - Positive development in WE (5,6 %) and NA (10,3 %)
- Gross margin decrease
  - Low utilization of capital goods plants
  - Negative currency effects
  - Challenges in the BRIC-countries
- EBITA improvement
  - EBITA margin 12,5 % (12,8%)
  - Positively impacted by non-recurring revenue of SEK 76 m (Pulsion perfusion business divestment)
  - SEK 50 m - FDA loss of revenue and higher costs
- Other key activities:
  - FDA Consent Decree signed
  - Launch of two new IT solutions for clinical logistics and data handling

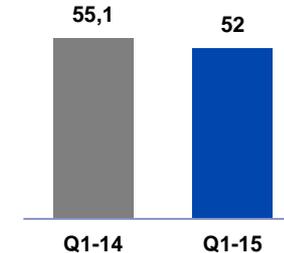
ORDER INTAKE, %  
(organic)



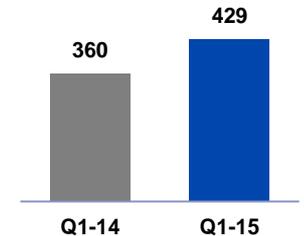
NET SALES, MSEK



GROSS MARGIN, %



EBITA\*, MSEK



\* Before restructuring cost

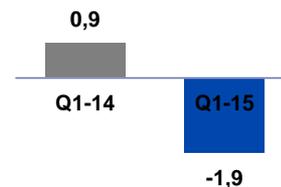
# Extended Care

## Q1 - Summary

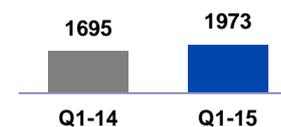
# GETINGE GROUP

- Order intake
  - Weak development in WE (-3,1%) and NA (-8%)
  - RoW +17,8 %
- Gross margin decrease
  - Product mix
  - Negative currency effects
- EBITA declined by 5 %
  - EBITA margin 11,6% (14,2%)
- Other key activities:
  - Restructuring program to improve the US rental business performance
  - Streamlining of organizational structure in Western Europe
  - Launch of new product - Seba

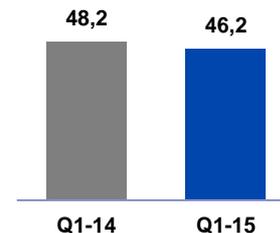
ORDER INTAKE, %  
(organic)



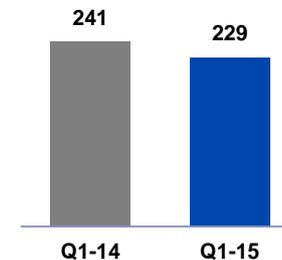
NET SALES, MSEK



GROSS MARGIN, %



EBITA\*, MSEK



\* Before restructuring cost

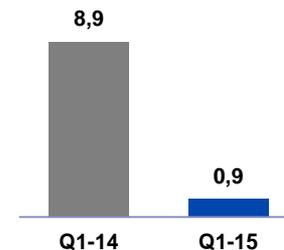
# Infection Control

## Q1 - Summary

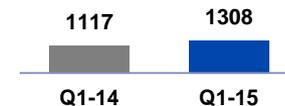
# GETINGE GROUP

- Order intake
  - Satisfactory order growth in WE (2,2%) and RoW (6,0%)
  - BRIC-countries continue to be challenging
  - Disappointing development in NA (-5,5%)
- Lower gross margin
  - Low utilization in capital goods plants
- EBITA below expectation
  - EBITA margin 4,5 % (6,3%)
- Other key activities:
  - Continued transfer of production to Poznan plant
  - Business agreement signed with TSO3
  - New EVP to turn around the business

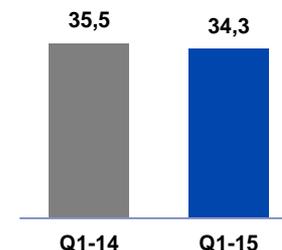
ORDER INTAKE, %  
(organic)



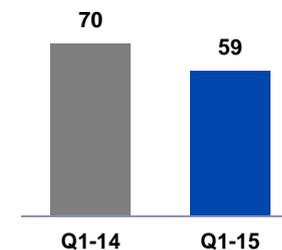
NET SALES, MSEK



GROSS MARGIN, %



EBITA\*, MSEK



\* Before restructuring cost



**Consent Decree signed by judge February 3, 2015**



**Efforts in customer relations incl. clarification of the Consent Decree and Certificate Medical Necessity**



**Remediation program is progressing according to plan**



**Financial impact in Q1 – SEK 100 m**  
(of which SEK 50 m EBITA and SEK 50 m restructuring)

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## Initial Priorities & Focus Areas

### New CEO

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Get to **know** the **organization** and **the people**

**Ensure** 2015 plans **are delivered**

Develop a **Performance Improvement Plan**

Present **the plan** incl. **new financial targets** on **Capital Markets Day**

# Getinge Group

## Consolidated Results

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	2015	2014	Change %
	Q1	Q1	
Net sales, SEK M	6 712	5 632	19,2%
Gross margin	46,8%	49,3%	-2,5 %
Operating cost, SEK M	-2 615	-2 254	16,1 %
EBITA before restructuring	717	670	
EBITA margin	10,7%	11,9%	
Restructuring & integration costs	- 183	- 814	
Net financial items	-189	-158	
Profit before tax	146	-452	

# FDA

## Financial Impact

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### First quarter, 2015

	<u>SEK million</u>
EBITA result	-50
Restructuring charges	-50
Operating profit	-100

### 2014

	<u>SEK million</u>
Provision, 1st quarter	799
Currency effect, 3rd quarter	21
Additional provision, 4th quarter	175
Total	995

Completed remediation activities 2014, provision utilized	-470
Closing balance December 31st, 2014	525

### 2015

Completed remediation activities 1st quarter, provision utilized	-105
Closing balance March 31st, 2015	420

## Restructuring charges amount to SEK 183 m in Q1 2015

- **Medical Systems – SEK 69 million**
  - Payment to US Government – Consent Decree (SEK 50 m)
  - Restructuring of R&D within Cardiac Surgery (SEK 10 m)
- **Extended Care – SEK 91 million**
  - Restructuring program for improved rental business in the US (SEK 77 m)
  - Streamlining of organizational structure on Western Europe (SEK 1 m)
  - Restructuring program R&D (SEK 13 m)
- **Infection Control – SEK 24 million**
  - Efficiency-enhancement program / supply-chain (SEK 24 m)

**Restructuring charges for 2015 are expected to amount to SEK 540 m**

# FX effects

## Q1

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SEK m	Transaction effects	Translation effects	<b>Total</b>
EBITA	-46	122	<b>76</b>
EBIT	-46	48	<b>2</b>
Profit before tax	-46	21	<b>-25</b>

FX effects  
**FY 2015**

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SEK m	Transaction effects	Translation effects	<b>Total</b>
EBITA	-250	510	<b>260</b>
EBIT	-250	340	<b>90</b>
Profit before tax	-250	240	<b>-10</b>

# Financials

## Q1

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	2015	2014
	Q1	Q1
Cash flow from operation, SEK million	654	438
Cash conversion, %	69,8%	44% *
Net Debt, SEK million	23 526	20 171
Equity, SEK million	18 577	15 404
Equity / assets ratio, %	33,4%	34,0%
Net debt / equity ratio, multiple	1,27	1,31

\*Adjusted for the provision of SEK 799 m for consulting efforts to strengthen the quality management system within Medical Systems

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# Outlook 2015

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- 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 500 m on operating profit for 2015.
- FX effects are expected to negatively impact 2015 pre-tax earnings in the amount of SEK 10 m (transaction effects minus SEK 250 m and translations effects approx. SEK 240 m based on current exchange rates)
- Restructuring charges for 2015 are expected to amount to SEK 540 m
- The potential for improving the Group's profitability in the medium term remains favorable. Details of initiatives to strengthen the Group's profitability and growth profile will be communicated at the Capital Markets Day on August 31 2015.

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# Q&A

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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.