



GETINGE GROUP

# Q2 REPORT

# JANUARY – JUNE 2016

ALEX MYERS, CEO & PERNILLE FABRICIUS, CFO

JULY 14, 2016



GETINGE GROUP

# OVERVIEW

# GENERAL BUSINESS

ALEX MYERS, CEO

## Q2 IN BRIEF

HIGH ACTIVITY IN TRANSFORMATION AND EFFICIENCY PROGRAM

- **Positive trend in organic order intake in Q2**
- **Organic net sales affected by low order intake Q1 and supply constraints**
- **Gross Profit 45.7 % (46.4 %), primarily due to currency effects**
- **Efficiency enhancements continue to show positive effect**
- **EBITA\*-growth +10.2 %**
- **Continued focus on quality**
  - Established a global structure for harmonization and continuous improvements
  - High activity on Hechingen remediation plan, still awaiting FDA response on remediation plan
- **Product launches – and a strong pipeline going forward**

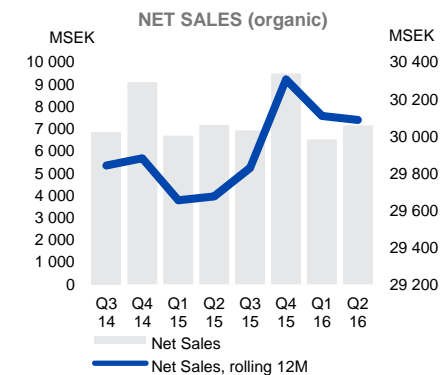
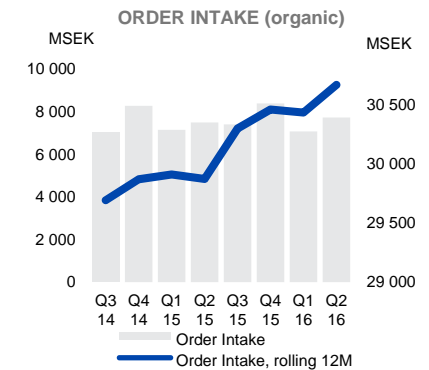
\*before restructuring and acquisition expenses

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# TOP LINE DEVELOPMENT

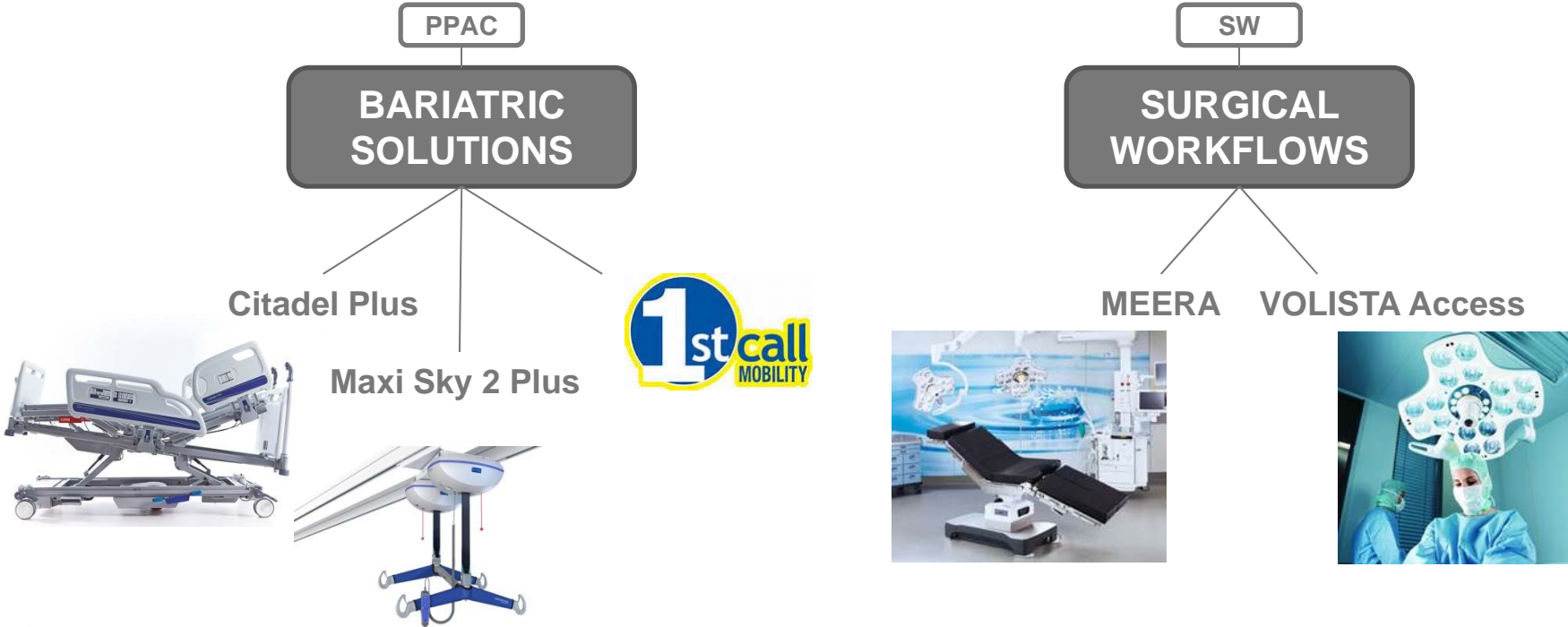
## POSITIVE TREND IN ORDER INTAKE

- **Order intake +3.0 %** (organic)
  - SW +3.3%, ACT +8.7%, PPAC -5.6%
  - EMEA +4.3, Americas -1.2 %, APAC +9.6 %
  - Growth in both Reccuring Revenues and Capital Goods
- **Net sales down 0.3 %** (organic)
  - Following weak order intake in Q1
  - Supply constraints due to remediation process within Cardiopolmunary
  - SW +2.4%, ACT +0.8%, PPAC -5.3%
  - Growth in APAC, stable in EMEA and decline in Americas



# STRENGTHENING CUSTOMER OFFERING

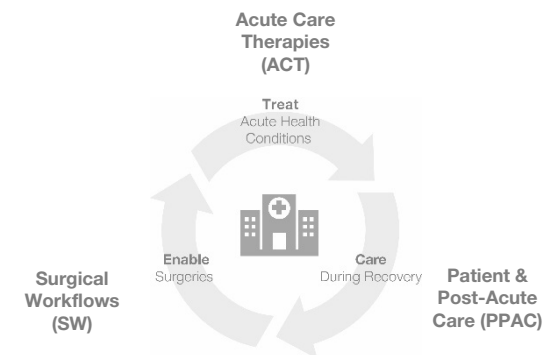
LAUNCHES AND ACQUISITION IN Q2 TARGETING GROWING SEGMENTS



# TRANSFORMATION PROGRAM UPDATE

TRANSFORMATION IN LINE WITH PLAN

- **New organization in place**
  - Operationally now acting as one Getinge
- **BIG 5 according to plan**
  - Savings amounted to SEK 85-90 M in Q2
  - Accumulated savings YTD amounts to SEK 160-170 M
- **Continued lower sales and administration costs**
  - Tapping synergies in the organizational move towards one Getinge
  - Keeping the field organization intact



# FDA & REMEDIATION PROGRAM UPDATE

AWAITING DECISION FROM FDA ON IMPROVEMENT PLAN

- **Continued focus on quality**
  - Established a global structure for harmonization and continuous improvements
- **High activity in Hechingen**
  - Initiatives ongoing in line with improvement plan
  - Revised plan still awaiting response from the FDA
- **Remediation program provision: SEK 42 M utilized in Q2**
  - Closing balance June 30 amounting to SEK 87 M
  - Additional investments related to Hechingen not included



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# OVERVIEW FINANCIALS

PERNILLE FABRICIUS, CFO



## Q2 HIGHLIGHTS – TRADING

### STRENGTHENED EBITA BEFORE RESTRUCTURING AND ACQUISITIONS

- Organic net sales at SEK 7,159 M, decreased marginally relative to LY by -0.3%
- Gross profit at SEK 3,167 M, a reduction of SEK 164 M compared to LY (-4,9 %), mainly due to currency effect
- Selling and admin expenses at SEK 2,342 M, representing a reduction of SEK 216 M relative to LY (-8.4%)
- EBITA before restr and acq increased by SEK 73 M to SEK 788 M compared to LY (+10,2 %)
- Restructuring and acquisition costs increased by SEK 44M from SEK 97 M LY to SEK 141 M
- Profit before tax consequently increased to SEK 311 M, up SEK 68 M compared to LY

# INCOME STATEMENT – Q2

## LOWER SALES COMPENSATED BY CONTINUED COST REDUCTIONS

- Net sales down 3.5 % (org. -0.3%)
- Big 5 on plan with selling and admin reduced by SEK 216 M
- EBITA before restr. and acq. at SEK 788 M
- EBITA\*-growth 10.2%

One offs	Q2 2016	Q2 2015
<b>EBITA before restructuring and acquisition expenses*</b>	<b>873</b>	<b>715</b>
Medical Device Tax		32
Prior period adjustments	80	100
FDA Effect	31	75
<b>EBITA before restructuring and acquisition expenses, adj*</b>	<b>984</b>	<b>922</b>

\*2016 adjusted to last years rate

- Quality remediation provision reduced by SEK 42 M

M SEK	
Provision closing balance December 31st, 2015	193
Provision utilized Q1	-64
Provision utilized Q2	-42
<b>Provision closing balance June 30th, 2016</b>	<b>87</b>

\*before restructuring and acquisition expenses

MSEK	Q2 2016	Q2 2016*	Q2 2015	Change %
Net Sales	6 927	7 159	7 181	-3,5%
Total Cost of Goods/Services sold	-3 760	-3 852	-3 850	2,3%
<b>Gross Profit</b>	<b>3 167</b>	<b>3 307</b>	<b>3 331</b>	<b>-4,9%</b>
<i>In % of Net Sales</i>	<b>45,7%</b>	<b>46,2%</b>	<b>46,4%</b>	
<b>EBIT before restructuring and acquisition expenses</b>	<b>614</b>	<b>693</b>	<b>525</b>	<b>17,0%</b>
<i>In % of Net Sales</i>	<b>8,9%</b>	<b>9,7%</b>	<b>7,3%</b>	
<b>EBITA before restructuring and acquisition expenses</b>	<b>788</b>	<b>873</b>	<b>715</b>	<b>10,2%</b>
<i>In % of Net Sales</i>	<b>11,4%</b>	<b>12,2%</b>	<b>10,0%</b>	
Restructuring-, integration and acquisition costs	- 141	- 145	- 97	-45,4%
<b>EBITA</b>	<b>646</b>	<b>728</b>	<b>618</b>	<b>4,5%</b>
<i>In % of Net Sales</i>	<b>9,3%</b>	<b>10,2%</b>	<b>8,6%</b>	
<b>EBIT</b>	<b>473</b>	<b>548</b>	<b>428</b>	<b>10,5%</b>
<i>In % of Net Sales</i>	<b>6,8%</b>	<b>7,7%</b>	<b>6,0%</b>	
Financial items	- 162		- 185	12,4%
<b>Profit before tax</b>	<b>311</b>		<b>243</b>	<b>28,0%</b>
<i>In % of Net Sales</i>	<b>4,5%</b>		<b>3,4%</b>	
Taxes	- 84		- 66	-27,3%
<b>Net profit</b>	<b>227</b>		<b>177</b>	<b>28,2%</b>
<i>In % of Net Sales</i>	<b>3,3%</b>		<b>2,5%</b>	

\*AC adjusted for LY divestments and LY rates

# INCOME STATEMENT – YTD

## LOWER SALES COMPENSATED BY CONTINUED COST REDUCTIONS

- Net sales down 4.2% (org. -1.7%)
- Big 5 on plan, selling and admin exp down SEK 344 M
- EBITA before restr. and acq. at SEK 1,408M
- EBITA\* growth -1.7%

One offs	jan-jun 2016	jan-jun 2015
<b>EBITA before restructuring and acquisition expenses*</b>	<b>1 501</b>	<b>1 432</b>
Pulsion divestment		- 76
Prior period adjustment	80	100
Medical Device Tax		59
FDA Effect	66	125
<b>EBITA before restructuring and acquisition expenses, adj*</b>	<b>1 647</b>	<b>1 640</b>

\*2016 adjusted to last years rate

- Quality remediation provision reduced by SEK 106 M

M SEK	
Provision closing balance December 31st, 2015	193
Provision utilized Q1	-64
Provision utilized Q2	-42
<b>Provision closing balance June 30th, 2016</b>	<b>87</b>

\*before restructuring and acquisition expenses

MSEK	YTD 2016	YTD 2016*	YTD 2015	Change %
Net Sales	13 304	13 656	13 893	-4,2%
Total Cost of Goods/Services sold	-7 126	-7 315	-7 420	4,0%
<b>Gross Profit</b>	<b>6 178</b>	<b>6 342</b>	<b>6 473</b>	<b>-4,6%</b>
<i>In % of Net Sales</i>	<b>46,4%</b>	<b>46,4%</b>	<b>46,6%</b>	
<b>EBIT before restructuring and acquisition expenses</b>	<b>1 061</b>	<b>1 149</b>	<b>1 052</b>	<b>0,9%</b>
<i>In % of Net Sales</i>	<b>8,0%</b>	<b>8,4%</b>	<b>7,6%</b>	
<b>EBITA before restructuring and acquisition expenses</b>	<b>1 408</b>	<b>1 501</b>	<b>1 432</b>	<b>-1,7%</b>
<i>In % of Net Sales</i>	<b>10,6%</b>	<b>11,0%</b>	<b>10,3%</b>	
Restructuring-, integration and acquisition costs	- 272	- 276	- 290	6,2%
<b>EBITA</b>	<b>1 136</b>	<b>1 225</b>	<b>1 142</b>	<b>-0,5%</b>
<i>In % of Net Sales</i>	<b>8,5%</b>	<b>9,0%</b>	<b>8,2%</b>	
<b>EBIT</b>	<b>789</b>	<b>872</b>	<b>762</b>	<b>3,5%</b>
<i>In % of Net Sales</i>	<b>5,9%</b>	<b>6,4%</b>	<b>5,5%</b>	
Financial items	- 321		- 374	14,2%
<b>Profit before tax</b>	<b>468</b>		<b>388</b>	<b>20,6%</b>
<i>In % of Net Sales</i>	<b>3,5%</b>		<b>2,8%</b>	
Taxes	- 126		- 105	-20,0%
<b>Net profit</b>	<b>342</b>		<b>283</b>	<b>20,8%</b>
<i>In % of Net Sales</i>	<b>2,6%</b>		<b>2,0%</b>	

\*AC adjusted for LY divestments and LY rates

# ORDERS & NET SALES

BY REGION AS WELL AS PRODUCT CATEGORY

## Business Category Unit - Actual

	Q2	Q2	%	YTD	YTD	%
	2016	2015		2016	2015	
<b>Order Intake, external</b>						
Surgical Workflows	2 710	2 723	-0.5%	4 946	5 113	-3.3%
Acute Care Therapies	2 958	2 812	5.2%	5 839	5 666	3.1%
Patient & Post- Acute Care	1 792	1 981	-9.5%	3 599	3 929	-8.4%
<b>Getinge Group total</b>	<b>7 460</b>	<b>7 516</b>	<b>-0.7%</b>	<b>14 384</b>	<b>14 708</b>	<b>-2.2%</b>

	Q2	Q2	%	YTD	YTD	%
	2016	2015		2016	2015	
<b>Net Sales, external</b>						
Surgical Workflows	2 384	2 398	-0.6%	4 327	4 520	-4.3%
Acute Care Therapies	2 796	2 863	-2.3%	5 407	5 480	-1.3%
Patient & Post- Acute Care	1 747	1 920	-9.0%	3 570	3 893	-8.3%
<b>Getinge Group total</b>	<b>6 927</b>	<b>7 181</b>	<b>-3.5%</b>	<b>13 304</b>	<b>13 893</b>	<b>-4.2%</b>

## Business Category Unit - Organic

	Q2	Q2	%	YTD	YTD	%
	2016	2015		2016	2015	
<b>Order Intake, external</b>						
Surgical Workflows	2 812	2 723	3.3%	5 089	5 113	-0.5%
Acute Care Therapies	3 057	2 812	8.7%	5 967	5 666	5.3%
Patient & Post- Acute Care	1 870	1 981	-5.6%	3 728	3 929	-5.1%
<b>Getinge Group total</b>	<b>7 739</b>	<b>7 516</b>	<b>3.0%</b>	<b>14 784</b>	<b>14 708</b>	<b>0.5%</b>

	Q2	Q2	%	YTD	YTD	%
	2016	2015		2016	2015	
<b>Net Sales, external</b>						
Surgical Workflows	2 455	2 398	2.4%	4 435	4 520	-1.9%
Acute Care Therapies	2 885	2 863	0.8%	5 526	5 480	0.8%
Patient & Post- Acute Care	1 819	1 920	-5.3%	3 694	3 893	-5.1%
<b>Getinge Group total</b>	<b>7 159</b>	<b>7 181</b>	<b>-0.3%</b>	<b>13 655</b>	<b>13 893</b>	<b>-1.7%</b>

## Regional - Actual

	Q2	Q2	%	YTD	YTD	%
	2016	2015		2016	2015	
<b>Order Intake, external</b>						
EMEA	3 222	3 200	0.7%	6 169	6 364	-3.1%
Americas	2 895	3 049	-5.1%	5 804	5 909	-1.8%
APAC	1 343	1 267	6.0%	2 411	2 435	-1.0%
<b>Getinge Group total</b>	<b>7 460</b>	<b>7 516</b>	<b>-0.7%</b>	<b>14 384</b>	<b>14 708</b>	<b>-2.2%</b>

	Q2	Q2	%	YTD	YTD	%
	2016	2015		2016	2015	
<b>Net Sales, external</b>						
EMEA	2 978	3 086	-3.5%	5 632	5 966	-5.6%
Americas	2 764	2 891	-4.4%	5 520	5 646	-2.2%
APAC	1 185	1 204	-1.6%	2 152	2 281	-5.7%
<b>Getinge Group total</b>	<b>6 927</b>	<b>7 181</b>	<b>-3.5%</b>	<b>13 304</b>	<b>13 893</b>	<b>-4.2%</b>

## Regional - Organic

	Q2	Q2	%	YTD	YTD	%
	2016	2015		2016	2015	
<b>Order Intake, external</b>						
EMEA	3 338	3 200	4.3%	6 369	6 364	0.1%
Americas	3 012	3 049	-1.2%	5 931	5 909	0.4%
APAC	1 389	1 267	9.6%	2 484	2 435	2.0%
<b>Getinge Group total</b>	<b>7 739</b>	<b>7 516</b>	<b>3.0%</b>	<b>14 784</b>	<b>14 708</b>	<b>0.5%</b>

	Q2	Q2	%	YTD	YTD	%
	2016	2015		2016	2015	
<b>Net Sales, external</b>						
EMEA	3 077	3 086	-0.3%	5 810	5 966	-2.6%
Americas	2 859	2 891	-1.1%	5 635	5 646	-0.2%
APAC	1 223	1 204	1.6%	2 210	2 281	-3.1%
<b>Getinge Group total</b>	<b>7 159</b>	<b>7 181</b>	<b>-0.3%</b>	<b>13 655</b>	<b>13 893</b>	<b>-1.7%</b>

# PRODUCT SEGMENTATION – Q2

POSITIVE EBITA-MARGIN DEVELOPMENT IN SW AND PPAC

Actual

Segment Overview, mSEK	Q2 2016		Q2 2015		Q2 2016		Q2 2015		Q2 2016		Q2 2015	
	Surgical Workflows	Acute Care Therapies	Patient & Post-Acute Care	Central Functions	TOTAL GETINGE GROUP							
Order Intake, external	2 710	2 723	2 958	2 812	1 792	1 981	-	-	7 460	7 516		
Net Sales, external	2 384	2 398	2 796	2 863	1 747	1 920	-	-	6 927	7 181		
Cost of Goods/Services sold	-1 528	-1 515	-1 230	-1 293	-1 002	-1 042	-	-	-3 760	-3 850		
<b>Gross Profit</b>	<b>856</b>	<b>883</b>	<b>1 566</b>	<b>1 570</b>	<b>745</b>	<b>878</b>	-	-	<b>3 167</b>	<b>3 331</b>		
Gross margin, %	35,9%	36,8%	56,0%	54,8%	42,6%	45,7%	-	-	45,7%	46,4%		
EBITA before restructuring-, integration and acquisition costs	193	131	491	514	154	128	- 50	- 58	788	715		
EBITA margin, %	8,1%	5,5%	17,6%	18,0%	8,8%	6,7%	-	-	11,4%	10,0%		
Restructuring-, integration and acquisition costs	- 38	- 49	- 40	- 34	- 34	- 13	- 29	- 1	- 141	- 97		
<b>EBITA</b>	<b>155</b>	<b>82</b>	<b>451</b>	<b>480</b>	<b>120</b>	<b>115</b>	<b>- 79</b>	<b>- 59</b>	<b>647</b>	<b>618</b>		
<b>EBIT</b>	<b>148</b>	<b>75</b>	<b>314</b>	<b>331</b>	<b>90</b>	<b>82</b>	<b>- 79</b>	<b>- 60</b>	<b>473</b>	<b>428</b>		
EBIT margin, %	6,2%	3,1%	11,2%	11,6%	5,2%	4,3%			6,8%	6,0%		

# PRODUCT SEGMENTATION – YTD

POSITIVE EBITA-MARGIN DEVELOPMENT IN SW AND PPAC

Actual

Segment Overview, mSEK	YTD 2016	YTD 2015	YTD 2016	YTD 2015	YTD 2016	YTD 2015	YTD 2016	YTD 2015	YTD 2016	YTD 2015
	Surgical Workflows		Acute Care Therapies		Patient & Post-Acute Care		Central Functions		TOTAL GETINGE GROUP	
Order Intake, external	4 946	5 113	5 839	5 666	3 599	3 929	-	-	14 384	14 708
Net Sales, external	4 327	4 520	5 407	5 480	3 570	3 893	-	-	13 304	13 893
Cost of Goods/Services sold	-2 759	-2 851	-2 405	-2 465	-1 962	-2 104	-	-	-7 126	-7 420
<b>Gross Profit</b>	<b>1 568</b>	<b>1 669</b>	<b>3 002</b>	<b>3 015</b>	<b>1 608</b>	<b>1 789</b>	-	-	<b>6 178</b>	<b>6 473</b>
Gross margin, %	36,2%	36,9%	55,5%	55,0%	45,0%	46,0%	-	-	46,4%	46,6%
EBITA before restructuring-, integration and acquisition costs	238	190	862	974	409	368	- 101	- 100	1 408	1 432
EBITA margin, %	5,5%	4,2%	15,9%	17,8%	11,5%	9,5%	-	-	10,6%	10,3%
Restructuring-, integration and acquisition costs	- 80	- 73	- 100	- 112	- 48	- 104	- 44	- 1	- 272	- 290
<b>EBITA</b>	<b>158</b>	<b>117</b>	<b>762</b>	<b>862</b>	<b>361</b>	<b>264</b>	<b>- 145</b>	<b>- 101</b>	<b>1 136</b>	<b>1 142</b>
<b>EBIT</b>	<b>145</b>	<b>103</b>	<b>488</b>	<b>565</b>	<b>301</b>	<b>197</b>	<b>- 145</b>	<b>- 103</b>	<b>789</b>	<b>762</b>
EBIT margin, %	3,4%	2,3%	9,0%	10,3%	8,4%	5,1%	-	-	5,9%	5,5%

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# Balance Sheet



# BALANCE SHEET

## FOCUS ON NET DEBT DEVELOPMENT

<b>Net debt,</b> mSEK	<b>2016</b> <b>30-Jun</b>	2015 30-Jun	2015 31-Dec
Debt to credit institutions	<b>22 071</b>	21593	21283
Provisions for pensions, interest-bearing	<b>3 115</b>	3 145	3 052
<b>Interest-bearing liabilities</b>	<b>25 186</b>	<b>24 738</b>	<b>24 335</b>
Less liquid funds	<b>-1 845</b>	-1392	-1468
<b>Net interest-bearing debt</b>	<b>23 341</b>	<b>23 346</b>	<b>22 867</b>

<b>Change in net debt,</b> mSEK	<b>2016</b> <b>30-Jun</b>	2015 30-Jun	2015 31-Dec
Change in net debt	<b>474</b>	804	326
Currency effect	<b>364</b>	- 513	- 581
Acquisitions/Divestments	<b>- 214</b>	297	261
Actuarial gains/losses pensions, gross	<b>- 141</b>	67	- 23
<b>Adjusted change in net debt</b>	<b>483</b>	<b>655</b>	<b>- 17</b>

Net debt to equity ratio	<b>123,0%</b>	124,0%	116,7%
Net debt to EBITDA before restructuring	<b>3,99</b>	4,40	3,89

<b>Assets,</b> MSEK	<b>2016</b> <b>30-Jun</b>	2015 30-Jun	2015 31-Dec
Intangible assets	<b>26 829</b>	27 120	26 704
Capitalised Development Projects	<b>3 857</b>	3 602	3 839
Tangible fixed assets	<b>4 652</b>	4 857	4 699
Financial fixed assets	<b>1 773</b>	1541	1374
Inventory	<b>5 896</b>	5 881	5 409
Accounts receivable	<b>6 284</b>	6 196	7 470
Other current receivables	<b>2 420</b>	2 841	2 272
Cash and cash equivalents	<b>1 845</b>	1392	1468
<b>Total assets</b>	<b>53 556</b>	<b>53 430</b>	<b>53 235</b>

<b>Shareholders' equity &amp; Liabilities,</b> MSEK	<b>2016</b> <b>30-Jun</b>	2015 30-Jun	2015 31-Dec
Shareholders' equity	<b>18 977</b>	18 825	19 593
Pension Provision	<b>3 115</b>	3 145	3 052
Other interest bearing liabilities	<b>22 071</b>	21593	21283
Other Provisions	<b>2 024</b>	2 444	2 243
Accounts Payable	<b>1 765</b>	1915	1986
Other non interest-bearing liabilities	<b>5 604</b>	5 538	5 078
<b>Total Equity &amp; Liabilities</b>	<b>53 556</b>	<b>53 430</b>	<b>53 235</b>



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# Cash Flow



# CASH FLOW

## CASH FROM OPERATIONS IMPACTED BY TAX AND WORKING CAPITAL REDUCTIONS

- Operating cash flow at SEK 463 M representing a decrease by SEK 135 M in Q2 compared to LY
- Cash Conversion at 44,7% compared to 57,7% LY
- Net investments down by SEK 17 M relative to LY, in total amounting to SEK 236 M
- Cash flow after net investments SEK -152 M, decreased by SEK 305 M compared to LY

MSEK	Q2	Q2	YTD	YTD
	2016	2015	2016	2015
EBITDA	1 035	1 037	1 963	1 973
Restructuring cost expenses	-69	-93	-141	-177
Financial items	-162	-185	-321	-374
Taxes paid	-101	-254	-262	-526
<b>Cash flow before changes in working capital</b>	<b>731</b>	<b>517</b>	<b>1 271</b>	<b>912</b>
<b>Changes in working capital</b>	<b>-268</b>	<b>81</b>	<b>-108</b>	<b>340</b>
<b>Cash flow from operations</b>	<b>463</b>	<b>598</b>	<b>1 163</b>	<b>1 252</b>
Cash Conversion	44,7%	57,7%	59,2%	63,4%
Cash flow from investments	-615	-445	-975	-559
<b>Cash flow after net investments</b>	<b>-152</b>	<b>153</b>	<b>188</b>	<b>693</b>
Cash flow from financial activities	-122	-1 186	197	33
Change in net debt	-724	179	-474	-804
<b>Cash flow for the period</b>	<b>-274</b>	<b>-1 033</b>	<b>385</b>	<b>726</b>



GETINGE GROUP

# OUTLOOK

ALEX MYERS, CEO

# OUTLOOK

GETINGE GROUP 2016

- **Organic growth is expected to be modest in 2016**
- **The financial consequences of the Consent Decree with the FDA** are expected to have a negative impact of approximately SEK 130 M on the Group's 2016 operating profit. Getinge is awaiting the FDA's decision of the remediation plan related to the production unit in Hechingen. Hence, the financial consequences could be adjusted in line with the approved plan
- **Restructuring costs for the full-year 2016** are expected to amount to approximately SEK 800 M (657)

# SUMMARY

2<sup>ND</sup> QUARTER IN THE 3-4 YEAR TRANSFORMATION PROCESS

- **Positive trend in organic order intake in Q2**
- **Organic net sales affected by low order intake Q1 and supply constraints**
- **Gross Profit 45.7 % (46.4 %), primarily due to currency effects**
- **Efficiency enhancements continue to show positive effect**
- **EBITA\*-growth +10.2 %**
- **Continued focus on quality**
- **Product launches – and a strong pipeline going forward**

\*before restructuring and acquisition expenses

# Q&A

## FORWARD LOOKING INFORMATION

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.

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**THANK YOU**