
Interim Report **January – June 2015**

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Getinge Group

Continued challenges but optimistic for the future

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▪ Mixed market development

- Low organic order intake -0,7 %
- Positive development in North America
- Western Europe somewhat weak
- Mixed picture in Emerging Markets and the BRIC

▪ Weak margin performance

- Negative currency effects, impact of Consent Decree, low utilization of capital goods plants
- Increased costs related to FDA and a write-off of assets amounting to SEK 100 M in the Extended Care US business

▪ High activity level

- Continued focus on ongoing efficiency programs
- Increased cost containment
- FDA remediation program according to plan
- Investments & "One Getinge" in Emerging Markets
- Group Quality & Regulatory Compliance function
- Global Values and Ethics roll-out

	Q2, 2015	Q2, 2014	Change %
Order intake	7 516	6 651	13,0 %
<i>Organic, %</i>	-0,7%	-0,5%	
Net sales	7 181	6 327	13,5%
Gross margin	46,4%	48,7%	-2,3%
EBITA*	715	905	-21,0%

*before restructuring, acquisition and integration cost



Medical Systems Business Area

Weak quarter but positive development in the US

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- **Flat order intake**
 - Continued positive development in NA, especially in the US (4,4 %)
 - Cardiovascular, strong US performance
 - Weak development in Western Europe
- **Declining gross margin**
 - Increased FDA effects
 - Negative currency effects
 - Low utilization of capital goods plants
- **Negative EBITA development**
 - EBITA margin 13,2 % (18,2%)
 - Negatively impacted by SEK 75 M related to FDA - loss of revenue and higher costs
- **Other key activities**
 - Launch of new turbine ventilator SERVO-air
 - FDA financial impact in Q2 – SEK 75 M
 - Ongoing litigation case in the US

	Q2, 2015	Q2, 2014	Change %
Order intake	3 925	3 420	14,8%
<i>Organic, %</i>	0,1%	-2,9%	
Net sales	3 781	3 299	14,6%
Gross margin	51,4%	55,3%	-3,9%
EBITA*	499	600	-16,8%

*before restructuring, acquisition and integration cost



Extended Care Business Area

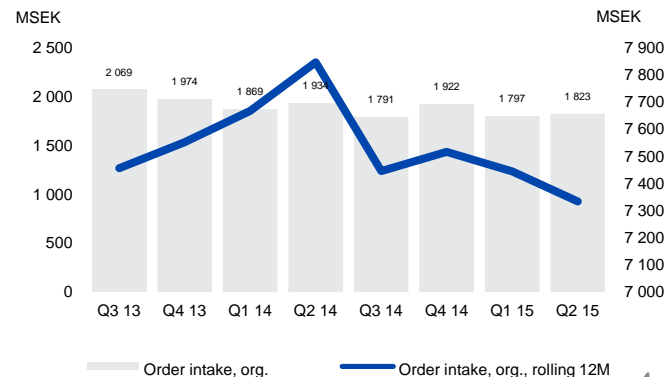
Good cost containment in a weak market

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- **Weak order intake**
 - Weak development in Western Europe (-4,2%) and North America (-9,0%)
 - Positive development in ROW (+5,6%)
- **Gross margin in line with last year**
 - Continued weak rental business but US restructuring showing positive impact
- **Declining EBITA result due to one-off**
 - EBITA margin 5,9% (9,9%)
 - Good cost containment - sales & admin costs decreasing
 - Write-off of assets amounting to SEK 100 M in the Extended Care US business
 - EBITA improves, excluding adjustment
- **Other key activities**
 - Continued restructuring of the US rental operations
 - Efficiency efforts in R&D
 - Launch of patient care system Citadel

	Q2, 2015	Q2, 2014	Change %
Order intake	1 981	1 817	9,0%
Organic, %	-4,1%	4,5%	
Net sales	1 920	1 709	12,3%
Gross margin	45,7%	45,6%	0,1%
EBITA*	113	170	-33,5%

*before restructuring, acquisition and integration cost



Infection Control Business Area

Positive order intake & continued efficiency agenda

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- **Positive order intake development**
 - Positive development in North America (6,7%) and Western Europe (2,8%)
 - Strong performance of Life Science business
- **Gross margin decrease**
 - Unfavourable product mix and low utilization in capital goods plants
- **Declining EBITA result**
 - Cost increase related to acquisitions
 - EBITA margin 6,9% (10,2%)
- **Other key activities**
 - Focus on the supply chain efficiency agenda
 - Closure of site in Rochester, NY, US and transfer of production to Poznan, Poland

	Q2, 2015	Q2, 2014	Change %
Order intake	1 610	1 415	13,8%
<i>Organic, %</i>	1,6%	-0,9%	
Net sales	1 480	1 320	12,1%
Gross margin	34,5%	36,4%	-1,9%
EBITA**	103	135	-23,7%

*before restructuring, acquisition and integration cost





Key Restructuring and Integration Activities Second Quarter 2015

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Medical Systems

- Organizational changes within Cardiovascular division
- Integration of Pulsion
- Total Q2 restructuring cost amounts to SEK 29 million

Extended Care

- Restructuring program for improved rental business in the US
- Restructuring program R&D
- Total Q2 restructuring cost amounts to SEK 13 million

Infection Control

- Transfer of production from Rochester, NY, to Poznan, Poland
- Efficiency enhancement program within supply chain
- Total Q2 restructuring cost amounts to SEK 44 million

- Restructuring charges amount to SEK 86 m in Q2 2015
- Restructuring charges for 2015 are expected to amount to SEK 540 m

FDA Update



FDA General Update

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- Third party inspections in Q2
 - Hudson & Merrimack, NJ, USA - completed
 - Wayne, NJ, USA - ongoing
- More rigorous validation process causing production slow-down at Atrium
- Financial impact in Q2 – SEK 75 M
- 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
TOTAL operating profit, June 30th 2015	-175

- SEK 75 M was charged to the quarter for loss of revenue and higher costs
- The financial impact on operating profit by June 30th amounts to SEK 175 M
- The total financial consequences related to the consent decree still estimated to amount to SEK 500 M and will impact the Group's operating profit 2015
- Potential additional payment of SEK 50 M to the US Government covered in the SEK 500 M

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

- SEK 101 M was utilized during the quarter
- Closing balance June 30th SEK 319 M

Financials

SEK M	Q2	Q2	Change	Jan-Jun	Jan-Jun	Change
	2015	2014	%	2015	2014	%
Net Sales	7 181	6 327	13,5	13 893	11 959	16,2
<i>Organic</i>			-0,4			1,0
<i>Acquired</i>			0,5			0,5
<i>FX-effects</i>			+14,4			+15,7
Gross Margin	46,4	48,7	-2,3	46,6	49,0	-2,4
Selling cost (% of net sales)	23,5	22,8	0,7	24,2	23,7	0,5
Admin cost (% of net sales)	12,2	11,2	1,0	12,5	11,6	0,9
EBITA before restructuring	715	905	-21,0	1 432	1 575	-9,1
EBITA margin	10,0	14,3	-4,3	10,3	13,2	-2,9

- Gross margin decline by 2,3 % mainly relating to negative currency effects, impact of Consent Decree, low utilization of capital goods plants
- Adjusted for currency effects, sales and admin cost increased by 5,2 % mainly relating to increased FDA effects, investments in Group-wide functions like Shared Services and investments in Extended Care sales organization in emerging markets

SEK M	Transaction effects	Translation effects	Total
Gross profit	-61	426	365
EBITA	-61	124	63
EBIT	-61	73	12
Profit before tax	-61	48	-13

SEK M	Transaction effects	Translation effects	Total
Gross profit	-240	1 510	1 270
EBITA	-240	510	270
EBIT	-240	330	90
Profit before tax	-240	230	-10

	2015	2014
	Q2	Q2
Cash flow from operation, SEK million	598	901
Cash conversion, %	57,7	73,1
Net Debt, SEK million	23 346	20 415
Equity, SEK million	18 825	16 284
Equity/assets ratio, %	35,2	34,7
Net debt/equity ratio, multiple	1,24	1,25

- Cash conversion from operations below last year due to increase in inventory
- Strong balance sheet with equity ratio of 35,2 % and net debt/equity ratio of 1,24

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 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 240 m and translations effects approx. SEK 230 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 September 2nd, 2015.

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.