Admission to trading for B-shares in Arjo AB (publ) at Nasdaq Stockholm

SEB

with people in mind

IMPORTANT INFORMATION

For certain definitions used in this prospectus, see "*Certain definitions*" on the next page.

A Swedish version of this prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the "**SFSA**") in accordance with Chapter 2, sections 25 and 26 of the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*). Approval and registration does not imply that the SFSA guarantees that the information in the prospectus is accurate or complete.

The prospectus are governed by Swedish law. Disputes arising in connection with this prospectus and related legal matters shall be settled exclusively by Swedish courts. The prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail.

This prospectus has been prepared for the purpose of Arjo's application of admission to trading of the shares in Arjo on Nasdaq Stockholm and does not contain any offer to subscribe for, or in any other way acquire shares or other financial instruments in the Company, neither in Sweden nor in any other jurisdiction. The prospectus and thereto related documents may not be distributed to or into the United States, Canada, Australia, Japan or any other jurisdiction where such distribution would require additional prospectuses, registration or measures besides those required by Swedish law or otherwise would be in conflict with applicable regulations in such countries or in such jurisdictions. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations.

Investing in shares is associated with risk (see "*Risk factors*"). When an investor makes an investment decision, he or she must rely on his or her own analysis of Arjo and the offering in accordance with this prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorized to provide any information or make any statements other than those made in this prospectus. Should such information or statement nevertheless be provided or be made it should not be considered to have been approved by Arjo, and Arjo is not responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in Arjo's business since this date. If significant changes relating to the information contained in this prospectus occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Swedish Financial Instruments Trading Act.

Important information to investors in the United States

The shares in Arjo has not been, and will not, be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities legislation of any state or other jurisdiction of the United States and may not be offered, sold, resold, delivered or otherwise transferred, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC), any state regulatory authority in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Forward-looking statements

The prospectus contains certain forward-looking information that reflects Arjo's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.

Factors that may cause Arjo's future results and development to differ from the forward-looking information include, but are not limited to, those described in "*Risk factors*". The forward looking information contained in this prospectus applies only as at the date of this prospectus. Arjo does not undertake any obligation to publicly announce any update or change in the forward-looking information as a result of new information, future events or similar circumstances other than as required by applicable laws and regulations.

Presentation of financial information

Certain figures in this prospectus, including financial data, have been rounded. Accordingly, figures shown in totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them.

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Important dates

Final day for trading in shares of series B of Getinge, including rights to distribution of shares of series B of Arjo:	December 6, 2017
Shares of series B of Getinge are traded exclusive rights to distribution of shares of series B of Arjo:	December 7, 2017
Record date for receiving shares of Arjo:	December 8, 2017
Estimated first day of trading of shares of series B of Arjo on Nasdaq Stockholm:	December 12, 2017

Other information

Ticker series B-share:	ARJO B
ISIN code series B-share:	SE0010468116

Financial information

Year-end report January-December 2017	February 6, 2018
Interim report January-March 2018	May 4, 2018
Annual General Meeting 2018	May 4, 2018

Certain definitions

In this prospectus, the following definitions are used:

"**Arjo**" or the "**Company**" means, depending on the context, Arjo AB (publ) (corporate registration number 559092-8064), or the group in which Arjo AB (publ) is the parent company.

The "**Group**" means Arjo AB (publ) and its subsidiaries.

"**Euroclear**" means Euroclear Sweden AB.

"**Getinge**" means, depending on the context, Getinge AB (publ) (corporate registration number 556408-5032), or the group in which Getinge AB (publ) is the parent company.

"**Nasdaq Stockholm**" means the Swedish regulated market Nasdaq Stockholm or its operator Nasdaq Stockholm AB, as the context may require.

"**SEB**" means Skandinaviska Enskilda Banken AB (publ) (corporate registration number 502032-9081).

"**SEK**", "**EUR**" and "**USD**" means Swedish kronor, Euro and U.S. dollars, respectively, and **M** indicate millions.

Summary

Prospectus summaries consist of information requirements presented in "items". The items are numbered in sections A–E (A.1–E.7).

The summary in this prospectus includes all of the items required in a summary for the relevant type of security and issuer. However, since certain items are not applicable to all types of prospectuses, there may be gaps in the numbering of the items.

Even if an item is required to be included in the summary for the relevant type of security and issuer, it is possible that no relevant information can be provided regarding the item. In such case, the information is replaced by a brief description of the item together with the indication "not applicable".

Section A – Introductions and warnings		
A.1	*Introduction and warnings*	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability may attach to those persons who produced the summary, including any translation thereof, only if the summary is misleading, inaccurate or inconsistent with other parts of the prospectus or if, together with other parts of the prospectus, it fails to provide key information to help investors when considering investing in such securities.
A.2	*Consent to use the prospectus*	Not applicable. Financial intermediaries are not entitled to use the prospectus for subsequent resale or final placement of securities.

Section B – Issuer		
B.1	*Legal and commercial name*	The legal name of the Company (and its commercial name) is Arjo AB (publ), Swedish corporate registration number 559092-8064.
B.2	*Domicile and legal form*	The registered office of the Board of Directors is situated in the municipality of Malmö, Sweden. The Company is a Swedish public limited liability company (Sw. *publikt aktiebolag*) governed by the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*).

B.3	*Nature of operations and principal activities*	Arjo's operations are based on genuine care for human health and well-being. Arjo is a global supplier of products, services and solutions that improve the quality of life for people with reduced mobility and age-related health challenges. The Company's offering includes products and solutions within the product segments Patient handling, Hygiene, Disinfection, Medical beds, Therapeutic surfaces, VTE prevention and Diagnostics. Additionally, the Company is offering its customers complementing services. Arjo believes the Company is one of the globally leading players in most of the product categories. Arjo creates value by improving treatment results for patients and enabling a better work environment for healthcare professionals. The Company thereby contributes to a sustainable healthcare system – always with people in mind. Arjo operates in more than 60 countries, which the Company has divided into three geographical areas: North America, Western Europe and Rest of the World. Arjo had approximately 5,900 employees as of September 30, 2017. The Company's main customers are private and public institutions providing acute and long-term care. The Company's head office is located in Malmö, Sweden. Arjo's income comes from the sale of capital goods, aftermarket related goods and services such as consumables and maintenance, along with leasing of capital goods. The Company estimates that aftermarket sales corresponded to about 60 percent of total sales in 2016.
B.4a	*Recent trends*	Hospitals are expected to take care of more patients as a result of a higher proportion of elderly and ill people, which places further demands on healthcare resources. The consequences of this include greater consolidation between healthcare companies to reduce total costs through economies of scale. Additional factors that affect the market are higher demands for quality assured products that can show documented treatment results and support sustainable development. A description of a selection of identified market trends is provided below. **Lower impact from economic climate** Arjo's market is considered to be defensive to the extent that the general economic performance has a relatively minor effect on demand in relation to the overall economic trend. One of the main reasons for this defensive character is that good health and healthcare are basic human needs, meaning that aggregated demand for the market's products and services is not directly linked to economic prosperity. Furthermore, the specific part of the market to which Arjo belongs has low dependence on individual customers and agreements and has a high percentage of recurring aftermarket income that entails sound revenue visibility for Arjo and similar companies and thus also the opportunity to adjust the cost base according to demand. **Greater efficiency and use of resources** The world's resources are primarily limited by finances and political priorities. As a consequence of constantly rising demand and limited economic resources, the healthcare sector must continually streamline its operations in order to meet patients' needs and expectations. A consequence for healthcare suppliers is increased demand for competitive offerings and sustainable solutions. Measures such as greater cost savings and streamlining need to be taken in order for suppliers to offer competitive solutions. This also imposes additional demands on changes to the sales processes. Demand for systems-based sales, whereby customers are offered integrated solutions that reflect their needs and enhance quality and productivity, are on the rise as an alternative to pure product sales. **Increased consolidation between hospitals, care units and market players** The global healthcare industry has undergone many changes since the financial crisis in 2009, including greater consolidation. Purchases are increasingly governed by central purchasing departments instead of doctors and healthcare professionals. In turn, these trends are leading to greater price pressure for suppliers and present difficulties for smaller competitors without a full product range for developing the expertise required to supply the extensive portfolio of products and services in demand.

B.4a, cont'd.		**Greater focus on healthcare quality** In all medical device companies, quality is a fundamental aspect that must permeate the entire operations in order to meet the safety and quality requirements that are a prerequisite for long-term players in the market. Healthcare quality is under constant scrutiny and healthcare providers are under pressure from all stakeholders to offer enhanced care. This means that suppliers may, in addition to their own, even need to meet healthcare providers' quality requirements and codes of conduct. To fulfill these rising quality requirements, market players may need to expand their quality and regulatory departments and prepare an efficient governance model for internal control in order to ensure procedures and processes for the quality program. **Digitization** The digitization of the healthcare market is on the increase and affects parts of the value chain in healthcare. To meet rising expectations for digital solutions, market players must take this megatrend into consideration. Within Arjo's market, few strong digitization trends exist that are expected to change market conditions. These trends will enable new revenue streams for the companies that can successfully respond to this technological development. **Sustainability** A prerequisite for global product companies is to take active responsibility in contributing to sustainable development in terms of lower environmental impact from production as well as functioning as a good member of society by assuming social responsibility in the markets in which it operates. A clear sustainability agenda ensures long-term earnings capacity and strengthens competitiveness. The sustainability efforts have a favorable impact on the company's ability to attract and retain both customers and employees.
B.5	*Group*	Arjo is the ultimate parent company of the Group, which comprises 54 legal entities in 28 countries.
B.6	*Major shareholders, etc.*	In Sweden, the lowest limit for disclosure of holdings (so-called flagging) is five percent of all shares or the voting rights of all shares. As per the date of this prospectus, Arjo is a wholly-owned subsidiary of Getinge. Provided that an Extraordinary General Meeting in Getinge on December 4, 2017 resolves, in accordance with the proposal of the Board of Getinge, to distribute all shares in the wholly-owned subsidiary Arjo to the shareholders of Getinge, all shares in Arjo will be distributed to the shareholders of Getinge in proportion to each shareholder's holdings of shares in Getinge on the proposed record date for distribution (on December 8, 2017). Each share held in Getinge entitles to one share of the same series in Arjo. The ownership structure of Arjo will thus initially be the same as in Getinge. The table below shows Arjo's shareholders with more than five percent of the shares or the voting rights of all shares, under the assumption that the distribution of shares in Arjo had been completed with October 31, 2017 as record date.

Holder/nominee/custodian	Number of shares of series A	Number of shares of series B	Total number of shares	Shares, %	Votes, %
Carl Bennet AB	18,217,200	31,032,969	49,250,169	18.1	48.9
Franklin Templeton	–	21,987,359	21,987,359	8.1	5.0
Total ten largest shareholders	**18,217,200**	**109,936,076**	**128,153,276**	**47.7**	**67.3**
Other shareholders	–	144,216,297	144,216,297	52.3	32.7
Total	**18,217,200**	**254,152,373**	**272,369,573**	**100.0**	**100.0**

Source: Euroclear and Monitor, October 31, 2017.

B.7	*Selected historical key financial information*	During 2016 and 2017 Getinge Group implemented a strategic restructuring through which the group was divided into two separate legal entities (the purpose was to separate the earlier business unit PPAC and the related area Flusher Disinfection). Arjo became the new parent company in the new Group. The formation of the Arjo Group is a transaction under shared controlling influence (joint venture) and is not currently encompassed by any standard in accordance with the International Financial Reporting Standards ("**IFRS**") which entails that an appropriate accounting principle should be applied in accordance with International Accounting Standards ("**IAS**") 8. An applicable and accepted method is using previous carrying amounts (predecessor basis), which is the policy that Arjo has decided to apply. For additional information regarding accounting procedures, please refer to "*Basis of preparation and accounting policies*" on page F-29 and elsewhere in the section "*Historical financial information*". The starting point for the financial reports in this prospectus is consequently the financial information that has been presented as the business segment Extended Care, and later PPAC, and the related segment Flusher Disinfection in Getinge Group's financial reporting for each respective fiscal year, with some additional adjustments. The majority of the functions and processes established with the purpose of turning Arjo into a separate entity, stand-alone from Getinge Group, have gradually been carried out during 2017. Thus, the financial information is not fully representative with respect to the costs related to the aforementioned functions and processes. The Company believes that the costs related to new functions and processes will have full effect in 2018. The entities presented in the financial information are controlled by Arjo at the date of this prospectus. Furthermore, Arjo, as part of Getinge Group, has not had any external financing. However, the Company signed financing agreements with external lenders during the year which they will raise in connection with the planned listing. The historical financial figures related to the balance sheet, such as interest-bearing liabilities and equity, will therefore not be representative for how the Company will look at the listing date. For more information about the Company's indebtedness, see the section "*Capital structure and other financial information*". The following condensed financial statements for the full-year were prepared in accordance with IFRS/IAS, as approved by the EU, and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups. The condensed financial statements (and performance measures calculated according to IFRS) for the first nine months of 2016 and 2017 have been collected from Arjo's interim report for the period January-September 2017 and have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act. The interim report for the period January-September 2017 has been reviewed by the Company's auditor. Arjo's financial statements for the 2014-2016 fiscal years, which are presented in their entirety in the section "*Historical financial information*", have been audited by the Company's auditor. The prospectus also contains certain key performance measures that have not been defined in accordance with IFRS. These financial performance measures have not been audited or reviewed by the Company's auditor. Arjo believes that these performance measures are largely used by investors, securities analysts and other stakeholders as supplementary measures of earnings performance and financial position. Arjo's performance measures that are not defined in accordance with IFRS are not necessarily comparable with similar measures presented by other companies and have certain limitations as tools for analysis. Accordingly, they should not be considered as separate from, or a replacement for, Arjo's financial information as prepared in accordance with IFRS.

B.7, cont'd.		**Condensed combined income statement**

SEK M	Unaudited Jan-Sep 2017	Unaudited Jan-Sep 2016	Audited 2016	Audited 2015	Audited 2014
Net sales	5,620	5,634	7,808	8,115	7,568
Cost of goods sold	–3,093	–3,181	–4,366	–4,521	–4,011
Gross profit	**2,527**	**2,453**	**3,442**	**3,594**	**3,557**
Selling expenses	–1,122	–1,070	–1,392	–1,575	–1,422
Administrative expenses	–775	–600	–1,016	–1,039	–937
Research and development costs	–91	–88	–133	–118	–116
Acquisition expenses	–	–5	–7	–4	–1
Restructuring and integration costs	–219	–48	–155	–186	–83
Other operating income	11	11	58	15	16
Other operating expenses	–16	–13	–16	–147	–61
Operating profit (EBIT)	**315**	**640**	**781**	**540**	**953**
Financial income	19	2	7	5	5
Financial expenses	–80	–82	–117	–120	–97
Profit after financial items	**254**	**560**	**671**	**425**	**861**
Taxes	–68	–150	–181	–118	–242
Net profit for the period	**186**	**410**	**490**	**307**	**619**
Attributable to:					
Parent company's shareholders	186	410	490	307	619

B.7, cont'd.

Condensed combined balance sheet

SEK M	Unaudited Sep 30, 2017	Unaudited Sep 30, 2016	Audited Dec 31, 2016	Audited Dec 31, 2015	Audited Dec 31, 2014
Intangible assets	6,518	6,172	6,663	6,343	6,336
Tangible non-current assets	1,099	1,589	1,110	1,656	1,658
Financial non-current receivables, Group companies	306	–	–	9	10
Financial non-current assets	469	305	316	302	378
Total non-current assets	**8,392**	**8,066**	**8,089**	**8,310**	**8,382**
Inventories	1,144	1,098	1,044	1,194	1,134
Accounts receivable	1,669	1,600	1,884	1,584	1,842
Current receivables, Group companies	123	108	393	220	102
Current financial receivables, Group companies	199	1,387	1,397	1,477	1,622
Other current receivables	545	509	460	424	371
Cash and cash equivalents	407	1,401	1,446	808	1,369
Total current assets	**4,087**	**6,103**	**6,624**	**5,707**	**6,440**
Total assets	**12,479**	**14,169**	**14,713**	**14,017**	**14,822**
Shareholders' equity	4,006	10,504	10,658	10,227	10,602
Total shareholders' equity	**4,006**	**10,504**	**10,658**	**10,227**	**10,602**
Provisions for pensions, interest-bearing	27	57	36	98	328
Financial non-current liabilities, Group companies	–	1,255	1,361	475	357
Other provisions	197	174	195	186	225
Total non-current liabilities	**224**	**1,486**	**1,592**	**759**	**910**
Accounts payable	409	348	380	369	376
Current liabilities, Group companies	134	157	546	384	572
Financial current liabilities, Group companies	6,622	357	340	1,168	1,257
Other non-interest-bearing liabilities	1,084	1,317	1,197	1,110	1,105
Total current liabilities	**8,249**	**2,179**	**2,463**	**3,031**	**3,310**
Total shareholders' equity and liabilities	**12,479**	**14,169**	**14,713**	**14,017**	**14,822**

B.7, cont'd.

Condensed combined cash flow analysis

SEK M	Unaudited Jan–Sep 2017	Unaudited Jan–Sep 2016	Audited 2016	Audited 2015	Audited 2014
Operating activities					
Operating income (EBIT)	315	640	781	540	953
Add-back of amortization, depreciation and write-downs	539	495	755	681	635
Add-back of restructuring and integration costs[1)]	152	48	67	186	82
Paid restructuring and integration costs	–33	–80	–108	–166	–173
Other non-cash items	34	25	21	2	11
Financial items	–61	–80	–110	–115	–92
Taxes paid	–102	–126	–168	–162	–291
Cash flow before changes to working capital	**844**	**922**	**1,238**	**966**	**1,125**
Changes in working capital					
Inventories	–193	–85	–87	–78	–40
Current receivables	282	66	–345	115	6
Current payables	–536	–180	113	–192	–132
Cash flow from operating activities	**397**	**723**	**919**	**811**	**959**
Investing activities					
Acquired and divested operations	–	–214	–212	–	–
Net investments	–293	–224	–314	–516	–498
Cash flow from investing activities	**–293**	**–438**	**–526**	**–516**	**–498**
Financing activities					
Change in interest-bearing liabilities	–86	7	–6	–17	–1
Change in interest-bearing receivables	18	–20	–47	–25	5
Transactions with owners	–1,061	315	289	–808	–134
Cash flow from financing activities	**–1,129**	**302**	**236**	**–850**	**–130**
Cash flow for the period	**–1,025**	**587**	**629**	**–555**	**331**
Cash and cash equivalents at the beginning of the period	1,446	808	808	1,369	1,012
Cash flow for the period	–1,025	587	629	–555	331
Translation differences	–14	6	9	–6	26
Cash and cash equivalents at the end of the period	**407**	**1,401**	**1,446**	**808**	**1,369**

1) Excluding write-downs on non-current assets.

Net sales by geographic region

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
North America	2,088	2,103	2,905	2,957	2,700
Western Europe	2,708	2,714	3,759	3,873	3,731
Rest of the World	824	817	1,144	1,285	1,137
Total	**5,620**	**5,634**	**7,808**	**8,115**	**7,568**

B.7, cont'd.

Key figures for the Company

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
Sales figures					
Net sales1)	5,620	5,634	7,808	8,115	7,568
Growth in net sales, %	-0.2%	–	-3.8%	7.2%	–
Organic growth in net sales, %	-2.4%	–	-2.6%	-2.3%	–
Expense figures					
Selling expense, percent of net sales	20.0%	19.0%	17.8%	19.4%	18.8%
Administrative expenses, percent of net sales	13.8%	10.6%	13.0%	12.8%	12.4%
Research and development expenses, percent of net sales	1.6%	1.6%	1.7%	1.5%	1.5%
Profit figures					
Operating profit (EBIT)1)	315	640	781	540	953
EBITDA	854	1,135	1,536	1,221	1,588
EBITDA growth, %	-24.8%	–	25.8%	-23.1%	–
EBITDA adjusted	1,006	1,188	1,610	1,411	1,672
Earnings per share, SEK	0.68	1.51	1.80	1.13	2.27
Margin figures					
Gross margin, %	45.0%	43.5%	44.1%	44.3%	47.0%
Operating margin, %	5.6%	11.4%	10.0%	6.7%	12.6%
EBITDA margin, %	15.2%	20.1%	19.7%	15.0%	21.0%
EBITDA margin, adjusted, %	17.9%	21.1%	20.6%	17.4%	22.1%
Cash flow and return figures					
Return on shareholders' equity, %	3.7%	–	4.7%	2.9%	6.2%
Cash conversion, %	46.5%	63.7%	59.8%	66.4%	60.4%
Operating capital	10,510	–	11,055	11,168	10,699
Return on operating capital, %	7.5%	–	8.5%	6.5%	9.7%
Capital structure					
Interest-bearing (+) net debt/ (-) net receivables	5,669	-1,128	-1,175	-579	-1,059
Interest coverage ratio, multiple	7.1x	–	8.2x	6.2x	10.9x
Net debt/equity ratio, multiple	1.4x	–	-0.1x	-0.1x	-0.1x
Interest-bearing net debt / EBITDA adjusted, multiple	4.0x	–	-0.7x	-0.4x	-0.6x
Equity ratio, %	32.1%	74.1%	72.4%	73.0%	71.5%
Equity per share, SEK	14.7	38.6	39.1	37.5	38.9
Other					
Number of shares	272,369,573	272,369,573	272,369,573	272,369,573	272,369,573
Number of employees, average	5,717	5,402	5,763	5,339	5,294

1) Audited performance measure for the full years and reviewed for the period January–September 2017.

B.7, cont'd.		**Definitions**

Performance measure	Definition	Purpose
Organic growth in net sales	Percentage change of net sales adjusted for currency effects, acquisitions and divestments for the past period compared with the same period last year.	Organic growth in net sales provides an understanding of the Company's underlying sales driven by volume, price and product mix changes for comparable units between different periods.
Gross margin	Gross profit in relation to net sales.	Gross margin is used to show the Company's margin before impacts of expenses such as sales and administrative expenses as well as research and development expenses.
Selling expenses, percent of net sales	Selling expenses in relation to net sales.	The performance measure is relevant to investors and other stakeholders that want to understand the Company's ability to manage selling expenses and it is comparable with other companies.
Administrative expenses, percent of net sales	Administrative expenses in relation to net sales.	The performance measure is relevant to investors and other stakeholders that want to understand the Company's ability to manage administrative expenses and it is comparable with other companies.
Research and development costs, percent of net sales	Research and development costs in relation to net sales.	The performance measure is used to measure the Company's total costs for research and development in relation to net sales and it is comparable with other companies.
EBITDA	Operating profit before depreciation, amortization and write-down.	The performance measure shows the Company's underlying profit from operations, excluding depreciation effects and together with EBITDA adjusted and operating margin, EBITDA provides an understanding of the profit generated from operating activities.
EBITDA margin	EBITDA in relation to net sales.	EBITDA margin is used to measure the Company's operating profitability.
EBITDA growth	Percentage change of EBITDA.	EBITDA growth provides an understanding of the Company's profitability growth.
EBITDA adjusted	Operating profit before amortization and write-down of intangible assets identified in conjunction with corporate acquisitions with add-back of restructuring, integration and acquisition costs.	EBITDA adjusted displays the operations underlying earning ability and is a tool to compare the Company with other companies.
EBITDA margin, adjusted	EBITDA adjusted in relation to net sales.	EBITDA margin, adjusted is used to measure the Company's operating profitability.
Operating profit (EBIT)	Profit before financial items and taxes.	Operating profit provides an understanding of the Company's operating profitability.
Operating margin	Operating profit in relation to net sales.	Operating margin is used to measure the Company's operating profitability.

B.7, cont'd.

Performance measure	Definition	Syfte
Return on shareholders' equity	Rolling twelve months' profit after tax in relation to average shareholders' equity.	The performance measure shows return on the owners' invested capital in the Company.
Cash conversion	Cash flow from operating activities in relation to EBITDA.	Cash conversion provides an understanding of the Company's ability to generate cash flow from operations by showing the share of EBITDA that is converted into cash flow.
Earnings per share	Net profit from period attributable to the parent company's shareholders in relation to the average number of shares.	Earnings per share provides an understanding of the Company's profit development from a shareholder perspective.
Interest coverage ratio	Profit after financial items with add-back of interest expenses, costs for credit lines and restructuring costs in relation to interest expenses.	Interest coverage ratio is relevant for investors and other stakeholders who want to assess the Company's possibility to make investments and assess the Company's ability to live up to its financial commitments.
Equity ratio	Shareholders' equity in relation to total assets.	Equity ratio is relevant for investors and other stakeholders who want to assess the Company's financial stability and ability to manage the business in the long run.
Interest bearing net debt/receivable	Non-current and current loans and interest bearing pension provisions with an add-back of cash and cash equivalents.	Interest-bearing net debt/receivable is relevant to measure the Company's business total debt situation.
Interest bearing net debt/equity ratio	Net interest-bearing debt in relation to shareholders' equity.	Interest bearing net debt/equity ratio shows the relation between interest-bearing net debt and shareholders' equity, which gives investors and other stakeholders an understanding of the Company's capital structure.
Interest bearing net debt/EBITDA adjusted	Interest bearing net debt at the end of the period divided by rolling twelve months EBITDA adjusted.	Interest bearing net debt/EBITDA adjusted is relevant to show the ability of the Company's business to pay off its debts.
Operating capital	Average total assets less average cash and cash equivalents, other provisions, accounts payable and other non-interest-bearing liabilities.	Operating capital shows how much capital that is used in the business and is a component in measuring return on the capital that the Company's owners and lenders have provided.
Return on operating capital	Rolling twelve months' operating profit with addback of acquisition, restructuring and integration costs in relation to operating capital.	Return on operating capital provides investors and other stakeholders a better understanding of the Company's ability to generate return on the capital that its owners and lenders have provided.

B.7, cont'd.		**Significant changes since September 30, 2017** In September 2017, Arjo and Getinge decided on the principles for reallocating Getinge Group's (including Arjo's) interest-bearing net debt. These principles are based on Arjo having similar level of indebtedness as the Getinge Group (Arjo included), measured as interest-bearing net debt divided by EBITDA before integration and restructuring costs. Of Getinge Group's total interest-bearing net debt (including the liquidity raised in the rights issue in September, 2017) of SEK 17,608 M, a decision was made to allocate SEK 4,400 M to Arjo and SEK 13,208 M to Getinge. The reallocation of Arjo's share of Getinge Group's interest-bearing net debt (SEK 4,400 M) will be achieved in the following way: • At September 30, 2017, Arjo's internal interest-bearing net debt to Getinge totaled SEK 5,669 M, whereof the majority is attributable to internal debt and receivables to Getinge. • Since September 30, one intra-group transaction has taken place which reduced Arjo's interest-bearing net debt. Further, Getinge has made a shareholder's contribution of SEK 1,203 M to Arjo, to reach desired net debt. Adjusted for the above mentioned transaction and the shareholder's contribution, the net debt amounted to SEK 4,400 M. • On the listing date, Arjo will utilize its external credit facilities and repay the Company's remaining net debt to Getinge. Thereafter, Arjo will have an external interest-bearing net debt of SEK 4,400 M adjusted for cash flow generation and exchange rate effects during the period September 30, 2017, until the first day of trading of Arjo's shares on Nasdaq Stockholm. Other than the above, no material change to Arjo's financial or market positions occurred after September 30, 2017.
B.8	*Selected key pro forma financial information*	Not applicable. The prospectus contains no pro forma accounts.
B.9	*Profit forecast or estimate*	Not applicable. The prospectus contains no profit forecast or calculations of anticipated earnings.
B.10	*Audit report qualifications*	Not applicable. There are no audit report qualifications.
B.11	*Insufficient working capital*	Not applicable. Arjo assesses that the working capital is sufficient for the present requirements during the next twelve months.

Section C – Securities		
C.1	*Securities offered/ admitted to trading*	Shares of series B (ISIN code SE0010468116) in Arjo.
C.2	*Currency*	The shares are denominated in SEK.
C.3	*Number of shares issued*	As per the date of this prospectus, the Company's registered share capital is SEK 90,789,857.7, represented by 272,369,573 shares whereof 18,217,200 shares of series A and 254,152,373 shares of series B. All shares are fully paid. Each share has a quota value of approximately SEK 0.33 (rounded to two decimals).
C.4	*Rights attached to the securities*	Each A-share carry ten (10) voting rights per share and each B-share carry one (1) voting right per share at the General Meeting. In the event of the company deciding to issue new shares of series A and series B through a cash issue or an offset issue, owners of series A and series B shall have preferential rights to subscribe for new shares of the same series in relation to the number of shares previously held by them (primary preferential right). Shares not subscribed for on the basis of primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential right). If the number of shares offered in this manner is insufficient for subscription, based on subsidiary preferential rights, the shares shall be distributed among the subscribers in relation to the number of shares already held and previously owned by them, and, to the extent that this is not possible, by drawing of lots.

C.5	*Restrictions on the free transferability*	Not applicable. The shares are not subject to restrictions on the free transferability.
C.6	*Admission to trading*	Arjo has applied for a listing of the Company's shares of series B on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on October 27, 2017 to approve Arjo's application of admission of the Company's shares to trading on Nasdaq Stockholm provided that certain customary conditions are fulfilled. The first day of trading is expected to be December 12, 2017.
C.7	*Dividend policy*	The Board of Directors of Arjo has adopted a dividend policy entailing that future dividends will be adjusted in line with Arjo's profit level, financial position and future development potential. The aim is for the dividend to correspond to 30–50 percent of net income after tax.

Section D – Risks		
D.1	*Key risks specific to the issuer or its industry*	Prior to any investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to Arjo and the future performance of the shares. Set out below is a summary of the key risks specific to Arjo and the industry: **Arjo is exposed to changes in general economic and political conditions that, if they are unfavorable, could have an adverse effect on Arjo's operations, financial position and results** The demand for Arjo's products and solutions depends on factors such as general macroeconomic trends including recession, inflation, deflation, changes in purchasing power of hospitals and other healthcare facilities, and public investments. Furthermore, changes in the political situation in a region or country, or political decisions that affect an industry or country, could also have a material adverse effect on the sales of Arjo's products. In certain markets, such as the U.S., are the sales of Arjos products dependent on whether Arjo's products qualify for reimbursement through various reimbursement systems. There is a risk that these reimbursement levels are eliminated or reduced. Any unfavorable development in global or regional factors of the sort discussed above could have an adverse effect on Arjo's operations, financial position and results. **Competition and any lack of ability to understand customers' needs could have an adverse effect on the sales of Arjo's products** Increased competition, as well as a deterioration in customers' demand and needs or other factors that could influence the price or competitiveness of the Group's products, could have an adverse effect on Arjo's operations, financial position and results. **A significant share of Arjo's sales derives from agreements won in procurement procedures, and Arjo depends on the ability to be awarded or renew contracts on favorable terms** Arjo enters into agreements subsequent to procurements with numerous players and a significant part of Arjo's turnover derives from contracts won through procurements. When such contracts expire, the sales of relevant products and solutions are usually subject to a new procurement procedure, where Arjo is subject to competition to renew the contract. There is a risk that Arjo will not be able to renew its contracts, win new procurements on acceptable terms or has to accept unfavorable terms, or win procurements at all. **Arjo's product range is subject to legislation and regulations, and if Arjo fails to comply with these or if they are amended, this could have an adverse effect on sales of Arjo's products** There is a risk that laws and regulations are not met, which could lead to regulatory sanctions such as fines, product confiscation, revocation of approval, exclusion from future procurements or other remedies. If the Group were not to comply with relevant laws and regulations, this could also entitle the Group's counterparties to terminate or amend contracts they have entered into with the Group. There is also a risk that new laws and regulations may be adopted which limit the Group's sales opportunities or result in the Group's products becoming obsolete or unusable. All the above risks could have an adverse effect on Arjo's operations, financial position and results.

D.1, cont'd.		**Arjo's ability to achieve the goals of its established business plan for the coming years depends on several factors, such as efficiently introducing new products, expand on new markets and reverse the trend on the American market** Part of the work prior to the separation of Arjo and Getinge has been to establish the business plan for an independent Arjo, taking into account the Group's specific opportunities and challenges. In Arjo's established business plan for the coming years, different goals to increase the growth and improve the profitability for the Group are presented. There is a risk that Arjo fails to efficiently introduce new products, expand on new markets and reverse the trend on the American market, which would have an adverse effect on Arjo's operations, financial position and results and therewith impair Arjo's ability to achieve the objectives in its established business plan. **Arjo runs the risk of being subject to claims relating to product liability, product recalls and other legal claims, which could have an adverse effect on Arjo's reputation, business, financial position and results** Arjo runs the risk of being subject to claims relating to product liability, product recalls and other legal claims in the event that the use of Arjo's products cause, or is declared or feared to cause, personal injury or property damage. Such claims may involve substantial financial amounts and may result in significant legal expenses, which in turn could result in significant financial undertakings, as well as negative publicity causing damage to the Group's reputation. **If Arjo's reputation is impaired, this could result in the loss of sales and growth opportunities for Arjo** Impairment to Arjo's reputation could particularly limit Arjo's ability to win procurements from hospitals and other healthcare facilities in both the private and public sector. Additionally an impaired reputation, unfounded or otherwise, for one or several of Arjo's large customers may have an adverse effect on Arjo's reputation. This may ultimately have an adverse effect on procurement processes and other customers' purchases of Arjo's products. In addition, Arjo faces the risk that its employees or other persons associated with Arjo take actions that are unethical, criminal or in violation of Arjo's internal policies and guidelines. Customers and suppliers could associate the Company with such actions, which could have an adverse effect on Arjo's reputation and, over time, an adverse effect on the Group's operations, financial position and results. **Arjo operates in a global environment and is therefore exposed to local business risks in many countries, such as corruption and restrictions on trade** Arjo may not be able to develop, implement and maintain systems, policies and approaches to completely manage the risks related to Arjo's employees, representatives, distributors or third parties committing, for example, professional misconduct, fraud, violations of applicable laws and regulations, or other improper actions, or may not be able to comply with applicable regulations in their entirety without incurring additional costs. If any of these risks were to be realized, this could have an adverse effect on Arjo's operations, financial position and results. **Arjo could experience difficulties in the future in obtaining financing at reasonable terms and conditions, or at all** If the Group would be unable to obtain financing for acquisitions, development and production, extension or expansion of existing financing or refinancing of financing previously received, or if it would only be able to obtain such financing on unfavorable terms, this could have an adverse effect on the Group's operations, financial position and results. **The distribution of Arjo's shares may fail to realize anticipated benefits** There is a risk that the anticipated benefits from the distribution will not be achieved if the assumptions underlying the decision to carry out the distribution turn out to be incorrect. To the extent that Arjo, as a standalone company incurs additional costs, achieves lower profits or has lower-than-expected cost savings, its operations, financial position and results could be adversely affected and the anticipated benefits from the distribution could perhaps not be realized.

D.3	*Key risks specific to the securities*	Set out below is a summary of the key risks specific to the Arjo-share. **An investment in shares may increase or decrease in value and there is a risk that investors will not recover its invested capital. There is a risk that an active, liquid and functioning market for trading in Arjo's shares does not emerge** Shareholding is inexorably linked to risk and the assumption of risk and there is a risk that investors will not recover its invested capital. Prior to the listing on Nasdaq Stockholm, no market exists for the Group's shares. Accordingly, there is a risk that an active market for trading with the shares not will develop following the listing on Nasdaq Stockholm. **Arjo's potential to pay dividends to its shareholders depends on the Group's future results, financial position, cash flows, working capital requirements and other factors** Future dividends, and the extent of any such dividends depend on the Group's future results, financial position, cash flows, working capital requirements and other factors. There are also many other risks that could adversely impact the Group's operations, which could entail that Arjo's future earnings do not permit dividends in the future. **After the distribution of the shares in Arjo, a single shareholder, Carl Bennet AB, will exercise significant influence over Arjo** Carl Bennet AB could have interests that diverge from or compete with those of Arjo or other shareholders, which could have an adverse effect on Arjo or its shareholders.

Section E – Offer		
E.1	*Net proceeds and expenses*	Not applicable. The Company issues no new securities in connection with the admission of the shares to trading and will thus not receive any proceeds or have any expenses attributable to the issuance of shares.
E.2a	*Reasons for the offer, use of proceeds*	Not applicable. The Company is not ascribable to any offer. Getinge completed a strategic review in autumn 2016 to clarify its long-term strategy in order to ensure continued sustainable and profitable growth. As a result of the review, Getinge decided to focus on two business areas – Acute Care Therapies and Surgical Workflows. Getinge's Board of Directors assigned the executive management to prepare a distribution of PPAC and the related area Flusher Disinfection, now Arjo. Following the split, both Getinge and Arjo are expected to have a more dedicated business focus, with more opportunities to continue to develop tailored products and solutions to meet the specific needs of their respective customers, where Arjo's business is more patient focused. As separate companies they are also expected to be better positioned to meet the challenges faced by the healthcare sector, for example, the demographic trend of a rising number of elderly people and those suffering from illness. This pressure of change is expected to entail that healthcare will call for more specialized and customized offerings that improve treatment results while also improving efficiency of healthcare. As an independent company with a focused management group and Board of Directors and with independent access to the capital market, Arjo will have better conditions to set out and implement such a tailored and targeted growth strategy, backed by an organization designed to meet customer needs. The distribution will also create many opportunities for Arjo to increase its focus on customers in the growing long-term care segment. Overall, the benefits of an independent Arjo are considered to be greater than the benefits of being a part of Getinge. Consequently, the Board of Directors of Arjo believes that the split of Getinge and Arjo will increase long-term shareholder value.
E.3	*Terms and conditions of the offer*	Not applicable. The prospectus is not ascribable to any offer. Provided that an Extraordinary General Meeting in Getinge on December 4, 2017 resolves, in accordance with the proposal of the Board of Getinge, to distribute all shares in the wholly-owned subsidiary Arjo to the shareholders of Getinge, all shares in Arjo will be distributed to the shareholders of Getinge in proportion to each shareholder's holdings of shares in Getinge on the proposed record date for distribution (on December 8, 2017). Each share held in Getinge entitles to one share of the same series in Arjo.
E.4	*Interests material to the offer*	Not applicable. The prospectus is not ascribable to any offer.

E.5	*Person/entity offering to sell the security, lock-up agreements*	Not applicable. There are no lock-up agreements in place in connection with the admission to trading of the Company's shares.
E.6	*Dilution*	Not applicable. The prospectus is not ascribable to any offer.
E.7	*Expenses charged to the investor*	Not applicable. The prospectus is not ascribable to any offer. No expenses are charged to the shareholders in connection with the admission to trading of the Company's shares.

Risk factors

An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to the Company and the future performance of the shares. The risks currently considered to be of importance to Arjo are described below, without being ranked in particular order of importance. There are risks both regarding circumstances linked to Arjo and/or the industry and those that are of a more general nature as well as risks associated with the shares. Some risks are beyond the Company's control. The description below does not purport to be complete and, for natural reasons, all risk factors cannot be predicted or described in detail. Therefore, an overall assessment must also include the other information in the prospectus, as well as a general assessment of extraneous factors. The below risks and uncertainty factors may have an adverse effect on Arjo's operations, financial position and/or results. They may also cause the shares in Arjo to decrease in value, which may result in Arjo's shareholders losing all or part of their invested capital. Additional factors of which Arjo is currently unaware, or which currently are not deemed to be risks, may also have corresponding negative effects.

Risks related to the market and industry

Arjo is exposed to changes in general economic and political conditions that, if they are unfavorable, could have an adverse effect on Arjo's operations, financial position and results

Arjo operates in several parts of the world and is, like other companies, affected by general global economic, financial and political conditions. The demand for Arjo's products and solutions depends on factors such as general macroeconomic trends, including recession, inflation, deflation, changes in purchasing power of hospitals and other healthcare facilities, and public investments. Uncertainty concerning future financial prospects, including political instability, could have an adverse effect on customers' purchases of Arjo's products, which could have an adverse effect on Arjo's operations, financial position and results.

Furthermore, changes in the political situation in a region or country, or political decisions that affect an industry or country, could also have a material effect on the sales of Arjo's products. For example, a significant part of Arjo's revenues derives from sales of products to public sector entities, and political decisions such as government cost-cutting measures could have an adverse effect on the ability of public hospitals, organizations and healthcare facilities to purchase Arjo's products. Specific political discussions are taking place in many countries regarding the admissibility of private healthcare players to provide publicly financed healthcare services. From time to time, certain political parties in different countries have proposed limitations on publicly financed healthcare services performed by private healthcare players, as well as limitations on the ability of these players to operate on a for-profit basis. Proposals of this type may also be made in the future. There is a risk that authorities in countries where Arjo operates decide to restrict or completely terminate public financing of private healthcare, which could affect the establishment of new hospitals and other healthcare facilities and their purchase of healthcare products, such as Arjo's acute and long-term care products.

The sales of the Group's products also depend on different reimbursement systems in Arjo's various markets. In several of Arjo's markets, such as the U.S., it is in many cases the patient's insurance company that, within the scope of existing political reimbursement systems, finances or subsidizes the purchase of products to the patient for, among other things, acute and long-term care. The success in sales of Arjo's products in these markets partly depends on whether Arjo's products qualify for reimbursement through these various reimbursement systems. A development with eliminated or reduced reimbursement levels for some of the Group's products in these markets could have an adverse effect on the demand for Arjo's products.

Any unfavorable development in global or regional factors of the sort discussed above could have an adverse effect on Arjo's operations, financial position and results.

Competition and any lack of ability to understand customers' needs could have an adverse effect on the sales of Arjo's products

Arjo's sales depend on demand for the medical device products and solutions in acute and long-term care that the Group offers. This demand, in turn, depends on the overall trends in the preventive care and healthcare market. An aging population and an increase in chronic diseases has led to higher demand from hospitals and other healthcare facilities for the Group's products. If the demand for Arjo's products declines, for example due to alternative products or care methods, this could have an adverse effect on Arjo's operations, financial position and results.

Arjo is exposed to competition within its product categories in different markets. Although the nature of the markets and the number and size of larger competitors vary, there are several large competitors, some of which have a better position than Arjo in particular product categories and markets. If Arjo's competitors were to streamline their production and thereby be able to cut their prices, this could result in Arjo also being forced to reduce its prices in order to remain competitive, which risks reducing sales revenues and product margins, as well as eventually harming Arjo's market position.

Arjo relies on the development and introduction of new or improved products as a means of reaching and maintaining its position in various product categories in different markets. If Arjo's competitors were to introduce new, significantly better products, Arjo's current or future products run the risk of becoming obsolete and/or uneconomical, which could cause Arjo to lose market shares. Customers' needs are also changing over time, and if the Group fails to predict, identify or react to changed and new needs, for example if Arjo fails to adjust its products to meet the increased expectations on digital solutions, this could lead to reduced demand for the Group's products, which could have an adverse effect on Arjo's operating profit and profitability.

Increased competition, as well as a deterioration in customers' demand and needs or other factors that could influence the price or competitiveness of the Group's products, could have an adverse effect on Arjo's operations, financial position and results.

A significant share of Arjo's sales derives from agreements won in procurement procedures, and Arjo depends on the ability to be awarded or renew contracts on favorable terms

Arjo enters into agreements subsequent to procurements with numerous players, such as local and regional public hospitals, healthcare facilities, private hospitals and large organizations, such as integrated delivery networks ("**IDN:s**") and standalone group purchasing organizations ("**GPO:s**"), which purchase and deliver hospital equipment to several hospitals and private procurers. A significant part of Arjo's turnover derives from contracts won through procurements, and when such contracts expire, the sales of relevant products and solutions are usually subject to a new procurement procedure, where Arjo is subject to competition to renew the contract. There is a risk that Arjo will not be able to renew its contracts, win new procurements on acceptable terms or has to accept unfavorable terms, or win procurements at all.

In procurement procedures Arjo must primarily compete on the basis of price and quality in order to win or renew contracts, but procurement procedures also include other considerations, such as the competitive situation in the market or sustainability requirements, which may be partly or entirely beyond the Company's control. Certain procurers, such as UGAP, which is the largest public-sector procurer in the French healthcare market, procure all of their products within a program that stipulates certain fundamental requirements for companies that want to participate in procurements within the program. If Arjo fails to qualify to participate in such procurement programs, or if Arjo participates in procurements but fails to win or renew contracts on equivalent or more favorable terms, or at all, or fails to offset reduced prices with higher productivity, this could have an adverse effect on Arjo's operations, financial position and results.

Arjo relies on assumptions or estimates when bidding on contracts, and could be adversely affected if these assumptions or estimates prove to be inaccurate

The contracts on which Arjo bids generally contain provisions concerning the scope, number of products and service to be provided. However, it is possible that certain parts of the contract may be unspecified, or that it may be difficult for Arjo to estimate future costs. This uncertainty may affect the accuracy and reliability of the Group's assumptions and estimates concerning cost components in connection with the Group's fulfillment of the contract, and thereby the pricing terms agreed to by the Group. For example, in certain projects where Arjo's products are to be incorporated as part of a larger reconstruction, delays in other parts of the project beyond Arjo's control may increase Arjo's costs by more than was estimated. There is a risk that some procurement procedures may be inadequately prepared, and that Arjo could base its offering on assumptions which are erroneous or too optimistic.

Historically, Arjo has on a few occasions entered into contracts where the costs ultimately exceeded the revenues as a consequence of factors such as too aggressive pricing of products, erroneous assumptions about certain costs or unanticipated problems which increased the costs. There is a risk that Arjo also in the future enters into contracts where the costs ultimately exceed the revenues under the contract, which could have an adverse effect on the Group's operations, financial position and results.

Risks associated with the operations

Arjo's product range is subject to legislation and regulations, and if Arjo fails to comply with these or if they are amended, this could have an adverse effect on sales of Arjo's products

The healthcare market is highly regulated in all of the countries where Arjo operates, and Arjo's product range is subject to legislation, including EU directives and medical device implementation plans and the U.S. Food and Drug Administration's ("**FDA**") (the U.S. equivalent to the Swedish Livsmedelsverket and Läkemedelsverket), regulatory schemes and corresponding demands of quality system, which stipulate requirements in respect of significant evaluation, quality control and documentation of products. The procedure to obtain approval to market acute and long-term care products from authorities may be expensive and time-consuming in certain countries, and approvals may be delayed. The Group has developed its operations to ensure compliance with these laws and regulations, and it devotes significant resources to implement and apply guidelines to ensure compliance with applicable rules. For example, when it comes to different beds within the product range Medical beds, there is a particular number of local regulations, which affects the possibility of having a unified global product and means that the Group must devote resources to ensure compliance with specific local regulations. Regulatory authorities, such as the FDA, perform regular inspections in order to monitor regulatory compliance, and if the Group were not to comply with applicable laws or regulations, this could lead to regulatory sanctions such as fines, product confiscation, revocation of approval, exclusion from future procurements or other remedies. If the Group were not to comply with relevant laws and regulations, this could also entitle the Group's counterparties to terminate or amend contracts they have entered into with the Group.

New laws or regulations may be adopted which could cause manufacturers, hospitals, healthcare facilities and other players to have to adapt their products and care methods. Such regulations could result in limitations on the Group's sales opportunities or cause the Group's products to become obsolete or unusable. Thus, amendments to laws or regulations could lead to an adverse effect on Arjo's operations, financial position and results.

For example, two new EU regulations for medical devices became effective on May 26, 2017. These two regulations will become applicable three and five years from this date, respectively, and will thereby replace the directives and implementation plans currently in force. The new regulations are intended to promote, among other things, patient safety, and impose stricter requirements on medical device manufacturers. Consequences of the regulations include that Arjo will have to perform regular updates to the technical documentation of its medical devices, supply its medical devices with a Unique Device Identifier (UDI) and register itself and the products it sells within the EU in a central European database (EUDAMED). Furthermore, the new regulations will have a broader scope of application than the directives currently in force, and products without a purely medical purpose may therefore also be subject to the regulations. The adoption of a comprehensive new regulatory scheme of this kind places demands on the business, and as a result Arjo may need to review its current procedures and regulatory compliance, which may be a costly and time-consuming process.

Furthermore, some of Arjo's products belongs to such risk categories which, according to existing EU regulations, must be tested by a so called Notified Body (Sw. *anmält organ*), before the products may be CE marked and put on the European market. At this date, Arjo uses a Notified Body with its headquarters in the UK to have its products tested and regulatory validated. There are some uncertainty regarding how the ongoing exit of the UK from the EU may affect the market for medical technical products, the regulatory demands existing today and Notified Bodies with headquarters in the UK. Due to Arjo's products today being tested and validated by a Notified Body with headquarters in the UK, there is a risk that Arjo is required to change Notified Body at the UK exit from the EU. In such case, it could result in a resource and time consuming procedure.

Arjo's ability to achieve the goals of its established business plan for the coming years depends on several factors, such as efficiently introducing new products, expanding in new markets and reversing the trend on the U.S. market

Part of the work prior to the separation of Arjo and Getinge has been to establish the business plan for an independent Arjo, taking into account the Group's specific opportunities and challenges. In Arjo's established business plan for the coming years, different goals to increase the growth and improve the profitability for the Group are presented. An important part to achieve Arjo's established financial targets is a continued expansion of new product categories and new product types within existing product categories, which depends on the Group's ability to influence, predict, identify and respond to altered customers preferences and needs. Arjo invests in research and development in order to develop and launch new products, but there is a risk that new products will not reach the same degree of success as in the past. Nor is it certain that Arjo will successfully predict or identify trends in customer preferences and needs, or that Arjo will identify them before its competitors. Moreover, difficulties in manufacturing or obtaining regulatory approval could delay the introduction of new products to markets. There is also a risk that Arjo fails to develop and produce new products at a cost corresponding to the Group's profit targets. Warranty claims and service costs related to new products could exceed the expected costs, and Arjo may need to devote significant resources to manage any quality problems connected with the launch of new products, which could reduce resources available for further product development and other issues. Moreover, the introduction of new products could cause customers to delay the purchase of existing products. If Arjo fails to develop and launch new products in a cost-effective manner, if product launches take too long, or if customers delay their purchases because they are evaluating new products, this could cause Arjo to lose market shares, which could have an adverse effect on Arjo's operations, financial position and results and Arjo's ability to achieve the objectives in its established business plan.

Another way for Arjo to achieve the goals in the established business plan is to expand organically through introducing its products in new geographical markets. However, establishing in new geographical markets involves risks related to, among other things, local regulations, business climate and general business methods and business ethics. If the conditions in these jurisdictions alter or differ from Arjo's expectations, an expansion in new geographical markets could imply new and increased risks for Arjo, and consequently have an adverse effect on Arjo's operations, financial position and results and Arjo's ability to achieve the objectives in its established business plan.

A part of the business plan addresses the development of the U.S. market where Arjo has had a negative trend in sales during the last years. Arjo has a significant share of its total sales in the U.S. and in 2016 the U.S. represented approximately 30 percent of the total sales. Measures to achieve the business plan and the growth strategy involves increased investments on product development and efficiency. There is a risk that Arjo will not be able to reverse the negative trend regarding demand in the U.S. market, and that the demand keeps dropping, which could impair Arjo's ability to achieve the objectives of its business plan. If Arjo has problems with or doesn't succeed in achieving the objectives of its established business plan, this could have an adverse effect on Arjo's operations, financial position and results.

Part of Arjo's growth strategy is based on expanding the business through the acquisition and integration of suitable businesses, as well as being able to dispose of other parts that do not fit into Arjo's strategy

As part of its growth strategy, Arjo intends to further expand its business through acquisitions of businesses that improve and complement the Group's existing operations, both in existing and potential new markets. Arjo depends on several factors to be able to complete future acquisitions. For example, the Group must find suitable acquisition targets at the right price, negotiate acceptable purchase terms, finance the acquisitions and obtain necessary permits from regulatory authorities. When it comes to acquisitions on new geographic markets, the Group also depends on its knowledge of and ability to adapt to prevailing market practice. Consequently, there is a risk that the Group's future potential acquisitions cannot be completed at advantageous terms or at all, which could limit the Group's growth.

There are several operational and financial risks in connection with acquisitions, especially in relation to how new operations are to be integrated into Arjo's existing operations. Integration presumes that it is possible to use the existing structure in an optimal manner, that the operations in the acquired business can be changed, that necessary reconstruction measures can be implemented and that there is sufficient access to staff with necessary expertise, and there is a risk that one or more factors will impede efficient integration of the new business. In addition to integration risk, other risks include exposure to unknown liabilities, acquisition and expansion costs being higher than expected, and problems with obtaining necessary permits to conduct operations. There is a risk that the Group's assessments and assumptions concerning the potential for acquisitions or expansion or concerning acquired businesses may prove to be incorrect, or that liabilities, unforeseen events or other risks previously unknown to the Group may occur. There is a risk that Arjo will fail to integrate acquired businesses, and that the expected synergies from the acquisition will thus not be realized.

Arjo may also wish to dispose of operations and facilities that no longer fit into the Group's strategy. There is a risk that the Group will not be able to dispose of operations or assets at all in the future, or that such disposals will not be able to take place on favorable terms.

Should any of these risks be realized, they could have an adverse effect on Arjo's operations, financial position and results.

Arjo partners with various distributors for the sales of the Group's products in certain markets, and is thereby exposed to certain risks associated with distributors

In the markets where Arjo is present through its own business units, the business units are responsible for marketing and sales to customers. In other markets, Arjo partners with a network of distributors. Since Arjo sells its products via external sales channels in several countries, the Group's continued success depends on factors including the Group's ability to continuously establish and maintain successful partnerships with its external sales channels. Even though the Group has entered into agreements with external sales channels, some of these agreements are not exclusive and contain no commitment by the external sales channels to place orders on or distribute the Group's products exclusively. Some of Arjo's external sales channels may choose at their own discretion to distribute products from Arjo's competitors rather than Arjo's products. The Group's ability to generate significant revenues through its distributors therefore depends significantly upon their desire to continue their cooperation with the Group. A change in strategy or focus, competitive product offerings, potential shortcomings in agreements and ownership or management changes at a distributor may obstruct the Group's ability to market, implement or support its products with such distributors, which could in turn have an adverse effect on Arjo's operations, financial position and results.

Arjo has a large network of distributors where Arjo does not have full insight in or ability to control the operations of these distributors. Arjo has a Code of Conduct that the Group is working on implementing and requests all of its distributors to comply with, but there is a risk that distributors will choose not to comply with the Code of Conduct and that the distributors' actions will have an adverse effect on Arjo, either directly in the form of various claims or through damage to the Group's reputation. If any of the problems described above are realized, this could adversely affect the Group's operations, financial position and results.

Disruptions in the production of Arjo's products could have an adverse effect on Arjo's operations

Arjo's production consists of processes where interruptions or disruptions, for example as a result of fire, equipment breakdown, disruptions to Arjo's IT systems, conflict with labor organizations, weather conditions or natural disasters, could impact Arjo's ability to fulfill its obligations to its customers. This outcome, as well as an anticipated risk of this outcome, could in turn cause customers to use other suppliers. Arjo's manufacturing is centralized to six production units at which Arjo manufactures unique products and where relatively advanced equipment is used, which means that in the event of a disruption, production cannot easily be moved to another temporary facility and a certain amount of time may be required to replace or repair non-working equipment. The risk that disruptions in the production effect Arjo's operations is particularly large if the production unit in Poland is affected, where the majority of Arjo's products are manufactured. Furthermore, Arjo could relocate certain production between the production units in the future, and there is a risk that problems emerge in connection to such a relocation that could lead to interruptions or disruptions in the production. There is a risk that disruptions and damage in production could make it more difficult for Arjo to fulfill its obligations to its customers, and thereby adversely affect Arjo's operations, financial position and results.

Arjo depends on a small number of suppliers for certain critical components in its production

In the manufacture of its products, Arjo primarily uses materials such as steel, aluminium, wood, laminate and petroleum based products such as foam and plastics. Additionally, different kinds of components are purchased, such as different engines and controls for, for instance, hospital beds. Arjo has a large number of suppliers but depends on a small number of them for delivery of certain critical raw materials and components for the manufacturing of certain products. There is a risk that such suppliers could raise their prices or change their terms, or that difficulties in delivery could occur for reasons such as fire, a strike, bankruptcy, a shortage of raw materials or other circumstances attributable to a contracted supplier. Therefore, Arjo depends on circumstances that are partly beyond the Company's control. There is a risk that such external suppliers will not supply critical components on time in the future, at a reasonable cost or at all, which eventually could result in Arjo being unable to produce and supply one or more of its products at a reasonable cost or at all. In such cases, it could also be difficult for Arjo to find a new supplier that meets the Group's quality requirements, and at essentially the same cost as before.

If any of the problems with suppliers described above were to be realized, this could have an adverse effect on the Group's operations, financial position and results.

Disruptions and faults in Arjo's IT systems and violations of data protection legislation could have an adverse effect on Arjo's operations, financial position and results

Arjo relies on IT systems (including the Group's accounting and logistics systems) in its operating activities. There is the risk that the IT systems could be affected in the future by operational disruptions or interruptions for various reasons, such as if the Group were to be subject to hacking, or the systems prove to be defective and that the back-up systems do not provide desired functionality in connection with operational disruptions. Hacking could also result in unauthorized persons gaining access to confidential information about Arjo. Disruptions in IT systems could have an adverse effect on the Group's operations, financial position and results.

Disruptions or faults in IT systems could also affect Arjo's processing of personal data. Arjo's operations are subject to data protection legislation in various jurisdictions such as the EU and the U.S. Under applicable rules, it is required that appropriate routines are in place for the processing, storage and deletion of personal data, that individuals are correctly informed about Arjo's processing of personal data, and that Arjo implements procedures necessary to comply with applicable rules. The EU General Data Protection Regulation enters into force on May 25, 2018 and if Arjo does not make requisite adaptions to meet the requirements of the regulation, unauthorized disclosure or incorrect handling of personal data could occur, which could cause negative publicity and damage Arjo's reputation and lead to a loss of customers and revenues. It could also result in fines, damage claims from individuals and rectification orders from supervisory authorities. Failure to comply with data protection legislation could thereby have an adverse effect on Arjo's operations, financial position and results.

Arjo's continued success in the long term depends on its co-workers and executive personnel

Arjo's access to skilled and motivated employees, as well as good managers, is important to achieve stated strategic and operational objectives. It is therefore important for the Group to attract and retain employees with the right skills in the future. This may be particularly challenging in the Group's most important growth markets, where there may be a high level of competition and a limited pool of expertise. Furthermore, on some of the markets where Arjo has its production units, the competition for workforce for work in manufacturing is high and it can sometimes be hard to find personnel. Moreover, in connection to any reorganization and transfer of facilities, it could also be difficult to keep qualified personnel. Loss of executive personnel or other key personnel, or the inability to identify, recruit and retain qualified personnel could adversely affect the Group's ability to operate, and could have an adverse effect on the Group's operations, financial position and results.

Arjo runs the risk of being subject to claims relating to product liability, product recalls and other legal claims, which could have an adverse effect on Arjo's reputation, business, financial position and results

Like other players in the healthcare industry, Arjo, which supplies acute and long-term care products to hospitals and other healthcare facilities, runs the risk of being subject to claims relating to product liability, product recalls and other legal claims in the event that the use of Arjo's products cause, or is declared or feared to cause, personal injury or property damage. Such claims may involve substantial financial amounts and may result in significant legal expenses, particularly in view of the far-reaching warranties and other obligations generally expected to be granted by suppliers in the industries where Arjo operates.

The Group provides training and instructions for the correct use of its products but Arjo has no control over how the products are actually used, and customers may use the products in a way that causes personal injury or property damage. There is a risk of defects in the Group's products, or that improper use of the products could lead to product liability, which in turn could result in significant financial undertakings, as well as negative publicity causing damage to the Group's reputation. Even if a product liability claim is unsuccessful or is not pursued, the negative publicity from a product recall or a claim that Arjo's products caused personal injury or property damage could still significantly damage the brand and the Group's reputation, which could have adverse effects on the Company's operations, financial position and results. Arjo carries customary indemnity and product liability insurance. There is a risk that the protection Arjo receives through its insurance policies is limited for reasons such as amount limits and requirements to pay deductibles.

If Arjo's reputation is impaired, this could result in the loss of sales and growth opportunities for Arjo

A company's reputation is important to both new and existing customers when choosing a supplier of goods and services. For example, quality problems, operational or logistical problems or the loss of a well-known existing customer or supplier could result in impairment of Arjo's reputation, thereby resulting in difficulties in retaining existing customers or attracting new ones. Impairment to Arjo's reputation could particularly limit Arjo's ability to win procurements from hospitals and other healthcare facilities in both the private and public sectors.

Additionally, an impaired reputation, unfounded or otherwise, for one or several of Arjo's large customers may have an adverse effect on Arjo's reputation. This may ultimately have an adverse effect on procurement processes and other customers' purchases of Arjo's products.

In addition, the Group faces the risk that its employees or other persons associated with Arjo take actions that are unethical, criminal (including but not limited to violations of applicable anti-corruption or bribery laws) or in violation of Arjo's internal guidelines and policies. Customers, distributors and suppliers could associate the Company with such actions, which could have an adverse effect on Arjo's reputation and, over time, an adverse effect on the Group's operations, financial position and results.

Arjo's insurance policies could provide limited protection and potentially leave the Group uninsured against some risks

Arjo has insurance policies covering things such as property, equipment and operational disruptions to the extent and for amounts considered in line with industry practice. However, the Group is not fully insured against all risks and insurance policies for all types of risks may not be available. Among other things, Arjo's insurance policies cover physical loss of or damage to Arjo's property and equipment that may arise as a result of several specified risks, as well as certain consequential damages including disruptions to operations as a result of an event covered by the insurance policies. If an accident occurs that causes damage exceeding the insurance limits or causes the Group to incur losses as a result of events not covered by insurance, this could have an adverse effect on Arjo's operations, financial position and results.

Legal risks

Insufficient protection of Arjo's intellectual property rights could have an adverse effect on the Group's operations, financial position and results

Arjo regularly invests in research and development and continuously develops new products and technical solutions. In order to secure revenues from these investments, it is critical that new products and technology be protected against illegal use by competitors. Where possible and appropriate, Arjo protects its intellectual property rights through patents, copyright and trademark registration. The Group furthermore depends on know-how and business secrets that cannot be protected under intellectual property law.

There is a risk that Arjo's patents, other intellectual property assets or similar rights may not provide Arjo with sufficient protection, or that Arjo's rights cannot be upheld. There is also a risk that new products and new technology are developed which circumvent or replace Arjo's intellectual property rights, or that Arjo's competitors develop equivalent know-how. Moreover, a third party may, founded or unfounded, bring an action for infringement of intellectual property rights or initiate legal proceedings which seek to declare Arjo's intellectual property rights invalid. If Arjo is found guilty of infringement, Arjo may be forced to enter into licensing agreements, pay damages or restrict its product or service offerings. Furthermore, there is a risk that companies within the Group, currently or in the future, will infringe intellectual property rights belonging to third parties. It can be difficult to predict the outcome of these types of complex disputes and legal proceedings concerning infringement are both costly and time-consuming. Since competition in the market is increasing, the risk of damage claims associated with intellectual property rights is also rising. It cannot be ruled out that this could have an adverse effect on Arjo's operations, financial position and results.

Arjo's production is subject to laws and regulations concerning the environment and health and safety

Arjo is subject to a number of environmental, health and safety-related laws and regulations in every jurisdiction where Arjo's production is located. These laws and regulations contain increasingly strict requirements for the protection of the environment, health and safety. The compliance costs related to existing laws and other regulations concerning the environment, health and safety, as well as the liability that applies under these laws and regulations, may be significant, and failure to comply could result in sanctions under civil and criminal law, revocation of permits, temporary or permanent closure of production facilities and claims or lawsuits by third parties.

Amendments to laws, regulations or official directives resulting in new or stricter requirements or amended conditions for the environment, health and safety, as well as a trend toward stricter application of laws and regulations, could require Arjo to make additional investments which could result in higher costs and other obligations for the Group. If the Group fails to comply with such amendments in a cost-effective manner, or if the Group fails to retain the necessary permits, this could have an adverse effect on the Group's operations, financial position and results.

Arjo is, and may in the future become, involved in regulatory proceedings, legal disputes and other similar proceedings which could have an adverse effect on Arjo's operations, financial position and results

Arjo is, and may in the future become, involved in disputes within the scope of its business operations, and runs the risk of becoming subject to civil claims and disputes concerning issues such as contracts, product liability and defects in supplied goods and services. Moreover, companies within the Group (including the companies' officials, Board members, employees or associated companies) could become subject to regulatory or criminal investigations as well as proceedings concerning issues such as environment, tax, competition or health and safety. Such investigations, disputes and proceedings may be time-consuming and protracted, may disrupt normal operations, adversely affect customer relations and result in administrative and/or criminal sanctions and measures, as well as significant associated costs. If there is a plausible and quantifiable risk of liability, reservations are made in the Group's accounts, but it can be difficult to predict the outcome of this type of disputes. Should liability be imposed on Arjo in such disputes or procedures, there is a risk that eventual sanctions are not fully covered by Arjo's insurances. Future disputes, claims, investigations and proceedings could have an adverse effect on Arjo's operations, financial position and results.

Arjo's interpretation and application of existing tax regulations, tax agreements and other provisions could be incorrect, and the Group's tax position or regulations could change, which could have an adverse effect on Arjo

Arjo operates through companies in a large number of countries around the world. Its operations, including transactions between Group companies, is conducted in accordance with how Arjo interprets applicable tax regulations, tax agreements and provisions in relevant countries, as well as in accordance with the requirements of relevant tax authorities. However, it cannot be ruled out that Arjo's interpretation of applicable tax regulations, tax agreements and provisions, or of relevant authorities' interpretations and applications of such regulations, or of administrative practice, is not entirely correct, or that such rules will be amended, possibly with retroactive effect. For example, some of the companies in the Group are currently subject to a tax audit with, among other things, a main focus on the Company's pricing of intra-group transactions. Transfer pricing is a central matter for Arjo since many intra-group transactions take place. It cannot be ruled out that the tax audit or any future audits of companies within Arjo results in pricing adjustments, deemed to be required from a transfer pricing perspective. Arjo's tax position could thus change through a decision by relevant authorities regarding this, as well as other tax matters, which could have an adverse effect on Arjo's operations, financial position and results.

The Ministry of Finance presented a memorandum regarding new rules for the corporate sector on June 20, 2017. The memorandum contained, inter alia, a proposal for lowering the Swedish corporate tax rate from 22 percent to 20 percent. The proposal could impact the value of Arjo's deferred tax assets and thus could have an adverse effect on Arjo's financial position and results. The memorandum also contained, among other things, a proposal to impose a general limitation of interest deductions in the company sector for negative net interest earnings and the deduction margin is firstly proposed to amount to 35 percent of EBIT and secondly proposed to amount to 25 percent of EBITDA. The proposal aims to implement the rule on limitation of interest deduction in article 4 in the Council Directive (EU) 2016/1164 of July 12, 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market (the directive against tax avoidance), into Swedish legislation. The rules are proposed to enter into force on July 1, 2018 and be applied the first time on the tax year following June 30, 2018. The proposal could also in this part thereby have an adverse effect on Arjo's financial position and results, however, the proposed lowering of the Swedish corporate tax rate from 22 to 20 percent, aims at compensating the adverse effects these limiting rules may bring.

Arjo operates in a global environment and is therefore exposed to local business risks in many countries, such as corruption and restrictions on trade

Arjo operates in a global environment and is thereby subject to various risks. For example, professional misconduct, fraud, violations of applicable laws and regulations, or other improper actions by Arjo's employees, representatives or distributors could have an adverse effect on Arjo's business and reputation. Such actions could entail breaches of applicable rules concerning public procurement, confidentiality, prohibitions on bribery and other types of corruption, rules concerning remuneration of employees and other contractual costs, rules concerning lobbying or similar activities, rules concerning internal control over financial reporting, laws and regulations concerning environment, trade, competition and prevention of monopolies, and other applicable laws and regulations. Arjo has prepared internal guidelines and policies for the Company's employees, but there is a risk that, for example, the anti-corruption policy introduced by Arjo or that measures taken against corruption do not prevent corrupt behavior. If Arjo were to breach applicable laws and regulations, or make another error, the Group could be subject to penalty fees and other sanctions under public law, as well as termination or exclusion from contracts, which could impair the Group's ability to win procurements and future contracts and result in lower revenues and profits. There is also a risk that third parties with which Arjo is in contact, act improperly, for example by committing or attempting to commit theft, fraud or extortion against Arjo or Arjo's employees, which could have an adverse effect on Arjo's business and reputation.

Moreover, various types of trade restrictions implemented by means of laws, policies, actions, controls or other public levies in countries where Arjo is active, or countries in which Arjo may conduct operations in the future, as well as export controls and economic sanctions or other measures imposed by institutions, associations and countries, such as the UN, EU and the U.S., could affect the Group's operations, delay or impede planned investments or in some other manner have an adverse effect on Arjo and its financial results. In addition, if Arjo – intentionally or by mistake – were to violate applicable sanction programs or other trade restrictions, this could have an adverse effect on Arjo since Arjo then risks completely or partially losing its financing and facing other remedies.

Arjo may not be able to develop, implement and maintain systems, policies and approaches to completely manage these risks or comply with applicable regulations in their entirety without incurring additional costs. If any of these risks were to be realized, this could have an adverse effect on Arjo's operations, financial position and results.

Financial risks

Arjo could experience difficulties in the future in obtaining financing at reasonable terms and conditions, or at all

Refinancing risk is defined as the risk that financing cannot be obtained at a given time, that financing can only be obtained at higher costs or that creditors face difficulties in fulfilling their commitments. Historically, Arjo has received financing via Getinge but has, prior to the listing on Nasdaq Stockholm, in August 2017 entered into its own credit arrangements to cover both short- and long-term capital requirements. As of September 30, 2017, the Group's current and non-current interest-bearing liabilities totaled SEK 6,649 M (including interest-bearing provisions for pensions of SEK 27 M). There is a risk that future refinancing may not be available at reasonable terms and conditions, which could have an adverse effect on the Group's operations, financial position and results. In addition to the Group's own cash flow and equity, the Group's operations are financed through loans from external lenders. The development and launch of new products and entry into new markets may be delayed or subject to unforeseen or higher costs due to factors within or beyond the Group's control. If such circumstances occur, this could mean that projects cannot be completed before the loans become due, that such higher costs are not covered by credit facilities granted, and that cash flow is adversely affected, resulting in an increased need of external financing. If the Group would be unable to obtain financing for acquisitions, development and production, extension or expansion of existing financing or refinancing of financing previously received, or if it would only be able to obtain such financing on unfavorable terms, this could have an adverse effect on the Group's operations, financial position and results.

Arjo is exposed to interest rate risk, which can lead to higher costs as a result of changes in market interest rates

After the distribution of shares in Arjo, the Group's operations will be financed largely by cash flow from operating activities as well as borrowing from credit institutions, in addition to equity. The Group is exposed to interest rate risk in that changes in interest rates adversely affect the Group's cash flows or the fair value of its financial assets and liabilities. In addition to the extent of interest-bearing liabilities, interest expenses are affected primarily by the level of current market interest rates and credit institutions' margins, as well as the interest rate adjustment period strategy adopted by the Group.

Market interest rates are greatly affected by the expected rate of inflation. Shorter-term interest rates are affected primarily by the repo rate, which is a monetary policy instrument. In times of rising inflation expectations the interest rate may be expected to rise, and in times of declining inflation expectations the interest rate may be expected to decline. The longer the average fixed-interest term on the Group's loans, the longer it will take before a change in interest rates affects the Group's interest expenses. The Group is affected by the interest rate situation in the currencies in which the Group will have liabilities (for example GBP, USD, EUR and SEK). A higher interest rate and higher interest expenses could have an adverse effect on the Group's operations, financial position and results.

Arjo is exposed to currency risks which may affect the Group's financial position and results

Arjo has significant exposure to exchange rate fluctuations due to its international operations and structure. This applies to both currency flows in various currencies, i.e. transaction exposure, as well as conversion of the foreign subsidiaries' earnings and net assets to SEK, i.e. translation exposure. Large exchange rate fluctuations could have an adverse effect on Arjo's financial position and results.

Transaction exposure is primarily generated by Arjo having costs in PLN, GBP, USD and EUR and revenues in USD, EUR, GBP, CAD och AUD. Invoiced sales in foreign currencies amounts to approximately 98 percent of the Group's total invoiced sales. Major exchange rate fluctuations could therefore have an adverse effect on Arjo's results.

The Group's consolidated earnings and equity are affected by translation exposure. There is a risk that current or future hedging measures may not ensure Arjo sufficient protection against the negative effects of exchange rate fluctuations. Whether Arjo's hedging measures are effective depends largely on the accuracy of its assumptions and forecasts. Incorrect assessments that affect these assumptions or forecasts could have an adverse effect on Arjo's operations, financial position and results.

Arjo is exposed to credit and counterparty risks

Arjo is exposed to credit risk, which includes the risk that Arjo's counterparties cannot fulfil their payment commitments against Arjo and thereby creates a loss for Arjo. If the Group's customers does not fulfil their obligations regarding payment of accounts receivables, due to, for example, financial difficulties, is such a risk. Arjo routinely estimates its customers' solvency by requesting credit reports from credit bureaus and through continual follow-up of credit limits. However, there is a risk that these measures will not provide sufficient protection against the risk of default in payment. Under Arjo's financial agreements, credit risk exposure includes exposure to counterparties in derivative instruments, lease transactions and other financial investments and arrangements. If customers or counterparties to different agreements fail to fulfill their payment commitments to Arjo, this could have an adverse effect on Arjo's operations, financial position and results.

Costs related to pension benefit plans could increase, which could have an adverse effect on Arjo's operations, financial position and results

Arjo has both contribution-based and benefit-based pension plans. For contribution-based plans, fixed fees are paid to a separate legal entity and there is no obligation, legal or informal, to pay any additional fees. In the contribution-based plans, payments are recognized as an expense during the period when the employees have performed the services to which the fee relate. The main part of Arjo's employees that are covered by pension benefit plans have contribution-based plans, while the remaining employees have pension plans that are benefit-based plans (where the obligations remain within the Group). These obligations and costs for service during the current period are calculated actuarially in accordance with IAS 19.

The Group's benefit-based plans are either unfunded or funded by an external party. Allocations in the balance sheet for benefit-based plans are constituted of the current value of the benefit-based obligations with deductions for any plan assets. For funded plans, the plans' assets are separated into externally managed funds. For the benefit-based plans the pension is based on the salary of the employee as well the number of years in employment.

Pension commitments in the Swedish ITP plans are funded through insurance premiums to Alecta/Collectum. In accordance with current accounting rules, benefit-based plans that encompasses several employers are reported as contribution-based plans. Arjo also has unfunded benefit-based plans in Sweden (FPG/PRI debt) for which there are no equivalent plan assets. Moreover there are benefit-based plans (for previous employees in management positions) that are secured through an endowment insurance. As of September 30, 2017, Arjo's benefit-based provisions for pension amounted to SEK 27 M as calculated in accordance with IAS 19.

Arjo is exposed to various risks related to the benefit-based plans, which are not insured on a collective basis, including the risk that the costs for the promised payments will be higher than estimated, the risk of actual investment returns being less than assumed rates of return and the risk of results deviating from actuarial assumptions for areas such as life expectancy of plan participants, inflation and future salary adjustments. Arjo insures parts of the risks related to benefit-based pension plans in certain countries. There is a risk that Arjo's costs for insuring obligations related to benefit-based plans will increase due to the reasons mentioned above or to other reasons. All of these risks, if realized, could have an adverse effect on Arjo's operations, financial position and results.

The value of goodwill and other intangible assets of Arjo may become impaired

Goodwill constitutes a significant part of Arjo's balance sheet. Arjo performs an annual impairment test and records such impairments in the income statement as soon as there are indications that the asset in question has declined in value. Arjo routinely follows up on relevant circumstances that affect the Group's operations and Arjo's general financial position, as well as any effect that such circumstances could have on the valuation of Arjo's goodwill and other intangible assets. It is possible that changes in such circumstances, or in any of the assumptions used by Arjo in its valuation of goodwill or other intangible assets, could make it necessary for Arjo to record impairments in the future. Impairment of goodwill or amortization of other intangible assets, and associated expenses, could have an adverse effect on Arjo's financial position and results.

Arjo may have to record impairments of the value of the Group's inventories

Arjo keeps a relatively extensive inventory of many products, which has been built up over time. This creates an inherent risk of inventory losing value and/or becoming obsolete. The Group's inventories may therefore be subject to impairments, and if the Group records an impairment of inventories, it could have a negative effect on Arjo's operations, financial position and results.

Risks related to the distribution of Arjo shares

The distribution of Arjo's shares may fail to realize anticipated benefits

One of the purposes of the distribution of Arjo's shares is to enhance the ability of each business to successfully implement its strategies and to better meet its customers. However, there is a risk that the anticipated benefits from the distribution will not be achieved if the assumptions underlying the decision to carry out the distribution turn out to be incorrect. For example, Arjo, as a standalone company, may not in the future be able to procure external financing or other financial services on conditions as favorable as obtainable by Getinge Group, as constituted before the distribution. To the extent that Arjo, as a standalone company incurs additional costs, achieves lower profits or has lower-than-expected cost savings, its operations, financial position and results could be adversely affected and the anticipated benefits from the distribution could perhaps not be realized.

Arjo's ability to operate successfully could be adversely effected due to functions and work processes being newly established within Arjo

Before the distribution of the shares in Arjo and the listing on Nasdaq Stockholm, the operations that were previously performed within Getinge's business area Patient & Post-Acute Care ("**PPAC**") and the related area Flusher Disinfection have been separated from Getinge and transferred to Arjo. Due to the separation, a completely new management structure has been established and some of the functions (such as the Group's HR, IT, quality organization and finance) have needed to be strengthen by recruitment. The fact that functions in certain instances are newly established in their present forms could increase the risk of misunderstandings or uncertainties, which could have an adverse effect on the Group's operations, financial position and results.

As a company listed on Nasdaq Stockholm, Arjo will further need to comply with laws, regulations and Nasdaq Stockholm's rulebook for issuers, with which Arjo was not required to comply with as a part of Getinge. As a result, Arjo will incur significant legal, accounting and other expenses that Arjo did not incur as a part of Getinge. Complying with these statutes, regulations and requirements will occupy a significant amount of time for Arjo's Board of Directors and Group Management.

Arjo's changes in IT systems may require significant resources and future disruptions could occur

Arjo's previous IT system has in many cases been divided on different levels of the organization and there has not existed a central system. In connection to the separation from Getinge, Arjo will need to execute a separation of system, data and infrastructure for certain business-critical systems. The changes in the IT systems may demand significant resources as well as time from Arjo's management and they could also affect other work processes. The implementation could be costlier than anticipated, it could be delayed with adverse consequences, or it could cause disruptions to operations, including having an adverse effect on availability and customer satisfaction, and could in the long term have an adverse effect on the Group's operations, financial position and results.

After separating from Getinge, Arjo will continue to be dependent on Getinge as a supplier for certain functions and in certain markets over a transitional period

Arjo and Getinge have entered into an agreement whereby Getinge will provide services to Arjo in a number of areas, on both Group and country level, over a transitional period. The services include transactional financial services provided from Getinge's shared service center in Krakow (Poland) and San José (Costa Rica) and some IT services, as a result of the separation of the IT environment. The term for the different services varies but are no longer than twelve months from the separation. Shortcomings in Getinges's fulfilment of its commitments to Arjo, disagreements regarding interpretation of agreements or other disruptions to Arjo's relationship with Getinge could have an adverse impact on the Group's operations, financial position and results.

After the transitional period, Arjo intends to either develop internal capacity or enter into agreements with third parties to replace the services provided by Getinge. If Arjo fails at replacing the functions internally, on which the Group at the present moment is depending on Getinge, or if Arjo fails to enter into agreements with third party on commercially acceptable conditions, or if the transition to services provided by third parties is disrupted or delayed, Arjo's operations, financial position and results could be adversely affected.

Arjo's historical combined financial information in the prospectus does not necessarily provide the same representation as if Arjo historically had been a group

Arjo's historical combined financial information does not necessarily provide an accurate and complete representation of what Arjo's operations, results and financial position would have been had the separation from Getinge been completed by the presented dates. Nor should the information be used as a basis for conclusions about Arjo's future operations, results and financial position. Arjo has not historically been a separate group, but rather a business area with earnings consolidated within the framework of Getinge's results, financial position and cash flow. The historical combined financial information has been prepared on the basis of the financial information presented as the PPAC business area and the related area Flusher Disinfection in Getinge Group's financial statements for the financial years 2014, 2015 and 2016, as well as the quarterly report for the first quarter of 2017, although with some adjustments.

Risks associated with the Company's shares

An investment in shares may increase or decrease in value and there is a risk that investors will not recover their invested capital. There is a risk that an active, liquid and functioning market for trading in Arjo's shares does not emerge

Shareholding is inexorably linked to risk and the assumption of risk. Since an investment in shares may increase or decrease in value, there is a risk that investors will not recover their invested capital. Prior to the listing on Nasdaq Stockholm, no market exists for the Group's shares. Accordingly, there is a risk that an active market for trading with the shares will not develop following the listing on Nasdaq Stockholm.

There is a risk that the market will not react positively to the distribution of Arjo's shares and it is possible that investors will have a less positive view of the standalone companies than of Getinge Group before the distribution. The price trend for Arjo's shares will further depend on multiple factors, some of which are specific to Arjo while others are related to the stock market in general or otherwise lie beyond Arjo's control (for example, sale of substantial holdings by owners). These factors may also increase share price volatility. It is not possible for Arjo to control all factors which could affect its share price, which is why every investment decision should be preceded by careful analysis.

Arjo's potential to pay dividends to its shareholders depends on the Group's future results, financial position, cash flows, working capital requirements and other factors

Shares in Arjo entitle the right to dividends (assuming dividends are approved) as of the date on which the holder of the shares in Arjo is included in the share register maintained by Euroclear. The shares held on the record date resolved by the General Meeting or the Board of Directors will be entitled to dividends. Future dividends, and the extent of any such dividends depend on the Group's future results, financial position, cash flows, working capital requirements and other factors. There are also many other risks that could adversely impact the Group's operations (see above in this section), which could entail that Arjo's future earnings do not permit dividends in the future.

Future sales of major shareholdings and possible future share capital increases by Arjo could have an adverse effect on the share price

Substantial sales of shares by major shareholders, as well as a general market expectation that additional sales will occur, could have an adverse effect on Arjo's share price.

Arjo could perform share capital increases in the future for various reasons, through preferential rights issues or directed issues for cash or through non-cash issues, for purposes including financing of future acquisitions, other investments or to strengthen the balance sheet. Such share capital increases may lead to dilution for shareholders who for some reason are not invited, are unable to participate, or choose not to exercise their right to subscribe for shares.

A directed issue without preferential rights to participate for existing shareholders may only take place in accordance with applicable Swedish law and good practice on the Swedish stock market, which among other things requires objectively acceptable reasons for deviating from preferential rights. Such share capital increases result in dilution of the participation interest in Arjo presently held by existing shareholders, and could have an adverse effect on the share price, earnings per share and net asset value per share.

After the distribution of the shares in Arjo, a single shareholder, Carl Bennet AB, will exercise significant influence over Arjo

Following the distribution of shares in Arjo, Carl Bennet AB will hold approximately 18.1 percent of the shares and approximately 48.9 percent of the votes in Arjo. Consequently, Carl Bennet AB will have a significant influence over the outcome of matters referred to Arjo's shareholders for approval, such as the election of Board members, potential mergers, amendments to the Articles of Association, share issues and the appropriation of profit. Carl Bennet AB could have interests that diverge from or compete with those of Arjo or other shareholders, which could have an adverse effect on Arjo or its shareholders.

Shareholders in the U.S. and other foreign jurisdictions are subject to special share-related risks

Arjo's shares will only be listed in SEK, and any dividends will be paid in SEK. This means that shareholders outside of Sweden may experience a negative impact on the value of their holdings and dividends at conversion to other currencies if SEK declines in value against the relevant currency.

If Arjo issues new shares with preferential rights for the Company's shareholders in the future, shareholders in some countries may be subject to restrictions that mean that they are unable to participate in such new share issues or that their participation is otherwise prevented or limited. For example, shareholders in the U.S. may be prevented from exercising such preferential rights if no exemption from the registration requirement under the Securities Act applies. Shareholders in other jurisdictions outside of Sweden may also be correspondingly affected. In the case of any future issues, Arjo is not obliged to apply for registration under the Securities Act or to apply for similar approval under the legislation of any country outside of Sweden concerning subscription rights and shares, and it may prove impractical or costly to do so. To the extent that shareholders in jurisdictions other than Sweden are unable to subscribe for new shares in any new share issues, their proportional ownership in Arjo will decline.

The rights of holders of Getinge American Depositary Receipts (ADR) may differ from the rights of shareholders in Getinge

The rights of holders of Getinge ADRs may in some respects differ from shareholders. For example, there is a risk that the distribution of shares in Arjo will not be tax free for holders of ADRs, which may imply that holders of ADRs in Getinge, will be unable to receive corresponding shares in Arjo, but rather, receive remuneration in cash, corresponding to the value of the shares. This would thus imply that holders of Getinge ADRs would not receive a holding in Arjo.

Arjo has no current intention to sponsor the creation of any ADR for Arjo shares, and there is a risk that no banks will seek to create unsponsored ADR for Arjo shares. If no ADRs are created, U.S. holders of Arjo shares will be required to make their own arrangements for the collection and conversion of dividends from SEK to USD. Furthermore, the holders of Arjo shares in the U.S. (including any potential holders of Arjo ADR, if any are created) may be unable to exercise potential right to subscribe for new shares if Arjo issues new shares with preferential rights for existing shareholders, unless, there is a so called "Registration statement" in accordance with the Securities Act, concerning such shares or, alternatively, an exception regarding registration requirements in accordance with the Securities Act could be relied upon. Arjo has in the present moment no intention to establish such a "Registration statement" if the Company were to issue new shares. If the holders of Arjo shares in the U.S. (including any potential holders of Arjo ADR, if any are created) are unable to subscribe for new shares in a potential preferential rights issue, their proportional holdings in Arjo will be reduced.

The distribution of the Arjo shares may be taxable to U.S. Holders of shares in Getinge for U.S. federal income tax purposes

Getinge has consulted with U.S. tax advisors and evaluated the potential U.S. federal income tax consequences of the distribution of the Arjo shares. Based on that evaluation, Getinge believes the distribution of the Arjo shares should qualify as a tax-free distribution within the meaning of Section 355 of the Internal Revenue Code of 1986, as amended (the "**IRC**"). At the time of the distribution, Getinge expects to have received an opinion from its U.S. tax counsel, Alston & Bird, LLP (the "**Tax Counsel**"), that on the basis of certain facts, representations, and assumptions on which the Tax Counsel relied, the distribution of the Arjo shares should be tax-free to U.S. Holders (as defined in "*Certain tax issues in the U.S.*") for U.S. federal income tax purposes pursuant to Section 355 of the IRC.

The opinion of the Tax Counsel is not binding on the U.S. Internal Revenue Service ("**IRS**"), and the IRS or the courts may disagree with the opinion. Additionally, if any of the facts, representations or assumptions are inaccurate, incomplete or untrue in any material respect, the opinion may not correctly describe the U.S. federal income tax treatment of the distribution of the Arjo shares. Accordingly, each U.S. Holder of Getinge should consult its tax advisor regarding the specific tax consequences of the distribution, including the applicability and effect of U.S. federal, state and local income and other tax laws on the distribution of the Arjo shares to the shareholders.

If the distribution does not qualify as a tax-free distribution within the meaning of Section 355 of the IRC, U.S. Holders should expect to be treated as receiving ordinary dividend income as a result of the distribution in an amount equal to the USD value of the Arjo shares they receive, and their tax basis in such shares would also be equal to the USD value of the Arjo shares on the date of the distribution.


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Background and reasons

On October 18, 2016, Getinge announced its intention to distribute the subsidiary Arjo to Getinge's shareholders and to list Arjo on Nasdaq Stockholm. The preparation has, as communicated, proceeded according to plan. The Board of Directors of Getinge proposed on November 10, 2017 that the shareholders of Getinge will decide, at an Extraordinary General Meeting to be held on December 4, 2017, to distribute all shares in Arjo to the shareholders of Getinge. On the condition that the shareholders resolve in favor of the distribution, the remaining operations in Getinge will be the Surgical Workflows and Acute Care Therapies business areas. The first day of trading in Arjo shares is expected to be December 12, 2017.

Arjo is a global supplier of medical devices and solutions that improve quality of life for people with reduced mobility and wellness challenges. Arjo believes that the Company is one of the leading global platers within most of the product categories. The company operates in more than 60 countries, divided into the three geographic areas North America, Western Europe and Rest of the World. In 2016, Arjo generated sales of SEK 7,808 M and the number of full-time employees amounted to approximately 5,900 in September, 2017.

Arjo was founded by Arne Johansson in Eslöv, Sweden in 1957, and with its successful organic growth strategy and a number of acquisitions, has since evolved into a global company that today improves the quality of life for patients with reduced mobility and age-related diseases, and also enhances safety and productivity for healthcare professionals. Arjo was acquired by Getinge in 1995 and the Company subsequently became Getinge's Extended Care business segment and later PPAC. Getinge acquired Huntleigh in 2007, which at the time was the market leader in solutions for hospital beds, prevention of deep vein thrombosis ("**DVT**") and pressure-ulcer treatment. The acquisition of Huntleigh meant that Arjo and Huntleigh could jointly offer a comprehensive range of products and services for caring for patients with reduced mobility and age-related diseases.

Getinge completed a strategic review in autumn 2016 to clarify its long-term strategy in order to ensure continued sustainable and profitable growth. As a result of the review, Getinge decided to focus on two business areas – Acute Care Therapies and Surgical Workflows.[1] Getinge's Board of Directors assigned the executive management to prepare a distribution of PPAC and the related area Flusher Disinfection, now Arjo.

Following the split, both Getinge and Arjo are expected to have a more dedicated business focus, with more opportunities to continue to develop tailored products and solutions to meet the specific needs of their respective customers, where Arjo's business is more patient focused. As separate companies they are also expected to be better positioned to meet the challenges faced by the healthcare sector, for example, the demographic trend of a rising number of elderly people and those suffering from illness. This pressure of change is expected to entail that healthcare will call for more specialized and customized offerings that improve treatment results while also improving efficiency of healthcare.

As an independent company with a focused management group and Board of Directors and with independent access to the capital market, Arjo will have better conditions to set out and implement such a tailored and targeted growth strategy, backed by an organization designed to meet customer needs. The distribution will also create many opportunities for Arjo to increase its focus on customers in the growing long-term care segment. Overall, the benefits of an independent Arjo are considered to be greater than the benefits of being a part of Getinge. Consequently, the Board of Directors of Arjo believes that the split of Getinge and Arjo will increase long-term shareholder value.

The Board of Directors of Arjo is responsible for the contents of this prospectus. Assurance is hereby given that the Board of Directors of Arjo has taken all reasonable care to ensure that the information in this prospectus, to the best of its knowledge, is in accordance with the facts and contains no omissions likely to affect the importance of such information.

Malmö, November 10, 2017

Arjo AB (publ)
The Board of Directors

1) In 2018, Getinge has the intention to establish Life Science as a new business area.

Comments by the CEO

Arjo was founded in 1957 in Eslöv by entrepreneur Arne Johansson. Arne quickly realized the need for bathing and transfer equipment in healthcare and elderly care, and started to develop products and solutions to meet these needs in the Swedish healthcare sector. Arjo has since evolved into a global player in the market with a genuine passion and extensive know-how in enabling care and improving quality of life for people with reduced mobility and age-related health challenges.

Arjo was acquired by Getinge in 1995 and subsequently became an individual business area in the group. A key milestone was the acquisition of UK company Huntleigh Technology in 2007. The merger of Arjo and Huntleigh created a global player with a comprehensive product portfolio and service offering for patient handling, wound care and patient hygiene.

Arjo operates in a market featuring stable and high demand. Many factors indicate that global demand for healthcare and elderly care will continue to rise in the foreseeable future. The growth is largely driven by democratic factors such as an aging population and higher incidence of chronic diseases. In addition, the economic performance of emerging markets is enabling more countries to develop advanced healthcare.

However, Arjo's performance in recent years has been challenging with limited growth. We need to intensify our market presence, primarily in long-term care where we have many opportunities to regain leading positions by leveraging our global presence and our existing and future product range. Arjo can, as its own company, intensify its focus, which will strengthen opportunities for realizing our strategy and being able to continue to efficiently develop products and solutions and thus create both positive customer value and shareholder value.

I took office as CEO of Arjo in April, after having worked at Getinge since 1999. My earlier positions included EVP Infection Control and most recently Acting CEO of Getinge. Since I became CEO of Arjo, I have devoted a great deal of time, together with the organization, to meet customers and suppliers to define the strategy and business plan for Arjo as an independent company. I can confirm that we have made good progress toward building a strong organization with clear processes and, together with the Board, we have also established a strategic long-term plan for the operations.

Our new strategy has been formulated to achieve the Company's vision, *to be recognized globally as the most trusted partner in enabling care and improving quality of life for people with reduced mobility and age-related health challenges*, combined with the creation of sustainable profitable growth. The goal is to become a market leader in long-term care, while maintaining our strong market position in acute care – in the areas in which we operate. The aim is also to achieve a position as a preferred solutions provider that contribute to a sustainable healthcare system. We have developed a business plan called *Arjo 2020* for this purpose. The business plan is based on a number of overall focus areas with activities to create added value for customers, strengthen the commercial focus and increase operational agility and efficiency. A particularly important component of the strategy is a comprehensive action plan to turnaround the negative development in the U.S. You can read more about *Arjo 2020* in the business description. In addition to this plan, we will continuously evaluate strategic acquisitions that supplement and enhance the current business. Arjo as a separate listed company will create further opportunities for acquisition-based growth.

It is important that shared core values permeate the entire operations in order to realize Arjo's strategy and achieve the set targets. Accordingly, me and my management team will work toward a business whose work environment and business relationships are characterized by Arjo's core values: *Passion, Collaboration, Openness, Excellence and Ownership*. Arjo also has high ambitions to develop extensive sustainability activities to ensure our long-term earnings capacity and to create a culture in which all stakeholders can be proud of their relationship with Arjo.

Finally, after a period of challenges as mentioned above, I would like to point out that Arjo is now well equipped for the future. Arjo's balance sheet has also been strengthened by the rights issue that Getinge carried out earlier in the autumn, which will provide better conditions for leveraging opportunities to develop Arjo.

The forthcoming listing is a stimulating opportunity for us, the management and all employees, and we are greatly committed to and have a high level of activities within the organization for meeting our targets to deliver benefits to our customers, and thus safeguarding profitable growth. I look forward to an exciting and successful future with Arjo!

Joacim Lindoff
President and CEO

Information regarding distribution of shares in Arjo

Resolution on distribution of the shares in Arjo

Provided that an Extraordinary General Meeting in Getinge on December 4, 2017 resolves, in accordance with the proposal of the Board of Getinge, to distribute all shares in the wholly-owned subsidiary Arjo to the shareholders of Getinge, all shares in Arjo will be distributed to the shareholders of Getinge in proportion to each shareholder's holdings of shares in Getinge on the proposed record date for distribution (on December 8, 2017). Each share held in Getinge entitles to one share of the same series in Arjo. Aside from being registered as a shareholder on the record date for the distribution (directly registered or nominee-registered), no further actions are required in order to receive shares in Arjo. The distribution of shares is to take place in accordance with the Swedish "Lex ASEA" rules regarding taxation. For further information, see the section "*Certain tax issues*".

Distribution ratio

For each share of series A in Getinge, one (1) share of series A in Arjo is received and for each share of series B in Getinge, one (1) share of series B in Arjo is received. In total, 272,369,573 shares in Arjo will be distributed, of which 18,217,200 are shares of series A and 254,152,373 are shares of series B. Each A-share entitles to ten votes and each B-share entitles to one vote at the General Meeting. For further information, see the section "*Share capital and ownership structure*".

1 series A-share of Getinge → 1 series A-share of Arjo

1 series A-share of Getinge entitles to ... ... 1 series A-share of Arjo

1 series B-share of Getinge → 1 series B-share of Arjo

1 series B-share of Getinge entitles to ... ... 1 series B-share of Arjo

Record date

The record date at Euroclear for the right to receive distribution of shares in Arjo is December 8, 2017. The last day of trading in Getinge's shares including the right to distribution of shares in Arjo is December 6, 2017. The shares in Getinge will be traded excluding the right to distribution of shares in Arjo as from December 7, 2017.

Receipt of shares in Arjo

Those recorded in Getinge's register of shareholders maintained by Euroclear, on the record date for the distribution, will receive shares in Arjo with no further action. Shares in Arjo will be available on the securities account of those shareholders who are entitled to receive the distribution (or the securities account belonging to the party who is otherwise entitled to receive the distribution) two banking days after the record date. Thereafter, Euroclear will send out a statement containing information on the number of shares registered on the securities account of the recipient.

Nominee registered holdings

Shareholders whose shares in Getinge are registered in the name of a nominee (i.e., a bank or other nominee) will not receive a statement from Euroclear. Notification and the crediting of shares in Arjo to the accounts of nominee-registered shareholders will instead be carried out in accordance with the procedures of the respective nominee.

Listing of the B-shares in Arjo

The Board of Directors of Arjo has applied for a listing of the Company's shares of series B on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on October 27, 2017 to approve Arjo's application of admission of the Company's shares to trading on Nasdaq Stockholm provided that certain customary conditions are met. The first day of trading is expected to be December 12, 2017. The Company's ticker symbol on Nasdaq Stockholm will be ARJO B for the B-share. The ISIN code for Arjo's share of series B is SE0010468116.

Right to dividends

The shares in Arjo entitle to dividend for the first time on the record date for distribution of dividend which falls immediately after the distribution of shares in Arjo has been executed. Any dividends will be paid following a resolution by a General Meeting. The payment of any dividends will be administered by Euroclear or, should the shares be nominee-registered, in accordance with the procedures of the respective nominee. Entitlement to receive such dividends is limited to shareholders registered in the share register maintained by Euroclear on the record date for distribution determined by the General Meeting. For further information, see "*Financial targets and dividend policy*" in the section "*Business description*" and "*Rights to dividends and surplus in the event of liquidation*" in the section "*Share capital and ownership structure*". For information on tax on dividend, see the section "*Certain tax issues*".


カラオケの鉄人
03-3345-6430
アコム
2F
シェーン英会話
新宿本校
global

Market overview

This prospectus contains certain market and industry information from third parties. Unless stated otherwise, this information is based on the Company's analysis of several sources, including a market assessment report prepared by The Economist Group in 2017. Although the information has been accurately reproduced and Arjo considers the sources reliable, Arjo has not independently verified the information and, accordingly, cannot provide any assurances as to its accuracy and completeness. However, as far as Arjo is aware and can ascertain by comparison with other information published by such sources, no information has been omitted that could render the reproduced information inaccurate or misleading.

Arjo's market

Arjo is a global supplier of medical devices, services and solutions that improve the lives of people affected by reduced mobility and age-related health challenges. The Company's offering includes products and solutions within the areas of patient handling, hygiene, disinfection, medical beds, therapeutic surfaces, venous thromboembolism ("**VTE**") prevention and diagnostics within obstetrics and cardiology. Arjo develops, manufactures, markets and sells a wide range of products and solutions in all of these areas that improve the treatment outcomes for patients and improve safety and productivity for healthcare professionals. In turn, this helps solve the increasing demographic challenges faced by society.

Arjo has decided to divide the market into three geographical areas: North America, Western Europe and Rest of the World. The Company sells products to the two distinct customer segments acute care and long-term care. The customers in these two segments partially overlap and both comprise publicly and privately run individual or groups of institutions. Sales are generated globally and primarily made directly to end customers through the Company's proprietary sales companies, and to a very minor extent through external distributors in markets for which the Company has decided not to have proprietary representation. For more information about the operations, see the section "*Business description*".

Value chain and players in the market

The value chain that Arjo operates in is illustrated in the figure on the next page. Producers, including Arjo and its competitors, are found in the middle of the value chain. Business models vary by company with larger players such as Arjo handling most of the logistics by themselves and thus selling directly to the end customer. The contract awarding party – the customer – can be divided into two types: public institutions and private healthcare providers.

Purchase of manufacturing components

Suppliers comprise component manufacturers and companies offering component warehousing and logistics. The product companies purchase a broad range of components for onward production. The main materials used in the production include steel, aluminum, wood and laminate, as well as petroleum-based products such as foam and plastics, whereof all are available from several different suppliers. In addition, various electrical components, such as actuators and controls, used for medical beds, for example, are purchased from various sub-suppliers.

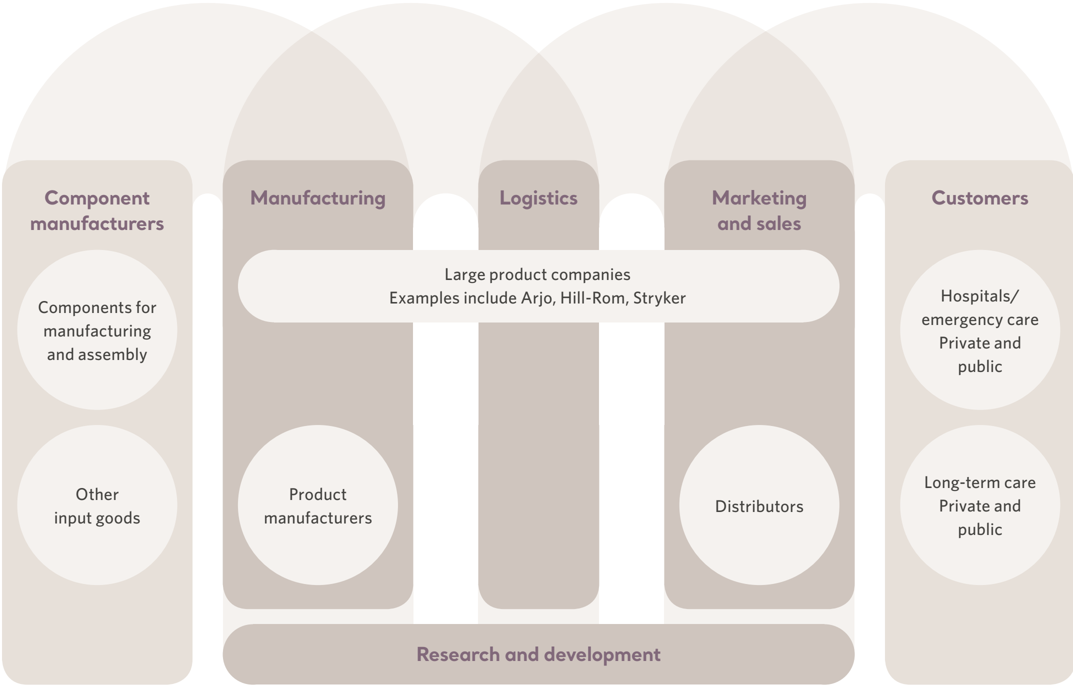
Key selection criteria for end customers are product quality and delivery reliability, and the same criteria are applied by the manufacturing companies when choosing a supplier. Accordingly, the purchasing departments of the product companies closely monitor a number of key performance indicators that measure delivery reliability and regulatory compliance. The importance of codes of conduct and their implementation with suppliers in the value chain has increased in order to ensure that the value chain is operated in accordance with a sustainable business, ethical principles and international guidelines for multinational companies.

Product development and manufacturing

In most cases, the same company develops, manufactures, market and sells the products to the end customers. Continuous innovation and product renewal is necessary to ensure that products, systems and solutions remain relevant. Successful product development is a key competitive advantage for companies in the market and is an important driver of organic sales growth.

Most market players carry out their principal manufacturing under proprietary trademarks, while third-party

ARJO'S VALUE CHAIN – MARKET FOR PRODUCTS AND SOLUTIONS FOR PEOPLE WITH REDUCED MOBILITY AND AGE-RELATED HEALTH CHALLENGES



manufacturing is limited. Investments in production and quality processes are considered to be significant to such players as Arjo. Enhancing the efficiency of production is a key area for the manufacturers and is one of the consequences of the increased focus on cost savings in the healthcare sector, which is resulting in general pressure on prices for such equipment, as described in more detail in "*Market dynamics and trends*" below. Efficient production can also result in superior competitiveness, for example, with shorter delivery times and improved delivery reliability.

Product companies are subject to national and international rules, regulations and norms to ensure quality and product safety. A number of licenses and certifications must be held and most countries also require production facilities to obtain certification in accordance with current quality standards and regulations for medical devices.

Marketing and sales

The medical devices market is primarily made up of large companies with a global presence. Arjo and its competitors also offer the distribution and sale of products and services to end customers. Demand for complete solutions, including service and training, has risen in recent years and is expected to gain importance in the future. The larger companies have a high number of clinically trained sellers, which is a key competitive advantage compared with smaller players in the market. Sales in markets in which large product companies do not have proprietary sales representation take place by distributor instead. Such markets are mainly emerging markets that with various barriers to entry and lack of basic infrastructure.

Manufacturers' offerings can primarily be divided into the product categories of capital goods, consumables, spare parts and services. Capital goods include, among other products, medical beds, mattress systems, hygiene and bathing systems, patient lifts and transfer solutions. Consumables include slings, detergents and disinfection chemicals. Services include product maintenance, support and education. These product categories are supported by various sales and contract models, for example, leasing and all-inclusive spare parts and technical service agreements.

Customers

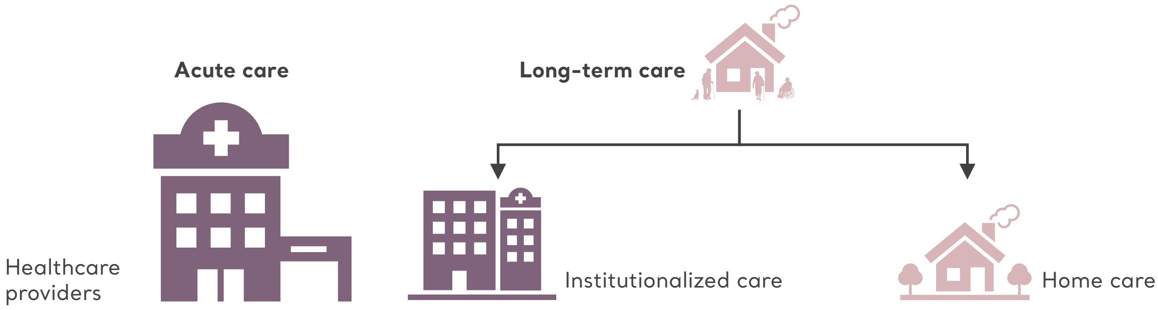
Customers in Arjo's markets can be divided into two categories based on the nature of care offered, acute care or long-term care, and two different categories based on ownership structure, public or private.

Acute care

Suppliers of acute care (primarily hospitals) mainly treat patients with acute conditions. The average length of stay for a patient in an acute care facility is between five and ten days. Acute care units set high standards for delivery reliability and the technical features of products. Most purchases take place through centralized units or via organized groups of suppliers of acute care, as described in more detail in "*Market dynamics and trends*" below. The product types provided by Arjo and its competitors are considered to be relatively standardized for acute care customers compared with other types of equipment sourced at acute care facilities. The aftermarket for technical service is smaller in this customer segment since most healthcare units have their own service departments with bio-medical engineers.

Long-term care

Suppliers of long-term care (institutionalized care and homecare) offer care for patients who need rehabilitation or patients who require permanent care or care for extended periods due to age or chronic diseases. Needs and product requirements can differ from the requirements of acute care. For instance, long-term care sets different technical and aesthetic requirements for its products. Further, long-term care customers often purchase lower volumes and make greater use of external parties for technical and aftermarket services as they rarely have in-house technical expertise or own service departments.



Public and private players

Direct sales is Arjo's primarily distribution channel. The buying parties are public institutions or private players. The customer base is fragmented and varies widely according to geography and market. The global healthcare industry has experienced far-reaching changes since the financial crisis of 2009, one of the consequences of which is fewer yet larger companies. Purchasing is now increasingly centralized and conducted at higher organizational levels, meaning that central purchasing departments now make purchases rather than healthcare professionals.

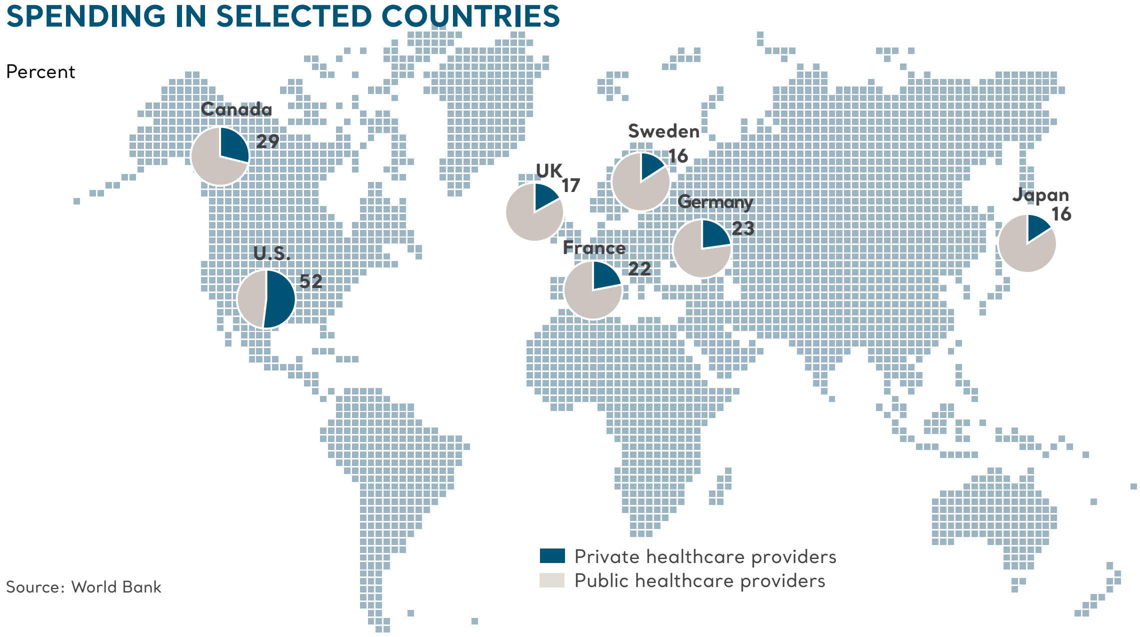
Public institutions

The public sector plays a key role in healthcare systems. Despite clear national differences, the public authorities account for a significant share of the market in which Arjo operates. Such public authorities often bear the ultimate responsibility for healthcare but can either provide care services in-house or purchase care services from private companies. Purchases by public institutions mainly take place on the basis of public procurements.

Private healthcare providers

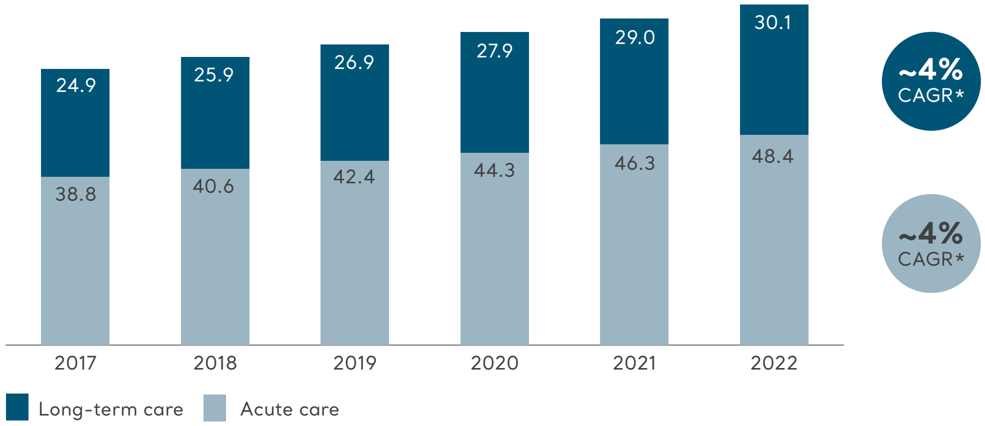
Private healthcare providers conduct proprietary operations and make purchases themselves. The share of private market penetration differs between countries and care segments, as illustrated in the figure below. Although the share of private companies is increasing in most of the markets in which Arjo operates, the majority of the potential customer base in, for example, Europe and Japan

PRIVATE HEALTHCARE PROVIDERS' PERCENTAGE OF TOTAL HEALTHCARE SPENDING IN SELECTED COUNTRIES



DEVELOPMENT OF ARJO'S TOTAL MARKET BY TYPE OF CUSTOMER

SEK billion



*CAGR refers to average growth rate for the period 2017-2022

Source: Economist Intelligence Unit, 2017

remains public players, whereas the U.S., Arjo's single largest market, has a more balanced ratio between public and private healthcare providers.

Procurement forms

Procurement agreements are standard in the markets in which Arjo and its competitors operate. These agreements may be for large volumes linked to a specific company during the contract period. Ahead of the procurement process, tenders are submitted to the procuring party which then evaluates the tenders based on price and other more qualitative criteria. Examples of qualitative criteria include IT systems, capacity to provide training services in the products and supplementary services. The customer is often a public player and thus the agreement is of a public nature. The sales process in public procurements is usually between 12 and 36 months. If the paying party is a private company or if a public institution does not need to carry out a procurement process, the purchase takes place via negotiations between the parties. Further information regarding the sale processes in the different geographical markets can be found below under "*Main markets*".

Market size and growth

Market definition

The global medical devices market was estimated to amount to approximately SEK 3,145 billion[2)] in 2016[3)]. Of this amount, Arjo's market segment, defined as the market for products and solutions for patients with reduced mobility and age-related health challenges, is estimated to amount to approximately SEK 65 billion in 2017, corresponding to about 2 percent of the global medical device market[4)]. Growth in Arjo's market is closely linked to overall growth in the healthcare market. Growth is largely driven by factors such as an aging population and higher incidence of chronic diseases, as well as the economic development of emerging markets that is enabling more and more countries to build up high-quality care.

Arjo's total market – market for products and solutions for people with reduced mobility and age-related health challenges

Arjo's total market by customer type

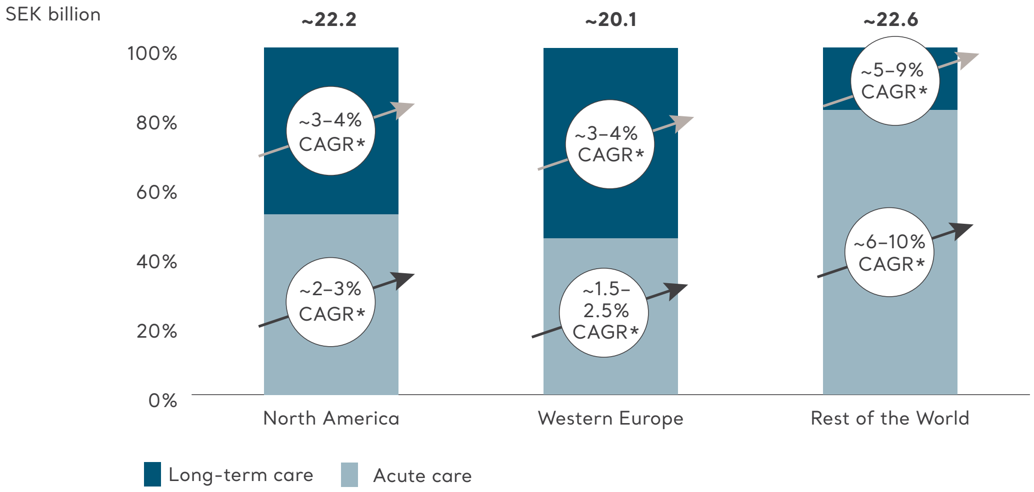
Arjo's total market is estimated to amount to approximately SEK 65 billion in 2017 and is expected to grow to about SEK 79 billion by 2022, corresponding to an annual growth rate of approximately 4 percent. Specified by Arjo's end customers, acute care is the single largest submarket and is estimated to amount to approximately SEK 40 billion, followed by long-term care that is estimated to account for the remaining SEK 25 billion in 2017. Both submarkets are expected to report annual growth of about 4 percent on a global basis over the next five years. Growth in acute care is expected to be driven primarily by the economic growth in emerging countries, while growth in long-term care is expected to be driven by significant investment to accommodate an aging population in the more developed countries. For further information regarding growth drivers see "*Drivers of market growth*" below.

Arjo's total market by geography

Arjo's geographical markets can be divided into North America (USA and Canada), Western Europe and Rest of the World, which represent about 34 percent (approximately SEK 22 billion), 31 percent (approximately SEK 20 billion) and 35 percent (approximately SEK 23 billion) of the total market size. Of these three geographical markets, Rest of the World differs from the other two since most of this market's customers are found

2) Based on an exchange rate of SEK 8.5 per USD 1.0.
3) EvaluateMedTech, September 2016.
4) The size of Arjo's addressable market excludes the market for Diagnostics. However, the Company believes that this submarket constitutes a small share of Arjo's total addressable market.

MARKET OVERVIEW BY END CUSTOMER AND GEOGRAPHY (2017), AND ANTICIPATED GROWTH RATE BY 2022



*CAGR refers to average growth rate for the period 2017-2022

Source: Economist Intelligence Unit, 2017

in acute care. Rest of the World is expected to report the highest growth rate, with an annual growth rate of approximately 6 percent over the next five years. The high growth rate in Rest of the World is mainly driven by growth in emerging markets that is expected to amount to approximately 6–10 percent. A large fraction of the market growth in the emerging countries is directly related to the development of the so-called value-segment, in which Arjo has a limited presence. North America and Western Europe are both expected to grow at an annual rate of approximately 2–4 percent. In more development markets, the acute care market is expected to grow by about 2 percent per year, whereas long-term care is expected to grow by between 3–4 percent by 2022.

Arjo's total market by type of product

Arjo's market can be divided into six product categories, as illustrated in the figure below[5)]. Of these categories, Medical beds represent the largest market at approximately SEK 22 billion, corresponding to about 34 percent of the total market. This is followed by Patient handling and Therapeutic surfaces amounting to approximately SEK 16 billion and SEK 15 billion, respectively, thus representing 25 percent and 23 percent of the market.

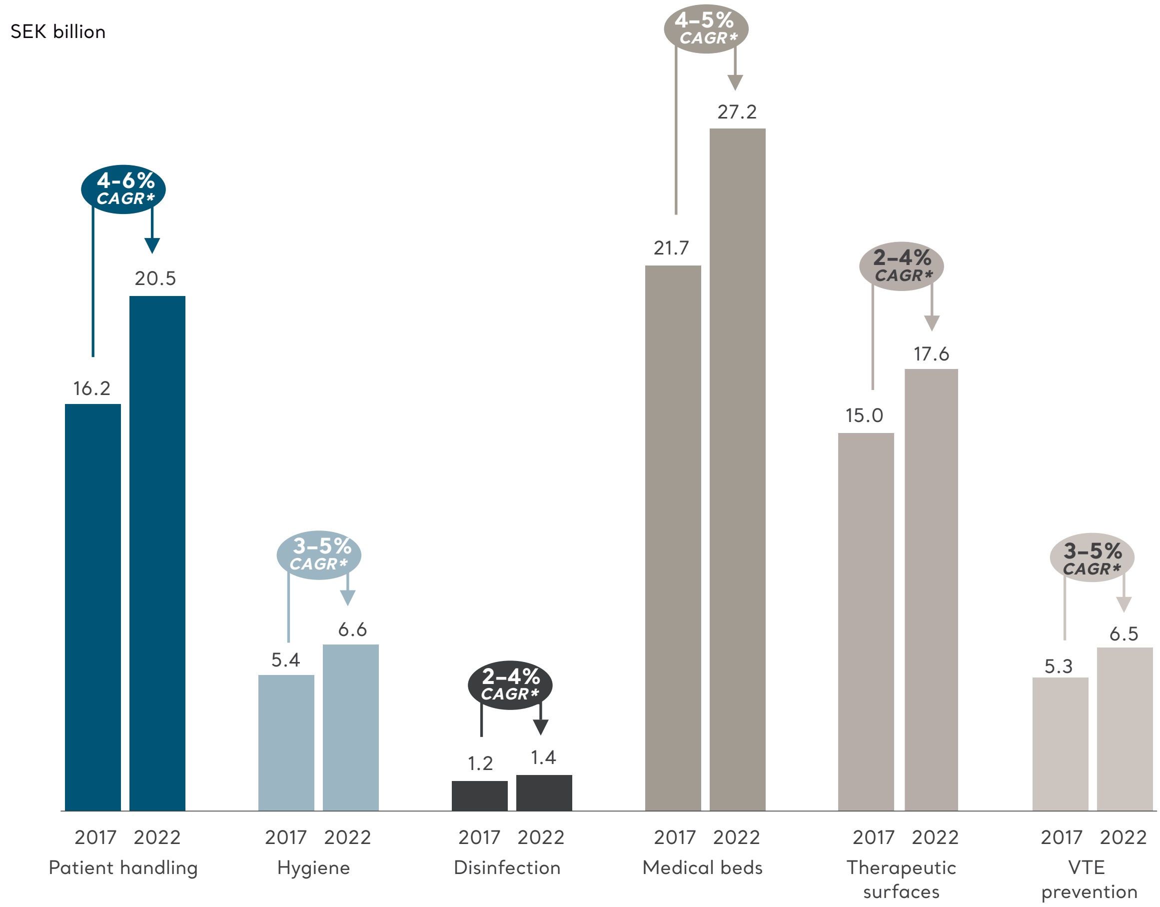
All product segments are expected to report a positive growth rate over the next five years. Patient handling is the fastest growing product area with growth at 4–6 percent, primarily driven by long-term care's increasing needs for transferring assistance. This is followed by Medical beds, VTE prevention and Hygiene, where each of the product areas are predicted to grow by approximately 4 percent, mainly driven by increased investment in hospital infrastructure in emerging markets. Therapeutic surfaces and Disinfection are expected to report a growth rate between 2.5–3.5 percent.

Drivers of market growth

Several factors indicate that the global demand for emergency and long-term care will continue to rise in the foreseeable future. These factors include, for example, demographic trends and higher incidence of lifestyle-related diseases such as an increase in the number of bariatric people and those suffering from chronic diseases. New innovations, product improvements and trends toward private solutions and activity-based healthcare reimbursement systems are also expected to drive demand. The figure below illustrates the underlying growth factors in the medical devices market in the U.S. Price, product mix and volume were the main growth factors between 1997 and 2007. However, the future market growth is expected to be primarily driven by increased sales volumes. The Company believes that the growth in Arjo's submarket will follow a similar trend in volume-based growth.

5) Excluding Diagnostics and Service.

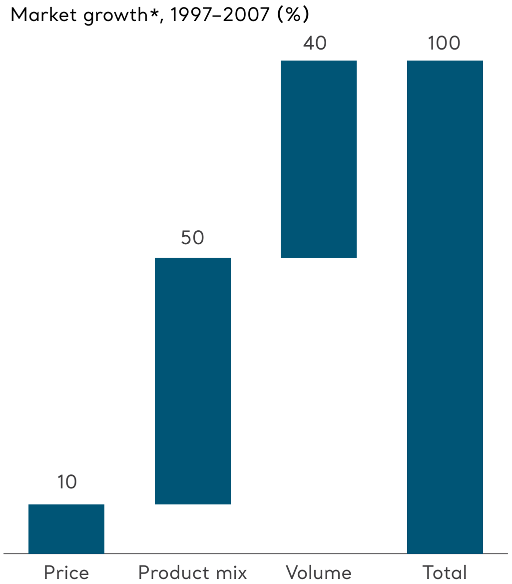
MARKET OVERVIEW PER PRODUCT TYPE

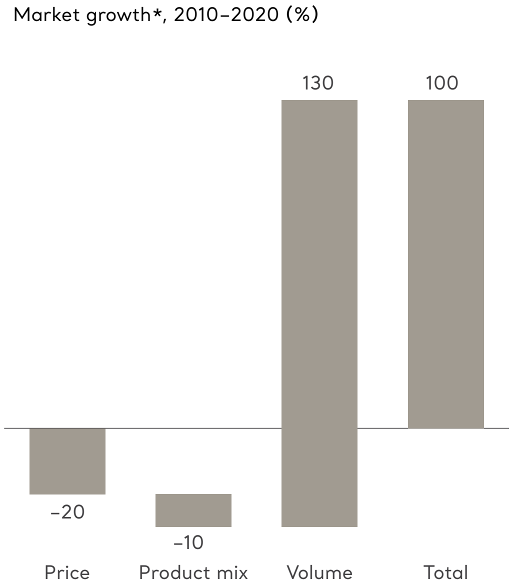


*CAGR refers to average growth rate for the period 2017-2022

Source: Economist Intelligence Unit, 2017

OVERVIEW OF PRIMARY MARKET GROWTH FACTORS AND TRENDS 1997–2020





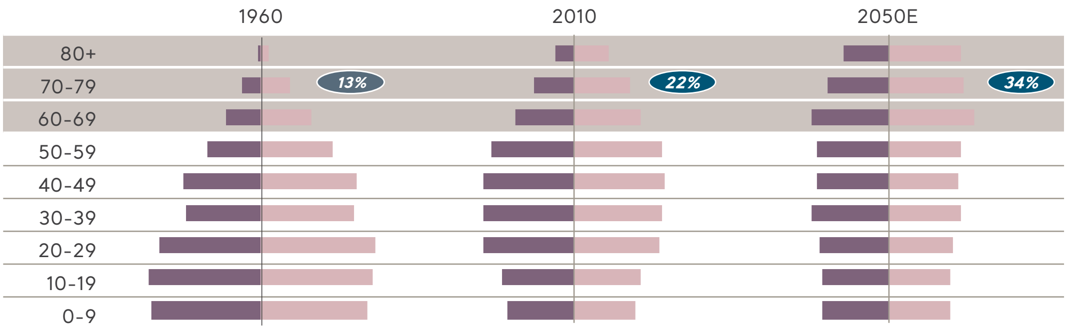
*US MedTech

Source: Boston Consulting Group

Demographic trends

A central growth driver in Arjo's market is the global demographic trend of a rise in population combined with longer life expectancy, leading to an increase in the number of elderly people. This trend is predicted to result in a continued increase in demand for emergency and elderly care-related service, and consequently an increase in the types of products and services that Arjo and its competitors provide. As shown in the figure below, it is estimated that the share of the population in Europe aged 60 and above will increase from approximately 22 percent in 2010 to 34 percent by 2050. Similar trends can be seen in other mature markets. Healthcare spending for this age group is also substantially increasing.

AGE DEMOGRAPHICS PER AGE GROUP IN EUROPE

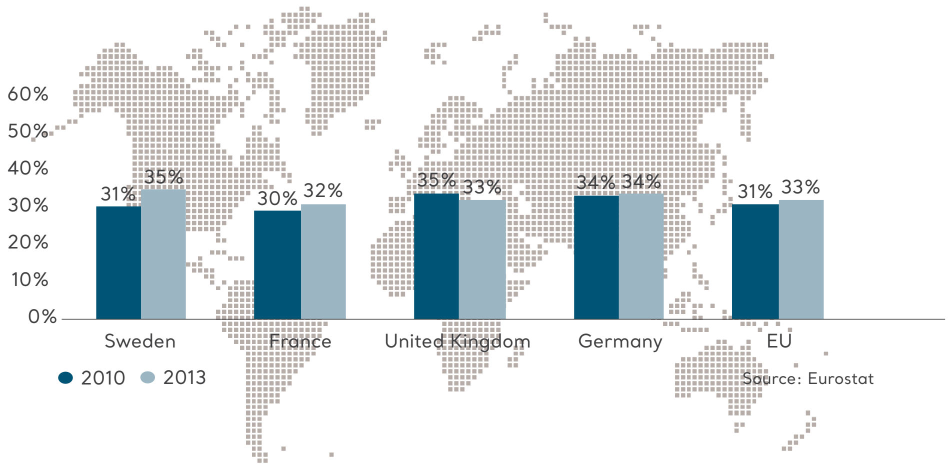


Source: Eurostat

Illness trends – increase in lifestyle-related diseases and number of people with chronic diseases

Another factor that affects demand for medical devices and solutions are environmental and lifestyle changes that could lead to chronic diseases, such as, dementia. These diseases now affect a rising number of people and, accordingly, the healthcare sector needs to increase its capacity and presence to offer high-quality care.

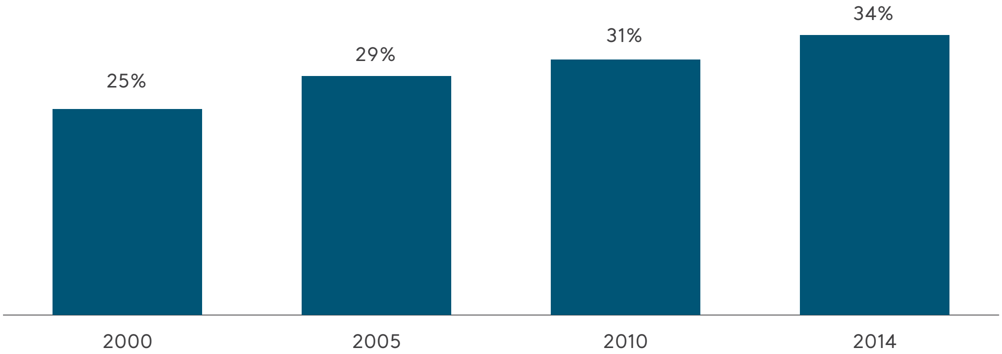
NUMBER OF PEOPLE WITH CHRONIC DISEASES IN SELECTED COUNTRIES



Source: Eurostat

One trend affecting the need for healthcare in general and long-term care more specifically is the increase in obesity all over the world. For example, the fraction of people deemed to be bariatric in the U.S. was approximately 34 percent in 2014. A result of this is an increase in the incidence of obesity-related diseases, such as cardiovascular diseases and diabetes, which in turn results in a greater need for medical devices. Similarly, caring for bariatric patients requires more personnel and healthcare providers are also exposed to a greater risk of injury, for instance, when lifting and transferring patients. Consequently, demand is also expected to rise for products and solutions for safely and comfortably moving patients in a dignified manner that also create an ergonomic, safe and efficient working environment for healthcare professionals.

OBESITY-RELATED DISEASES AS A PERCENTAGE OF THE U.S. POPULATION AGED 18 AND ABOVE



Source: WHO, 2017

Product development – technological advances mean that more diseases can be treated

Investments in research and development by both pharmaceutical companies and medical device companies lead to innovation and product improvements. The launch of new products includes both improved alternatives to existing products and new products based on technological advances and altered customer needs. Product launches that will lead to more efficient care in which more diseases can be treated are expected to drive demand from end customers and therefore market growth.

The launch of new, innovative products and product renewals also drives increased profitability for companies operating in the medical device sector. Customers are generally prepared to pay more for products and solutions that improve treatment results for patients and also raise safety and productivity for healthcare professionals.

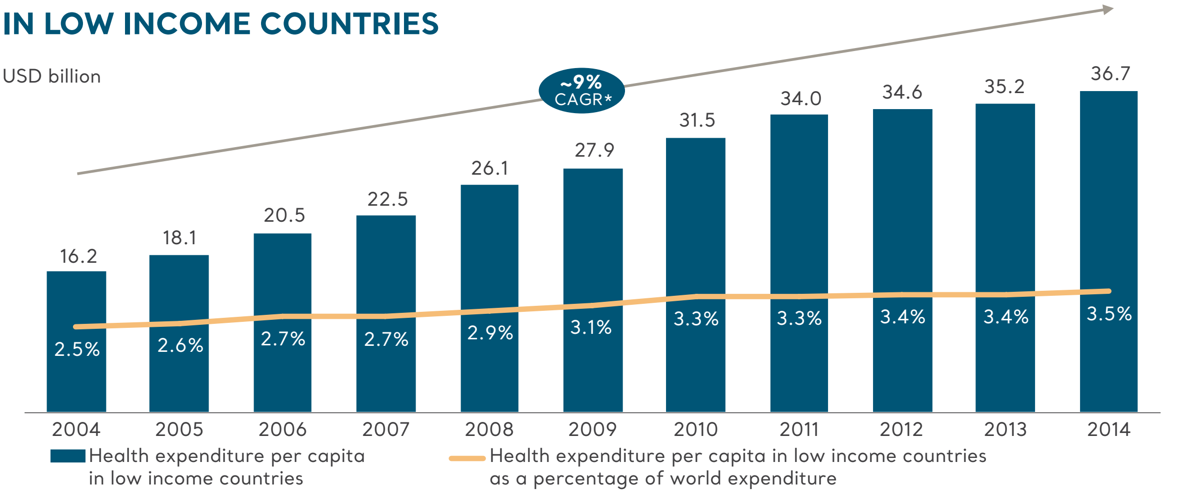
Welfare trends in emerging markets leading to an increasing number of countries being able to afford investing in healthcare infrastructure, providing care for the population

The economic performance of emerging markets is enabling more countries to build up a healthcare infrastructure that meets the escalating requirements. Greater prosperity and a growing middle class have resulted in the significant expansion of both private and public healthcare in many of these countries. As illustrated below, there is a positive correlation between GDP per capita and the share of GDP spent on healthcare, meaning that total healthcare spending in emerging countries is expected to increase sharply in line with growth in these countries' economies. Healthcare spending per capita in low income countries has also increased substantially in recent years as a result of generally higher economic prosperity and welfare development. However, the purchasing power in these markets is generally lower than in mature markets and in 2014 healthcare spending per capita in low income countries was only about 3.5 percent of the global average.

TOTAL HEALTHCARE SPENDING AS A PERCENTAGE OF GDP AND GDP PER CAPITA IN A SELECTION OF COUNTRIES (2014)

Source: World Bank, 2017

DEVELOPMENT IN HEALTHCARE SPENDING PER CAPITA IN LOW INCOME COUNTRIES



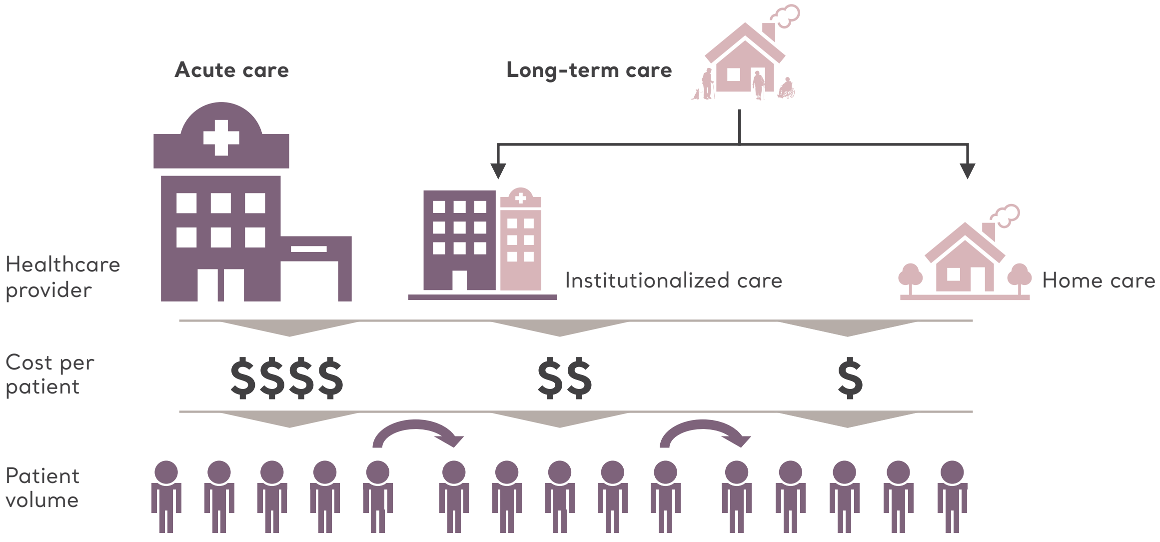
*CAGR refers to average growth rate for the period 2004-2014

Source:World Bank, 2017

The transition from acute care to long-term care

Hospitals are expected to take care of more patients as a result of a rising population with a higher proportion of elderly and ill people, which places further demands on healthcare resources. The average total cost of a bed in a hospital offering acute care is often significantly higher compared with beds in long-term care facilities. Hospitals offering acute care are equipped with high-tech products and have an organizational structure in place to efficiently satisfy broad demand for care solutions, which contributes to a higher cost base. In light of this, most suppliers of acute care endeavor to shorten patient care time to enhance the efficiency of healthcare, reduce costs and allocate more resources to other value-creating activities. As a result, patients who require care over a longer period are moved to long-term care facilities where the cost per day and patient is significantly lower.

THE TRANSITION FROM ACUTE CARE TO LONG-TERM CARE



Market dynamics and trends

Besides the growth factors described, there are a number of trends, drivers and factors that must be addressed by market players. Hospitals are expected to take care of more patients as a result of a higher proportion of elderly and ill people, which places further demands on healthcare resources. The consequences of this include greater consolidation between healthcare players to reduce total costs through economies of scale. Additional factors that affect the market are higher demands for quality assured products that can show documented treatment results and support sustainable development. A description of a selection of identified market trends is provided below.

Lower impact from economic climate

Arjo's market is considered to be defensive to the extent that the general economic performance has a relatively minor effect on demand in relation to the overall economic trend. One of the main reasons for this defensive character is that good health and healthcare are basic human needs, meaning that aggregated demand for the market's products and services is not directly linked to economic prosperity. Furthermore, the specific part of the market to which Arjo belongs has low dependence on individual customers and agreements and has a high percentage of recurring aftermarket income that entails a good revenue visibility for Arjo and similar companies and thus also the opportunity to adjust the cost base according to demand.

Greater efficiency and use of resources

The world's resources are primarily limited by finances and political priorities. As a consequence of constantly rising demand and limited economic resources, the healthcare sector must continually streamline its operations in order to meet patients' needs and expectations. A consequence for healthcare suppliers is increased demand for competitive offerings and sustainable solutions. Measures such as greater cost savings and streamlining need to be taken in order for suppliers to offer competitive solutions. This also imposes additional demands on changes to the sales processes. Demand for systems-based sales, whereby customers are offered integrated solutions that reflect their needs and enhance quality and productivity, are on the rise as an alternative to pure product sales.

Increased consolidation between hospitals, care units and market players

The global healthcare industry has undergone many changes since the financial crisis in 2009, including greater consolidation. This has resulted in fewer and larger healthcare players. The purchases are increasingly governed by central purchasing departments instead of doctors and healthcare professionals. In turn, these trends are leading to greater price pressure for suppliers and difficulties for smaller competitors without a full product range for developing the expertise required to supply the extensive portfolio of products and services in demand.

As healthcare providers and thus end customers in the market have increasingly limited budgets, companies need to adjust their strategies to capture market shares. The importance of consolidation and take-overs has, therefore, increased in recent years. Successful consolidation can result in cost and income synergies in the combined unit.

Greater focus on healthcare quality

In all medical device operations, quality is a fundamental aspect that must permeate the entire operations in order to meet the safety and quality requirements that are a prerequisite for long-term players in the market. Healthcare quality is under constant scrutiny and healthcare providers are under pressure from all stakeholders to offer enhanced care. This means that suppliers may, in addition to their own, even need to meet healthcare providers' quality requirements and codes of conduct. To fulfill these rising quality requirements, market players may need to expand their quality and regulatory departments and prepare an efficient governance model for internal control in order to ensure procedures and processes for the quality program. The introduction and certification of management systems in production facilities that meet applicable quality standards and regulations for medical devices have also become an essential condition for conducting global operations.

Digitization

The digitization of the healthcare market increases and affect all parts of the value chain in healthcare. To meet rising expectations for digital solutions, market players must take this megatrend into consideration. Within Arjo's market, a few strong digitization trends exist that are expected to change the market conditions. These trends will enable new revenue streams for the companies that can successfully respond to this technological development.

Digital technology can be seen in various forms in today's healthcare industry. Diagnostics, operations, optimizing patient flows, staff allocation and mobile tools for home care and home-help services are some areas where digitization is increasingly used. Health services will successively integrate new technological solutions to make healthcare better and cheaper. These changes include a broad spectrum of solutions and will over time progress from implementing and using basic information technology to greater use of advanced and complex technical solutions.

Mobile use is one trend driving digital development worldwide. In healthcare, its use has been limited to-date. However, as awareness grows, mobile units and accompanying applications are expected to be increasingly integrated into healthcare. This means that mobile technology is expected to play a greater role moving forward as a source of information and as a central tool in, for example, decision processes.

The automation of processes in the healthcare sector has begun primarily through the implementation of various IT systems. Automation of the physical world, meaning healthcare providers and products, has not developed to the same extent but is expected to accelerate in the future and become an important trend in the healthcare sector. Using automated guided vehicles (AGV) and other technology either created for the healthcare sector or obtained from other industries, automation will develop from being a phenomenon of the future to form market developments of today.

The Internet of Things ("**IoT**") in short means that various products are linked together by means of communication technology, for example in the collection of data in order to improve both diagnostics and treatment in real-time. IoT can be used to facilitate the repair of faulty equipment and to proactively enhance the quality of technology and equipment throughout its life cycle – which is a field of application that is expected to grow in the future. Alongside IoT, a broad spectrum of technologies will increasingly be integrated into products to enhance the efficiency of healthcare. These include real-time locating systems (RTLS), which enable the localization of medical-technical equipment, technology that facilitates inventory-taking and minimizes the incidence of lost equipment, and automation of physical healthcare services that enable the creation of robot-operated transports and logistics.

Digital communication and interaction with customers include, among other things, e-commerce, gathering of customer data, the possibility to analyze and report the customers purchasing patterns and efficient handling of service agreements. This already established trend facilitates an effective, controlled and reliable interaction between customers and suppliers and eases the sale process. Beyond the established advantages for existing customer, an e-commerce platform can primarily increase the availability and information regarding the actor's products and services for new customers. This is a more cost efficient way of getting access to the new customer segment compared to controversial sale channels.

Another digitization trend that is expected to change the healthcare market is Big Data, which entails the handling and evaluation of large quantities of data and could transform the market when large-scale data analysis can be used to optimize, for example, research and development initiatives, marketing and product offerings and logistics and production flows.

Sustainability

A prerequisite for global product companies is to take active responsibility in contributing to sustainable development in terms of lower environmental impact from production as well as functioning as a good member of society by assuming social responsibility in the markets in which it operates. A clear sustainability agenda ensure long-term earnings capacity and strengthens competitiveness. The sustainability efforts have a favorable impact on the company's ability to attract and retain both customers and employees.

Product safety that meets existing safety and quality requirements is a fundamental aspect that must permeate the company's operations in the medical device industry. If product safety is lacking or in the event of various regulatory conflicts, players may be required to pay significant fees and risk to face decreased confidence from stakeholders, which may damage the company's long-term earnings capacity.

Arjo and most of the Company's main competitors have a global presence with operations in several countries that lack strong national laws and standards in human rights, work conditions including health, safety, discrimination and ethics as well as fundamental principles of business law. Certain countries have a higher risk of corruption and unacceptable conduct by suppliers and other business partners. In order to create a strong and renowned trademark, with good potential for future presence in the market, it is important that sub-suppliers to businesses such as Arjo's operates in accordance with ethical, social and environmental standards. Requirements for a Code of Conduct that includes sub-suppliers may be helpful to combat unethical actions and unjustified conflicts with suppliers.

Most of the impact on the environment comprises emissions to water and air, and environmental effects from energy consumption and the waste from production and distribution. In order to deal with the demands made by society while achieving long-term profitability, market actors implement changes in, among other areas, production and business control systems.

Arjo's sustainability efforts will be based on the UN's 2030 agenda for sustainable development. In the first quarter 2018 the Company will conduct a so-called materiality assessment with the purpose to identify topics that are essential or material for Arjo in its efforts to maximize its contribution to sustainable development. In order to work on sustainable development today, sustainability work must have a clear link to the business and value creation processes. Arjo will conduct the assessment in a structured process together with both internal and external stakeholders – throughout the value chain – to identify the key issues that the Company shall prioritize in its sustainability work to maximize the value of both stakeholders, the society and owners.

Entry barriers

Arjo's market includes several entry barriers that form natural barriers to establishment for new players. Examples of such factors are economies of scale, innovation and development capacity, demand for more complex complete solutions as well as product expertise and an established market and brand position.

Product expertise and established market and trademark position

The healthcare market is complex, with many stakeholders and various structures. The market is also closely monitored by regulatory bodies and supervisory bodies. Operating a successful business requires, therefore, established relationships with customers and a profound understanding of their various needs and preferences. Likewise, customers expect players to run operations in compliance with applicable regulatory requirements. Additionally, it is an advantage to have a strong and well-established trademark.

Higher demand for solutions

There is an increased focus on process and efficiency improvements among customers. This has resulted in rising demand for comprehensive solutions that enhance the efficiency of operations and frees up resources to increase capacity in the healthcare sector. This type of business and insight takes longer to establish as it requires a broad range of products and a healthy level of investment and innovation capacity, which favors existing players.

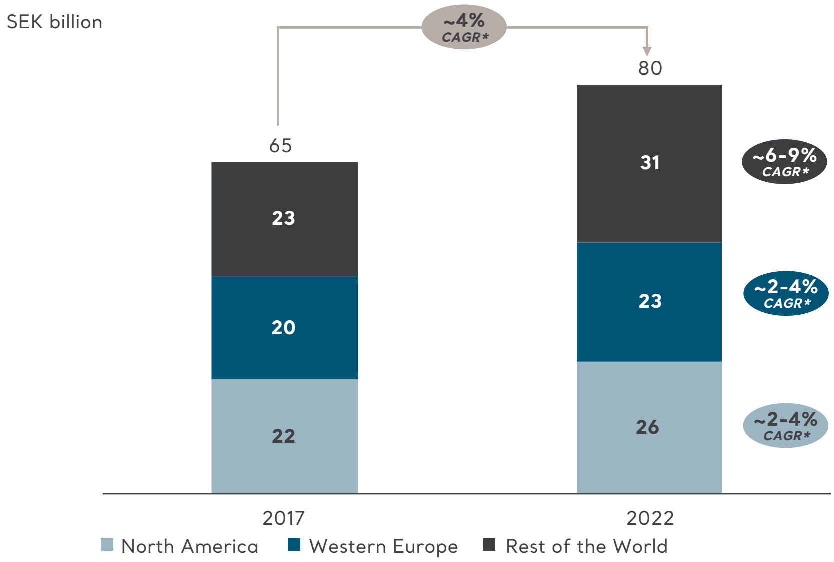
Economies of scale

Large companies, such as Arjo, can take advantage of several economies of scale. As market players have a relatively large fixed cost base with respect to production facilities, innovation and development centers and other central functions, large companies have a greater capacity to efficiently use their cost base and thereby secure a lower cost per unit produced. Large companies, with a critical mass, can also benefit from cost efficiency and economies of scale in the variable cost base, such as in purchasing. Combined with the routines developed by established market actors such as Arjo and its competitors for the purchasing business, this can enable a reduction in costs for items including input goods, inventory management and administration. Companies with a healthy financial position also offer greater reliability and security to customers who sign long-term partnership agreements. Likewise, customers demand better technical solutions in connection with purchasing and make demands on IT-based sales infrastructure. The development of IT systems requires major investments and efficient implementation.

High level of innovation and development capacity

Product development and innovation that leads to a wider and more comprehensive offer of products and solutions is one important method to increase organic growth. Lead times for product development are between 6–36 months and require extensive expertise in several areas, such as research, market and production. This means that good innovation and development capacity requires significant investments, which is a barrier for establishment for potential new players in the market.

GLOBAL MARKETS FOR MEDICAL DEVICES FOR PEOPLE WITH REDUCED MOBILITY AND AGE-RELATED HEALTH CHALLENGES



*CAGR refers to average growth rate for the period 2017-2022

Source: Economist Intelligence Unit, 2017

Main markets

Arjo operates in several different geographical markets with different size, growth, fraction of private healthcare providers, type of customers and sales processes. Below follows a description of the market structure in Arjo's main markets; North America, Western Europe and the Rest of the World, which comprise 34, 31 and 35 percent respectively of the Company's total market.

North America

North America comprises the submarkets the U.S. and Canada. The North American market is estimated to amount to approximately SEK 22 billion in 2017, and expected to grow by approximately 2–4 percent per year until 2022. North America is considered one of the most developed geographical markets and accounts for a substantial share of global demand for new medical devices and solutions, which is also deemed the case for products and solutions offered by Arjo and its competitors. The market is considered to be relatively unique as the U.S. has the highest healthcare costs per capita and market dynamics differ from other mature markets. Arjo's sales in North America amounted to SEK 2,905 M in 2016, corresponding to 37 percent of Arjo's total sales.

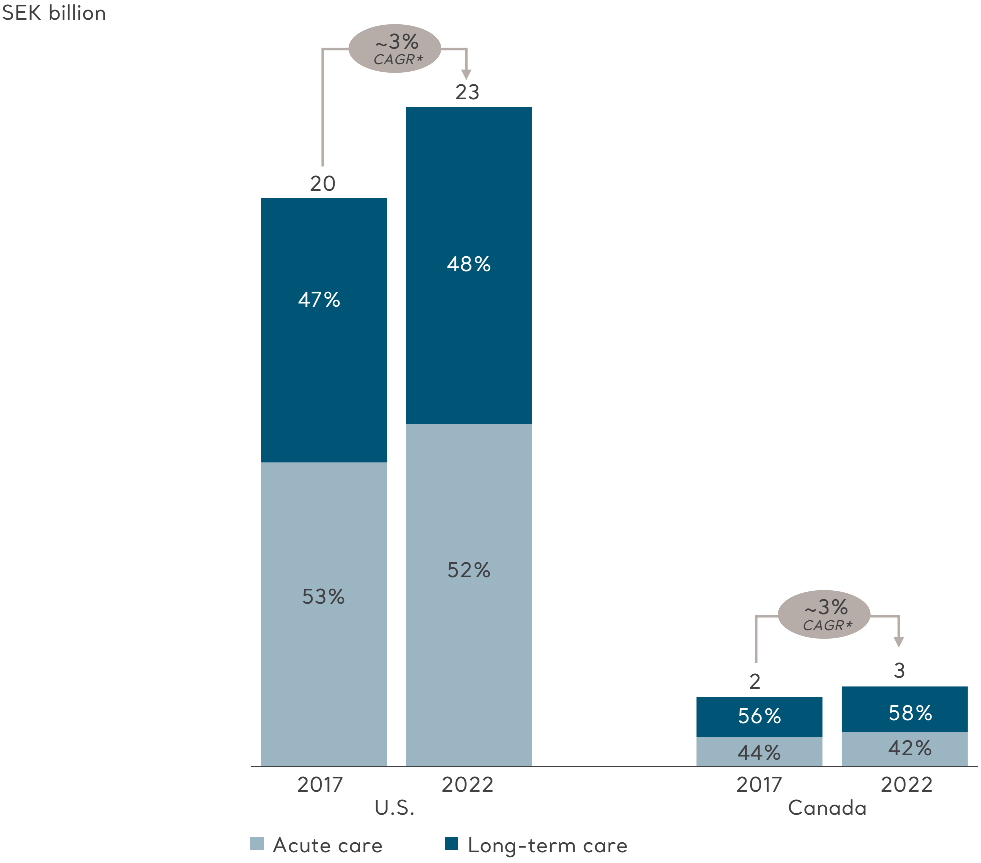
The U.S.

The U.S. market is estimated to amount to SEK 19.8 billion in 2017, and is therefore the single largest geographical market. Arjo's sales in the U.S. market amounted to SEK 2,331 M in 2016, corresponding to 30 percent of Arjo's total sales and 12 percent of the market, and entails that the Company is one of the largest players in the market in terms of market share. The market is characterized by a diversified healthcare system with both private and public healthcare providers. Private healthcare providers accounted for approximately 52 percent of the market for medical-technical equipment in the U.S. in 2016.

Acute care is the largest customer category in the U.S. with a total size of some SEK 10.5 billion in 2017, corresponding to 53 percent of the U.S. market. The size of the long-term care customer category amounted to approximately SEK 9.2 billion, corresponding to the remaining 47 percent of the market. The market displays differences between end customers, particularly in the sales process.

The acute care customer category is mainly comprised of IDN:s and procurements are largely conducted by GPO:s. GPO:s negotiate prices and appoint the suppliers that will later be included in a procurement process. It is also common that several hospitals form groups, either as chains under the same owner or as IDN:s. The hospital or hospitals choose to be linked with one or more GPO that negotiates prices for all its members. Hospitals that chose not to belong to a GPO negotiate contracts at a local level, but the presence of these local independent hospitals in the purchasing process has decreased sharply in recent years. As a first stage in the sales process, the designated GPO appoints a number of suppliers to take part in the next stage of the process. A local representative from the chosen suppliers then contacts the hospital to further describe and demonstrate their offering. In a final stage, a decision is taken by the IDN or the individual hospital. Since the hospital, or hospitals, is the decision-making body and a committee, with representatives from a number of departments, is involved in most of the procurement process.

THE NORTH AMERICAN MARKET DIVIDED BY CUSTOMERS



*CAGR refers to average growth rate for the period 2017-2022

Source: Economist Intelligence Unit, 2017

The sales process for long-term care is more simplified and includes shorter decision-making processes. Decisions on suppliers are often by a healthcare provider or administrator at the local long-term care unit. Major changes are also taking place in long-term care, with greater consolidation of care units, where particularly larger chains acquire individual care units. This trend has consequences on the sales process as chains coordinate their purchases to large extent and use the larger relative size to improve their negotiating position in the purchasing process. In addition, more long-term care units have begun to conduct their own purchasing online or through distributors instead of having direct contact with the product companies.

Canada

The Canadian market is estimated to amount to approximately SEK 2.4 billion in 2017. Arjo's sales in the Canadian market amounted to about SEK 574 M in 2016, (corresponding to approximately 7 percent of Arjo's total sales).

Healthcare in Canada is largely publicly financed. The Canadian government offers public financing provided that the different provinces meet the requirements of the *Canada Health Act*. As a large share of purchasing is publicly financed, the purchasing process often includes some form of public procurement. The distribution of public and private players in the Canadian market is relatively even.

Provinces in Canada generally manage their own healthcare system. As a result, there are large differences in the Canadian healthcare system with different regional procurement procedures and purchasing processes.

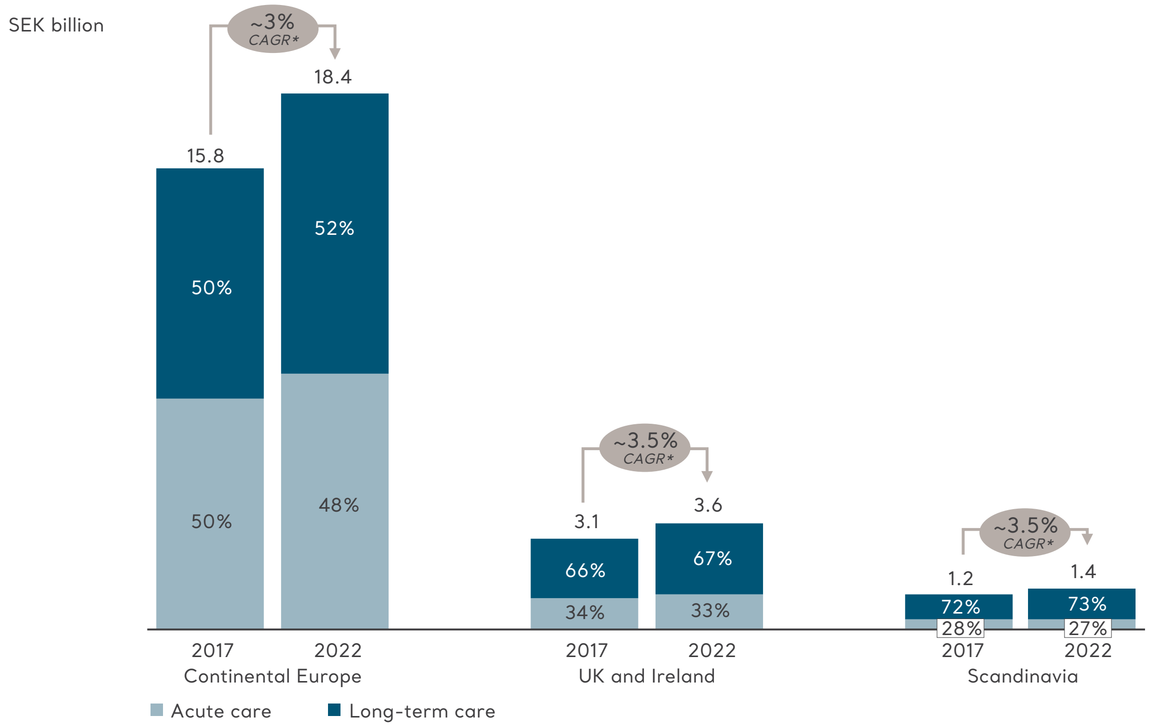
Western Europe

Western Europe can be divided into three geographical areas with separate market structures. All of the areas are seen as well-developed with relatively mature healthcare systems. Arjo's submarket in Western Europe is estimated to amount to SEK 20 billion in 2017, and therefore represent the largest geographical market. Furthermore, the market in Western Europe is expected to grow by 2–4 percent. Arjo's sales in Western Europe in 2016 amounted to SEK 3,759 M, corresponding to 48 percent of Arjo's total sales and 20 percent of the market.

The geographic areas include:

- **Continental Europe:** Spain, Italy, Portugal, France, Belgium, Netherlands, Luxembourg, Switzerland, Germany and Austria
- **UK and Ireland**
- **Scandinavia:** Sweden, Denmark and Norway

THE WESTERN EUROPEAN MARKET DIVIDED BY CUSTOMERS



*CAGR refers to average growth rate for the period 2017-2022

Source: Economist Intelligence Unit, 2017

In Western Europe, the distribution between acute care and long-term care is 46 and 54 percent respectively, and healthcare is largely publicly financed. Most countries finance healthcare via tax revenue but other systems exist, such as in Germany, where healthcare is financed by a hybrid-system consisting of various compulsory health insurances and fees.

Healthcare is mainly provided by public healthcare units and purchasing is primarily conducted through public procurement procedures. Public authorities at local and national level invite companies to take part in the procurement process. The procurement agreements often include an undertaking to deliver a specific number of units of a product during the contract period. In the majority of procurements, a single player is awarded all of the units covered by the agreement. Ahead of the procurement process, tenders are submitted to the procuring party that then evaluates the tenders based on the criteria stipulated in conjunction with the procurement. These criteria comprise two parts, minimum and scoring criteria. Minimum criteria are those that a player must provide to be approved as a supplier, and often focus on the product's functionality. In addition, there are scoring criteria that often focus on more qualitative aspects, such as a supplier's capacity in logistics and aftermarket as well as pricing. As pricing has become a more important parameter in recent years, stringent requirements are often made on premium suppliers to demonstrate greater long-term economic and functional value.

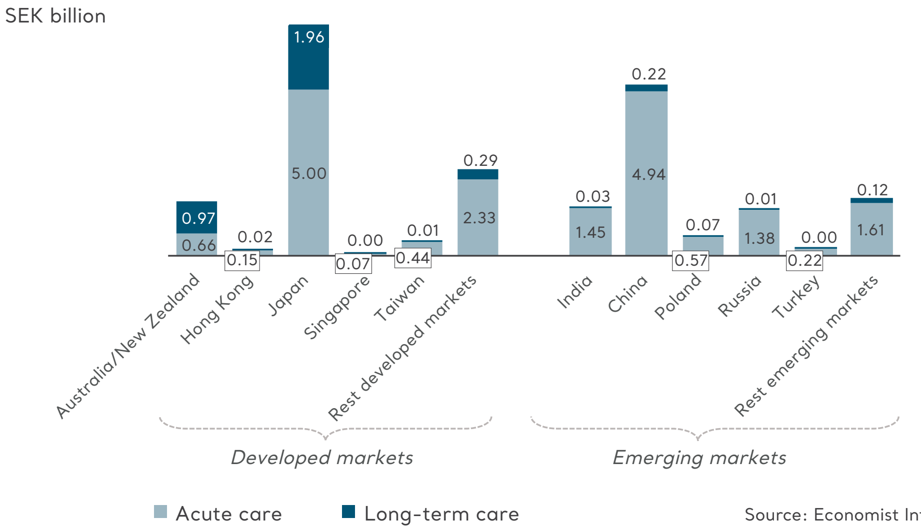
Although the majority of healthcare in Western Europe is public, the fraction of private healthcare providers has grown substantially in recent years. In procurement processes with public players, price is often a more important criterion than for private players.

The UK is Arjo's main market in Western Europe and in 2016 sales amounted to SEK 1,116 M, corresponding to 14 percent of Arjo's total sales. The UK's market structure differs from other markets. In the UK, the National Health Service ("**NHS**") has established strictly controlled processes for framework agreements. Before engaging in sales in the market, suppliers must undergo strict quality controls and pledge a certain price for each product. These processes and price commitments are repeated every second to fourth year. When suppliers have been authorized by the NHS, a normal sales process begins with individual products or via a procurement agreement. If suppliers do not fulfill the NHS's criteria then resale of the product is banned. Using these processes, the NHS can guarantee high quality at competitive purchase prices. Given the advantages of this purchasing model, it has become increasingly common in other markets in Western Europe.

Rest of the World

Arjo's geographical market, Rest of the World, includes a number of markets around the world that display significant variations in market structure. Within Rest of the World, there are several less mature markets with substantial growth potential, such as countries in Latin America, Central and Eastern Europe, the Middle East, as well as countries like China and India. The Rest of the World also includes a number of more mature markets, such as Australia, New Zealand, Hong Kong, Singapore and Japan. In total, the Rest of the World market is estimated to amount to SEK 23 billion in 2017 and grow at a rate of 6–9 percent each year until 2022. Arjo's sales in Rest of the World in 2016 amounted to about SEK 1,144 M, corresponding to 15 percent of Arjo's total sales and 5 percent of the market.

REST OF THE WORLD MARKET DIVIDED BY CUSTOMERS (2017)



Source: Economist Intelligence Unit, 2017

In markets classified as more mature, Arjo's presence is greatest in Australia and New Zealand, Hong Kong and Singapore, with sales of SEK 482 M, SEK 59 M and SEK 50 M respectively in 2016. These markets have healthcare systems that are relatively comparable, even if they display fairly substantial cultural differences. One reason for this is that they all have a background in the British Commonwealth. However, these markets are not governed by the same procurement structure as in the UK.

The Japanese healthcare market is the world's third largest[6] and is strongly characterized by the Western world's demographic changes with an aging population. Japan has the highest average life expectancy in the world[7], while the population pyramid is shifting toward an increasingly elderly, and for healthcare more resource-intensive, composition. Healthcare in Japan has a slightly different structure compared with other mature markets. Although healthcare to a great extent is publicly financed, the market has historically been dominated by a number of minor private players, primarily in acute care[8]. This has entailed a favorable situation for product companies with a strong product portfolio targeting acute care. Market dynamics are expected to alter in order to manage the challenges that follow changes to the demographic trend. The Japanese government is, for example, expected to shift resources from acute care to long-term care, increase the consolidation of the market and to introduce framework structures with procurement procedures similar to the NHS in the UK. Given these changes, the market situation is deemed to be attractive for large product companies, which can offer a broad product portfolio to customers in emergency and long-term care and who can fulfill stricter demands in conjunction with procurement procedures.

The remaining markets in Rest of the World are dominated by countries with high economic growth. The healthcare sector in India is relatively underdeveloped today. The number of medical beds per capita is estimated to amount to 0.5–0.9 per 1,000 people. This compares with China and Thailand which both have an average of 3 beds per 1,000 people[9], which is in line with the global average. Healthcare in the future is expected largely to be carried out and financed by the private sector[0]. Investments in improving healthcare infrastructure are expected to drive a large share of future growth. This means a particularly healthy growth potential for different capital goods, such as medical beds.

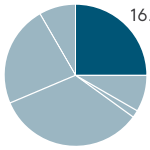
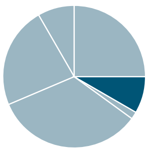
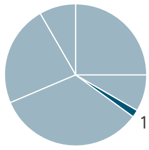
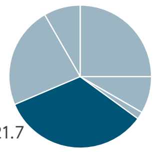
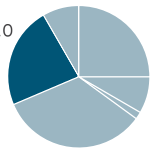
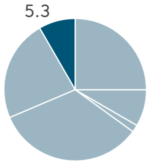
The Chinese healthcare market has had a lengthy period of strong growth and has become the world's second largest market after the U.S.[11]. Growth potential remains favorable in the market as healthcare spending per capita is still only half of healthcare spending in most

6) 2015 Healthcare outlook: Japan, Deloitte.
7) WHO statistics.
8) 2015 Healthcare outlook: Japan Deloitte.
9) OECD statistics.
10) 2015 Healthcare outlook: India. Deloitte.
11) WHO, based on healthcare expenditure per capita data.

OECD countries. The size of Arjo's submarket in China is estimated to amount to approximately SEK 5.2 billion and to grow at 7–9 percent. In China, the distribution of public and private healthcare is relatively uneven, where approximately 90 percent of all healthcare is executed in the public sector and half of all hospitals are privately run. There is a considerable difference between products and solutions used in private and public healthcare. Private healthcare providers often use equipment that is of higher quality, which can be compared with equipment used in mature markets[12]. Demand for high-quality products is, however, expected to increase due to future market growth in both the public and private sectors. The Chinese government is also seeking to simplify regulations for international suppliers to provide medical-technical equipment in China. Therefore, future development for international product companies appear to be particularly favorable.

Competitive structure

Competitive overview in Arjo's product areas

Product category		Description	Market size (SEK billion)	Estimated growth	Competitors
Patient handling		Lifting and transferring solutions that meet patients' specific needs while ensuring a safe, comfortable and dignified transfer	 16.2	4-6%	Hill-Rom, Guldmann and HandiCare
Hygiene		Shower and hygiene products that facilitate safe and efficient hygiene procedures for patients	 5.4	~4%	Penner, Beka, Lopital och OG Wellness
Disinfection		Desinfection flusher and the associated chemicals for safe cleaning and disinfection	 1.2	2.5-3.5%	Meiko, Steelco and Discher
Medical beds		Medical beds of different technical performance and end uses	 21.7	4-5%	Hill-Rom, Stryker, Linet and Paramount Beds
Therapeutic surfaces		Mattress system for prevention of pressure ulcers and bedsores	 15.0	2.5-3.5%	Hill-Rom, InvaCare and Stryker
VTE prevention		Compression therapy products for the prevention of DVT and treating edema	 5.3	~4%	Cardinal and CTC Pirus
Diagnostics		Doppler equipment for obstetric and cardiac diagnostics			General Electric and Philips

Source: Economist Intelligence Unit, 2017

12) 2015 Healthcare outlook: China. Deloitte.

The competitive structure varies in different product categories and geographies, but can overall be described as comprising a number of global players with presence in several markets and product segments, as well as a number of minor local and regional players with a limited product offer. Arjo believes that the Company is one of the main players with market shares of between 5–15 percent in the product categories offered by the Company. The market is characterized by intense competition but this varies across different submarkets. Hill-Rom, Linet, Stryker, Joerns, Guldmann and Paramount Beds are among Arjo's main competitors. The market consists of established players, as there are relatively high barriers for market entry, including substantial requirements for product safety and a global network with a high level of local knowledge. For further information, see "*Entry barriers*" above.

However, in recent years a number of low-cost competitors have appeared in the market with pricing as their main competitive advantage. Few alternatives exist for the products offered by Arjo and its competitors. There are many suppliers of raw materials and components and most deliver relatively standardized products, which weakens their negotiating position. Arjo's customers and the Company's competitors have a relatively strong bargaining position in the value chain, particularly as more purchases are conducted in organized groups of hospitals and long-term care units. For further information about the consolidation of hospitals and care units, see "*Market dynamics and trends*" above. Arjo's market position in each product category is described in more detail in the "*Business description*" section.

Patient handling

The market for the Patient handling product segment is estimated to amount to approximately SEK 16 billion in 2017, and is expected to grow annually by 4–6 percent until 2022. Within the product segment, Arjo is one of the global market leaders, and in 2016 Arjo's sales amounted to about SEK 1,660 M, which means Arjo believes the Company's market share is approximately 10 percent. The market for Patient handling is diversified and competitive. The market consists of global competitors, such as Hill-Rom, Guldmann and Handicare together with several regional players, which offer a relatively limited product portfolio. The profitable growth potential offers excellent opportunities, and encourages new players to establish operations, which in turn increases the competitive intensity.

Hygiene

The market for the Hygiene product segment is estimated to amount to about SEK 5.4 billion in 2017, and is expected to grow annually by approximately 4 percent until 2022. In 2016 Arjo's sales amounted to about SEK 589 M, which means Arjo believes the Company's market share is approximately 10 percent. The market for the Hygiene product segment is fragmented and primarily consists of smaller regional players, such as Penner, and OG Wellness with its main operations in the U.S. and Japanese markets.

Disinfection

The market for the Disinfection product segment is estimated to amount to about SEK 1.2 billion in 2017, and is expected to grow annually by approximately 2.5–3.5 percent. Arjo sales in the product segment amounted to SEK 215 M in 2016, which entail that Arjo believes that the Company has a market share of approximately 10 percent. The main competitors are Meiko, Steelco and Discher.

Medical beds

The market for the Medical beds product segment is estimated to amount to about SEK 21.7 billion in 2017, and is expected to grow annually by 4–5 percent until 2022. Arjo's sales in the product segment amounted to about SEK 1,284 M in 2016, which means Arjo believes the Company's market share is approximately 5 percent. The competitive market is characterized by a high level of fragmentation with a number of global players. The main competitors in Medical beds are Hill-Rom, Stryker, Linet and Paramount Beds.

Therapeutic surfaces

The market for the Therapeutic surfaces product segment is estimated to amount to about SEK 15 billion in 2017, and is expected to grow annually by 2.5–3.5 percent until 2022. Arjo's sales in the product segment amounted to SEK 1,601 M, which means Arjo believes the Company's market share is approximately 10 percent. The market structure is similar to an oligopoly, with a few strong global players, such as Hill-Rom, Stryker and Invacare, as well as a few regional. These players offer similar products, which mean price competition is relatively common. Market entry for new players is relatively limited as there are stringent requirements for innovative and cost-efficient products.

VTE prevention

The market for the VTE prevention product segment is estimated to amount to about SEK 5.3 billion in 2017, and is growing annually by approximately 4 percent until 2022. Arjo's sales in the product segment amounted to about SEK 888 M in 2016, which means Arjo believes the Company's market share is approximately 15 percent. The market is characterized by a high concentration with a few strong players. The main competitor is Cardinal. Existing growth strategies on the market includes, among others, strategic alliances, increased product differentiation and expansion of the product portfolio.

Diagnostics

Arjo's sales in the product segment Diagnostics amounted to about SEK 219 M in 2016. The competitive situation is slightly different in this product category as Arjo's competitors consist of global players, such as General Electrics and Philips that offer a wide spectrum of products.

Business description

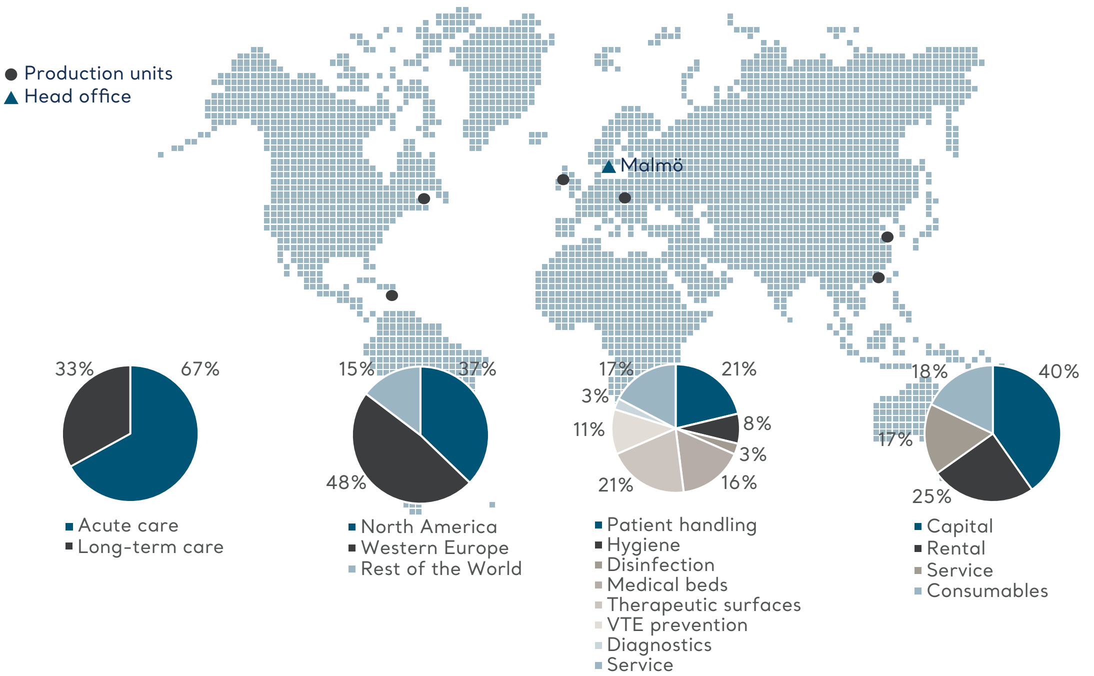
Introduction to Arjo

Arjo's operations are based on genuine care for human health and well-being. Arjo is a global supplier of products, services and solutions that improve the quality of life for people with reduced mobility and age-related health challenges. The Company's offering includes products and solutions within the product segments Patient handling, Hygiene, Disinfection, Medical beds, Therapeutic surfaces, VTE prevention and Diagnostics. Additionally, the Company is offering its customers complementing services. Arjo believes the Company is one of the globally leading players in most of the product categories. Arjo creates value by improving treatment results for patients and enabling a better work environment for healthcare professionals. The Company thereby contributes to a sustainable healthcare system – always with people in mind.

Arjo operates in more than 60 countries, which the Company has divided into three geographical areas: North America, Western Europe and Rest of the World. Arjo had approximately 5,900 employees as of September 30, 2017. The Company's main customers are private and public institutions providing acute and long-term care. The Company's head office is located in Malmö, Sweden.

Arjo's income comes from the sale of capital goods, aftermarket related goods and services such as consumables and maintenance, along with leasing of capital goods. The Company estimates that recurring sales corresponded to about 60 percent of total sales in 2016.

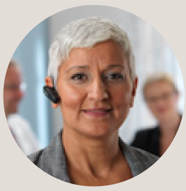
SALES BY GEOGRAPHY, END CUSTOMER CATEGORY, PRODUCT SEGMENT AND SALES TYPE (2016)[13)]



13) Sales by geography and sales type have been collected from Arjo's audited condensed historical financial information per and for the financial year that ended December 31, 2016. Sales by end customer and product segment are collected from Arjo's internal reporting system.

Overview of Arjo's business model

ARJO'S SALES MODEL

New installations	Capital goods 40%		• Includes various capital goods in each product category that can often be used for an extended period of time • Examples of capital goods that Arjo offers are lifting systems, medical beds, bathtubs, dishwashers, mattresses and pumps
Installed base			
Recurring sales	Consumables 18%		• Includes various consumables for capital goods sold, such as slings, chemicals and liquids, sleeves and textiles.
	Service 25%		• Includes service and diverse services such as repairs, assembly, training, etc.
	Rental 17%		• Includes rental and lease of capital goods, primarily in the product segments of hospital beds and prevention of pressure ulcers.

OVERVIEW OF CUSTOMERS IN THE MARKETS IN WHICH ARJO OPERATES

	Acute care facilities	• Hospital groups / chains • Individual hospitals • Private and public hospitals	**Example of customers in acute care** • HCA, USA • New Royal Adelaide, AU • Ramsay Health Care, Global • Apollo Hospitals, India • Mayo Clinic, USA • Helios Healthcare, DE
Long-term care facilities	Nursing homes	• Grouped hospitals • Individual hospitals or long-term care facilities • Chains of long-term care facilities • Private and public care facilities	**Example of customers in long-term care** • BUPA Care homes, UK • Uniting, AU • Signature Healthcare, USA
	Home care	• Healthcare in the home • Organized locally • Not primary focus for Arjo	

Business model

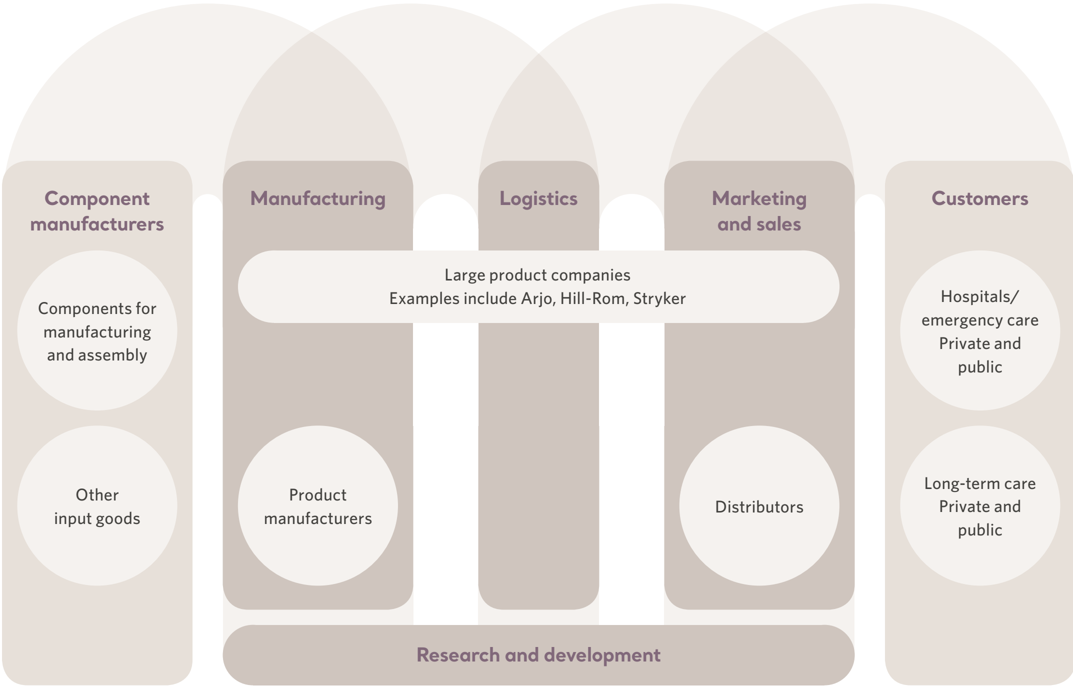
Arjo's business model includes sales and lease of capital goods, sales of consumables and related services. In recent years, the Company has transitioned from being a typical "product seller" to become a more customer-oriented organization that provides complete solutions for specific customer requirements.

Sales of capital goods comprised 40 percent of net sales in 2016, while the remaining 60 percent comprised recurring sales, such as leasing, consumables and service. Purchases of capital goods often involve a range of selection criteria and purchasing processes are generally more extensive than recurring sales of consumables and leasing. With the exception of rental, recurring income are of an aftermarket nature and thus benefits from the installed base of capital goods sold, and essentially follows the life cycle of these goods. The Company's aim is to secure a higher share of sales from recurring income.

Arjo's position in the value chain

Arjo's value chain can be divided into the following stages: component manufacturing, assembling and manufacturing of finished products, logistics, marketing and sale to customers. Research and development activities also take place horizontally across each stage of the value chain. Customers are public institutions and private players in acute care and long-term care. Arjo's operations encompass all steps in the value chain. Arjo has four research and development centers located in Malmö (Sweden), Magog (Canada), San Antonio (the U.S.), as well as Cardiff (Wales) and six production facilities located in Poznan (Poland), Magog (Canada), Zhuhai and Suzhou (China), Cardiff (Wales) and San Cristobal (Dominican Republic). The vast majority of all products sold are manufactured by the Company itself and Arjo believes that third-party manufacturing accounts for only a couple of percent of total sales. Currently, Arjo markets and sells its products under the ArjoHuntleigh trademark. However, in the future marketing and sales will be conducted under the Arjo trademark. The Company's main distribution center is located in Eersel (the Netherlands) and Roselle/Chicago (the U.S.). Local presence is required since different conditions apply in the various geographical markets in the form of, for example, regulations and market structure. In 2016, the Company conducted sales in-house in 36 countries. Sales in the remaining countries were generated via distributors and external sales parties.

ARJO'S POSITION IN THE VALUE CHAIN



The Company's history

Arjo's operations are based on extensive know-how of care for people with reduced mobility and age-related health challenges, which has been established over the Company's 60-year history as a partner to companies in the acute and long-term care sector.

Entrepreneurial spirit

The Company was founded in 1957 by Swedish entrepreneur Arne Johansson and was given the name Arjo using the first two initials of the founder's first and last name. The Company originally manufactured components and machine parts for other manufacturers, including medical devices. Arne Johansson was one of the first to understand the need for bathing and transfer equipment in healthcare and elderly care, as well as for improving ergonomics for healthcare professionals. He developed a series of innovative products that met these needs in Sweden. Shortly thereafter, Arjo started selling its products outside Sweden.

Global expansion

In the late 1960s, Arjo started to export products to Western Europe. There were high demand for the Company's products and Arjo quickly established several international sales companies, among others, in the UK, Germany, France, Belgium and the U.S. In the 1980s, Arjo strengthened its position as a key player in the international market through the acquisitions of U.S. company Century and UK company Mecanaids. The expansion of sales companies continued and Arjo soon became a global player within products and equipment for hygiene and patient handling.

Strengthened market positions

Since the Company was founded, Arjo has developed into a player on the global market with extensive expertise in how to care and improve quality of life for people with reduced mobility and age-related health challenges. In 1972, Arjo launched the first height-adjustable bathtub. In 1989, Arjo developed the first generation of SARA (standing and raising aid) and later the MaxiMove patient lifter system. The development of revolutionary technology continued in the 1990s focusing on product development in hygiene and patient handling systems that resulted in the launch of such products as Carendo, a height-adjustable shower chair. In order to further broaden its customer offering, Arjo acquired U.S. company GTTi, UK company Pegasus and Belgian company Medibo.

Listing followed by Getinge acquiring Arjo

Arjo was first listed on the Stockholm and London stock exchanges in 1993. At that time, Arjo had about 1,100 employees and generated sales of approximately SEK 1,300 M. In 1995, Arjo was acquired by Getinge Group which then expanded its product offering to include medical beds, patient lifts and bathing systems. Thereby, Arjo became the foundation of Getinge's Extended Care business area.

Further expansion

A number of corporate acquisitions were implemented in the 2000s to continue to strengthen the hygiene and patient handling offering. For example, the Canadian company BHM Medical was acquired in 2004 which broadened Arjo's range of patient lifts, such as the Maxi Sky ceiling lifter.

The significant acquisition of Huntleigh Technology PLC took place in 2007 after which the ArjoHuntleigh trademark was established. Huntleigh was founded in 1983 and listed on the London Stock Exchange two years later. The first groundbreaking product that Huntleigh launched was the Nimbus mattress system, which is still found in Arjo's range. The Huntleigh Group operated in the areas of special mattresses for preventing pressure injuries, beds for intensive care, specialist care and nursing homes, products for preventing VTE and equipment for fetal and vascular diagnostics. According to the Company, Huntleigh was one of the foremost market leaders in several of its product segments. When it was acquired by Getinge, it had more than 2,600 employees and sold products in 120 countries. Huntleigh's largest customer group was hospitals. The merger of Arjo and Huntleigh created a global player with a comprehensive offering of both products and solutions in the areas of medical beds, patient handling, wound care and patient hygiene.

Following the merger in 2007, ArjoHuntleigh's net sales amounted to approximately SEK 6 billion and at that time the company had more than 4,400 employees worldwide.

The business area continued to expand through acquisitions and the Chinese bed manufacturer Acare was acquired in 2012, which strengthened the offering primarily to emerging markets. The Therapeutic Support Systems ("**TSS**") division was also acquired from KCI in 2012, which further strengthened Arjo's positions in products for pressure ulcer prevention.

A period of coordination and efficiency enhancement

The period 2008–2013 featured efficiency enhancements to the production structure which resulted in Arjo's production units being reduced from 15 to 6 facilities. With these changes, Arjo created an efficient value chain that can respond rapidly to customer needs.

The integration of TSS was completed in 2013. This was followed by a period of integration problems and a sharp decline in the U.S. rental market as a result of structural changes in the market. These market changes have, to a certain extent, negatively contributed to Arjo's financial performance in recent years.

Strong long-term leadership

Carl Bennet became, as the principal owner of Getinge Group, appointed Chairman of the Board of Directors in Getinge in 1997. In the same year, Johan Malmquist, who previously served as executive vice president of the Extended Care business area, was appointed president & CEO. Johan Malmquist was the CEO of Getinge for 18 years and is now Chairman of the Board of Directors in Arjo. Joacim Lindoff was appointed president & CEO of Arjo. He has worked at Getinge Group since 1999 and has an extensive background from the medical device industry.

Arjo as an independent company

Arjo has represented Getinge's Extended Care business area for many years and from 2015 PPAC. In 2016, the Board of Directors of Getinge announced its intention to divide the group into two operations, Getinge and Arjo which consists of PPAC and the related area Flusher Disinfection, to give each company the best conditions for developing and realizing their potential. As part of the preparations, Arjo has operated as a separate division of Getinge, with its own management team, since April 1, 2017.

An Extraordinary General Meeting in Getinge will be held on December 4, 2017 to resolve on the distribution of Arjo to Getinge's existing shareholders.

Vision, strategy and financial targets

Vision

Arjo's vision is to be recognized globally as the most trusted partner for enabling care and improving quality of life for people with reduced mobility and age-related health challenges.

Value creation by Arjo

Value creation for healthcare payers

By offering products and solutions that free up resources for additional care capacity and other value-creating activities, Arjo's offering contribute to improved care and reduce total costs for the healthcare payer. Arjo also offers a number of different complete solutions that include implementation of equipment and training in product use, which can further enhance the efficiency of customers' work. Based on economies of scale and efficient research and development activities, Arjo can also offer product renewal and new, innovative solutions that help customers and contribute to a sustainable healthcare system.

Value creation for healthcare providers

Healthcare providers meet both emotional and practical patient requirements and thus value high-quality and safe products that are easy to use and maintain. Arjo's broad range of products and solutions helps healthcare providers to improve the everyday lives of patients. In addition, Arjo's products and solutions create a safe working environment for healthcare providers.

Value creation for patients

Patients evaluate their entire care experience and its results as a whole. They expect the highest quality and safety, as well as dignified and efficient care that improve their health and well-being. Arjo offers products that improve care results and thus facilitate an enhanced care experience and thereby better quality of life for the patient.

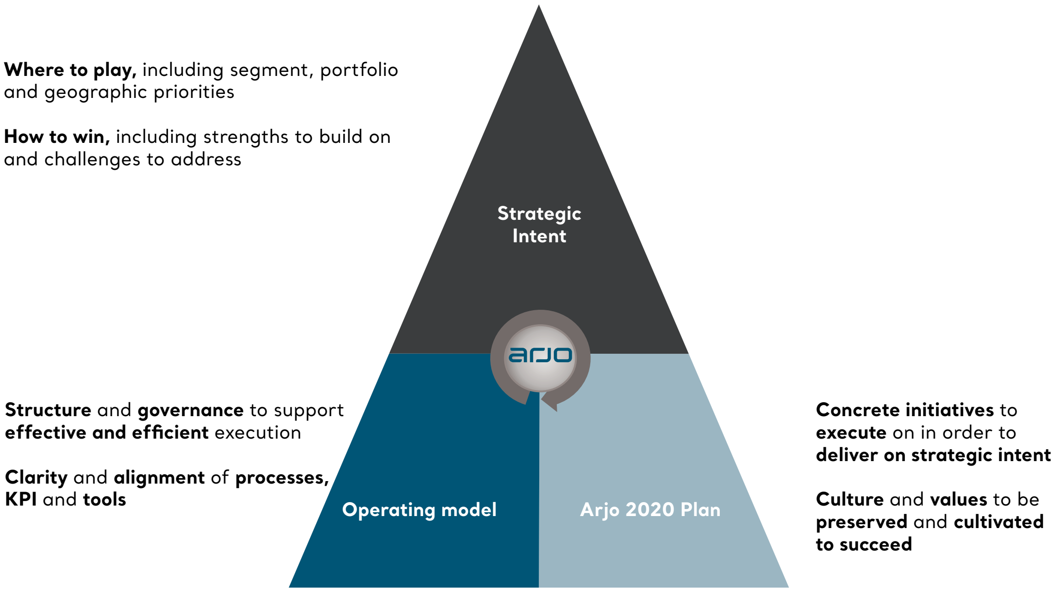
Value creation for family and friends of patients

Family and friend representatives often speak and make decisions on behalf of the patient. Sometimes they also pay for healthcare costs themselves and carry out some of the necessary care activities. Their main focus is to ensure well-being, dignity, and the highest possible quality and outcome for the care of the patient. They also appreciate the opportunity for the patient to be as independent as possible and live a normal life with daily routines.

The Company's strategy

Arjo's strategy has been formulated to realize the Company's vision, combined with the creation of a sustainable profitable growth. The ambition is for Arjo to implement a strategy in which the Company also offers complete solutions, in addition to traditional product sales, for each customer category. The aim is to improve quality of life for patients with reduced mobility and age-related health challenges, and create a better working environment for healthcare professionals. The Company's long-term strategy comprises three components, as illustrated below.

OVERVIEW OF ARJO'S GROUP STRATEGY



Overall strategic intent

Arjo's Group strategy outlines the Company's overall strategic focus for achieving its vision. The intention is to become a global market leader in long-term care, while retaining a strong market position in acute care. The ambition is also to achieve a position as a preferred partner for complete solutions that contribute to a sustainable healthcare system. To achieve this, the Company has identified a number of initiatives to strengthen the product portfolio and service offerings as well as marketing and development. In addition, Arjo will continuously evaluate strategic acquisitions that support the overall strategic direction.

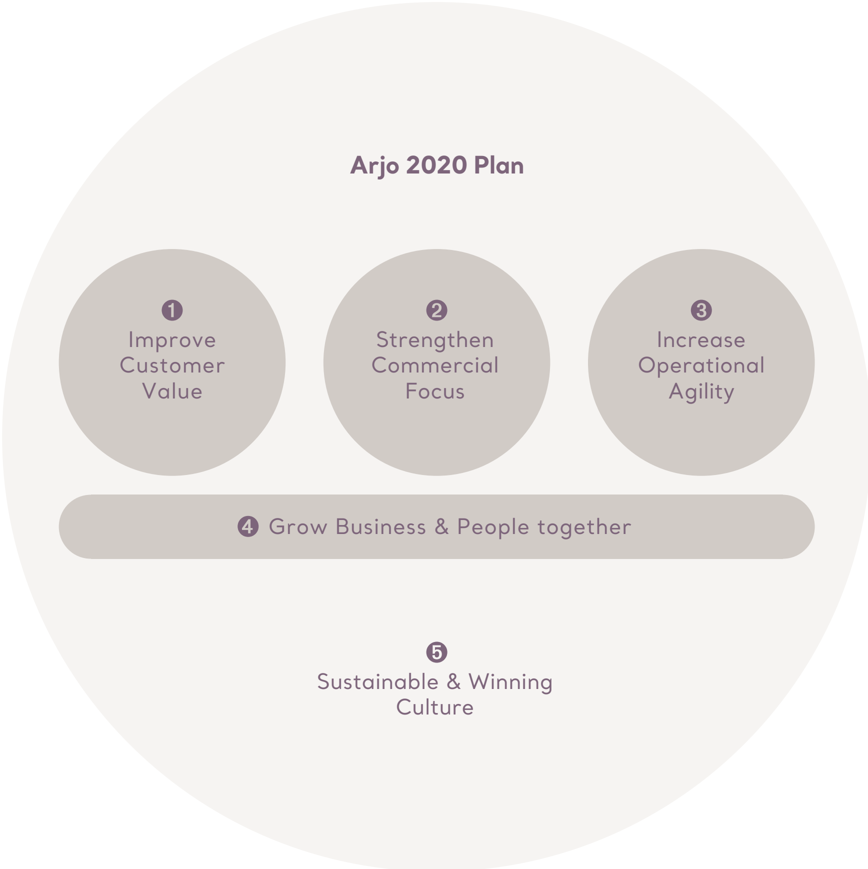
Operating model

The operational model that Arjo has established contains detailed plans related to corporate governance, organizational structure and internal processes. Arjo's model is based on the following components:

1. Organization and mandate that describe responsibilities and roles to ensure an efficient organization.
2. Corporate governance that describes how the Company is to be governed and the decision-making forums and processes that apply. Arjo governs the Company based on a strategic cycle that dictates the long-term agenda and an operational and tactical cycle that addresses the short-term agenda.
3. Target achievement that outlines the Company's target ("**KPIs**") (*key performance indicators*) and how they are monitored. The focus of each department is different but everyone works toward the same overall primary targets.
4. Technology and tools that Arjo uses to conduct the operations in a transparent and efficient manner.

Arjo 2020 Plan

A business plan entitled "Arjo 2020" has been developed based on the Company's strategic intent. Arjo 2020 comprises five general focus areas based on the Company's focus of establishing a winning sustainable corporate culture where the business and people develop together. The three other focus areas are: *Activities that create added value for customers, strengthen commercial focus and increase operational agility*. It is important that shared core values permeate the entire operations in order to realize Arjo's strategy and achieve the set targets. Arjo's cultural core values are as follows: Passion, Collaboration, Openness, Excellence and Ownership. These values form the foundation and shape Arjo's operations, working environment and business relationships.



Improve customer value

Arjo ensures value creation for its customers by leading an organization focused on the unique needs of customers in acute care and long-term care. The Company endeavors to deliver improved treatment results and financial value by contributing to more efficient care and reducing total care costs.

Priorities in this area include continuous innovation, product renewal and development of service offerings. For example, Arjo has established a plan for its research and development and marketing plans, which are expected to lead to higher investments over the next few years. The aim is to develop and offer complete solutions to help customers face current and future demographic trends, stricter regulatory requirements, enhance the quality of care and the efficiency of patient flows and deliver greater patient safety. Recent product launches include the Wellness Nordic Relax Chair, which helps treat patients with dementia, and the new Citadel hospital bed range, which offers a variety of systems for different target groups.

Strengthened commercial focus

One of Arjo's strategic initiatives to intensify the Company's commercial focus includes increasing its market presence in the U.S. Arjo currently holds a strong position in acute care in the U.S, but is planning to increase its presence in long-term care. Both customer categories are deemed to be attractive for different reasons. Higher growth is expected in long-term care due to the transfer of resources from acute care to long-term care. The Company intends to capitalize on this market trend and thereby increase its market share. In addition to an intensified focus on long-term care, Arjo will optimize its product portfolio and sales process to become a leader in its offering of complete solutions in the U.S.

Arjo's ambition is to make investments to expand its geographic presence and broaden its current range of products and services. Japan, South-East Asia, Latin America and Eastern Europe are examples of geographical markets in which the Company intends to expand its market presence. In addition to organic expansion, acquisition opportunities will be continuously evaluated to penetrate new markets. Through acquisitions, Arjo can achieve growth and improve margins through synergies in, for example, research and development, manufacturing, distribution and sales.

Increased operational agility

Arjo intends to improve the Company's operational agility, which includes initiatives to enhance product quality, the efficiency of the value chain and to simplify and harmonize internal processes that will enable the Company to rapidly respond to customer needs and capitalize on market trends. Arjo works actively to ensure that the Company complies with regulatory requirements and strives to maintain a high level of product quality and safety. Carefully controlled production processes strengthen Arjo's offering to customers and its role as a reliable partner.

Develop the business and people together

It is the people of Arjo who generate and develop the business and, accordingly, Arjo has prepared a long-term HR agenda that ensures that the organization has the necessary expertise, leadership and key skills to meet current and future business needs. This work involves succession planning, activities to promote diversity and various training programs. Such activities are necessary to ensure that Arjo can attract, recruit, develop and retain employees with the necessary expertise and values who can contribute to Arjo's continued development.

A sustainable and winning culture

The objective is to create a result-oriented organization based on the Company's core values – *Passion, Collaboration, Openness, Excellence and Ownership*. The common factor uniting these values are how much Arjo values people and its wish and desire to improve the health and well-being of others. To bring about a winning and sustainable corporate culture, Arjo promotes behavior and conduct that demonstrate enthusiasm, focus on solutions that add value and generate a real positive change for people, assume ownership and make decisions, and promote being a team player working toward attaining the Group's mutual goals.

Arjo applies a clear management by objective approach to support such work and managers and employees have access to processes and tools. To assess the desired effect of these efforts, Arjo measures the strengths and areas of development for the organization by carrying out annual employee surveys. The results of the survey provide important and governing data for prioritizing Arjo's future strategic development initiatives.

The sustainable development of Arjo is a priority area at each stage of the process. Arjo follows such international principles as the UN Global Compact initiative and prioritizes the targets where the Company can best make a tangible difference. Arjo also views equality as a key issue to the Group's success.

Financial targets and dividend policy

The financial targets below comprise forward-looking statements and are based on a number of estimates and assumptions and such statements are subject to various risks and uncertainties. Arjo's actual results may differ materially from what is expressly or implicitly described in these forward-looking statements due to a variety of factors, of which some are outside the Company's control. Arjo's operations, EBITDA, financial position and the macro economic situation in which Arjo operates may differ considerable, and may be more negative, than as was assumed when the financial targets below were established. In addition, unforeseen events may adversely affect the actual results that the Company achieves in future periods whether or not these assumptions otherwise prove to be correct. Refer also to the section "Risk factors."

Arjo's Board adopted the following financial targets in the medium term:

Sales growth
Average annual organic sales growth of 2–4 percent.

Profitability
Average annual EBITDA growth of at least 10 percent.

Cash conversion
Cash conversion exceeding 70 percent.

The Board and management based these financial targets for the medium term on factors such as growth in the Company's primary markets. Furthermore, growth is expected to be driven by strategic initiatives, for example, in the U.S. market and the intensified operational focus entailed by the distribution and separation from the Getinge Group.

Dividend policy

The Board of Directors of Arjo has adopted a dividend policy entailing that future dividends will be adjusted in line with Arjo's profit level, financial position and future development potential. The aim is for the dividend to correspond to 30–50 percent of net income after tax.

Strengths and competitive advantages

The Company's management believes that Arjo has the following strengths and competitive advantages that will enable the Company to realize its strategy and achieve its long-term targets.

Arjo operates on a market with attractive long-term growth

Global demand for medical and healthcare, and consequently the market for Arjo's products, is heavily influenced by "global megatrends". These trends range from demographic shifts with an aging population and an increase of lifestyle-related diseases such as obesity, and advances by pharmaceutical and medical device companies in research and development that leads to the treatment of more diseases. The global trends are expected to result in attractive, long-term growth. Average annual growth of Arjo's market is estimated at 4 percent between 2017 and 2022, and the Company's largest product category measures in sales – Patient handling – is expected to grow between 4 and 6 percent in the same period. These trends are described in more detail in section "*Market overview*."

Arjo is one of the leading players in the market and offers a broad product portfolio with additional value-creating services

Arjo believes that the Company today is one of the global leading market players within several of its product segments. The Company is of the opinion that these strong market positions are the result of cost-efficient operations focused on product development and differentiation, an extensive range of products and services, strategic acquisitions and extensive market presence.

Since Arjo controls large sections of the value chain – from research and development to sales – the Company is deemed to have the necessary prerequisites for offering innovative products and solutions that meet customer demand in an increasingly dynamic market. Arjo's product portfolio encompasses a range of products and services for people with reduced mobility and age-related health challenges, which means that the Company has the opportunity to offer a series of combinations of products and solutions. With an established trademark and extensive market know-how, the Company has expanded its product portfolio through own product development and supplementary acquisitions. Huntleigh, bed manufacturer Acare and TSS are examples of acquisitions that have strengthened the product portfolio.

Global sales and distribution chain with a large installed base and strong customer relationships

Good health and access to healthcare are basic human needs and demand for medical devices and solutions, such as those offered by Arjo, is high across the world. Arjo's geographical markets are largely isolated care systems with various regulatory structures and, to a certain extent, different sales and distribution processes. Consequently, local market presence is required in order to offer products and services to customers in different markets. Global sales are the core of Arjo's operating platform. The Company conducts business activities in over 60 countries, with local sales companies in more than half of the countries. Arjo can ensure that it identifies and satisfies customers' requirements by using its global sales platform with a sales force of approximately 1,000 sellers, supported by an extensive service team. Local presence allows strong customer relationships to be developed, which is considered to be important to become a leading partner in each market. Arjo's sales structure is supported by an efficient global manufacturing and distribution chain.

Arjo has established close customer relationships with many customers over its long history. Arjo has about 20,000 paying customers per year, of which 80–85 percent were also paying customers in the preceding year[14]. This diversified and recurring customer base means that Arjo has a good revenue visibility and low operating risk. The Company's large and diversified customer base also means that Arjo has a large installed base, providing favorable conditions for significant additional sales of aftermarket services, such as service and consumables, which generally have higher margins.

Established and scalable business platform has enabled Arjo to generate competitive advantages and strong market positions

Arjo's efficient business platform is based on economies of scale. A common hallmark of market players is a relatively high fixed cost base for production and distribution centers, administration and marketing, for example. In addition, requirements are often made for extensive investment and resources for research and development, as well as quality systems and processes for regulatory compliance. Arjo has already implemented many measures to maximize economies of scale, for example, consolidating production units and establishing centers for research and development. These initiatives, combined with Arjo's relative size, allow for the Company's cost base to be effectively leveraged to Arjo's advantage compared with its competitors.

Arjo has through its focus on efficiency enhancement and optimization of manufacturing capacity, distribution and sales structure created a strong value chain. Arjo's production facilities, located across the world, are supported by their own warehouses and distribution centers to enable short lead times to the end customer. Components are purchased by a centralized purchasing unit that performs detailed controls to ensure short lead times, quality and satisfied customers.

Arjo's business platform also includes product development that has contributed to establish the Company's competitive advantages and strong market positions. Over the years, the Company has established many innovative products in the market, for instance, Carendo, Alenti and Sara Stedy. Arjo will continue to make targeted investments in research and development to improve existing products and expand the current product range.

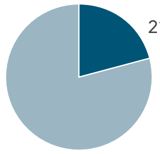
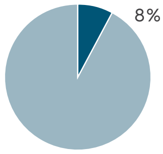
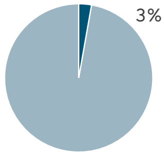
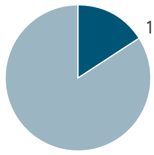
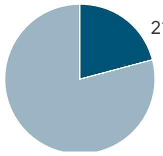
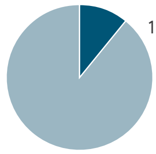
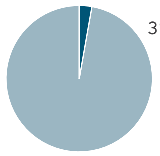
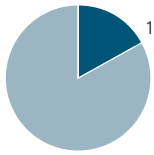
Arjo is a reliable healthcare partner with a strong trademark, well-defined core values and well-qualified management

Arjo has been gathering extensive expertise in the care of people with reduced mobility and age-related health challenges since 1957. As quality requirements rise in the healthcare sector, increasingly strict demands are being placed on healthcare suppliers, Arjo included. The Company has been supplying the market with high-quality products for about 60 years and has become a renowned partner in the healthcare sector. Arjo is characterized primarily by leading market products such as the SARA series and MaxiMove that both offer a good care experience featuring high-quality and safe care and good working conditions throughout the care process.

Arjo's business model is based on a number of core values that are to feature across the value chain. The aim is to ensure the Group's long-term earnings capacity

14) Based on the Company's average customer relationships in the U.S. that account for about 30 percent of Arjo's sales in 2016.

Arjo's offering[15)]

Product category		Description	Percentage of total sales (2016)	Examples of products
Patient handling		Lifting and transferring solutions that meet patients' specific needs while ensuring a safe, comfortable and dignified transfer	 21%	• Ceiling lifts • Standing and raising aids • Slings • Floor lifters • Sliding aids
Hygiene		A range of shower and hygiene products that facilitate safe and efficient hygiene procedures for patients	 8%	• Bathing systems and shower equipment • Bathing liquids
Disinfection		Disinfection includes high-quality flusher-disinfectors and the associated chemicals for safe cleaning and disinfection	 3%	• Flusher-disinfectors • Washing detergents and other chemicals
Medical beds		Medical beds with varied levels of technical performance for different purposes	 16%	• Medical beds for acute care and long-term care
Therapeutic surfaces		Comprehensive portfolio of advanced mattress system for prevention of pressure ulcers and bedsores	 21%	• Pressure redistribution replacement mattress • Top and foam mattresses
VTE prevention		A comprehensive range of compression therapy products for the safe and efficient prevention of DVT and treating edema	 11%	• Pumps • Sleeves
Diagnostics		The Diagnostics product segment supplies Doppler equipment for obstetric and cardiac diagnostics	 3%	• Doppler equipment • Monitors
Service		Arjo provides diverse services and solutions, such as service for capital goods, purchase advice, know-how and training	 17%	

based on a strong corporate culture. Arjo believes that the Company's culture and business model help attract skilled employees and suppliers, launch new products and services and promote loyalty and trust among customers, which further strengthens Arjo's trademark. This also entails good relationships with the Company's stakeholders, which can also help improve market positions.

Arjo has a management team comprising of experienced people with a long and broad experience from the industry. In addition to such industry know-how, many of the management team members have a background in listed companies. The Company's management team is supported by local managers who possess considerable knowledge and customer know-how about their respective product segments and markets.

15) The information is collected from Arjo's internal reporting system.

Product offering

Patient handling

In 2016, Arjo's net sales for the Patient handling area amounted to SEK 1,660 M, corresponding to 21 percent of total net sales. Arjo's products and solutions within the Patient handling area comprise lifting and transferring solutions intended to meet patients' specific needs while ensuring a safe, comfortable and dignified transfer and creating a safe and efficient working environment for healthcare professionals. The Patient handling product range comprises ceiling lifts, standing and raising aids, slings, floor lifters and a range of sliding aids for lateral transfers and repositioning of the patients in bed.

Hygiene

In 2016, Arjo's net sales for the Hygiene area amounted to SEK 589 M, corresponding to 8 percent of total net sales. Arjo's products and solutions within the Hygiene area facilitate safe and efficient hygiene procedures for patients. The equipment is easy to use and provides the best possible support to patients, regardless level of mobility and ensures ergonomic work situations for healthcare professionals. The product range includes bathing systems, shower equipment and bathing liquids that maximize the benefits of the bathing process and promote good hygiene and skincare.

Disinfection

In 2016, Arjo's net sales for the Disinfection area amounted to SEK 215 M, corresponding to 3 percent of total net sales. In this product category, Arjo offers high-quality flusher-disinfectors and the associated chemicals for safe cleaning and disinfection of basins and other utensils used in healthcare. Water and steam are used for cleaning and disinfection in order to ensure a result that enables satisfactory infection prevention. Arjo's products include top and front-loaded flusher-disinfectors with associated washing detergents and other chemicals.

Medical beds

In 2016, Arjo's net sales for the Medical beds area amounted to SEK 1,284 M, corresponding to 16 percent of total net sales. In this product category, Arjo offers a broad range of medical beds that ensure good ergonomics, comfort, safety and ease of use. Medical bed products are available for sale and for leasing.

Therapeutic surfaces

In 2016, Arjo's net sales for the Therapeutic surfaces area amounted to SEK 1,601 M, corresponding to 21 percent of total net sales. Arjo offers a comprehensive portfolio of advanced mattress systems designed to produce better care results for patients by preventing pressure injuries and bedsores. The products, which are available for both sale and for leasing, include mattress replacement systems with alternating pressure redistribution, top mattresses and foam mattresses. The range includes special solutions for bariatric patients and unique intensive care solutions.

VTE prevention

In 2016, Arjo's net sales for the VTE prevention area amounted to SEK 888 M, corresponding to 11 percent of total net sales. Solutions and products in the VTE prevention product area are used for compression therapy and include user-friendly, clinically tested pumps and sleeves to promote the safe and efficient prevention of DVT and treating of edema. DVT arises when a blood clot forms in a vein and is a widespread international health problem that usually occurs in patients confined to bed. The product range includes pumps and sleeves.

Diagnostics

In 2016, Arjo's net sales for the Diagnostics area amounted to SEK 219 M, corresponding to 3 percent of total net sales. This product segment includes products for obstetric and cardiac diagnostics.

Service

In 2016, Arjo's net sales for the Service area amounted to SEK 1,352 M, corresponding to 17 percent of total net sales. Arjo has developed a whole series of service offerings to further strengthen its position and depart from traditional product sales to offer complete solutions to meet customer needs. The Company provides value-creating services and solutions in connection with products sales, including maintenance for products sold, increased support and purchasing advice, expertise and training in product management for personnel and project management and installation support for complex technological implementations.

The effects of digital development, as described in more detail in the section "*Market overview*", may influence future purchasing patterns and product demand from Arjo's customers. The Company's strategy is to meet this trend and ensure that going forward it strengthens its offering with more digital features in its solutions. For example, this could be additional automation in product use and greater efficiency for healthcare providers.

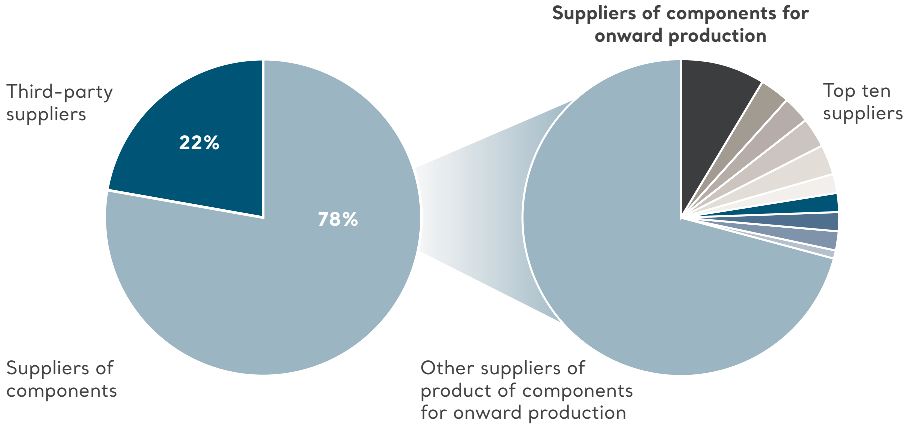
Arjo's operational model

Supply chain

Purchasing

In 2016, purchases of materials or products amounted to about SEK 1,090 M, corresponding to approximately 25 percent of Arjo's total cost of goods sold the same year. The purchases can be roughly divided into purchases of components and equipment for continued manufacturing and purchases of finished products and solutions from third-party suppliers. In 2016, purchases from suppliers for internal manufacturing amounted to about SEK 850 M corresponding to approximately 78 percent, while purchases of products from third-party suppliers amounted to approximately SEK 240 M, corresponding to approximately 22 percent of Arjo's total purchases for 2016.

PERCENTAGE OF PURCHASES (SEK) FROM SUPPLIERS FOR INTERNAL MANUFACTURING AND FROM THIRD-PARTY SUPPLIERS (2016)[16]



Purchases from third parties accounted for the remaining 22 percent. For the 2016 business year, the Company had about 1,000 suppliers, of which 600 were suppliers of components for continued manufacturing. Of these suppliers, about 60 percent were located in low-cost countries. The Company's ten main suppliers of components for continued manufacturing, measured in total spending in SEK, represented 28 percent of total purchases of components for continued manufacturing in 2016. Arjo believes that the Company has a relatively low dependence on individual suppliers, where only a few are important for maintaining a normal production flow.

Arjo's purchases of components for manufacturing primarily comprise steel, aluminum, laminate, petroleum-based products such as foam and plastic, electronic components and other accessories such as wheels, batteries and fasteners. Supplementary products and consumables, such as mattresses, pumps and slings are manufactured by third parties under both Arjo's and external trademarks.

Arjo's purchasing processes are controlled by a global purchasing unit. This unit assumes central responsibility for the purchasing strategy and agreements with suppliers. The Company's purchasing unit comprises a purchasing director with managers for each production facility. The unit is supported by Arjo's central *Quality & Regulatory Compliance* function, which continuously analyzes suppliers to ensure that components and products from third-party suppliers are delivered on time, manufactured to meet regulatory requirements and with the desired level of quality. The Company has established selected KPIs, for example, OTIF (delivery reliability), DPPM (quality inspection on arrival), DIO (inventory turnover) and inspection status to measure and monitor deliveries and quality requirements. Further, the Company has set up a Code of Conduct for suppliers. The Code of Conduct is based on the UN Global Compact initiative, the OECD's guidelines for multinational companies and the UN Universal Declaration of Human Rights. For a more detailed description of the Code of Conduct for suppliers, see "*Sustainability*" below in this section.

16) The information is collected from Arjo's internal reporting system.

Production

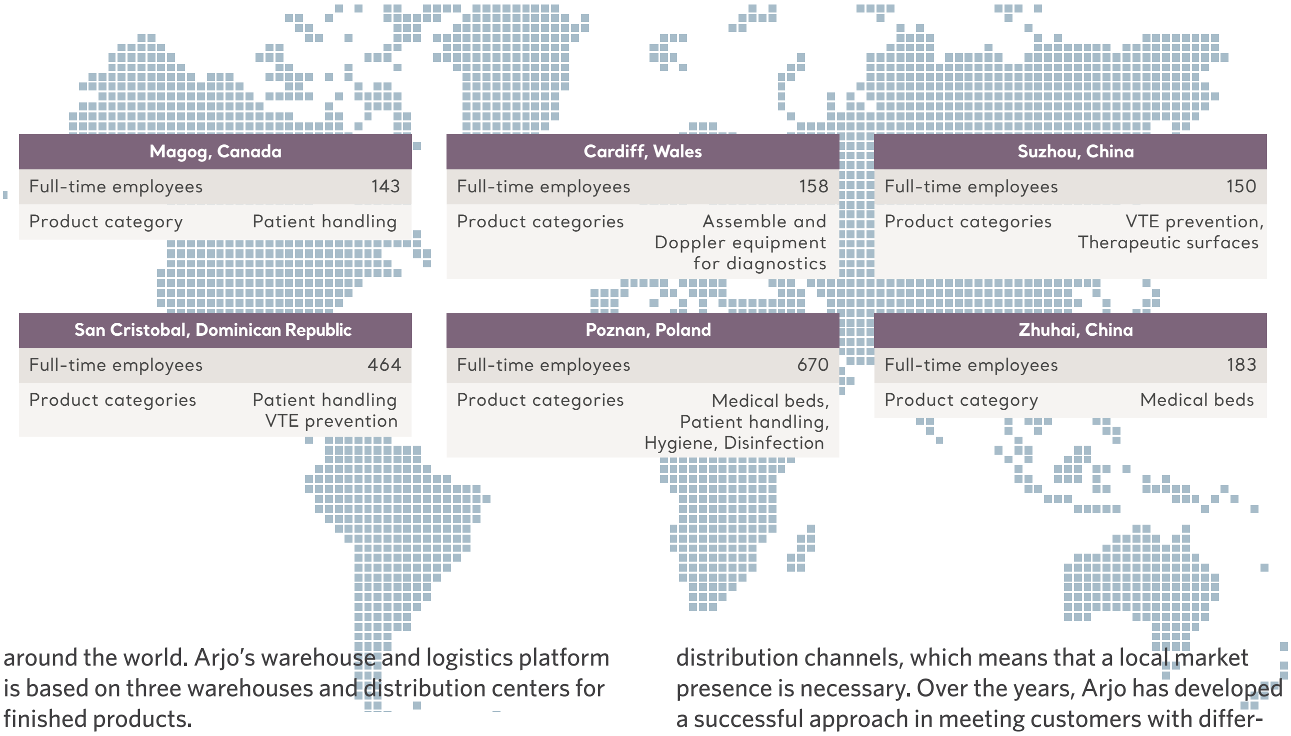
Arjo has established six production facilities located in Poznan (Poland), Zhuhai and Suzhou (China), San Cristobal (Dominican Republic), Cardiff (Wales) and Magog (Canada). Since Arjo has a broad product range, the production processes are all different. The Company manufactures products according to the strategies of Make to Stock, Make to Order and partly complex customer tailored Engineer To Order. Besides these wholly owned production units, the Company also has a 10 percent holding in a production facility in Velenje (Slovenia). In 2016, this production unit generated sales of approximately SEK 95 M, where of Arjo represented about SEK 60 M.

Arjo's largest production facility is located in Poznan (Poland). Primarily products in the Patient handling, Hygiene, Medical beds and Disinfection segments are manufactured at the Poznan facility. Arjo's second largest production unit is found in the Dominican Republic, which manufactures textiles for slings for lifting and transferring patients. There are two facilities in China, Zhuhai and Suzhou. Zhuhai mainly produces and assembles medical beds for the "value" segment. Mattresses, pumps and VTE products are primarily manufactured in Suzhou. The Company's facility in Magog (Canada) mainly manufactures Patient handling products. In Cardiff (Wales) assembly and doppler equipment for obstetric and cardiac diagnostics is manufactured.

Logistics and distribution

In order to meet the customers' needs, Arjo uses a series of different logistics solutions for the delivery of products designed to offer cost-efficient distribution flows. Arjo's distribution flows include the delivery of finished products from the Company's own production facilities and from third-party suppliers to three central distribution centers for onward delivery to local sales units, and directly to end customers. External logistics suppliers are used for most of the Company's distribution where road, air and water are the most common modes of transport. Arjo uses both LTL (*Less than truckload shipping*) and FTL (*Full truckload shipping*) to provide efficient warehouse and distribution solutions with low costs that meet customer needs

ARJO'S PRODUCTION FACILITIES (2016)



Magog, Canada	
Full-time employees	143
Product category	Patient handling

Cardiff, Wales	
Full-time employees	158
Product categories	Assemble and Doppler equipment for diagnostics

Suzhou, China	
Full-time employees	150
Product categories	VTE prevention, Therapeutic surfaces

San Cristobal, Dominican Republic	
Full-time employees	464
Product categories	Patient handling VTE prevention

Poznan, Poland	
Full-time employees	670
Product categories	Medical beds, Patient handling, Hygiene, Disinfection

Zhuhai, China	
Full-time employees	183
Product category	Medical beds

around the world. Arjo's warehouse and logistics platform is based on three warehouses and distribution centers for finished products.

- The distribution center in Eersel (the Netherlands) serves as Arjo's central warehouse for handling capital goods, spare parts, consumables and accessories. This facility receives products produced at the Company's own units and from third-party suppliers. The finished products are then delivered to the Company's other distribution centers, local sales units, service centers and directly to the Company's end customers. The 20,000 m^2 facility is outsourced to an external party, and in addition to its personnel there are 23 employees from Arjo.
- At the distribution center in Roselle (the U.S.) the Company stocks and provides the U.S. market with capital goods, spare parts, consumables and accessories. 37 full-time employees work at the facility.
- Arjo's distribution center in Mississauga (Canada) stocks and handles capital goods, spare parts, consumables and other accessories, primarily for the Canadian market. The facility has 15 full-time employees.

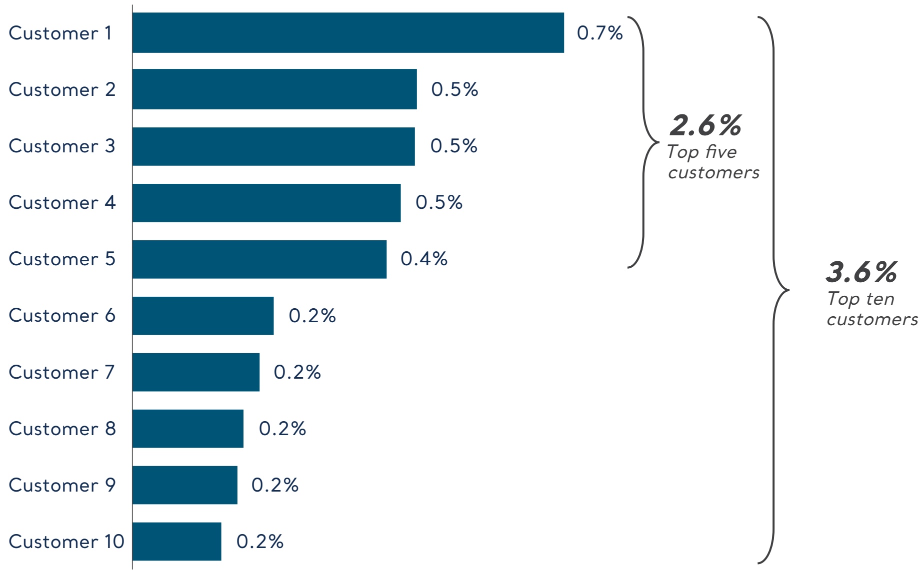
As part of the work to streamline the Company's operating platform, mainly in production and distribution, Arjo has implemented extensive changes to improve logistics and distribution flows. These changes included a decision to raise distribution volumes from the Company's production units directly to end customers and to reduce inventory levels for input goods and other production and assembly modules. As a result of this work, the Company has retained, or improved, delivery reliability while becoming less dependent on individual distribution centers.

Sales and customers

Arjo's geographical markets are diversified with differing national laws, healthcare systems and sales and distribution channels, which means that a local market presence is necessary. Over the years, Arjo has developed a successful approach in meeting customers with different market conditions. This entails that the Company uses adapted "go-to-market" models. Of the over 60 countries in which Arjo operates, locally established sales companies are present in more than half of the countries. In the remaining countries, distributors are used. Arjo's broad market presence is considered to be a competitive advantage and the Company has with its well-established trademark developed strong relations with customers, suppliers and distributors, which the sales organization can benefit from. Arjo also provides training, service and technical support in conjunction with the installation and use of the products, which further strengthens Arjo's position in the market. Arjo works closely with existing and potential customers to educate and increase awareness of the Company's trademark and thus stimulate increased sales. In markets that lack proprietary sales companies, Arjo products are sold through distributors. Before a distribution agreement is signed, Arjo assesses a number of distributors based on carefully considered criteria to ensure that the chosen distributors live up to the demands made by the Company in order to represent the Arjo trademark.

The Company delivers its products to customers in acute care and long-term care. Arjo's sales in acute care and long-term care amounted to about SEK 5,255 M and SEK 2,553 M respectively in 2016, corresponding to approximately 67 and 33 percent respectively of Arjo's total sales. The customer base is diversified and in 2016 the ten largest customers accounted for 3.6 percent of net sales. Arjo's single largest customer accounted for 0.7 percent of total sales in 2016. Arjo therefore believes the Company has low dependence on individual customers.

ARJO'S SHARE OF SALES FOR THE TEN LARGEST CUSTOMERS (2016)



Public authorities and private healthcare providers are those mainly responsible for providing healthcare in both acute care and long-term care. These institutions are usually the paying parties. Arjo's procurement procedures are categorized in public and private procurements.

Arjo's sales agreements differ and may include undertakings for specific product deliveries during the period of the agreement or deliveries in combination with undertakings for a number of aftermarket services, such as the delivery of consumables, service and leasing. Sales and distribution channels, the degree of public and private players and the sales agreements differ across Arjo's various geographies. Arjo's sales structure is divided on the basis of Arjo's main markets, North America, Western Europe and Rest of the World.

North America

In 2016, sales in North America amounted to about SEK 2,905 M, corresponding to 37 percent of total net sales. In North America, the Company sells its products with the help of 202 sales personnel and 427 service representatives. Warehouse and distribution is managed at the Company's 66 warehouses and two distribution centers in the region. Sales via distributors accounted for less than 1 percent of Arjo sales in North America in 2016. Arjo's use of distributors in North America is concentrated to areas where direct sales are not suitable from a logistics and customer perspective.

In North America, procurements are increasingly conducted by GPO:s. GPO:s negotiate prices and appoint the suppliers that will later be included in a procurement process. It is also common that several hospitals are grouped in IDN:s. The hospital or hospitals (IDN:s) choose a GPO that then represents them in the purchasing process. Arjo's sales model in North America follows the Company's model in general, with a dominant share of direct sales. For a more detailed description of the structure in the North American market, see the section "*Market overview*".

The North American market comprises of the U.S. and Canada. In 2016, Arjo's sales on the U.S. market amounted to SEK 2,331 M, corresponding to 30 percent of Arjo's total sales. In the U.S., the acute care market represents the largest customer group segment in terms of sales, both for the market as a whole and for Arjo. The sales on the Canadian market amounted to SEK 574 M, representing 7 percent of Arjo's total sales. Unlike the U.S. market, the Arjo business in Canada has a strong position in long-term care and accounted for 65 percent of sales in 2016. The Arjo business has traditionally had a strong position in this customer segment in Canada.

Western Europe

In 2016, sales in Western Europe amounted to SEK 3,759 M, corresponding to 48 percent of total net sales. In Western Europe, the Company sells its products with the help of 461 sales personnel and 367 service representatives. Acute care is Arjo's largest customer category in Western Europe in terms of sales. Most of Arjo's sales are conducted through proprietary sales companies. The UK represents the single largest submarket, with sales amounting to SEK 1,116 M in 2016, corresponding to 14 percent of Arjo's total sales.

Rest of the World

In 2016, sales in Rest of the World amounted to about SEK 1,144 M, corresponding to 15 percent of total net sales. In the region, the Company sells its products via an organization of 106 sales personnel and 172 service representatives. Rest of the World includes a number of markets with vast variations in their social, technical, political and economic structures. For example, there are several less mature markets with substantial growth potential, such as countries in Latin America, Central and Eastern Europe, the Middle East, China and India, combined with a number of more economically developed markets, such as Australia, New Zealand, Hong Kong, Singapore and Japan. Arjo uses a combination of direct and distribution sales, with a growing share of sales via distributors in the less developed markets.

The Japanese healthcare market is the world's third largest[17] and is strongly characterized by similar demographic drivers witnessed in the Western world, as a result of the increasing demographic imbalances led by the aging population. To handle the challenges resulting from these demographic changes, the Japanese government is expected to shift resources from acute care to long-term care, to increase the consolidation in the market and to introduce framework structures with procurement procedures. Given these changes, the market situation is deemed attractive for larger medical device suppliers, which can offer a broad portfolio to customers in both acute care and long-term care and who can fulfill stricter demands arising in conjunction with procurement procedures. Arjo will establish its own sales office to strengthen the Company's market position in Japan.

Research and development

The foundation of all research and development at Arjo is an in-depth understanding of the customer and the customer's needs. The customer-focused research and development process helps allocate resources to develop solutions that contribute to enhancing the efficiency of healthcare and solving the challenges Arjo's customers face. Arjo has, with about 60 years of market presence, developed competitive processes in this field.

Innovation of new products and the renewal of existing product lines is one source of growth for Arjo and for the market as a whole. The Company has continuously prioritized product design and ease of user-friendliness in its development of new and existing products and Arjo has over the years launched a number of new products in the market, such as Carendo (multipurpose hygiene chair), Alenti (hygiene lift chair for bathing) and Sara Stedy (standing aid). The Company offers a wide range of products that have been successfully launched in the market through its own product development and acquisitions.

Arjo owns four competitive research and development facilities in in San Antonio (the U.S.), Magog (Canada), Cardiff (Wales) and Malmö (Sweden). In terms of the number of employees, the San Antonio facility is the largest with about 65 full-time employees. A total of 120 full-time employees are employed at Arjo's research and development units.

Even if the product development process varies depending on the size of the project, a number of key work streams can be found in each development project. As a first step, customer needs, demand and business opportunities are identified, which then determines whether further development is relevant. Initially, the Company also studies the future potential for development and manufacture. A number of different registration requirements for new products exist in the respective market. The registration process and the quality assurance are therefore two important steps in the Company's development process. The Company estimates that product development, from the initiation of a project until product launch, varies between 6 and 36 months.

With the aim of further strengthening and streamlining processes related to research and development, Arjo established a new structure in 2017, which entails that the Company's previous operations in research and development were divided into separate functions. Product development was integrated into the Company's function for Supply Chain & Operations in order to create a cohesive structure for the Company's entire production-related work, from development to distribution, under the new unit, *Product Development, Supply Chain & Operations*. Research activities were integrated into the Company's new function *Segment and Product Marketing* to create a structure with optimal conditions to define and develop new integrated solutions in close collaboration with each of the Company's customer categories. Furthermore, this function is responsible to define clear customer and product strategies that will run through the Company's entire organization.

Overall, Arjo endeavors to use a customer-focus research and development process to manufacture products, systems and solutions with a documented ability to deliver excellent treatment results and economic benefits.

17) 2015 Healthcare outlook: Japan. Deloitte.

EXAMPLES OF RECENTLY LAUNCHED PRODUCTS

2015

Citadel Patient Care system

The Citadel Patient Care system was launched in 2015 and is an integrated hospital bed and mattress system for high dependency patients. The system has been designed to assist healthcare providers to transition to an integrated system. Integration provides important communication between the bed frame system and patient therapy system.

2015

Flowtron ACS900

The Flowtron ACS900 system was launched in 2015. The system delivers a simple, easy-to-use method of enhancing the circulation of blood in the deep veins of the legs, reducing venous stasis and helping to prevent the formation of DVT.

2015

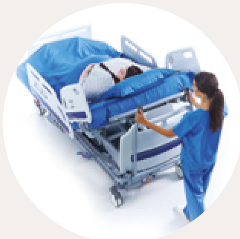
Maxi Sky 2 Plus

Maxi Sky 2 Plus was launched in 2015 and is a comprehensive ceiling lift system for safe and dignified patient handling and can also be used for bariatric patients. Modern software also informs caregivers about the status of the lift.

2016

Citadel Plus Patient Care system

The Citadel Plus Bariatric Care system was launched in 2016 using the same technology as the Citadel Patient Care system but specially designed for bariatric patients. With features such as variable bed width expansion helping to reduce both effort required and risk of injury when bed and patient transport are necessary, Citadel Plus provides a great solution for the heart of a bariatric care program.



2017

Sara® Flex – a new standing and raising aid

The global launch of Sara® Flex – the most recent addition in the Patient Handling product category – took place in 2017. The product is a further development of the current Sara 3000, an aid used for transferring a patient from a seated to a standing position. The new design of Sara® Flex makes it is easier to use for the caregiver and makes transfer more comfortable for the patient.

IT

Arjo has made significant investments in the Company's IT infrastructure to ensure efficient internal processes, greater transparency and improved reporting. Arjo's IT department employs about 90 people, most of which work on development initiatives in Europe. In addition, IT works with a global network of supporting services to secure the operational part of IT operations.

The focus for Arjo's IT operations is the following:

- Harmonization of the ERP structure, by going from several different business systems to two, SAP for the larger and more complex markets and Sage for the smaller markets. The main objective is to standardize and simplify the processes to enable more efficient operations.
- Implementation of a Business Intelligence solution to improve the quality of insights and analyses and thereby provide better decision-making material to management.
- Implementation of a joint CRM (*Customer Relations Management*) system for all sales units to structure and handle the sales process within and between sales units.

Digitization

The digitization of the healthcare market increases and affects all parts of the value chain in healthcare. To meet the increased expectations for digital solutions, market players must, moving forward, take into consideration this megatrend. Within Arjo's market, there are a few strong drivers that will change market conditions. These include mobile phone use, automation, IoT, and "Big Data." For a more detailed description of the drivers, see "*Market dynamics and trends*" in the "*Market overview*" section.

To ensure that digitization creates value in the healthcare sector, stringent requirements are imposed on the implementation and integration of the technology in the care facility. Based on a close partnership with the Company's customers, Arjo carries out a survey of digital solutions to increase understanding of how the Company's customers work and how they can apply and implement high-quality technologies and processes in the future. Based on this survey, Arjo can develop a digital offering as an integrated part of the Company's product and solutions portfolio. Arjo is planning to utilize the medical know-how, customer awareness and industry expertise in digital technology present in the Company in order to become a prioritized supplier of complete solutions. Arjo's current focus is on developing solutions that can be used to collect data on the use and monitoring of equipment at healthcare facilities. An initiative in this area is a recently initiated partnership with the digitization and technology company Sony Mobile Communications. The provision of these solutions would offer greater opportunities for the healthcare unit to make decisions that help to improve care and reduce total costs.

Arjo's digital offering will help customers to achieve an efficient healthcare facility by increasing automation and the use of technologies. Through an integrated system and digital solutions, resources can be released and healthcare providers can focus on offering the best possible healthcare at a lower cost.

Arjo's function for Quality & Regulatory Compliance

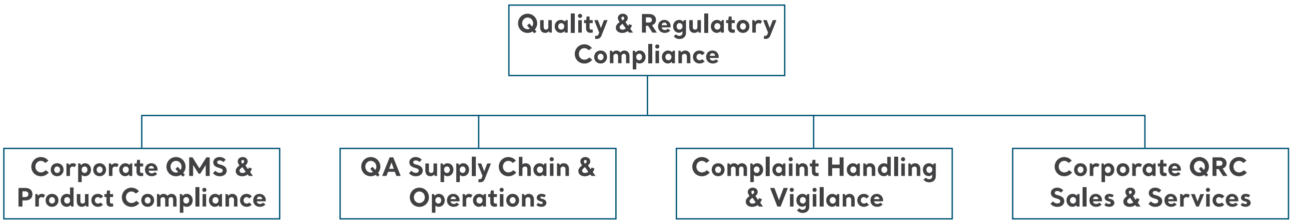
Arjo devotes significant efforts and resources to implementing and applying policies, directives and guidelines to ensure compliance with applicable regulations. Annually audits are performed by a designated accreditation body to ensure compliance for continued CE marking of Arjo's products. Authorities such as the FDA also conduct regular inspections of Arjo's production units to ensure regulatory compliance. Any findings during an inspection may lead to sanctions, such as fines, product recalls and revocation of the permit to conduct marketing and sales.

Arjo's quality and regulatory work

Arjo has established a Group-wide function for Quality & Regulatory Compliance where the head of the function is a member of Arjo's executive management. The function is divided into four sub-departments; *Corporate Quality Management System & Product Compliance, Quality Assurance Supply Chain & Operations, Complaint Handling & Vigilance, Corporate QRC Sales & Service.*

The Company has set up a number of product quality and efficiency parameters to measure and ensure high quality. The Company also follows CPIs related to product safety. Arjo strives to continuously improve quality processes and routines to ensure and retain top-class quality management systems.

ARJO'S FUNCTION FOR QUALITY & REGULATORY COMPLIANCE



Corporate Quality Management System & Product Compliance

Corporate QMS & Product Compliance is, among other things, responsible for the establishment, maintenance and continual improvement of Arjo's quality and environmental-management system in accordance with applicable regulations. Corporate QMS & Product Compliance also works to ensure that product registrations and product changes are conducted in line with applicable regulations. It also has the overall responsibility to secure and coordinate QMS certification and inspections. With the help of an independent third-party, Arjo is proactively conducting internal audits at all of its production units to identify any areas of improvement and to ensure that the Company complies with applicable requirements and regulations. Over the past eight years, Arjo has had ten FDA inspections worldwide and only one observation by the FDA requiring actions from Arjo. This concerned an observation made by the FDA during a full inspection at the San Antonio facilities in 2013 of certain violations in respect of marketing and MDR processes (Medical Device Reporting) and the observation resulted in a warning letter being issued by the FDA. As required by the FDA, Arjo implemented specific corrective and preventive actions and informed the FDA correspondingly.
On July 21, 2015, the FDA formally closed the matter without further actions after having concluded that Arjo had addressed the alleged violations.

None of Arjo's manufacturing units are covered by the voluntary *Consent Decree*, which Getinge Group is party to and which was formally approved by the court in February 2015.

QA Supply Chain & Operations

QA Supply Chain & Operations primarily works to secure implementation and compliance of quality systems at the Company's manufacturing units. This unit also checks product performance by measuring and analyzing relevant data in order to initiate product improvements and to ensure that effective measures are carried out to measure and improve product quality.

Complaint Handling & Vigilance

To guarantee global quality standards, Arjo has chosen to centralize the handling of customer complaints and quality defects in the Complaint Handling & Vigilance unit. This unit also handles the process of product recalls or product correction, which includes, among other things, recalls, subsequent reporting to relevant authorities and external and internal communication.

Corporate QRC Sales & Service

Corporate QRC Sales & Service works to ensure compliance with the quality system by the Company's sales and service units. This unit also has an overall responsibility to train local sales units on global and local regulations and to confirm that each unit complies with these. The unit is responsible to report any defects in trademark, process or quality systems to the management team.

Regulatory overview

Arjo manufactures and sells medical devices globally and the Company's operations are thereby covered by medical device regulations in both the EU/EES and the U.S. and other parts of the world.

Regulations in the EU/EES

The medical device regulation is based on EU directives and rules are drawn up in order to harmonize legislation for medical devices in EU countries. Each medical device, with the exception of products specially-adapted or intended solely for clinical trials, launched in EU/EES markets must have a CE marking.

Medical devices are divided in different risk classes, from Class I (low) to Class III (high). A product's risk class influences the type of measures a manufacturer must take to receive a CE marking for its product. Arjo primarily manufactures and sells products in risk Class I but also a few products in risk Class II, which means to obtain a CE marking for its products and thereby launch them in the market Arjo must, among other things, register with the Swedish Medical Products Agency (Class I products) and have its product documentation reviewed by a *notified body*[18] according to applicable harmonized product standards[19] and in accordance with European medical device regulations. Following an approved review, the notified body issues an EC certificate, which means that the product is approved for CE marking and the manufacturer can use the marking on the product.

Arjo's production facilities are certified in accordance with the international standard ISO 13485, quality assurance for medical device operations and the general quality standard ISO 9001. Manufacturers of medical devices have a responsibility through the product's life cycle, which includes requirements for documentation, market follow-up, monitoring incidents and near accidents and in corrective and preventive measures in the field. Manufacturers must continuously monitor how their products are performing in practice and are required to report incidents and near accidents. Arjo has a system to monitor its products in the market, see above under "*Arjo's function for Quality & Regulatory Compliance*".

The Swedish Medical Products Agency is the regulatory authority in Sweden for medical devices, tasked with overseeing that manufacturers and products fulfills regulatory requirements. The Agency has the authority to take measures if it identifies deficiencies in operations.

Future changes

On May 26, 2017, a new legislation came into force in the form of two new regulations, which will gradually replace existing EU directives for medical devices. The future legislation will mean that medical device manufacturers must take certain measures to comply with the new rules. The new regulations will be implemented over a three-year transitional period. Arjo has created a global implementation plan to address the changes.

Regulations in the U.S.

The manufacturing and sales of medical devices in the U.S. is regulated by the U.S. Federal Food, Drug & Cosmetic Act ("**FFDCA**") and its implemented regulations. The FFDCA contains provisions for how FDA shall govern and control medical device manufacturers and their products as well as the compliance with the Quality System Regulation (QSR). The FDA conducts compliance inspections to ensure that suppliers of medical devices operating in the U.S. market comply with regulatory requirements. U.S. legislation includes, for example, a requirement that manufacturers and distributors that import medical devices should be registered with the FDA before the products are marketed in the U.S. FDA regulations stipulate requirements if products need to be approved by the authority before a product can be marketed in the U.S. Additional rules that players in the U.S. market must fulfill are requirements for quality systems, packaging and marking requirements, follow-up and reporting incidents and near accidents and any regulations drawn up by state and local regulatory authorities.

Regulatory framework in other parts of the world

Arjo sells its products all over the world and must therefore also adhere to regulations for medical devices outside the EU/EES and the U.S. Aided by local units and agents, Arjo has a well-developed system to ensure that the Company complies with applicable rules in the markets where Arjo operates, and to ensure that products are registered according to applicable country-specific requirements.

Intellectual property rights

Arjo continually engages in research, innovation and development of new products intended to make life better for customers and patients. Arjo invests actively in, and defends intellectual property rights and its own technology developed in connection with new innovations. The Group has an international patent portfolio that includes patents, trademarks, company names, design and pattern protection, copyrights, trade secrets and know-how, and licensed intellectual property rights in order to protect Arjo's various business interests. Taken together, these intellectual property rights are important to Arjo's continued growth and competitive advantage. However, no single patent, trademark or individual technology, license or intellectual property right is crucial to Arjo

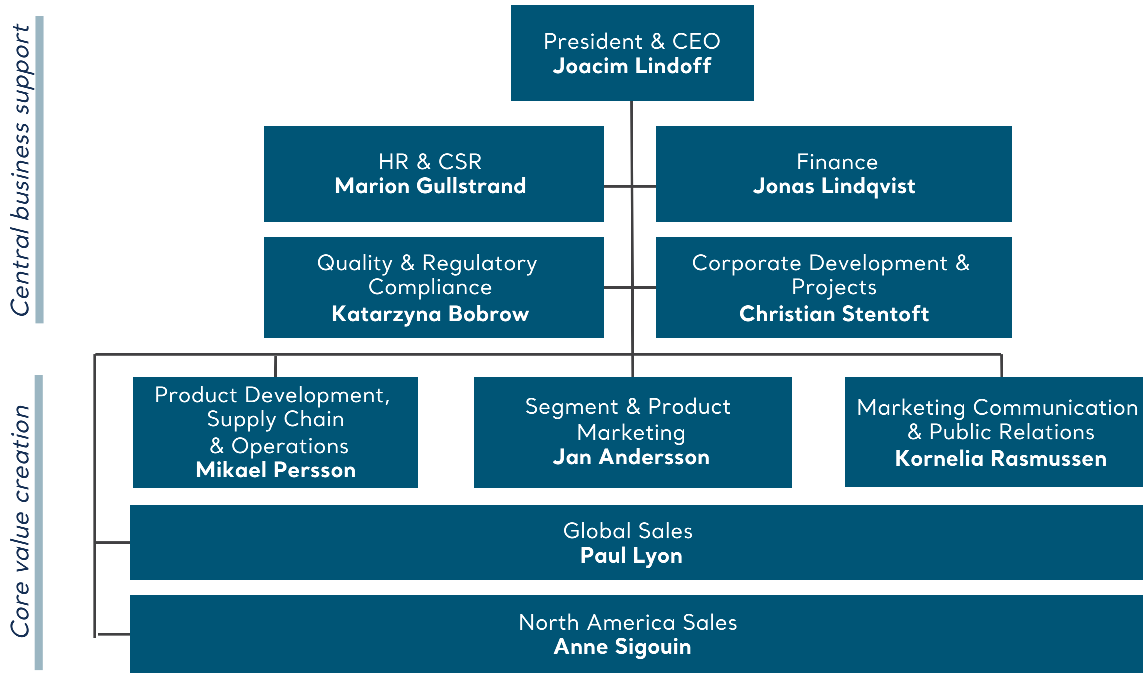
18) A notified body is an independent testing/certification organization that has the expertise to assess the features of products and services.
19) A harmonized standard is a standard drawn up by CEN, CENELEC or ETSI on behalf of the European Commission and EFTA.

Acquisition history

In addition to organic expansion, Arjo will, in line with the Company's strategic plan, continuously evaluate strategic acquisitions to gain access to new markets and further strengthen its market positions. Through acquisitions, Arjo can achieve growth and improve margins through synergies in research and development, manufacturing, distribution and sales. The following table shows Arjo's acquisition history since 2012.

Year	Company	Business	Country	Sales
2016	AccuMed	Production facility for medical textiles	DO	SEK 100 M
2016	1st Call Mobility Ltd	Medical-device solutions for bariatric care	GB	SEK 100 M
2012	Acare Medical Science Ltd	Healthcare beds	CN	SEK 135 M
2012	Therapeutic Support Systems (TSS)	Wound care	US	SEK 1,600 M

ARJO'S ORGANIZATION CHART



Organization and employees

Organization

The diagram below shows an overview of Arjo's organizational structure. Arjo's group functions are located centrally and include HR & CSR, Corporate Development & Projects, Quality & Regulatory Compliance and Finance. Each sales region and group function is part of a joint profit unit. Operational decisions are made decentralized in the organization, while comprehensive decisions are made by executive management. Alongside Arjo's CEO, CFO, EVP Corporate Development & Projects, EVP Quality and Regulatory Compliance, EVP Human Resources & CSR in Arjo's Group Management are EVP Supply Chain & Operations, EVP Segment & Product Marketing, EVP Marketing Communication & Public Relations, President Global Sales and President Sales & Service North America.

Employees

On September 30, 2017, Arjo had 5,900 full-time employees. Most of Arjo's employees work in production and sales. In 2016, there were close to 4,000 employees in the sales organization, corresponding to approximately 65 percent of total number of full-time employees. In the same year, there were about 1,500 employees in production, corresponding to 25 percent of total number of full-time employees.

The percentages of women and men in the management group were 35 percent and 65 percent, respectively, in 2016. In production units, the distribution was 60 percent and 40 percent, respectively. The percentages of women and men in Arjo's Group Management were 40 percent and 60 percent, respectively. The Company strives for equal conditions throughout the organization.

Number of employees	Jan–Sep 2017	2016	2015	2014
Number of employees, average during the period	5,717	5,763	5,339	5,294
Of whom women, %	*37.0%*	*34.1%*	*30.5%*	*30.0%*

In order to ensure competitiveness and that Arjo is perceived as an attractive employer, long-term HR efforts are conducted to support the Company's strategic goals.

Sustainability

For Arjo, sustainability efforts aim to ensure the Group's long-term earnings capacity and to strengthen the Group's competitiveness. There is a high level of awareness within the Company that extensive sustainability efforts have a favorable impact on the Group's ability to attract and retain both customers and employees, which is crucial for the continued development of the Company. Sustainability thereby permeates Arjo's strategic plans to create a culture in which all stakeholders can be proud of their relationship with Arjo. Sustainability efforts are organized in line with the Nasdaq guidelines for ESG (Environmental, Social and Governance), i.e. environment, social responsibly and corporate governance. Companies that manufacture products for patients with reduced mobility and age-related health challenges run the risk that the long-term earnings capacity may be limited, which can include risks and events related to product safety, incomplete Codes of Conduct among suppliers and a negative impact on the environment. For a more detailed description of these, see "*Sustainability*" in the section "*Market overview*". A detailed description of Arjo's sustainability work follows below.

Corporate governance

Business ethics

Health, safety, ethics and anti-discrimination form the foundation of the Company's business ethics. To ensure a business ethics' standard Arjo has, among other things, implemented a joint Code of Conduct and Anti-Corruption Policy for all of the Group's employees. Since Arjo has a global presence, the Group conducts operations in several countries that lack strong national laws and standards in human rights, work environment covering health, safety, discrimination and ethics as well as fundamental principles of business law. Arjo's Code of Conduct and Anti-Corruption Policy are important for employees, customers and suppliers and through these the Company establishes a strong and renowned trademark with good potential for future business opportunities.

Code of Conduct

Arjo's Code of Conduct describes fundamental principles that are to be observed by all employees to ensure that the business is conducted in an ethical and sustainable way. Arjo's Code of Conduct, which also reflects core values that define Arjo's corporate culture, are based on a series of international principles, such as the UN Global Compact initiative, the UN Universal Declaration of Human Rights and the OECD's guidelines for multinational companies. The Code of Conduct is complemented with local policies and to some extent more extensive efforts in high-risk countries with weak national legislation to guarantee a sustainable workplace.

Arjo and most of its competitors have a global presence and conduct operations in several countries where there is a higher risk of corruption and unacceptable conduct by the Company's suppliers and business partners. To ensure sustainable business throughout Arjo's value chain, the Company has established a Code of Conduct for its suppliers and business partners. This Code of Conduct is structured according to the four focus areas of the UN Global Compact initiative: human rights, work conditions, environment and anti-corruption. The Code of Conduct lists a number of minimum requirements in each focus area, in addition to other laws and regulations that each supplier and third-party agent must follow to have a business relationship with Arjo. The requirements are based on the principles in the UN Global Compact initiative, the OECD's guidelines for multinational companies and the UN Universal Declaration of Human Rights. The Company will annually review all of its suppliers and business partners to ensure that the requirements in the Code are upheld. If the requirements are not fulfilled, and if the supplier or business partner does not take sufficient action to comply with the requirements, the Company has the right to terminate the agreement and to end all business relations. The Code of Conduct is review annually and any updates and adjustments are carried out as needed.

Anti-corruption

Arjo's Anti-Corruption Policy has been drawn up to combat corruption and is expected to be followed by the Group's employees as well as Arjo's different business partners. The policy includes a rules and principles regarding gifts, representation, remuneration and personal benefits. In addition to the Anti-Corruption Policy, there is also a whistleblowing policy with detailed instructions on how employees should act in situations where there is evidence or suspicions of corruption or other ethically unacceptable actions.

In accordance with the above, Arjo also follows and meets the principles of the UN Global Compact to demonstrate the values that form the foundation for all business activities conducted by the Group.

Social responsibility

People and society

Arjo's objective and ambition is to take social responsibility in areas such as education and mentorship for groups that need this type of support and structure to gain faster entry into society. In accordance with this, Arjo will, for example, support employees who are interested in working with some form of voluntary work. With the support of senior executives and HR; this sense of responsibility is expected to be implemented globally and permeate the entire Arjo organization.

Starting in 2017, Arjo is participating in a three-year project, Swedish Industry for Quality Education in India, run by Pratham. The aim is to create a specific CSR project within the framework for Prime Minister Modi's initiative, "Skill India", and enable the education of 30,000 children. Pratham is one of India's leading charitable organizations in child education and works to achieve a large-scale improvement in the level of knowledge among children in India according to the motto "Every child in school – and learning well".

Environment

Arjo's impact on the environment mainly comprises emissions to water and air, waste created during production and distribution and the impact from energy consumption. The initiatives that are being implemented to reduce environmental impact are partly a result of the national and international regulations that Arjo must comply with, and partly a result of internal policies and undertakings. To ensure that production is conducted in accordance with legislation and international rules, the Group has introduced environmental-management systems in its production facilities that are certified according to the international standard ISO 14001. Arjo is aiming to reduce its environmental footprint and contribute to a sustainable development. The implemented management system provides solid conditions for structured and proactive environmental work. The management system also includes identifying and updating the environmental impact of the facilities. Arjo also supplies products that contribute to reduced environmental impact. For example, products within the Disinfection segment help to reduce the usage of water and chemicals via effective cleaning.

To reduce the Group's climate impact, Arjo's is currently investing in various types of energy-efficiency enhancements as well as further improvements in waste management. A summary of the Company's environmental goals is presented in the illustration below and includes energy-efficiency enhancements, reduced emissions from production and transports and increased recycling of waste. The Company will revise and communicate updated environmental goals in 2018.

ARJO'S ENVIRONMENTAL GOALS

Energy and climate

- Reduce CO_2 emissions from production by 5 percent by 2018, with 2015 as the base year.
- Reduce energy consumption in production by 10 percent by 2018, with 2015 as the base year.
- Reduce CO_2 emissions from company vehicles by 10 percent by 2020, with 2016 as the base year.

Waste

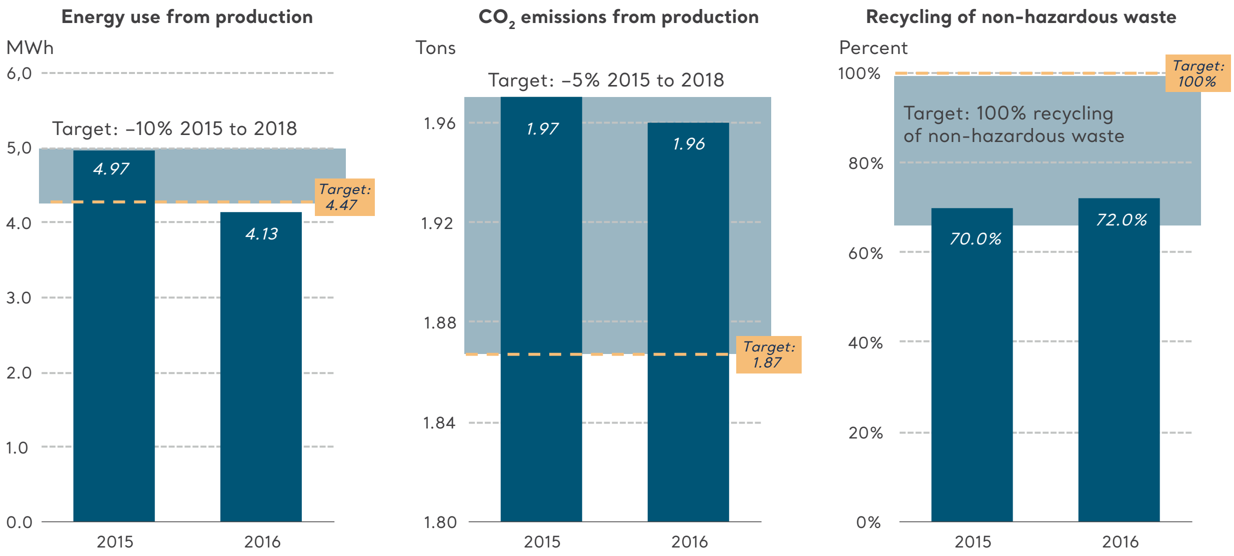
- Reduce the amount of hazardous waste in production by 10 percent by 2018, with 2015 as the base year.
- All non-hazardous waste from production is to be recycled.

Over the years, a number of measures have been implemented to reduce energy consumption for heating and lighting, for example by choosing electricity suppliers with a favorable production mix. Within waste and recycling, measures are carried out to reduce the amount of hazardous waste, increase recycling and to optimize the use of raw materials in production.

Quarterly environmental reporting from the Company's production facilities has been conducted for a number of years, which offers favorable conditions for follow-up. For example, energy consumption, waste and recycling and emissions are reported. Reporting emissions from own vehicles is carried out through leasing companies and reporting of emissions from freight transportation is being set up. The development of Arjo's environmental key figures for the years 2015 and 2016 is illustrated below. In accordance with the illustration, Arjo's energy production has decreased by approximately 17 percent from 4.97 MWh to 4.13 MWh/SEK M, CO2 emissions from production has decreased from approximately 1.97 tons to approximately 1.96 tons and recycling of non-hazardous waste has increased from 70 percent to 72 percent.

Within Arjo's work to decrease the Group's environmental impact, for example, routines for product development according to the principles of EcoDesign has been developed. These principles include that Arjo, during product development take into account the environmental impact over the entire product's life cycle.

HISTORICAL DEVELOPMENT OF ARJO'S ENVIRONMENTAL GOALS



Presentation of financial information

During 2016 and 2017 Getinge Group implemented a strategic restructuring through which the group was divided into two separate legal entities (the purpose was to separate the earlier business unit PPAC and the related area Flusher Disinfection). Arjo became the new parent company in the new Group.

The formation of the Arjo Group is a transaction under shared controlling influence (joint venture) and is not currently encompassed by any standard in accordance with the International Financial Reporting Standards ("**IFRS**") which entails that an appropriate accounting principle should be applied in accordance with International Accounting Standards ("**IAS**") 8. An applicable and accepted method is using previous carrying amounts (predecessor basis), which is the policy that Arjo has decided to apply. For additional information regarding accounting procedures, please refer to "*Basis of preparation and accounting policies*" on page F-29 and elsewhere in the section "*Historical financial information*".

The starting point for the financial reports in this prospectus is consequently the financial information that has been presented as the business segment Extended Care, and later PPAC, and the related segment Flusher Disinfection in Getinge Group's financial reporting for each respective fiscal year, with some additional adjustments. The majority of the functions and processes established with the purpose of turning Arjo into a separate entity, stand-alone from Getinge Group, have gradually been carried out during 2017. Thus, the financial information is not fully representative with respect to the costs related to the aforementioned functions and processes. The Company believes that the costs related to new functions and processes will have full effect in 2018. The entities presented in the financial information are controlled by Arjo at the date of this prospectus.

Furthermore, Arjo, as part of Getinge Group, has not had any external financing. However, the Company signed financing agreements with external lenders during the year which they will raise in connection with the planned listing. The historical financial figures related to the balance sheet, such as interest-bearing liabilities and equity, will therefore not be representative for how the Company will look at the listing date. For more information about the Company's indebtedness, see the section "*Capital structure and other financial information*".

Selected historical financial information

The following condensed financial statements for the full-year were prepared in accordance with IFRS/IAS, as approved by the EU, and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups. The condensed financial statements (and performance measures calculated according to IFRS) for the first nine months of 2016 and 2017 have been collected from Arjo's interim report for the period January-September 2017 and have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act. The interim report for the period January-September 2017 has been reviewed by the Company's auditor. Arjo's financial statements for the 2014–2016 fiscal years, which are presented in their entirety in the section "*Historical financial information*", have been audited by the Company's auditor.

The prospectus also contains certain key performance measures that have not been defined in accordance with IFRS. These financial performance measures have not been audited or reviewed by the Company's auditor. Arjo believes that these performance measures are largely used by investors, securities analysts and other stakeholders as supplementary measures of earnings performance and financial position. Arjo's performance measures that are not defined in accordance with IFRS are not necessarily comparable with similar measures presented by other companies and have certain limitations as tools for analysis. Accordingly, they should not be considered as separate from, or a replacement for, Arjo's financial information as prepared in accordance with IFRS.

The information below is to be read together with Arjo's financial statements for the 2014-2016 fiscal years and for the period January-September 2017, which are included in this prospectus (see the section "*Historical financial information*").

Other than as stated above, no information in this prospectus has been audited or reviewed by the Company's auditor.

Condensed combined income statement

SEK M	Unaudited Jan-Sep 2017	Unaudited Jan-Sep 2016	Audited 2016	Audited 2015	Audited 2014
Net sales	5,620	5,634	7,808	8,115	7,568
Cost of goods sold	-3,093	-3,181	-4,366	-4,521	-4,011
Gross profit	**2,527**	**2,453**	**3,442**	**3,594**	**3,557**
Selling expenses	-1,122	-1,070	-1,392	-1,575	-1,422
Administrative expenses	-775	-600	-1,016	-1,039	-937
Research and development costs	-91	-88	-133	-118	-116
Acquisition expenses	–	-5	-7	-4	-1
Restructuring and integration costs	-219	-48	-155	-186	-83
Other operating income	11	11	58	15	16
Other operating expenses	-16	-13	-16	-147	-61
Operating profit (EBIT)	**315**	**640**	**781**	**540**	**953**
Financial income	19	2	7	5	5
Financial expenses	-80	-82	-117	-120	-97
Profit after financial items	**254**	**560**	**671**	**425**	**861**
Taxes	-68	-150	-181	-118	-242
Net profit for the period	**186**	**410**	**490**	**307**	**619**
Attributable to:					
Parent company's shareholders	186	410	490	307	619

Condensed combined balance sheet

SEK M	Unaudited Sep 30, 2017	Unaudited Sep 30, 2016	Audited Dec 31, 2016	Audited Dec 31, 2015	Audited Dec 31, 2014
Intangible assets	6,518	6,172	6,663	6,343	6,336
Tangible non-current assets	1,099	1,589	1,110	1,656	1,658
Financial non-current receivables, Group companies	306	–	–	9	10
Financial non-current assets	469	305	316	302	378
Total non-current assets	**8,392**	**8,066**	**8,089**	**8,310**	**8,382**
Inventories	1,144	1,098	1,044	1,194	1,134
Accounts receivable	1,669	1,600	1,884	1,584	1,842
Current receivables, Group companies	123	108	393	220	102
Current financial receivables, Group companies	199	1,387	1,397	1,477	1,622
Other current receivables	545	509	460	424	371
Cash and cash equivalents	407	1,401	1,446	808	1,369
Total current assets	**4,087**	**6,103**	**6,624**	**5,707**	**6,440**
Total assets	**12,479**	**14,169**	**14,713**	**14,017**	**14,822**
Shareholders' equity	4,006	10,504	10,658	10,227	10,602
Total shareholders' equity	**4,006**	**10,504**	**10,658**	**10,227**	**10,602**
Provisions for pensions, interest-bearing	27	57	36	98	328
Financial non-current liabilities, Group companies	–	1,255	1,361	475	357
Other provisions	197	174	195	186	225
Total non-current liabilities	**224**	**1,486**	**1,592**	**759**	**910**
Accounts payable	409	348	380	369	376
Current liabilities, Group companies	134	157	546	384	572
Financial current liabilities, Group companies	6,622	357	340	1,168	1,257
Other non-interest-bearing liabilities	1,084	1,317	1,197	1,110	1,105
Total current liabilities	**8,249**	**2,179**	**2,463**	**3,031**	**3,310**
Total shareholders' equity and liabilities	**12,479**	**14,169**	**14,713**	**14,017**	**14,822**

Condensed combined cash flow statement

SEK M	Unaudited Jan-Sep 2017	Unaudited Jan-Sep 2016	Audited 2016	Audited 2015	Audited 2014
Operating activities					
Operating income (EBIT)	315	640	781	540	953
Add-back of amortization, depreciation and write-downs	539	495	755	681	635
Add-back of restructuring and integration costs[1)]	152	48	67	186	82
Paid restructuring and integration costs	–33	–80	–108	–166	–173
Other non-cash items	34	25	21	2	11
Financial items	–61	–80	–110	–115	–92
Taxes paid	–102	–126	–168	–162	–291
Cash flow before changes to working capital	**844**	**922**	**1,238**	**966**	**1,125**
Changes in working capital					
Inventories	–193	–85	–87	–78	–40
Current receivables	282	66	–345	115	6
Current payables	–536	–180	113	–192	–132
Cash flow from operating activities	**397**	**723**	**919**	**811**	**959**
Investing activities					
Acquired and divested operations	–	–214	–212	–	–
Net investments	–293	–224	–314	–516	–498
Cash flow from investing activities	**–293**	**–438**	**–526**	**–516**	**–498**
Financing activities					
Change in interest-bearing liabilities	–86	7	–6	–17	–1
Change in interest-bearing receivables	18	–20	–47	–25	5
Transactions with owners	–1,061	315	289	–808	–134
Cash flow from financing activities	**–1,129**	**302**	**236**	**–850**	**–130**
Cash flow for the period	**–1,025**	**587**	**629**	**–555**	**331**
Cash and cash equivalents at the beginning of the period	1,446	808	808	1,369	1,012
Cash flow for the period	–1,025	587	629	–555	331
Translation differences	–14	6	9	–6	26
Cash and cash equivalents at the end of the period	**407**	**1,401**	**1,446**	**808**	**1,369**

1) Excluding write-downs on non-current assets.

Net sales by geographic region

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
North America	2,088	2,103	2,905	2,957	2,700
Western Europe	2,708	2,714	3,759	3,873	3,731
Rest of the World	824	817	1,144	1,285	1,137
Total	**5,620**	**5,634**	**7,808**	**8,115**	**7,568**

Key figures for the Company

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
Sales figures					
Net sales[1)]	5,620	5,634	7,808	8,115	7,568
Growth in net sales, %	–0.2%	–	-3.8%	7.2%	–
Organic growth in net sales, %	–2.4%	–	–2.6%	–2.3%	–
Expense figures					
Selling expense, percent of net sales	20.0%	19.0%	17.8%	19.4%	18.8%
Administrative expenses, percent of net sales	13.8%	10.6%	13.0%	12.8%	12.4%
Research and development expenses, percent of net sales	1.6%	1.6%	1.7%	1.5%	1.5%
Profit figures					
Operating profit (EBIT)[1)]	315	640	781	540	953
EBITDA	854	1,135	1,536	1,221	1,588
EBITDA growth, %	–24.8%	–	25.8%	–23.1%	–
EBITDA adjusted	1,006	1,188	1,610	1,411	1,672
Earnings per share, SEK	0.68	1.51	1.80	1.13	2.27
Margin figures					
Gross margin, %	45.0%	43.5%	44.1%	44.3%	47.0%
Operating margin, %	5.6%	11.4%	10.0%	6.7%	12.6%
EBITDA margin, %	15.2%	20.1%	19.7%	15.0%	21.0%
EBITDA margin, adjusted, %	17.9%	21.1%	20.6%	17.4%	22.1%
Cash flow and return figures					
Return on shareholders' equity, %	3.7%	–	4.7%	2.9%	6.2%
Cash conversion, %	46.5%	63.7%	59.8%	66.4%	60.4%
Operating capital	10,510	–	11,055	11,168	10,699
Return on operating capital, %	7.5%	–	8.5%	6.5%	9.7%
Capital structure					
Interest-bearing (+) net debt/ (–) net receivables	5,669	–1,128	–1,175	–579	–1,059
Interest coverage ratio, multiple	7.1x	–	8.2x	6.2x	10.9x
Net debt/equity ratio, multiple	1.4x	–	–0.1x	–0.1x	–0.1x
Interest-bearing net debt / EBITDA adjusted, multiple	4.0x	–	–0.7x	–0.4x	–0.6x
Equity ratio, %	32.1%	74.1%	72.4%	73.0%	71.5%
Equity per share, SEK	14.7	38.6	39.1	37.5	38.9
Other					
Number of shares	272,369,573	272,369,573	272,369,573	272,369,573	272,369,573
Number of employees, average	5,717	5,402	5,763	5,339	5,294

1) Audited performance measure for the full years and reviewed for the period January–September 2017.

Definitions

Performance measure	Definition	Purpose
Organic growth in net sales	Percentage change of net sales adjusted for currency effects, acquisitions and divestments for the past period compared with the same period last year.	Organic growth in net sales provides an understanding of the Company's underlying sales driven by volume, price and product mix changes for comparable units between different periods.
Gross margin	Gross profit in relation to net sales.	Gross margin is used to show the Company's margin before impacts of expenses such as sales and administrative expenses as well as research and development expenses.
Selling expenses, percent of net sales	Selling expenses in relation to net sales.	The performance measure is relevant to investors and other stakeholders that want to understand the Company's ability to manage selling expenses and it is comparable with other companies.
Administrative expenses, percent of net sales	Administrative expenses in relation to net sales.	The performance measure is relevant to investors and other stakeholders that want to understand the Company's ability to manage administrative expenses and it is comparable with other companies.
Research and development costs, percent of net sales	Research and development costs in relation to net sales.	The performance measure is used to measure the Company's total costs for research and development in relation to net sales and it is comparable with other companies.
EBITDA	Operating profit before depreciation, amortization and write-down.	The performance measure shows the Company's underlying profit from operations, excluding depreciation effects and together with EBITDA adjusted and operating margin, EBITDA provides an understanding of the profit generated from operating activities.
EBITDA margin	EBITDA in relation to net sales.	EBITDA margin is used to measure the Company's operating profitability.
EBITDA growth	Percentage change of EBITDA.	EBITDA growth provides an understanding of the Company's profitability growth.
EBITDA adjusted	Operating profit before amortization and write-down of intangible assets identified in conjunction with corporate acquisitions with add-back of restructuring, integration and acquisition costs.	EBITDA adjusted displays the operations underlying earning ability and is a tool to compare the Company with other companies.
EBITDA margin, adjusted	EBITDA adjusted in relation to net sales.	EBITDA margin, adjusted is used to measure the Company's operating profitability.
Operating profit (EBIT)	Profit before financial items and taxes.	Operating profit provides an understanding of the Company's operating profitability.
Operating margin	Operating profit in relation to net sales.	Operating margin is used to measure the Company's operating profitability.
Return on shareholders' equity	Rolling twelve months' profit after tax in relation to average shareholders' equity.	The performance measure shows return on the owners' invested capital in the Company.
Cash conversion	Cash flow from operating activities in relation to EBITDA.	Cash conversion provides an understanding of the Company's ability to generate cash flow from operations by showing the share of EBITDA that is converted into cash flow.
Earnings per share	Net profit from period attributable to the parent company's shareholders in relation to the average number of shares.	Earnings per share provides an understanding of the Company's profit development from a shareholder perspective.
Interest coverage ratio	Profit after financial items with add-back of interest expenses, costs for credit lines and restructuring costs in relation to interest expenses.	Interest coverage ratio is relevant for investors and other stakeholders who want to assess the Company's possibility to make investments and assess the Company's ability to live up to its financial commitments.

Performance measure	Definition	Purpose
Equity ratio	Shareholders' equity in relation to total assets.	Equity ratio is relevant for investors and other stake-holders who want to assess the Company's financial stability and ability to manage the business in the long run.
Interest bearing net debt/receivable	Non-current and current loans and inter-est bearing pension provisions with an add-back of cash and cash equivalents.	Interest-bearing net debt/receivable is relevant to measure the business total debt situation.
Interest bearing net debt/equity ratio	Net interest-bearing debt in relation to shareholders' equity.	Interest bearing net debt/equity ratio shows the rela-tion between interest-bearing net debt and sharehold-ers' equity, which gives investors and other stakehold-ers an understanding of the Company's capital structure.
Interest bearing net debt/EBITDA adjusted	Interest bearing net debt at the end of the period divided by rolling twelve months EBITDA adjusted.	Interest bearing net debt/EBITDA adjusted is relevant to show the ability of the Company's business to pay off its debts.
Operating capital	Average total assets less average cash and cash equivalents, other provisions, accounts payable and other non-inter-est-bearing liabilities.	Operating capital shows how much capital that is used in the business and is a component in measuring return on the capital that the Company's owners and lenders have provided.
Return on operating capital	Rolling twelve months' operating profit with addback of acquisition, restructuring and integration costs in relation to operat-ing capital.	Return on operating capital provides investors and other stakeholders a better understanding of the Com-pany's ability to generate return on the capital that its owners and lenders have provided.

Origin of key performance measures not been defined in accordance with IFRS

Alternative performance measures refer to financial measures used by the Company's management and investors to evaluate the Company's earnings and financial position and that cannot be directly read from the financial statements. These financial measures are intended to facilitate analysis of the Company's performance. The alternative performance measures should not be considered substitutes, but rather a supplement to, the financial statements prepared in accordance with IFRS. The financial measures recognized in this report may differ from similar measures used by other companies.

The alternative performance measures recognized below have not been calculated in accordance with IFRS but have been presented since Arjo believes that they are important in connection with investors' assessments of the Company and the Company's share. The alternative performance measures are also presented in the Company's other financial statements.

Sales figures

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
(A) Net sales previous period[1]	5,634	–	8,115	7,568	–
Acquired/disposed net sales during the period	41	–	40	–46	–
(B) Organic net sales during the period	–134	–	–210	–175	–
Effect from changes in exchange rates	79	–	–137	767	–
Net sales[2]	**5,620**	**–**	**7,808**	**8,115**	**–**
(B/A) Organic sales growth, %	*–2.4%*	–	*–2.6%*	*–2.3%*	–

1) Audited performance measure for the full years.
2)Audited performance measure for the full years and reviewed for the period January–September 2017.

Expense figures

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
(A) Selling expenses[1)]	1,122	1,070	1,392	1,575	1,422
(B) Administrative expenses[1)]	775	600	1,016	1,039	937
(C) Research and development costs, net[1)]	91	88	133	118	116
(D) Net sales[2)]	5,620	5,634	7,808	8,115	7,568
(A/D) Sales expenses, percent of net sales	*20.0%*	*19.0%*	*17.8%*	*19.4%*	*18.8%*
(B/D) Administrative expenses, percent of net sales	*13.8%*	*10.6%*	*13.0%*	*12.8%*	*12.4%*
(C/D) Research and development costs net, percent of net sales	*1.6%*	*1.6%*	*1.7%*	*1.5%*	*1.5%*

1) Audited for the full years and reviewed for the period January–September 2017.
2) Audited performance measure for the full years and reviewed for the period January–September 2017.

Profit and margin measures

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
(A) Operating profit (EBIT)[2)]	**315**	**640**	**781**	**540**	**953**
Add-back of amortization, depreciation and write-downs[1)]	539	495	755	681	635
(B) EBITDA	**854**	**1,135**	**1,536**	**1,221**	**1,588**
Acquisition expenses[1)]	–	5	7	4	1
Restructuring and integration costs[1)]	219	48	155	186	83
Add-back of write-offs, restructuring and integration costs[1)]	–67	–	–88	–	–
(C) EBITDA adjusted	**1,006**	**1,188**	**1,610**	**1,411**	**1,672**
(D) Net sales[2)]	5,620	5,634	7,808	8,115	7,568
(A/D) Operating margin, %	*5.6%*	*11.4%*	*10.0%*	*6.7%*	*12.6%*
(B/D) EBITDA margin, %	*15.2%*	*20.1%*	*19.7%*	*15.0%*	*21.0%*
(C/D) EBITDA margin, adjusted, %	*17.9%*	*21.1%*	*20.6%*	*17.4%*	*22.1%*

1) Audited for the full years and reviewed for the period January–September 2017.
2) Audited performance measure for the full years and reviewed for the period January–September 2017.

Cash flow and return measures

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
Calculation of cash conversion					
(A) Cash flow from operating activities[1]	397	723	919	811	959
(B) EBITDA	854	1,135	1,536	1,221	1,588
(A/B) Cash conversion, %	*46.5%*	*63.7%*	*59.8%*	*66.4%*	*60.4%*
Calculation of return on shareholders' equity					
(A) Result for the period[2] (rolling 12M)	266	–	490	307	619
Shareholders' equity opening balance	10,504	–	10,227	10,602	9,296
Shareholders' equity closing balance[1]	4,006	–	10,658	10,227	10,602
(B) Average shareholders' equity	7,255	–	10,443	10,415	9,949
(A/B) Return on shareholders' equity, %	3.7%	–	4.7%	2.9%	6.2%
Calculation of return on operating capital					
Total assets opening balance	14,169	–	14,017	14,822	13,220
Total assets closing balance[1]	12,479	–	14,713	14,017	14,822
Average total assets	13,324	–	14,365	14,420	14,021
Average total assets	13,324	–	14,365	14,420	14,021
Excluding average cash and cash equivalents	–904	–	–1,127	–1,089	–1,191
Excluding average other provisions	–224	–	–191	–206	–320
Excluding average other interest-bearing liabilities	–1,687	–	–1,992	–1,957	–1,811
(A) Operating capital	**10,510**	**–**	**11,055**	**11,168**	**10,699**
Operating profit (EBIT) (rolling 12M)[3]	456	–	781	540	953
Add-back of acquisition expenses[2]	2	–	7	4	1
Add-back of restructuring and integration costs[2]	326	–	155	186	83
(B) EBIT after add-back of acquisition, restructuring and integration costs	**784**	**–**	**943**	**730**	**1,037**
(B/A) Return on operating capital	*7.5%*	–	*8.5%*	*6.5%*	*9.7%*

1) Audited for the full years and reviewed for the period January–September 2017.
2) Audited for the full years.
3) Audited performance measure for the full years.

Capital structure

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
Calculation of interest-bearing net debt, net debt/equity ratio and interest-bearing net debt/EBITDA adjusted					
Financial liabilities, Group companies[1)]	6,622	1,612	1,701	1,643	1,614
Provisions for pensions, interest-bearing[1)]	27	57	36	98	328
Deducting financial receivables, Group companies[1)]	–505	–1,387	–1,397	–1,486	–1,632
Deducting financial receivables[2)]	–68	–9	–69	–26	–
Deducting cash and cash equivalents[1)]	–407	–1,401	–1,446	–808	–1,369
(A) Interest-bearing (+) net debt/ (–) net receivables	**5,669**	**–1,128**	**–1,175**	**– 579**	**–1,059**
(B) Shareholders' equity[1)]	4,006	–	10,658	10,227	10,602
(C) EBITDA adjusted (rolling 12M)	1,428	–	1,610	1,411	1,672
(A/B)Net debt/equity, multiple	*1.4x*	–	*–0.1x*	*–0.1x*	*–0.1x*
(A/C) Interest-bearing net debt / EBITDA adjusted, multiple	*4.0x*	–	*–0.7x*	*–0.4x*	*–0.6x*
Calculation of interest coverage ratio					
Profit after financial items (rolling 12M)[2)]	365	–	671	425	861
(A) Add-back financial expenses (rolling 12M)[2)]	113	–	115	117	95
Add-back of restructuring and integration expenses (rolling 12M)[2)]	326	–	155	186	83
(B) Profit after financial items with add-backs of financial expenses, restructuring and integration costs (rolling 12M)	**804**	**-**	**941**	**728**	**1,039**
(B/A) Interest-coverage ratio	*7.1x*	–	*8.2x*	*6.2x*	*10.9x*

1) Audited for the full years and reviewed for the period January–September 2017.
2) Audited for the full years.

Operational and financial overview

Factors affecting Arjo's earnings

Arjo's earnings are affected, and will be affected, by a number of factors, some of which are outside Arjo's control. The main factors that are deemed to have affected Arjo's earnings in the periods referred to in this section, and that are also expected to affect Arjo's earnings in the future, are presented below.

Demand and market conditions

Arjo's sales and profitability are affected by general demand for care-related products and services, which are in turn driven by a number of market factors. The demographic trend of population growth, an aging population and higher incidence of chronic diseases are trends that are expected to drive global demand for care-related services and thus also demand for Arjo's products and services. Furthermore, Arjo's sales and profitability are expected to be affected by medical and healthcare trends such as an increasing number of patients requiring care for extended periods of time being transferred from acute care to long-term care, and greater professionalization and cost awareness at care institutions. The general economic climate is another key factor that affects Arjo's earnings, particularly in emerging markets where the basic healthcare infrastructure is still being established.

For a more detailed description of central drivers in the market that are expected to affect Arjo's financial earnings in the future, see the section "*Market overview*".

Regulatory and political factors

Arjo's earnings are affected by regulatory and political decisions since a large share of the customer base are parties that are directly or indirectly publicly financed. Supply and demand for products and services in the medical device market is affected by, for example, decisions on allocations of public resources to care units, the possibility of supplying private care units, tender processes and other factors that influence market conditions.

Market position and trademarks

Considerable market positions and a strong trademark are central factors for Arjo to remain competitive and report profitable growth. Arjo's endeavors to be a global leader in the markets and the product categories in which the Company chooses to conduct business activities. To achieve this, an important element of Arjo's strategic plan is to nurture profitable market positions and improve or withdraw from unprofitable positions. Great market positions and a strong trademark give Arjo, with its differentiated products, a pricing power in relation to its customers, which drives both sales and profitability. Leading market positions and a strong trademark also mean that Arjo can leverage scale in such areas as purchasing, research and development, production and distribution, which is a key competitive advantage for enabling long-term sustainable profitability. Arjo's ability to maintain its market positions and its strong trademark will remain central to the Company's earnings and profitability.

Ability to secure, retain and re-secure agreements

A large number of Arjo's customers purchase medical equipment on the basis of procurement agreements. The Company's ability to retain procured agreements and secure new agreements is therefore a central factor that affects sales and profitability. Procurement agreements, with normal terms of three to four years, may be for large volumes linked to a specific company during the contract period. The procurement process takes place in competition with other tenderers, meaning that securing and losing agreements is a natural part of the Company's operations. Competing companies in a procurement process are evaluated according to criteria including price and quality. There are thus a number of success factors that will enable the companies to secure many agreements. A key factor in this respect, that is expected to affect Arjo's earnings, is the Company's ability to leverage the accumulated expertise and experience in understanding customer needs and purchasing patterns that the Company has built up in the tender process, which is vital to then submit a competitive tender. Furthermore, with competitive production processes, Arjo can secure a low cost base and thereby offer attractive prices with sustained profitability. By striving to offer products and solutions that help the healthcare sector to lower total care costs and enhance efficiency provides solid conditions for winning and retaining agreements with high margins and extensive volumes.

Product development and innovation

An important source of growth and profitability is the ability to develop and bring new products to the market, and to update previously established product lines. Investments in product development and innovation have resulted in a stronger range of innovative and qualitative products, making it possible for Arjo to retain its competitiveness and pricing for products in the Company's range. The Company established a new research and development structure during the year to direct more focus to product development and innovation. The two lines of business have been separated and the development section has been integrated with the new *Segment and Product Marketing* unit, while product development has been integrated with the new *Product Development, Supply Chain & Operations* unit. The restructuring is expected to lead to a clear division of responsibilities, better allocation of the Company's resources and skills and a customer-centric business. Continued investments in research and development are a central part of Arjo's strategy and its ability to realize such investments is paramount to the future earnings trend. For additional information about Arjo's activities in product development and innovation, see also the section "*Business description*".

Ability to drive additional growth through acquisitions

Arjo has historically made use of a combination of organic initiatives and acquisitions to drive growth. A number of acquisitions have taken place over the years, for example, to expand the product portfolio and strengthen market presence. Acquisitions are considered to be an important source of growth for the Company also in the future. Accordingly, a factor that could affect Arjo's future growth and earnings is how well Arjo can identify suitable acquisition candidates and successfully integrate them into the existing operations.

The Company has completed four acquisitions between 2012 and 2016. Additional information about historical acquisitions can be found under "*Acquisition history*" and "*The Company's history*" under the section "*Business description*". Arjo's strategic plan contains an acquisition element and the Company intends to continuously evaluate strategic acquisitions in order to strengthen its market positions and establish operations in new product verticals and markets.

Efficiency and cost control in operations

Arjo's profits and profitability are largely dependent on the Company's ability to maintain efficiency and cost control in the operations. To reduce costs, Arjo works on maximizing economies of scale in production, selling and administration. In recent years, Arjo has implemented a number of strategic initiatives in production to enhance efficiency, reduce the cost base and improve earnings. For example, extensive work was undertaken to reduce the number of production facilities so as to enhance the efficiency of central processes, such as production, distribution and quality assurance, and to generate economies of scale. These initiatives, combined with Arjo's relative size, allow for the Company's cost base to be effectively leveraged, which reduces costs per unit produced and thus boosts profitability. Arjo will continue to realize synergies in production and enhance the general efficiency of the operations to ensure favorable margins in the future. Arjo's ability to maintain cost controls and continue to drive efficiency measures are expected to continue to affect the Company's earnings and profitability in the future as well.

Currency fluctuations

Arjo's earnings are affected by changes in currency since Arjo is an export-dependent Company with sales and expenses in many countries worldwide. Currency fluctuations may expose Arjo to transaction and translation risks that have an effect on the Company's earnings. Currency exposure occurs in connection with payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure). Arjo has a treasury policy that entails that large portions of currency exposure is hedged, as described in more detail in "*Financial exposure and risk management*".

The table below outlines the effect on Arjo's operating profit of currency fluctuations of +/- 5 percent in the currencies with the highest impact in 2016. Currency hedging has been taken into account.

Exchange rate (average rates 2016)	Estimated net exposure (SEK M)	Impact at +/- 5% exchange rate reaction (SEK M)
PLN, 2.17	462	+/–23
EUR, 9.47	221	+/–11
USD, 8.56	116	+/–6
CAD, 6.46	102	+/–5
GBP, 11.58	81	+/–4

In 2016, Arjo's sales to Sweden represented about 1 percent of total sales, meaning that the Company's net sales and profit, when translated to SEK, can largely be explained by the trend in the SEK exchange rate in relation to major export currencies. The Company's most important export currencies and the trend in SEK in relation to these currencies are presented in the table below. As illustrated in the table below, the USD trend in 2015 and 2016, for example, had a very positive impact on the Company's net sales and profit in these years.

Largest export currencies[1)]	SEK-development 2015	SEK-development 2016
USD	–7.1%	–7.2%
GBP	–1.8%	10.7%
EUR	3.4%	–4.4%
CAD	11.4%	–10.4%
AUD	4.4%	–6.8%

1) Foreign exchange development calculated as exchange rate per December 31, divided by the exchange rate per January 1, for 2015 and 2016 respectively.

Seasonal effects

Arjo's earnings are impacted by seasonal fluctuations. The second quarter is normally weak in relation to the remainder of the fiscal year, while the third and particularly the fourth quarter are usually the Company's strongest. This is related to the fact that many customers' purchasing activities are budget-controlled and the budget period most often coincides with the calendar year. Accordingly, the intensity of purchasing increases in the fourth quarter to attain budgeted levels. Arjo's demand levels are also affected when authorities in various countries release funds for public hospitals to purchase materials for their operations, which in many cases also coincidences with the institutions nearing the end of their budget year.

Financing costs

Arjo's earnings and cash flows are affected by financing costs, particularly interest expenses. Interest expenses are mainly impacted by the amount of the Company's interest-bearing liabilities, general interest rates and exchange-rate fluctuations in the currencies in which Arjo's liabilities are denominated. Under Arjo's treasury policy, the average fixed-interest term of outstanding loans is to be at least twelve months. Arjo's interest-bearing liabilities will primarily be in EUR and, to a certain extent, also in USD.

Arjo as an independent company

Compared with being a Getinge business area, certain new functions and processes will need to be established that will probably lead to higher administrative costs when Arjo becomes an independent company. For example, Arjo will have its own head office for managing all Group-wide coordination. Arjo also needs to establish administrative capabilities to independently meet stock market expectations of information disclosure (IR activities) and the formal and legal requirements entailed by a listing on the stock exchange, such as publication of public financial reports, holding of Annual General Meetings, etc. In addition to the existing finance and accounting organization, a separate treasury function will be established at Arjo to independently handle group consolidation, reporting and cash management. Independent capacity to manage trademarks, internal control and a separate HR department are further examples of new functions and processes that will differentiate an independent Arjo from the situation prior to the listing. However, Getinge has allocated some of its central costs, which is the reason that a portion of these costs are also included in the historical financial figures. Arjo's product development activities will focus on products that boost Arjo's sales trend. The areas that were not prioritized core areas under Getinge are expected to benefit from an independent Arjo's full attention. Furthermore, the Company will conduct operations following its own strategies to boost Arjo's independent business activities, without needing to coordinate with the other parts of Getinge when developing the operations.

The majority of the functions and processes created to turn Arjo into an independent company, separated from the Getinge Group has gradually been established in 2017, meaning that historical figures related to these ongoing cost items are not fully representative. The Company believes that 2018 will be the first full-year in which the full effects of the costs related to the new functions and processes can be observed. Furthermore, Getinge Group's net debt were allocated between Getinge and Arjo on September 30, 2017, which means that historical financial figures related to interest-bearing liabilities, such as financial items, taxes and earnings after tax are of limited use as tools for analysis. For further information regarding costs for creating an independent Arjo, see "*Costs for creating an independent Arjo and transaction costs*" in the section "*Legal considerations and supplementary information*".

Changes in accounting principles

International Accounting Standards Board (IASB) has issued new standards for accounting of *Financial Instruments* (IFRS 9), *Revenue from Contracts with Customers* (IFRS 15) and *Leases* (IFRS 16).

IFRS 9 *Financial Instruments* comes into effect in the fiscal year beginning January 1, 2018 or later, and supersedes IAS 39 *Financial Instruments: Recognition and Measurement*. The preliminary judgement regarding write-offs is that the provision for expected future credit losses can change even though it has not yet been quantified. Considering that the Group's customers have high creditworthiness and that actual credit losses have historically been small, the evaluation is that the rules regarding the write-offs will not have a substantial impact on the Groups financial position. Hedge-accounting is used for exchange rate contracts held to manage the exchange rate exposure that emerge in the operations. The adoption of the new standard is not estimated to result in a change of current accounting principles for these hedges; hence Arjo's financial position will not be affected.

IFRS 15 *Revenue from Contracts with Customers* must be applied at the fiscal year beginning January 1, 2018, or later, and results in new requirements for the accounting of revenue and supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and other revenue related interpretations of IFRS. The evaluation of the standard has begun and the analysis indicates that current principles for revenue recognition are in accordance with IFRS 15. Arjo's evaluation is consequently that the new standard will not have a material impact on the financial position. Parts of Arjo's revenue come from rental income which is not covered by IFRS 15 and consequently will not be affected by the new standard. IFRS 15 will demand new information criteria and Arjo recently initiated the job to identify the new information that has to be gathered from the companies in the Group to fulfil these criteria.

IFRS 16 *Leases* comes into effect in the fiscal year beginning in January 1, 2019, or later. Arjo has initiated the job to analyse what effect IFRS 16 will have on the Group's financial reports. Arjo will conduct a review of all contracts to evaluate whether any existing contracts will be classified as leasing contracts according to IFRS 16's new definition, as well as defining the leasing periods. Subsequently, any changes will be quantified and presented in the Company's balance sheet. Current operational lease contracts can be found in note 16 "*Leasing*" in the section "*Historical financial information*". Arjo has of today not determined which transition standards to apply.

Key items in the income statement

Net sales

Net sales primarily encompass the remuneration received, or that will be received, for goods and services sold in Arjo's normal business operations, and mainly comprise the sale and leasing of the Company's products and related services. Sales are recognized on the date on which the products are delivered to customers in accordance with the terms of sale. Invoiced sales of products that have not yet been delivered are recognized as accrued income.

Cost of goods sold

Cost of goods sold mainly includes raw materials and consumables, energy costs and labor costs for production. Cost of goods sold also includes depreciation/amortization of non-current assets and transaction-related currency effects.

Selling and administrative expenses

Selling expenses and administrative expenses refer to costs attributable to marketing and sales, and remuneration of management and other central functions.

Financial items

Arjo, as part of the Getinge Group, has been financed by internal loans. Financial income and expenses include interest income on bank deposits and receivables, interest expenses on loans, income from dividends recognized as transactions with shareholders, and realized and unrealized profits and losses on exchange-rate differences. As an independent company, Arjo will recognize borrowing costs in conjunction with the raising of external loans as part of the loan to which they pertain and they will be charged to the result during the term of the loan.

Tax

Tax expense for the period encompasses current and deferred tax. The current tax expense is calculated on the basis of the tax regulations applicable on the closing date in those countries where the parent company and its subsidiaries are active and generate taxable income.

Deferred tax is recognized, in accordance with the balance sheet method, on all temporary differences arising between the carrying amount of assets and liabilities in the consolidated financial statements and their tax values. Deferred tax is calculated applying tax rates that have been decided or announced on the closing date and that are expected to apply when the particular deferred tax asset is sold or the deferred liability has been settled.

Deferred tax assets on loss carry-forwards are recognized insofar as it is probable that future taxable surpluses will be available to offset them against.

Deferred tax assets and tax liabilities are offset against each other when there is a legal right of offset for the particular tax assets and tax liabilities, the deferred tax assets and tax liabilities pertain to taxes levied by one and the same tax authority and pertain to either the same tax subject or different tax subjects, and where there is an intention to settle the balances by means of net payment.

Comparison January–September 2017 and January–September 2016

Net sales

Net sales in the first three quarters of 2017 amounted to SEK 5,620 M, compared to SEK 5,634 M for the first three quarters of 2016, corresponding to a decline of SEK 14 M or 0.2 percent. Net sales adjusted for currencies and acquisition-related income, known as organic sales, fell 2.4 percent. The decrease in organic sales was primarily related to lower sales volume in the product area VTE prevention and weak performance in the North American rental market. The rental business was to some extent stabilized during the third quarter.

North America

Net sales in North America during the first three quarters of 2017 amounted to SEK 2,088 M, compared to SEK 2,103 M for the first three quarters of 2016, corresponding to a decline of SEK 15 M or 0.7 percent. Net sales adjusted for currencies and acquisition-related income, known as organic sales, fell 3.5 percent. The decline in net sales in North America was primarily driven by lower sales volumes in the product area Patient handling and continued challenges with great competition in the product area VTE prevention. The decline in sales was slightly reduced in the third quarter by a positive development in the rental business in the U.S., which is considered to be an effect of Arjo's strategic plan (Arjo 2020).

Western Europe

Net sales in Western Europe during the first three quarters of 2017 amounted to SEK 2,708 M, compared to SEK 2,714 M for the first three quarters of 2016, corresponding to a decline of SEK 6 M or 0.2 percent. Net sales adjusted for currencies and acquisition-related income, known as organic sales, fell 1.4 percent. The development in Western Europe was mainly driven by reduced sales in the UK, which partly can be explained by NHS's lower investment levels in the UK.

Rest of the World

Net sales in Rest of the World during the first three quarters of 2017 amounted to SEK 824 M, compared to SEK 817 M for the first three quarters of 2016, corresponding to an increase of SEK 7 M or 0.9 percent. Net sales adjusted for currencies and acquisition-related income, known as organic sales, fell 2.7 percent.

Cost of goods sold

Cost of goods sold during the first three quarters of 2017 amounted to SEK 3,093 M, compared with SEK 3,181 M for the first three quarters of 2016, corresponding to a decline of SEK 88 M or 2.8 percent. The decrease in cost of goods sold was primarily driven by lower sales volumes.

Gross profit

Gross profit during the first three quarters of 2017 amounted to SEK 2,527 M, compared with SEK 2,453 M for the first three quarters of 2016, corresponding to a gross margin of 45.0 percent compared with 43.5 percent for the same period during 2016. Reasons for the increase in gross margin include changes in product mix and exchange rate effects.

Selling and administrative expenses

Selling and administrative expenses during the first three quarters of 2017 amounted to SEK 1,897 M, compared with SEK 1,670 M for the first three quarters of 2016, corresponding to an increase of SEK 227 M or 13.6 percent. Higher selling and administrative expenses were mainly driven by costs and functions associated with creating an independent Arjo.

EBITDA and operating profit

EBITDA during the first three quarters of 2017 amounted to SEK 854 M, compared with SEK 1,135 M for the first three quarters of 2016, corresponding to a decline of SEK 281 M or 24.8 percent. Operating profit during the first three quarters of 2017 amounted to SEK 315 M, compared with SEK 640 M for the first three quarters of 2016, corresponding to a decline of SEK 325 M or 50.8 percent. The decrease in EBITDA was mainly driven by higher selling and administrative expenses and other operating expenses due to creating an independent Arjo.

Financial items

Financial income during the first three quarters of 2017 amounted to SEK 19 M, compared with SEK 2 M for the first three quarters of 2016, corresponding to an increase of SEK 17 M or 843.6 percent. Financial expenses during the first three quarters of 2017 amounted to SEK 80 M, compared with SEK 82 M for the first three quarters of 2016, corresponding to a decline of SEK 2 M or 3.0 percent. Net financial items during the first three quarters of 2017 amounted to an expense of SEK 61 M, compared with an expense of SEK 80 M for the first three quarters of 2016, corresponding to a decline of SEK 19 M or 23.8 percent.

Profit before tax

Profit before tax during the first three quarters of 2017 amounted to SEK 254 M, compared with SEK 560 M for the first three quarters of 2016, corresponding to a decline of SEK 306 M or 54.6 percent. The decrease in profit after financial items was primarily driven by a lower operating profit.

Tax

Tax expense during the first three quarters of 2017 amounted to SEK 68 M, compared with SEK 150 M for the first three quarters of 2016, corresponding to a decline of SEK 82 M or 54.7 percent. Tax expense during the first three quarters of 2017 corresponded to an effective tax rate of 26.8 percent compared with 26.8 percent for the first three quarters of 2016.

Items affecting comparability

Profit during the first three quarters of 2017 was charged with nonrecurring items attributable to restructuring and acquisition-related integration costs of SEK 219 M, compared with SEK 53 M for the first three quarters of 2016, corresponding to an increase of SEK 166 M or 313.2 percent. Most of the restructuring costs relate to write-down of assets in the U.S. operations, where the installation of a new IT system began in the fourth quarter of 2016. This resulted in some miscalculations, which have been identified and resolved and as a consequence a one-off cost of approximately SEK 100 M is affecting Arjo's result for the period. Restructuring costs for the period also include write-downs of approximately SEK 70 million for an ERP system that will be closed down when Arjo becomes an independent company.

Net profit for the period

Net profit for the first three quarters of 2017 amounted to SEK 186 M, compared with SEK 410 M for the first three quarters of 2016, corresponding to a decline of SEK 224 M or 54.6 percent.

Comparison of 2016 and 2015 fiscal years

Net sales

Net sales in 2016 amounted to SEK 7,808 M, compared with SEK 8,115 M for 2015, corresponding to a decline of SEK 307 M or 3.8 percent compared with 2015. Net sales were negatively impacted by exchange-rate translation effects, volume downturn and price/product mix and positively affected by the acquisitions of AccuMed and 1st Call Mobility. Net sales adjusted for currencies and acquisition-related income, known as organic sales, fell 2.6 percent in 2016 compared with 2015. The decrease in organic sales was primarily due to lower sales volumes in Hygiene and Medical beds and fiercer competition in VTE prevention and Therapeutic surfaces. However, the downturn in organic sales was reduced by the positive trend in, for example, products for bariatric care and rental operations, which had experienced challenges in recent years, did stabilize slightly. The year ended positively with increased net sales in the U.S. in the fourth quarter that was largely the result of higher sales of hospital beds and VTE products.

North America

Net sales in North America in 2016 amounted to SEK 2,905 M, compared with SEK 2,957 M for 2015, corresponding to a decline of SEK 52 M or 1.8 percent compared with 2015. The decline in net sales in North America was mainly driven by lower sales in the service operations.

Leasing of mainly hospital beds and mattresses for pressure ulcer prevention contributed positively to net sales, but this was offset by lower leasing of VTE products and bariatric care products. Sales of capital goods in 2016 were in line with 2015, with the VTE prevention and Patient handling product segments making positive contributions to growth, while Hygiene and Medical beds had the opposite effect.

Western Europe

Net sales in Western Europe in 2016 amounted to SEK 3,759 M, compared with SEK 3,873 M for 2015, corresponding to a decline of SEK 114 M or 2.9 percent compared with 2015. The decline in net sales in Western Europe was mainly driven by lower sales in capital goods in the product groups Hygiene, Medical beds, Therapeutic surfaces and Diagnostics. The service operations also contributed to lower sales in the year since procurement agreements were not secured. Leasing of capital goods was in line with 2015, but with a shift from VTE products to mainly hospital beds.

Rest of the World

Net sales in Rest of the World in 2016 amounted to SEK 1,144 M, compared with SEK 1,285 M for 2015, corresponding to a decline of SEK 141 M or 11.0 percent compared with 2015. The decline was largely due to 2015 being a strong comparative year for procurement when several major agreements were secured, for example, in Australia, Hong Kong and Singapore. This impacted volumes of capital goods, primarily within Medical beds. Other capital goods, such as Patient handling, Disinfection and VTE prevention, made a positive contribution. The leasing market was relatively stable, while Service reported a slight decline during the year.

Cost of goods sold

Cost of goods sold in 2016 amounted to SEK 4,366 M, compared with SEK 4,521 M for 2015, corresponding to a decline of SEK 155 M or 3.4 percent compared with 2015. The decrease in cost of goods sold was primarily driven by lower sales volumes and the product mix. Cost of goods sold also increased due to the acquisitions of AccuMed and 1st Call Mobility, while currency effects reduced costs in 2016.

Gross profit

Gross profit in 2016 amounted to SEK 3,442 M, compared with SEK 3,594 M for 2015, corresponding to a gross margin of 44.1 percent compared with 44.3 percent in 2015. One of the reasons for the marginal decline in gross margin was the continuing price pressure in VTE products and mattresses for pressure ulcer prevention. However, the margin decrease was counterbalanced by positive currency effects.

Selling and administrative expenses

Selling and administrative expenses in 2016 amounted to SEK 2,408 M, compared with SEK 2,614 M for 2015, corresponding to a decline of SEK 206 M or 7.9 percent compared with 2015. Lower selling and administrative expenses were mainly driven by the measures taken in the restructuring program that Getinge initiated in 2014 and 2015. The purpose of these measures was to generate efficient processes adapted to the competitive market. Examples of measures that reduced the cost base are the restructuring of the sales depot structure in the US with reduction in rental depots, and changes to the sales organization in many mature markets. Other initiatives under a efficiency-enhancement program launched by Getinge Group in autumn 2015 also resulted in lower selling and administrative expenses in 2016.

EBITDA and operating profit

EBITDA in 2016 amounted to SEK 1,536 M, compared with SEK 1,221 M for 2015, corresponding to an increase of SEK 315 M or 25.8 percent compared with 2015. Operating profit in 2016 amounted to SEK 781 M, compared with SEK 540 M for 2015, corresponding to an increase of SEK 241 M or 44.6 percent compared with 2015. The increase in EBITDA was mainly driven by lower selling and administrative expenses and other operating expenses due to, for example, Arjo's restructuring initiatives and Getinge's efficiency program. A more favorable product mix and positive currency effects also contributed to the positive trend in EBITDA.

Financial items

Financial income in 2016 amounted to SEK 7 M, compared with SEK 5 M for 2015, corresponding to an increase of SEK 2 M or 40.0 percent compared with 2015. Financial expenses in 2016 amounted to SEK 117 M, compared with SEK 120 M for 2015, corresponding to a decrease of SEK 3 M or 2.5 percent. Net financial items in 2016 amounted to an expense of SEK 110 M, compared with an expense of SEK 115 M for 2015, corresponding to a decrease of SEK 5 M or 4.3 percent.

Profit after financial items

Profit after financial items in 2016 amounted to SEK 671 M, compared with SEK 425 M for 2015, corresponding to an increase of SEK 246 M or 57.9 percent compared with 2015. The increase in profit after financial items was driven by a combination of higher operating profit and lower financial expenses.

Tax

Tax expense in 2016 amounted to SEK 181 M, compared with SEK 118 M for 2015, corresponding to an increase of SEK 63 M or 53.4 percent compared with 2015. Tax expense in 2016 corresponded to an effective tax rate of 27.0 percent compared with 27.8 percent in 2015. The stable effective tax rate was due to a relatively stable geographic division of sales in 2016 and 2015.

Items affecting comparability

Profit in 2016 was charged with nonrecurring items attributable to acquisition, restructuring and integration costs of SEK 162 M, compared with SEK 190 M for 2015, corresponding to a decline of SEK 28 M or 14.7 percent compared with 2015. Items affecting comparability for 2016 included acquisition-related costs of SEK 7 M attributable to inter alia the acquisitions of AccuMed and 1st Call Mobility, and SEK 155 M to restructuring such as the change to the depot structure in the U.S. and costs related to realizing Getinge's *One Getinge* transformation program.

Net profit for the period

Net profit for the period in 2016 amounted to SEK 490 M, compared with SEK 307 M for 2015, corresponding to an increase of SEK 183 M or 59.6 percent compared with 2015. The increase in net profit for the year was primarily driven by higher operating profit combined with lower financial expenses, while higher tax expenses had a negative impact on profit.

Comparison of 2015 and 2014 fiscal years

Net sales

Net sales in 2015 amounted to SEK 8,115 M, compared with SEK 7,568 M for 2014, corresponding to an increase of SEK 547 M or 7.2 percent compared with 2014. The increase in net sales was mainly driven by positive exchange-rate translation effects due to the weak trend in the SEK rate during the year. Net sales adjusted for currencies and acquisition-related income, known as organic sales, fell 2.3 percent in 2015 compared with 2014. The decline in organic sales was related to factors such as structural changes in the rental market in the U.S., and partly also in the UK. The decline was to some extent driven by low interest rates hence it became more advantageous for players in the healthcare sector to invest in medical devices instead of leasing such equipment. Increased competition within VTE prevention also affected net sales negatively. The decline in net sales was partially reduced by the positive development in Patient handling that reported a positive volume trend compared with 2014.

North America

Net sales in North America in 2015 amounted to SEK 2,957 M, compared with SEK 2,700 M for 2014, corresponding to an increase of SEK 257 M or 9.5 percent compared with 2014. The increase in net sales was positively affected by exchange-rate translation effects, while the weak performance of the rental market, mainly in the product areas Medical beds and Therapeutic surfaces, had a negative impact.

Western Europe

Net sales in Western Europe in 2015 amounted to SEK 3,873 M, compared with SEK 3,731 M for 2014, corresponding to an increase of SEK 142 M or 3.8 percent compared with 2014. The increase in net sales was positively affected by exchange-rate translation effects, while challenges related to the rental operations mainly in the UK had a negative impact.

Rest of the World

Net sales in Rest of the World in 2015 amounted to SEK 1,285 M, compared with SEK 1,137 M for 2014, corresponding to an increase of SEK 148 M or 13.0 percent compared with 2014. The increase in net sales was primarily attributable to the Company securing many major agreements during the year, for example, in Australia, Hong Kong and Singapore. This resulted in higher volumes of capital goods, particularly in Medical beds.

Cost of goods sold

Cost of goods sold in 2015 amounted to SEK 4,521 M, compared with SEK 4,011 M for 2014, corresponding to an increase of SEK 510 M or 12.7 percent compared with 2014. The increase in cost of goods sold was mainly driven by exchange-rate translation effects and the product mix with a higher share of sales from capital goods compared with the leasing operations.

Gross profit

Gross profit in 2015 amounted to SEK 3,594 M, compared with SEK 3,557 M for 2014, corresponding to a gross margin of 44.3 percent compared with 47.0 percent in 2014. The decline in the gross margin was due to changes in the product mix with a higher share of sales of capital goods, price pressure in certain product categories and currency effects. The negative gross margin performance was reduced by a healthy trend in the product categories of Patient handling and Hygiene, which is characterized by higher gross margins.

Selling and administrative expenses

Selling and administrative expenses in 2015 amounted to SEK 2,614 M, compared with SEK 2,359 M for 2014, corresponding to an increase of SEK 255 M or 10.8 percent compared with 2014. The cost increase was mainly attributable to exchange-rate translation effects. During the year, Getinge launched a transformation program, involving the consolidation of the company's sales organizations to lower its cost base. However, the effects of this transformation program were not fully realized during the year.

EBITDA and operating profit

EBITDA in 2015 amounted to SEK 1,221 M, compared with SEK 1,588 M for 2014, corresponding to a decrease of SEK 367 M or 23.1 percent compared with 2014. Operating profit in 2015 amounted to SEK 540 M, compared with SEK 953 M for 2014, corresponding to a decrease of SEK 413 M or 43.3 percent compared with 2014. The decline in EBITDA was mainly driven by a lower gross margin due to a change in the product mix, price pressure in certain product categories and integration problems related to the integration of TSS. Higher selling and administrative expenses and currency effects also contributed to the decline.

Financial items

Financial income in 2015 amounted to SEK 5 M, compared with SEK 5 M for 2014. Financial expenses in 2015 amounted to SEK 120 M, compared with SEK 97 M for 2014, corresponding to an increase of SEK 23 M or 23.7 percent. Net financial items in 2015 amounted to an expense of SEK 115 M, compared with an expense of SEK 92 M for 2014, corresponding to an increase of SEK 23 M or 25.0 percent. The increase in net financial items was mainly due to higher net borrowing from Getinge.

Profit after financial items

Profit after financial items in 2015 amounted to SEK 425 M, compared with SEK 861 M for 2014, corresponding to a decline of SEK 436 M or 50.6 percent compared with 2014. The decline in profit after financial items was driven by a combination of lower operating profit and higher financial expenses.

Tax

Tax expense in 2015 amounted to SEK 118 M, compared with SEK 242 M for 2014, corresponding to a decrease of SEK 124 M or 51.2 percent compared with 2014. Tax expense in 2015 corresponded to an effective tax rate of 27.8 percent compared with 28.1 percent in 2014. The decline in tax expense was mainly driven by lower profit before tax.

Items affecting comparability

Profit in 2015 was charged with nonrecurring items attributable to acquisition, restructuring and integration costs of SEK 190 M, compared with SEK 84 M for 2014, corresponding to an increase of SEK 106 M or 126.2 percent compared with 2014. Items affecting comparability in 2015 included acquisition costs of SEK 4 M and SEK 186 M attributable to restructuring and integration costs such as costs for closing parts of the rental operations in the U.S. and implementing Getinge's new functional organizational structure.

Net profit for the period

Net profit for the period in 2015 amounted to SEK 307 M, compared with SEK 619 M for 2014, corresponding to a decline of SEK 312 M or 50.4 percent compared with 2014. The decline in net profit for the year was primarily driven by lower operating profit, particularly related to the gross margin trend, combined with higher financial expenses.

Liquidity and capital resources

Arjo's liquidity requirements mainly arise as a result of the need for financing working capital, such as investments in inventories, and financing investments in, for example, research and development. The main sources of liquidity are the cash flow generated by the operating activities, cash and cash equivalents and borrowing. In 2017, Arjo signed three financing agreements with several banks and the Company will raise these loans in connection with its listing, as described in the section "*Capital structure and other financial information*".

Statement regarding working capital

Arjo believes that the existing working capital is sufficient to meet its needs during the forthcoming twelve-month period.

Cash flows for the periods of January–September 2017, January–September 2016 and the 2016, 2015 and 2014 fiscal years

Cash flow from operations

Cash flow from operations for the first three quarters of 2017 amounted to SEK 397 M, compared with SEK 723 M for same period in 2016, corresponding to a decrease of SEK 326 M or 45.1 percent. The decrease in cash flow from operations was primarily driven by a lower operating result and an increase in working capital.

Cash flow from operations in 2016 amounted to SEK 919 M, compared with SEK 811 M for 2015, corresponding to an increase of SEK 108 M or 13.3 percent. The increase in cash flow from operations was mainly driven by the significant improvement in operating profit, while cash flow was reduced by the increase in working capital, primarily related to building up current receivables.

Cash flow from operations in 2015 amounted to SEK 811 M, compared with SEK 959 M for 2014, corresponding to a decline of SEK 148 M or 15.4 percent. The decrease in cash flow from operations was primarily driven by lower operating profit.

Cash flow from investing activities

Cash flow from investing activities for the first three quarters of 2017 gave rise to an outflow of SEK 293 M, compared with an outflow of SEK 438 M for same period in 2016. The decrease outflow primarily driven by acquisitions during the same period last year that amounted to SEK 214 M.

Cash flow from investing activities in 2016 gave rise to an outflow of SEK 526 M compared with an outflow of SEK 516 M in 2015. The outflow of cash flow from investing activities was driven by the acquisitions of AccuMed and 1st Call Mobility, investments in non-current assets and research and development.

Cash flow from investing activities in 2015 gave rise to an outflow of SEK 516 M compared with an outflow of SEK 498 M in 2014. The outflow of cash flow from investing activities was driven by investments in non-current assets and research and development.

Cash flow from financing activities

Cash flow from financing activities for the first three quarters of 2017 gave rise to an outflow SEK 1,129 M, compared with SEK 302 M for the same period in 2016. The outflow in cash flow from financing activities was primarily driven by internal transactions with other companies in the Getinge Group.

Cash flow from financing activities in 2016 amounted to SEK 236 M compared with an outflow of SEK 850 M in 2015. The positive cash flow from financing activities was primarily driven by intra-group transactions with other companies in the Getinge Group.

Cash flow from financing activities in 2015 gave rise to an outflow of SEK 850 M compared with an outflow of SEK 130 M in 2014. The outflow in cash flow from financing activities was primarily driven by intra-group transactions with other companies in the Getinge Group.

Tangible assets

On December 31 2016, Arjo's tangible assets amounted to SEK 1,110 M and mainly comprised equipment for rental, buildings and land and equipment, tools, fixtures and fittings. Gross investments in tangible assets amounted to SEK 189 M and depreciation of tangible assets totaled SEK 389 M. For more information, see note 12 "*Intangible assets and tangible assets*" in the section "*Historical financial information*". Arjo has no pledged assets for tangible assets as per December 31, 2016.

Operating leases

The Company has entered into rental agreements for properties used as offices and for production. These rental agreements may have terms of several years or are renewed with revised conditions, for example, with changes to rent levels in line with the inflation index or exchange rates. Other payments for leasing assets include machinery and large computer and office equipment. Leasing costs amounted to SEK 264 M in 2016. Future, non-cancellable operating leasing fees amounted to the following:

SEK M	2016
Within a year	209
Between two and five years	472
After five years	84
Total	**765**

For further information, see note 16 "*Leasing*" in the section "*Historical financial information*".

Pension commitments

The Company pays contributions to defined-benefit pension plans in Sweden, Germany, the UK and Italy. Net assets related to defined-benefit pension plans as per December 31, 2016 amounted to SEK 23 M. In addition, the Company pays contributions to defined-contribution pension plans on behalf of certain employees. For more information see note 18 "*Provisions for pensions and similar obligations*" in the section "*Historical financial information*".

Intangible assets

Arjo's intangible assets comprise goodwill, trademarks, capitalized development costs, customer relationships and other intangible assets. As per December 31, 2016, Arjo's intangible assets amounted to SEK 6,663 M, of which SEK 4,967 M was attributable to goodwill and SEK 356 M to capitalized development costs. Amortization of intangible assets amounted to SEK 278 M in 2016. For more information, see note 12 "*Intangible assets and tangible assets*" in the section "*Historical financial information*".

Research and development

The table below presents Arjo's expenses for research and development for the 2014–2016 fiscal years and the period January-September 2016 and 2017.

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
Research and development costs, net	91	88	133	118	116
Capitalized development expenses	56	48	68	102	125
Research and development expenses, gross	**147**	**136**	**201**	**220**	**241**
Net sales	5,620	5,634	7,808	8,115	7,568
Research and development expenses gross, percentage of net sales	**2.6%**	**2.4%**	**2.6%**	**2.7%**	**3.2%**

Investments

The table below presents Arjo's total investments for the 2014–2016 fiscal years and the period January-September 2016 and 2017. These investments were primarily made in non-current assets (a large portion of which was attributable to a new business system, a harmonized CRM system and business intelligence systems) products for leasing, capitalized development costs and acquisitions of operations. A total of two operations were acquired between January 1, 2014 and September 30, 2017.

SEK M	Jan–Sep 2017	Jan–Sep 2016	2016	2015	2014
Acquired operations	–	–214	–212	–	–
Divested operations	–	–	–	–	–
Capitalized development costs	–57	–50	–68	–102	–125
Equipment for rent, investments and divestments	–143	–91	–118	–285	–204
Other investments and divestment of current assets	–93	–83	–128	–129	–169
Total	**–293**	**–438**	**–526**	**–516**	**–498**

Ongoing and future investments

The ongoing investments in the business system, CRM system and business intelligence system will continue until 2020 at the current rate and will be financed with cash flows from the operating activities. There are no other major, ongoing investments and Arjo has not made any other significant undertaking regarding future investments.

Acquisitions and divestments

The acquisition of AccuMed was completed in April 2016. Under the acquisition, Arjo will obtain a manufacturing unit for the production of medical textiles in the Dominican Republic. The operations have over 400 employees and the total purchase price amounted to SEK 66 M. The goodwill arising in connection with the acquisition amounted to SEK 29 M and was attributable to future integration synergies for production. Acquisition expenses of SEK 1.0 M were charged to earnings.

All of the shares in the UK company 1st Call Mobility Limited were acquired during the second quarter of 2016. The Company is specialized in medical device solutions for bariatric patients, generates sales of approximately SEK 100 M and has 48 employees. The total purchase price amounted to SEK 233 M and the goodwill arising in connection with the acquisition amounted to SEK 133 M and was primarily attributable to geographical spread. Acquisition expenses of SEK 1.6 M were charged to earnings.

No operations were divested in 2016. No operations were acquired or divested in the first nine months 2017 nor in 2015 or 2014.

Sensitivity analysis

Arjo's earnings are affected by a series of external factors. The table below shows how changes to some of the key factors that are important to Arjo could have affected the Company's profit before tax in 2016.

Variable	Change,%	Profit effect, SEK M
Price change	+/–1	+/–78
Cost goods sold	+/–1	+/–44
Employee expenses	+/–1	+/–26

Financial exposure and risk management

Most of Arjo's operations are located outside Sweden. This situation entails exposure to different types of financial risks that may cause fluctuations in net profit for the year, cash flow and shareholders' equity due to changes in exchange rates and interest rates. In addition, the Company is exposed to refinancing and counterparty risks. To prepare Arjo for becoming a listed company, a treasury function has been established and assigned with the primary task of supporting Arjo's business activities and identifying and in the best way managing the Company's financial risks in line with the Board's adopted treasury policy. Arjo's financial activities are centralized to benefit from economies of scale, to ensure good internal control and to facilitate monitoring of risk.

Currency exposure

Currency risks comprise exchange-rate fluctuations, which have an impact on the Company's earnings and shareholders' equity. Currency exposure and thus currency risk occur in connection with payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure).

Transaction exposure

Transaction exposure primarily arises when Arjo's production companies supply the Company's sales companies in various countries with products. Arjo has production in five countries, with costs mainly in local currency. Sales in each respective market take place in local currency. These payment flows cause currency exposure that affects the Company's earnings in the event of exchange-rate fluctuations. The most important currencies for the full-year 2016, measured as the impact on the Company's operating profit, were PLN, EUR, USD, CAD and GBP. In line with Arjo's treasury policy, the forecast flows in foreign currency can be hedged to 100 percent for the next twelve-month period and other hedges can be implemented for up to 24 months. Hedging is conducted using currency futures, currency swaps and currency options. The market value of financial currency derivatives that meet cash-flow hedging requirements, which are recognized in other comprehensive income, is stated in the Company's financial statements.

Translation exposure – income statement

When translating the results of foreign subsidiaries into SEK, currency exposure occurs, which affects the Group's earnings when exchange rates fluctuate.

Translation exposure – balance sheet

Currency exposure occurs when translating net assets of foreign subsidiaries into SEK, which can affect the Company's other comprehensive income. To minimize the effects of this translation, the exposure is hedged using loans or currency derivatives in the subsidiary's local currency in accordance with the Company's treasury policy. The market values of financial derivatives that meet hedge-accounting requirements are recognized in other comprehensive income.

Interest-rate exposure

Interest-rate risks are the changes in market interest rates that affect the Group's net interest. How quickly interest-rate changes impact net interest depends on the fixed-interest term of the loans. Interest-rate derivatives, such as interest-rate swaps, are used to achieve the desired fixed-interest term for borrowings.

Financing and liquidity risk

Financing risk is defined as the risk of the cost being higher and financing opportunities limited as the loan is renegotiated and that payment obligations cannot be met as a result of insufficient liquidity or difficulties in securing funding. The Company's cash and cash equivalents are invested short-term with the aim that any excess cash balances are to be used for amortizing loans. The treasury policy states that refinancing risks shall be managed by signing long-term committed credit agreements.

Credit and counterparty risks

The Company's financial transactions cause credit risks with regard to financial counterparties. Credit risks or counterparty risks constitute the risk of losses if the counterparties do not fully meet their commitments. Arjo's treasury policy states that the credit risk shall be limited through accepting only creditworthy counterparties and fixed limits. Credit risks in outstanding derivatives are limited by the offset rules agreed with the respective counterparty. The Group's liquidity is placed in bank accounts with negligible credit risks. Commercial credit risks are limited by a diverse customer base with a high credit rating. A provision was made for the part of accounts receivable considered to be at risk and this affected operating profit.

Capital structure and other financial information

Equity and indebtedness

The tables below describe Arjo's consolidated capital structure as per September 30, 2017. The tables in this section should be considered with the information in the section "*Operational and financial overview*" and the financial statements with associated notes, which are located in the section "*Historical financial information*". For information about the Company's share capital and shares, refer to the section "*Share capital and ownership structure*".

Capitalization

Arjo's capitalization on September 30, 2017 is presented below.

SEK M	Sep 30, 2017
Total current debt	**8,249**
Guaranteed*	0
Secured*	0
Unguaranteed/Unsecured	8,249
Total non-current debt	**224**
Guaranteed*	0
Secured*	0
Unguaranteed/unsecured	224
Shareholders' equity	**4,006**
Share capital	1
Legal reserves	0
Other reserves	4,005

* The Group has no liabilities against collateral.

Net debt

Arjo's net debt as per September 30, 2017 is presented below.

SEK M	Sep 30, 2017
(A) Cash	407
(B) Cash equivalents	0
(C) Trading securities	0
(D) Liquidity (A)+(B)+(C)	**407**
(E) Current financial receivables[1)]	**573**
(F) Current bank debt	0
(G) Current portion of non-current debt	0
(H) Other current financial debt	6,622
(I) Current financial debt (F)+(G)+(H)	**6,622**
(J) Net current financial indebtedness (I)-(E)-(D)	**5,642**
(K) Non-current bank debt	0
(L) Bonds issued	0
(M) Other non-current loans	27
(N) Non-current financial indebtedness (K)+(L)+(M)	**27**
(O) Net financial indebtedness (J)+(N)	**5,669**

1) Includes non-current financial receivables to Getinge of SEK 306 M which will be repaid in full by Arjo upon listing.

Selected financial information

Financing

Arjo's largest sources of liquidity are, and are expected to be, cash flow from operations and borrowing from external lenders. As per September 30, 2017, Arjo had interest-bearing liabilities of SEK 6,649 M, of which SEK 6,622 M comprised intra-group liabilities to Getinge. In connection with the Arjo share being admitted for trading on Nasdaq Stockholm, Arjo will raise external loans of approximately SEK 4,900 M to pay internal liabilities to Getinge and additional normal purposes. The external loans will be raised under credit agreements with Commerzbank Aktiengesellschaft, Danske Bank A/S, DNB Bank ASA, Sweden Branch, Handelsbanken Capital Markets, Svenska Handelsbanken AB (publ), Mizuho Bank, Ltd, Investment Banking. Skandinaviska Enskilda Banken AB (publ), for which approximately EUR 424 M (of a total of EUR 500 M) will be utilized, approximately EUR 0 M (of a total of EUR 50 M) of the credit facility with HSBC Bank plc will be utilized, and approximately USD 58 M (of a total of USD 58 M) of the credit agreement with Bank of America Merrill Lynch International Limited will be utilized. The aforementioned financing agreements are described on the next page.

Credit facilities and loans

The table below presents Arjo's credit facilities and loans as per September 30, 2017.

Type	Currency	Size of facility, in millions in local currency	Used Sep 30, 2017, in millions in local currency	Expected usage at listing, in millions in local currency	Maturity
Revolving credit facility, 5 years	EUR	500	0	424	2022
Revolving credit facility, 3 years	EUR	50	0	0	2020 (with possibility of 1+1 year extensions)
Bank loan, 3 years	USD	58	0	58	2020

In August and September, Arjo signed agreements for two revolving credit facilities denominated in EUR with a bank syndicate and an international bank. The Company also entered into an agreement regarding a bilateral loan facility denominated in USD with another international bank. These loans will be raised when the Arjo share is admitted for trading and, based on these agreements, Arjo believes that it has a highly diversified loan portfolio with a good maturity structure. Furthermore, Arjo has a well-composed group of both Nordic and international lenders. Arjo's policy is that refinancing risks are managed by signing long-term committed credit agreements with a range of tenures.

The Company's credit facilities are shown in the table above and comprise (i) a revolving credit facility of EUR 500 M in several currencies signed between Arjo and a syndicate of banks that matures in 2022, five (5) years after Arjo's shares are listed on Nasdaq Stockholm (ii) a revolving credit facility of EUR 50 M in several currencies signed between Arjo and an international bank that matures in 2020 three (3) years after Arjo's shares are listed on Nasdaq Stockholm (with the option of extending the agreement by up to two years) and (iii) a bilateral loan facility of USD 58 M signed between Arjo and an international bank that matures in 2020, three (3) years after Arjo's shares are listed on Nasdaq Stockholm.

All loan facilities include the usual guarantees and commitments, and do not contain any restrictions on dividends. The credit facilities may become due for premature payment in full or in part if certain events occur, including, but not limited to, non-payment of past due amounts, non-compliance with financial covenants, default clauses according to the Group's other financing agreements occur (cross-default) or the insolvency of Arjo or some of Arjo's subsidiaries.

Significant changes since September 30, 2017

Allocation of interest-bearing net debt between Arjo and Getinge

In September 2017, Arjo and Getinge decided on the principles for reallocating Getinge Group's (including Arjo's) interest-bearing net debt. These principles are based on Arjo having similar level of indebtedness as the Getinge Group (Arjo included), measured as interest-bearing net debt divided by EBITDA before integration and restructuring costs. Of Getinge Group's total interest-bearing net debt (including the liquidity raised in the rights issue in September, 2017) of SEK 17,608 M, a decision was made to allocate SEK 4,400 M to Arjo and SEK 13,208 M to Getinge. The reallocation of Arjo's share of Getinge Group's interest-bearing net debt (SEK 4,400 M) will be achieved in the following way:

- At September 30, 2017, Arjo's internal interest-bearing net debt to Getinge totaled SEK 5,669 M, whereof the majority is attributable to internal debt and receivables to Getinge.
- Since September 30, one intra-group transaction has taken place which reduced Arjo's interest-bearing net debt. Further, Getinge has made a shareholder's contribution of SEK 1,203 M to Arjo, to reach desired net debt. Adjusted for the above mentioned transaction and the shareholder's contribution, the net debt amounted to SEK 4,400 M.
- On the listing date, Arjo will utilize its external credit facilities and repay the Company's remaining net debt to Getinge. Thereafter, Arjo will have an external interest-bearing net debt of SEK 4,400 M adjusted for cash flow generation and exchange rate effects during the period September 30, 2017, until the first day of trading of Arjo's shares on Nasdaq Stockholm.

Other than the above, no material change to Arjo's financial or market positions occurred after September 30, 2017.

Significant tendencies

In addition to what has been expressly stated or referred to above, no events of significant importance to the Company's financial or market position have occurred since September 30, 2017.

Board of Directors, Group Management and Auditor

Board of Directors

According to Arjo's Articles of Association, the Board of Directors shall comprise of not less than three (3) and not more than ten (10) members elected by the shareholders at a General Meeting. In addition and by law, employee organizations are entitled to appoint employee representatives. The Board of Directors currently comprises six members elected by the General Meeting (elected by Extraordinary General Meetings during 2017 for a term of office extending until the close of the 2018 Annual General Meeting) and two Board members and two deputy Board members appointed by employee organizations.

Name	Assignment	Member in Arjo since	Member in Getinge since	Independent	Audit Committee	Remuneration Committee	Shareholding[1)]
Johan Malmquist	Chairman	2017	2016	No[3)]		Yes	63,491 B-shares
Carl Bennet	Member	2017	1989	No[2)]		Yes	18,217,200 A-shares and 31,032,969[4)] B-shaes through company
Eva Elmstedt	Member	2017	–	Yes	Yes		1,000 B-shares
Ulf Grunander	Member	2017	–	No[3)]	Yes		43,622 B-shares
Carola Lemne	Member	2017	–	Yes	Yes		2,629 B-shares
Joacim Lindoff	Member, CEO and President	2017	–	No[3)]			3,428 B-shares
Sten Börjesson	Member*	2017	–	–			–
Ingrid Hultgren	Member*	2017	–	–			–
Susanna Bjunö	Deputy member*	2017	–	–			–
Kajsa Haraldsson	Deputy member*	2017	–	–			–

* Employee representative.

1) All the information refers to own holdings and holdings of related persons and affiliated companies assuming that Getinge's dividend of the shares in Arjo had been made with the record date October 31, 2017, i.e. refers to the shareholding in Getinge on the aforementioned day.

2) Not independent in relation to the Company's major shareholders assuming that Getinge's dividend of the shares in Arjo had been made with the record date October 31, 2017.

3) Not independent in relation to the Company and Group Management.

4) Closely associated physical person holds an additional 115,465 B-shares.

Johan Malmquist

Born 1961. Chairman of the Board and Board member since 2017 (Board member in Getinge since 2016). Chairman of the Remuneration Committee.

Principal education and professional experience: M.Sc. in Economics, Stockholm School of Economics. Previous experience as CEO and President of Getinge Group 1997-2015, Business Area Director within Getinge Group, President of Getinge Group's French subsidiary and President of subsidiaries within the Electrolux Group.

Other current assignments/positions: Chairman of the Board of Aktiebolaget Tingstad Papper and Board member in Getinge AB (publ), Trelleborg AB (publ), Elekta AB (publ), Dunkersintressena, Mölnlycke AB, Medvisor AB, Essity Aktiebolag (publ) and Chalmers University of Technology Foundation.

Previous assignments/positions (past five years): CEO and President of Getinge Group 1997–2015. Board member in Svenska Cellulosa Aktiebolaget SCA (publ).

Holding: 63,491 B-shares.

Independent in relation to the Company's major shareholders but not in relation to the Company and Group Management.

Carl Bennet

Born 1951. Board member since 2017 (Board member in Getinge since 1989). Member of the Remuneration Committee.

Principal education and professional experience: M.Sc. in Economics, Göteborg University and Dr. Tech. h.c., Luleå University of Technology. Previous experience as CEO and President of Getinge 1989–1997.

Other current assignments/positions: CEO and Chairman of the Board of Carl Bennet AB, Chairman of the Board of Getinge AB (publ), Elanders AB (publ) and Lifco AB (publ) and Board member in Holmen Aktiebolag (publ) and L E Lundbergföretagen Aktiebolag (publ).

Previous assignments/positions (past five years): Chairman of the Board of University of Gothenburg.

Holding: 18,217,200 A-shares and 31,032,969* B-shares through Carl Bennet AB.

*) Closely associated physical person holds an additional 115,465 B-shares.

Independent in relation to the Company and Group Management, but not in relation to the Company's major shareholders.

Eva Elmstedt

Born 1960. Board member since 2017. Member of the Audit Committee.

Principal education and professional experience: Bachelor degree in Economics and Computer Science, respectively, Indiana University of Pennsylvania, USA. Previous experience as EVP Global Services and member of the management of Nokia Networks and Nokia Siemens Networks, and leading roles in Ericsson, the operator 3 and Semcon.

Other current assignments/positions: Board member in Addtech AB (publ), Axiell Group AB, KnowIT AB (publ), Gunnebo Aktiebolag (publ), Proact IT Group AB (publ) and Thule Group AB (publ). Deputy Board member in Syntavia AB.

Previous assignments/positions (past five years): EVP Global Services and member of the management of Nokia Networks and Nokia Siemens Networks 2013–2014.

Holding: 1,000 B-shares.

Independent in relation to the Company and Group Management as well as the Company's major shareholders.

Ulf Grunander

Born 1954. Board member since 2017. Chairman of the Audit Committee.

Principal education and professional experience: M.Sc. in Economics, Stockholm University. Previous experience as authorized auditor and CFO of Getinge Group 1993–2016.

Other current assignments/positions: Chairman of the Board and CEO of Food Track i Malmö AB and Chairman of the Board of Nyströms Gastronomi & Catering AB and Djurgårdsbutiken AB and Board member in Lifco AB (publ), Djurgården Hockey AB and GREG Capital AB.

Previous assignments/positions (past five years): Board member of Myteri Restaurang AB and member of the Board of several companies within the Getinge Group and CFO of Getinge Group 1993–2016.

Holding: 43,622 B-shares.

Independent in relation to the Company's major shareholders but not in relation to the Company and Group Management.

Carola Lemne

Born 1958. Board member since 2017. Member of the Audit Committee.

Principal education and professional experience: Licensed physician, M.D. and associate professor, Karolinska Institutet. Previous experience as Medical Director of Pharmacia, Clinical Research Manager of Pharmacia Corp., CEO of Danderyds sjukhus and President of Praktikertjänst Aktiebolag.

Other current assignments/positions: Board member and CEO of Svenskt Näringsliv, Chairman of Uppsala University, Board member in AFA Livförsäkringsaktiebolag, AFA Sjukförsäkringsaktiebolag, AFA Trygghetsförsäkring AB, Institutet för Näringslivsforskning and the International Chamber of Commerce Stockholm and partner of CALGO Handelsbolag.

Previous assignments/positions (past five years): Chairman of the Board of Scandinavian Venous Centre Holding AB, Board member and CEO of Praktikertjänst Aktiebolag and Board member in Getinge AB (publ), Investor AB (publ), Stiftelsen Forska! Sverige and The Swedish Corporate Governance Board.

Holding: 2,629 B-shares.

Independent in relation to the Company and Group Management as well as the Company's major shareholders.

Joacim Lindoff

Born 1973. Board member and CEO and President since 2017. See "*Group Management*" below.

Independent in relation to the Company's major shareholders but not in relation to the Company and Group Management.

Sten Börjesson

Born 1967. Employee representative, Board member since 2017.

Principal education and professional experience: Upper secondary school education in economy and technology, respectively. Employed in Arjo's subsidiary ArjoHuntleigh AB.

Other current assignments/positions: Owner of HÖÖRS ANTENN OCH ELEKTRONIKSERVICE.

Previous assignments/positions (past five years): Board member (employee representative) in Arjo Hospital Equipment AB 2007–2015.

Holding: -

Ingrid Hultgren

Born 1958. Employee representative, Board member since 2017.

Principal education and professional experience: Degree in microbiology, Uppsala University. Employed in Arjo's subsidiary ArjoHuntleigh AB.

Other current assignments/positions: Board member in Akademikerföreningen Arjo and general partner in Hultgreen Hedge kommanditbolag.

Previous assignments/positions (past five years): -

Holding: -

Susanna Bjunö

Born 1981. Employee representative, deputy Board member since 2017.

Principal education and professional experience: M.Sc. in textile technology, University of Borås. Employed in Arjo's subsidiary ArjoHuntleigh AB.

Other current assignments/positions: –

Previous assignments/positions (past five years): -

Holding: -

Kajsa Haraldsson

Born 1982. Employee representative, deputy Board member since 2017.

Principal education and professional experience: M.Sc. in industrial design engineering, Chalmers University of Technology. Employed in Arjo's subsidiary ArjoHuntleigh AB.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: -

Group Management

Arjo's Group Management, to some part, comprises of previous members of Getinge's Group Management.

Name	Position	Member of Arjo's Management since	Member of Getinge's Management since	Shareholding[1)]
Joacim Lindoff	CEO and President	April 2017	2015	3,428 B-shares
Jonas Lindqvist	CFO	April 2017	–	–
Marion Gullstrand	EVP Human Resources & CSR	April 2017	–	–
Katarzyna Bobrow	EVP Quality & Regulatory Compliance	April 2017	–	–
Christian Stentoft	EVP Corporate Development & Projects	April 2017	–	–
Mikael Persson	EVP Supply Chain & Operations	April 2017	–	12,385 B-shares
Jan Andersson	EVP Segment and Product Marketing	September 2017	–	–
Kornelia Rasmussen	EVP Marketing Communications & Public Relations	April 2017	2016	457 B-shares
Paul Lyon	President Global Sales	April 2017	2015	–
Anne Sigouin	President Sales & Service North America	April 2017	–	–

1) All the information refers to own holdings and holdings of related persons and affiliated companies assuming that Getinge's dividend of the shares in Arjo had been made with the record date October 31, 2017, i.e. refers to the shareholding in Getinge on the aforementioned day.

Joacim Lindoff

Born 1973. CEO and President since 2017 (employed in Getinge since 1999).

Principal education and professional experience: M.Sc. in Economics, Lund University. Previous experience from several positions within Getinge Group, such as, acting CEO, Executive Vice President of Getinge's previous business areas Infection Control and Executive Vice President for the business area Surgical Workflows and assignments in leading positions within NIBE's business area Heating.

Other current assignments/positions: -

Previous assignments/positions (past five years): Acting CEO and President of Getinge Group from August 2016 to March 2017, Chairman of the Board of the industry organization Swedish Medtech between 2010–2014.

Holding: 3,428 B-shares.

Jonas Lindqvist

Born 1962. CFO since 2017.

Principal education and professional experience: M.Sc. in Economics, Lund University, EMBA, Stockholm School of Economics and Advanced Management Program, Harvard Business School. Previous experience as CFO and member of the management team of several companies, inter alia, LR Holding AB, BMH Marine AB and companies within the Nolato Group and CFO and VP of Polyclad Europe/Cookson Electronics and EVP and CFO of Beijer Ref AB (publ).

Other current assignments/positions: -

Previous assignments/positions (past five years): Board member in G & L Beijer Förvaltning AB and deputy Board member in Förvaltnings AB Norra Vallgatan, FREAB Aktiebolag and Sista Versen 29184 AB.

Holding: –

Marion Gullstrand

Born 1957. EVP Human Resources & CSR since 2017.

Principal education and professional experience: Bachelor's degree in social science, four year education in Gestalt Therapy – Organization and group level and degree in economy, Lund University. Previous experience as HR Director of Wasa Group, VP HR of Trelleborg AB (publ), HR Director of IKEA Supply Chain Greater China Supply and other HR positions within IKEA Group and different HR positions within Getinge Group, inter alia, acting EVP HR & Sustainability.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: –

Katarzyna Bobrow

Born 1980. EVP Quality & Regulatory Compliance since 2017.

Principal education and professional experience: M.Sc. in Banking and finance, specialized in finance and monetary policy, Poznan University of Economics and Business and further studies in Quality Management, Poznan University of Technology. Previous experience of different positions within Getinge Group, inter alia, as Senior Director QA Supply Chain and Operations. Also experience as Quality Specialist of Molex Polska.

Other current assignments/positions: -

Previous assignments/positions (past five years): -

Holding: -

Christian Stentoft

Born 1984. EVP Corporate Development & Projects since 2017.
Principal education and professional experience: M.Sc. in Design and Innovation, Technical University of Denmark. Previously held different positions within Getinge Group, inter alia, VP Commercial Excellence & Head of PMO Asia Pacific and Extended Care Division – Director Business Strategy & Insights. Also experience as Engagement manager of Oleto Associates and as management consultant at Catalyst Consulting.
Other current assignments/positions: -
Previous assignments/positions (past five years): -
Holding: –

Mikael Persson

Born 1967. EVP Supply Chain & Operations since 2017.
Principal education and professional experience: M.Sc. in Mechanical Engineering, Lund University. Previously held different positions in Alfa Laval, inter alia, VP Operations – Operations Development Manager, Supply Chain Director of Cardo Flow Solutions and Flügger A/S, VP Supply Chain of ArjoHuntleigh AB and COO Manufacturing Capital Equipment in Getinge Group.
Other current assignments/positions: Member of the Board of several companies within the Arjo Group.
Previous assignments/positions (past five years): -
Holding: 12,385 B-shares.

Jan Andersson

Born 1970. EVP Segment and Product Marketing since 2017.
Principal education and professional experience: Studies in business administration, specialization in marketing, Mitthögskolan, University of Wales and Lund University. Previous experience as Marketing Director of Baxter Renal, Interim VP Marketing of Baxter/Gambro (in connection with Baxter's acquisition of Gambro), VP Marketing DIAB Group and Marketing Director of Gambro Lundia AB.
Other current assignments/positions: Chairman of the Board of SensoDetect Aktiebolag (publ) and Board member in Marketing Realistics Scandinavia AB.
Previous assignments/positions (past five years): VP Marketing of DIAB Group 2009-2013.
Holding: -

Kornelia Rasmussen

Born 1977. EVP Marketing Communication & Public Relations since 2017 (in Getinge since 2012).
Principal education and professional experience: IHM Business School and inter-company communication, School of Education and Communication, Jönköping. Previous experience from different positions in Volvo Car Corporation, inter alia, as Director Corporate Communications and acting Senior Vice President – Public Affairs, also experience as Executive Vice President Communications & Brand Management in Getinge Group.
Other current assignments/positions: -
Previous assignments/positions (past five years): -
Holding: 457 B-shares.

Paul Lyon

Born 1962. President Global Sales since 2017 (in Getinge since 2007).
Principal education and professional experience: Bachelor's degree in engineering, Western Australian Institute of Technology and M.Sc. in Economics, Australian Institute of Management, Western Australia. Previously held leading positions in several large industry and health care groups, inter alia, Huntleigh Healthcare Plc UK, YTL Corporation JV Malaysia and Joyce Healthcare Group Australia. Also experience as Managing Director and President of different business areas within Getinge Group, inter alia, President APAC.
Other current assignments/positions: -
Previous assignments/positions (past five years): -
Holding: –

Anne Sigouin

Born 1969. President Sales & Service North America since 2017.
Principal education and professional experience: Bachelor's degree in philosophy, Concordia University, Montreal, Executive Marketing Program, Keller Graduate School of Management, North Brunswick and Executive Education Leadership Consortium, Smith College, Northampton. Previously held leading positions in sales and marketing in Johnson & Johnson Group and has also been Managing Director of ArjoHuntleigh AB in Canada and President Canada of Getinge Group.
Other current assignments/positions: -
Previous assignments/positions (past five years): -
Holding: –

Other information concerning the Board of Directors and Group Management

All members of the Board of Directors and Group Management can be reached through the Company's address, Hans Michelsens gata 10, SE-211 20, Malmö, Sweden.

There are no family ties between any of the members of the Board of Directors and/or Group Management. No Board member or senior executive has been convicted in any case involving fraudulence during the past five years. None of them have been involved in any bankruptcy, receiverships or liquidation during the past five years in the capacity of a member of administrative, management or supervisory bodies or a senior executive other than what is stated below. Ulf Grunander was Board member in Myteri Restaurang AB in which the company's bankruptcy ended on March 29, 2016. Furthermore, no incrimination and/or sanctions have been issued by statutory or regulatory authorities (including designated professional bodies) during the past five years against any of the members of the Board or Group Management. Nor, during the past five years, has any member of the Board or Group Management been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

No member of the Board or Group Management has any private interests which might conflict with their duties to Arjo. However, as stated above, a number of the members of the Board and Group Management have a financial interest in Arjo through shareholdings.

Auditor

Öhrlings PricewaterhouseCoopers AB (Box 4009, SE-203 11 Malmö, Sweden) is the Company's auditor since the Company's formation. Magnus Willfors is since August 16, 2017 auditor-in-charge. Magnus Willfors is an authorized public accountant and a member of FAR, the professional institute for authorized public accountants in Sweden.

Corporate governance

Corporate governance within Arjo

The corporate governance of Arjo is based on Swedish legislation, Arjo's Articles of Association, the Swedish Code of Corporate Governance (the "**Code**") and Nasdaq Stockholm's Rule Book for Issuers as well as other relevant regulations and recommendations. The Code is based on the "*comply or explain*" principle, meaning that companies are not obliged to at all times apply every rule in the Code, but are allowed the freedom to choose alternative solutions which they find more suitable with regard to the Company's particular circumstances, provided they report every deviation, describe the alternative solution and explain the reasons for the deviation. Arjo is expected to apply all the rules in the Code from the date of the listing of the shares at Nasdaq Stockholm, with the exception of rule 4.4. Arjo will deviate from rule 4.4 because not a majority (although half) of the Board members will be independent in relation to the Company and the Group Management. If CEO Joacim Lindoff would not be part of the Board, the Board would meet the independence requirement in rule 4.4. However, the Company and its principal shareholder are of the opinion that there is a reason to deviate from the Code's independence requirement as it is important that the Company's CEO does not only report at Board meetings but has a formal role as Board member with the commitment and responsibility that accompanies the position. Deviations from the Code will be reported in the Company's annual corporate governance reports.

General Meeting

The General Meeting is the supreme decision-making body in Arjo, and shareholders exercise their voting rights at such meetings (Annual General Meetings and Extraordinary General Meetings, respectively). The Annual General Meeting is to be held annually in Malmö before the end of June. In addition to the Annual General Meeting, Extraordinary General Meetings can be convened when required. The General Meeting resolves on several matters, including confirmation of income statements and balance sheets, the disposition of the Company's profit or loss, discharge of liability for the members of the Board and the CEO towards the Company, composition of the Nomination Committee, election of members of the Board (including the Chairman of the Board) and auditors. The General Meeting also resolves on remuneration to the members of the Board and auditors, guidelines for remuneration to the CEO and other senior executives and any amendments of the Articles of Association.

Notice convening an Annual General Meeting and Extraordinary General Meeting where amendment of the Article of Association are on the agenda shall be issued no earlier than six weeks and no later than four weeks before the General Meeting. Notice to other Extraordinary General Meeting shall be issued no earlier than six weeks and no later than three weeks before the General Meeting. Notice convening General Meetings shall be issued through announcement in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) as well as on the Company's website. Announcement to the effect that a notice convening a General Meeting has been issued shall be made in Svenska Dagbladet. Shareholders that wish to participate in a General Meeting shall be recorded in the share register kept by Euroclear at the date falling five weekdays (Sw. *vardagar*) prior to the Meeting and notify the Company of their intention to participate by the date specified in the notice convening the Meeting. The last mentioned day must not be a Saturday, Sunday, other public holiday, Midsummer's Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the Meeting.

Nomination Committee

Pursuant to the Code, Arjo shall have a Nomination Committee, the purpose of which is to prepare and make proposals to the Annual General Meeting in respect of the Chairman at General Meetings, elections of Board of Directors, Chairman of the Board and auditors. Furthermore, the Nomination Committee shall make proposals for remuneration to the Board members, to members of the Board committees and to the auditors.

At the Extraordinary General Meeting held on August 30, 2017, the following instruction for the Nomination Committee was adopted to apply until further notice. The Nomination Committee in respect of Annual General Meetings shall be composed of the representatives of the five largest shareholders in terms of voting rights listed in the shareholders' register maintained by Euroclear as of August 31,[20)] the year before the Annual General Meeting is held[21)], one representative of the minority shareholders and the Chairman of the Board of Directors, who will also convene the first meeting of the Nomination Committee.

20) The Nomination Committee ahead of the Annual General Meeting 2018 shall be composed of representatives of the five largest shareholders listed in the shareholders' register maintained by Euroclear as of December 31, 2017.

21) The shareholding statistics used shall be sorted by voting power (grouped by owners) and cover the twenty five largest direct registered shareholders in Sweden, i.e. shareholders having registered an account with Euroclear in their own name or shareholders holding a custody account with a nominee that have reported the identity of the shareholder to Euroclear.

The member representing the largest shareholder in terms of voting rights shall be appointed Chairman of the Nomination Committee. Should a shareholder decline to participate in the Nomination Committee, a representative from the largest shareholder in turn shall be appointed. If earlier than two months prior to the Annual General Meeting one or more of the shareholders having appointed representatives to the Nomination Committee no longer are among the five largest shareholders in terms of voting rights, representatives appointed by these shareholders shall resign and the shareholder or shareholders who then are among the five largest shareholders in terms of voting rights, may appoint their representatives. Should a member resign from the Nomination Committee before its work is completed and the Nomination Committee considers it necessary to replace him or her, such substitute member shall be selected from the same shareholder or, if the shareholder is no longer one of the largest shareholders in terms of voting rights, the largest shareholder in turn. Changes in the composition of the Nomination Committee shall be made public immediately.

The composition of the Nomination Committee ahead of the Annual General Meeting is to be announced no later than six months before that meeting. Remuneration shall not to be paid to the members of the Nomination Committee. The Company is to pay any necessary expenses that the Nomination Committee may incur in its work. The term of office for the Nomination Committee ends when the composition of the following Nomination Committee has been announced. The Nomination Committee shall propose the following: Chairman at the General Meeting, Board of Directors, Chairman of the Board of Directors, auditor, remuneration to the Board of Directors divided between the Chairman and the other directors as well as remuneration for committee work and remuneration to the Company's auditor.

Board of Directors

Composition and independence

In accordance with the Articles of Association, Arjo's Board of Directors shall comprise of no less than three (3) and no more than ten (10) Board members elected by a General Meeting for a term of office until the end of the next Annual General Meeting. Arjo's Articles of Association contains no provisions regarding the appointment or resignation of Board members or of amendments of the Articles of Association. At the Extraordinary General Meeting held on February 2, 2017, Carl Bennet, Ulf Grunander, Carola Lemne, Joacim Lindoff and Johan Malmquist were elected new Board members and at the Extraordinary General Meeting held on August 30, 2017, Eva Elmstedt was elected as new Board member, for a term of office until the end of the next Annual General Meeting. Arjo's CEO, Joacim Lindoff, is a member of the Board and the Company's CFO serves as secretary of the Board. Other executives of Arjo participate at meetings of the Board of Directors to provide presentations on specific issues.

In accordance with the Code, a majority of the members of the Board elected by the General Meeting are to be independent in relation to Arjo and the Group Management. In order to determine whether a member of the Board is independent, an overall assessment must be made of all circumstances which might give reason to call into question the independence of the Board member in relation to Arjo and the Group Management, for example, if the Board member has recently been hired by Arjo or an affiliate. Furthermore, according to the Code, at least two of the Board members who are independent in relation to Arjo and the Group Management must also be independent in relation to the Company's major shareholders. In order to assess such independence, consideration must be given to the scope of the Board member's direct or indirect relationship to the Company's major shareholders. In the Code, 'major shareholder' means a shareholder who, directly or indirectly, controls 10 percent or more of the shares or voting rights in the Company.

The Board of Directors' assessment of the independence of the Board members in relation to Arjo, the Group Management and major shareholders is presented in "*Board of Directors*" in the section "*Board of Directors, Group Management and auditor*". Carl Bennet, Eva Elmstedt and Carola Lemne are deemed independent in relation to the Company and the Group Management. Eva Elmstedt and Carola Lemne are also deemed independent in relation to major shareholders. The Company do thereby not fulfil the Code's independence requirement in relation to the Company and the Group Management, however in relation to larger shareholders. The Company is thereby deviating from rule 4.4 in the Code and is explaining the deviation, see above "*Corporate governance within Arjo*".

Responsibility and work

The duties of the Board of Directors are primarily set forth in the Swedish Companies Act (2005:551), the Articles of Association and the Code, the latter of which will be applicable after the listing on Nasdaq Stockholm. In addition to this, the work of the Board is guided by written rules of procedure that the Board adopts annually. Among other things, the rules of procedure regulate the allocation of work and responsibilities between the Board of Directors, the Chairman of the Board and the CEO. Furthermore, the rules of procedure regulate the decision-making within the Board, the Board's meeting schedule and the Board's work on accounting, auditing and financial reporting.

The Board of Directors is responsible for the Group's organization and management of its affairs, adoption of the Group's overall objectives, development and monitoring of the overarching strategies, decisions regarding major acquisitions, disposals and capital expenditures, decisions on major investments and loans in accordance with the finance policy, regular monitoring of the operations, adoption of quarterly and annual accounts and the regular assessment of the CEO and the Group Management. The Board of Directors is also responsible for securing the quality of the financial reporting, including systems for monitoring and internal control of Arjo's financial reporting and position (see "*Internal control*" below). In addition, the Board of Directors shall ensure that Arjo's external disclosure of information is characterized by openness and is correct, relevant and clear. The Board of Directors is also responsible for adoption of necessary guidelines and other policy documents, e.g. communication policy and insider policy. At the Board meetings, the following constitute standing items on the agenda: business situation, project status, market questions, establishment of interim reports, strategic review, outlook and economic and financial reporting.

Through continuous contacts with the CEO, the Chairman of the Board continuously follows the business of Arjo. The Chairman organizes and leads the work of the Board, and is responsible for ensuring that the other members of the Board receive adequate information and basis for decision making. The Chairman is further responsible for ensuring that new Board members update and deepen their knowledge about Arjo, and receive the necessary training to carry out their work efficiently. The Chairman is also responsible for contacts with major shareholders in respect of shareholder issues and for ensuring that the Board of Directors conducts an annual assessment of its work.

Board Committees

The Board of Directors has established two committees, an audit committee and a remuneration committee, which both works in accordance with instructions adopted by the Board of Directors.

Audit Committee

The tasks of the Audit Committee include monitoring Arjo's financial reporting, the efficiency of its internal controls, internal audit and risk management and keeps itself informed on the audit of the annual report and the consolidated financial statements, reviews and monitors the impartiality and independence of the auditor and thereby pay special attention to whether the auditor provides services other than auditing services to Arjo. The Audit Committee continuously meets with the auditor to discuss the coordination of the internal control and the external audit. The Audit Committee shall also assist the Nomination Committee with the preparation of its proposal to the Annual General Meeting regarding the appointment of auditor by, among other things, ensuring that the auditors term of office does not exceed what is allowed in accordance with applicable regulations, procuring an auditor (when applicable) and submitting a recommendation regarding the appointment of auditor to the Nomination Committee. In addition, the Committee submits information to the Board concerning the results of the audit, including how the audit contributed to the reliability of the Company's financial reporting, and so forth in order to fulfill the requirements set out in the EU Audit Regulation and Directive. The Audit Committee shall also set guidelines for the procurement of services other than auditing services from the Company's auditor and, when applicable, approve such services. Lastly, the Audit Committee evaluates the audit effort and informs the Nomination Committee of the results of the evaluation.

The Audit Committee consists of Ulf Grunander (Chairman), Eva Elmstedt and Carola Lemne. The committee complies with the Swedish Companies Act's requirements for independence as well as accounting and audit competence.

Remuneration Committee

The main objects of the Remuneration Committee is to prepare the Board's motions on issues relating to remuneration principles and remuneration and other terms and conditions of employment for the CEO and other senior executives, and to monitor and assess current and ending programs for variable remuneration for the Group Management. The Committee shall further monitor and assess the application of the Annual General Meeting's resolution on guidelines for remuneration of senior executives, as well as applicable remuneration structures and remuneration levels in the Company.

The Remuneration Committee consists of Johan Malmquist (Chairman) and Carl Bennet.

Remuneration to the Board of Directors

The Extraordinary General Meeting held on August 30, 2017 resolved that the fees of the Board of Directors, excluding remuneration for committee work, shall amount to a total of SEK 3,450,000 of which, SEK 1,150,000 to the Chairman of the Board and SEK 575,000 to each of the other Board members elected by the General Meeting who are not employed with Arjo. Work in the Audit Committee shall be compensated with SEK 240,000 to the Chairman and SEK 120,000 to each of the other members. Work in the Remuneration Committee shall be compensated with SEK 125,000 to the Chairman and SEK 92,000 to each of the other members. None of the Board members have entered into any agreement with Arjo or any of its subsidiaries regarding benefits after the assignment has been terminated.

The table below specifies the fees paid in 2017 to Board members elected by the General Meeting.

Fees, SEK	Function	Board fee	Fee Audit Committee	Fee Remuneration Committee	Total
Johan Malmquist	Chairman	1,150,000	–	125,000	1,275,000
Carl Bennet	Member	575,000	–	92,000	667,000
Eva Elmstedt	Member*	335,000	70,000	–	405,000
Ulf Grunander	Member	575,000	240,000	–	815,000
Carola Lemne	Member	575,000	120,000	–	695,000
Joacim Lindoff	Member, CEO and President	–	–	–	–
Total		**3,210,000**	**430,000**	**217,000**	**3,857,000**

* Elected by the Extraordinary General Meeting held on August 30, 2017 and receives remuneration pro rata for the period thence until the next Annual General Meeting, which corresponds to seven twelfths (7/12) of the remuneration.

CEO and Group Management

The CEO is responsible for the day-to-day management and development of Arjo in accordance with applicable legislation and rules, including Nasdaq Stockholm's Rule Book for Issuers as well as the Code and the guidelines, instructions and strategies adopted by the Board of Directors. The CEO shall ensure that the Board of Directors receives objective and relevant information required to enable the Board of Directors to make well-founded decisions. Furthermore, the CEO monitors compliance with Arjo's targets and policies, as well as the strategic plans adopted by the Board of Directors and is responsible for informing the Board of Directors about Arjo's performance between Board meetings.

The CEO leads the work of the Group Management, which is responsible for overall business development. In addition to the CEO, the Group Management comprises the CFO, EVP Human Resources & CSR, EVP Quality & Regulatory Compliance, EVP Corporate Development & Projects, EVP Supply Chain & Operations, EVP Segment and Product Marketing, EVP Marketing Communication & Public Relations, President Global Sales and President Sales & Service North America (in total nine persons).

Remuneration to Group Management

Arjo's CEO and President and some other members of the Group Management, who were appointed during 2017, has up to the separation of Arjo been employed in the Getinge Group.

Due to the separation, the employment contracts of the members of the Group Management previously employed in Getinge have been transferred to Arjo. For information purposes, the paid remuneration for the period April 1–September 30, 2017 is presented in the table below.

SEK	Fixed salary	Variable salary	Pension benefits[1)]	Other benefits[2)]	Total
President and CEO	3,500,004	0	1,050,001	50,502	4,600,507
Other members of Group Management*	9,717,798	0	1,912,796	354,489	11,985,083
Total	**13,217,802**	**0**	**2,962,797**	**404,991**	**16,585,590**

* Nine persons during 2017.

1) The Group Management's pension plans are defined contribution plans. There are consequently no amounts set aside or accrued in the Company to provide pension, retirement or similar benefits after withdrawal from office to the current Group Management.

2) Consists primarily of company car etc.

Notice period and severance pay

The notice period for senior executives is six months in the event of termination by the senior executive, without entitlement to severance pay. In the event of termination by Arjo, the notice period is maximum twelve months. Jonas Lindqvist has a right to severance pay corresponding to fixed salary for six months if Arjo terminates the employment other than for cause and prior to his sixty-fourth birthday. Anna Sigouin has a notice period of sixty days and has a right to receive all earned but unpaid fixed salary and a pro rata portion of variable salary earned to the date of the termination through short-term incentive programs. The remaining employees in the Group Management are not entitled to severance pay.

Guidelines

According to the Swedish Companies Act, the shareholders at the General Meeting shall adopt guidelines regarding remuneration to the CEO and other senior executives. The following guidelines were adopted by the Extraordinary General Meeting held on August 30, 2017.

These guidelines comprise those included in the Group Management and other executives in the Group who are directly subordinated to the CEO, hereinafter referred to as "senior executives". The guidelines apply to agreements entered into after the General Meeting's resolution to adopt these guidelines and until the General Meeting resolves on new guidelines.

Arjo shall have the remuneration levels and terms of employment deemed necessary to recruit, motivate and retain a management team with excellent competence and capacity to achieve set goals.

Senior executives shall receive fixed salary. The fixed salary shall be on market conditions and individual remuneration levels shall be based on experience, competence, responsibility and performance. In addition to fixed salary, the CEO has a performance-based cash benefit that shall not exceed 60 percent of the fixed annual salary.

Performance-based annual bonus for other senior executives shall not exceed 50–70 percent of the fixed annual salary (depending on function and geographical location). Performance-based annual bonus shall not be paid if the Group's *Profit after financial items* for the current fiscal year is negative. Performance-based annual bonus is pensionable.

The Board of Directors may propose the General Meeting to resolve that senior executives, in addition to fixed salary and performance-based annual bonus, are offered a long-term share price-based incentive program that rewards performance over a longer period and that aims to promote the Company's long-term value creation and to retain key individuals in senior positions. Incentive programs resolved by the General Meeting are not covered by these guidelines.

The Group Management's non-monetary benefits such as, for example, company car, computer, mobile phone, additional health insurance or company healthcare, shall be payable to the extent it is deemed to be on market conditions for senior executives in corresponding positions on the market in which the Company operates. The total value of these benefits shall be a minor part of the total remuneration.

Senior executives shall receive pension benefits. The pension benefit shall be premium-based and shall not exceed 30 percent of the salary base. Employees in Sweden can also be covered by the current ITP plan.

Salary during the notice period and severance pay for senior executives shall not exceed the amount equal to the salary for twelve months.

By law, remuneration to Board members is resolved by the General Meeting to the extent it constitutes remuneration for Board assignments. If a Board member is employed by the Company, compensation to such Board member is paid in accordance with these guidelines. A Board member employed by the Company shall not receive any special compensation for the board assignment in the Company or Group Company. If a Board member performs assignments for the Company not covered by the board assignment, compensation shall be paid based on market conditions taking into account the nature of the assignment and the amount of work.

The Remuneration Committee of the Board of Directors prepares proposals for resolution by the Board regarding remuneration to the CEO. The Remuneration Committee of the Board of Directors prepares, in consultation with the CEO, and resolves on remuneration to other senior executives. The Board of Directors resolves on matters relating to remuneration to Board members for assignments not covered by the board assignment, provided that this may be resolved by the required majority, otherwise such resolution will be taken by the Annual General Meeting. The Board of Directors may derogate from the guidelines in certain cases if there are special reasons for doing so, provided that this is reported and explained afterwards.

External audit

The shareholders elect auditors for a term of one year at the Annual General Meeting each year. The auditors audit the annual report and the accounting as well as the management of the Company by the Board of Directors and the CEO, based on an audit plan which is adopted in consultation with the Board's Audit Committee. In connection with the audit, the auditors report their observations to the Group Management for verification, and thereafter to the Board of Directors through the Audit Committee. The Board of Directors meets with the auditors at least once per year, when the auditors report their observations directly to the Board of Directors without the CEO and CFO of Arjo being present. The auditors also participate at the Annual General Meeting, presenting a short description of their audit work and their recommendation in the audit report.

Internal control

Introduction

The Board's responsibility for internal governance and control is regulated in the Swedish Companies Act, the Swedish Annual Accounts Act – which contains requirements for the information regarding the most important aspects of Arjo's systems for internal control and risk management in connection with financial reporting must each year be included in the corporate governance report – and the Code. The Board shall, among other things, ensure that Arjo has good internal control and formalized procedures that ensure compliance with established principles for financial reporting and internal control. Arjo's procedures for internal control takes its starting point in the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is based on 17 fundamental principles linked to five components. The procedures for internal control is based on a control environment that creates discipline and provides structure for the other four components of the process: risk assessment, control structures, information and communication, and monitoring, evaluating and reporting.

The procedures for internal control, risk assessment, control activities and monitoring with respect to the financial reporting have been designed for the purpose to ensure reliable overall financial reporting and external financial reporting in accordance with IFRS, applicable laws and regulations as well as other requirements that may apply to companies listed on Nasdaq Stockholm. This work involves the Board of Directors, Arjo's Group Management and other personnel.

Control environment

The Board of Directors has adopted instructions and governance documents aimed at regulating the roles and allocation of responsibility between the CEO and the Board of Directors. The way in which the Board of Directors monitors and ensures quality in the internal control is primarily documented in the Board's rules of procedure, Arjo's finance manual and Corporate Governance Policy, in which the Board has established a number of fundamental guidelines of importance for the internal control work. The work with the internal control is also evident in other governing documentation such as Arjo's Code of Conduct, Directives for Risk Management and Internal Control and further policies, established by the Board, and directives, established by the Group Management. These include control and monitoring of results compared with expectations and previous years as well as supervision of, among other things, the accounting principles applied by Arjo. The responsibility for maintaining an effective control environment, and the day-to-day risk assessment and internal control work regarding the financial reporting, is delegated to the CEO. However, the Board of Directors is, through the audit committee, ultimately responsible. Managers at various levels within Arjo have, in turn, corresponding responsibility within their respective areas of responsibility. The Group Management reports regularly to the Board of Directors in accordance with established routines. Responsibilities and powers, instructions, guidelines, manuals, policies and directives constitute

– together with laws and regulations – the control environment regarding the financial reporting.

Risk assessment

Arjo conducts continuous risk assessment to identify key risks relating to financial reporting. These risks include, among other things, errors in the accounts (for example with regard to the reporting and valuation of assets, liabilities, revenues and costs or other discrepancies) as well as fraud and losses through embezzlement. Risk management is built into all processes and various methods are used to assess, detect and prevent risks and to ensure that the risks to which Arjo is exposed are managed in accordance with established policies, directives and instructions.

Control activities

The design of the control activities is of significant importance in respect of Arjo's efforts to prevent and detect risks and failures in the financial reporting. The control structure includes clear organizational roles that enable an efficient division of responsibilities for specific control activities, such as authorization controls in IT systems and signature authentication. The continuous analysis of the financial reporting is highly important in ensuring that the financial reporting is free of material errors.

Information and communication

Arjo has channels of information and communication that serve to safeguard completeness and accuracy in financial reporting. Policies, guidelines and internal instructions regarding the financial reporting are available in electronic and printed format. The employees concerned are given access to and are notified of regular updates and messages regarding changes in accounting principles, reporting requirements or other provision of information. In respect of the external communication, there are guidelines developed in order to ensure that Arjo meets the requirements of spreading accurate information to the market.

Monitoring, evaluating and reporting

The Board of Directors regularly assesses the information provided by the Group Management. Between Board meetings, the Board of Directors regularly receives updated information regarding Arjo's performance. The Group's financial position, strategies and capital expenditures are discussed at each Board meeting. The Board of Directors is also responsible for monitoring the internal control. This work includes, among other things, ensuring that measures are taken to address any deficiencies, as well as follow-up of proposals for measures to which attention has been drawn in connection with the external audit. Annually, the Company carries out a self-assessment of the risk management and internal control work. This process includes a review of the way in which established routines and guidelines are applied. The Board of Directors receives information regarding important conclusions drawn from this annual assessment process, as well as possible proposals on measures relating to the Company's internal control environment. In addition, the external auditors report regularly to the Board of Directors.

Share capital and ownership structure

Share information

As per December 31, 2016, the Company's registered share capital was SEK 500,000, divided into 500,000 shares (no change since the Company was incorporated December 20, 2016) and with a quota value of SEK 1 per share. According to the Articles of Association that applied on December 31, 2016, the number of shares should be no less than 500,000 and no more than 2,000,000 and the share capital should be no less than SEK 500,000 and no more than SEK 2,000,000.

Since December 31, 2016, the number of shares in Arjo has increased by a total of 271,869,573 shares, as follows.

At the Extraordinary General Meeting held on September 29, 2017 it was resolved of a split of shares, whereby each share was divided into three shares (share split 3:1) and after which the number of shares amounted to 1,500,000 with a quota value of SEK 0.33 per share (rounded to two decimals). At the same General Meeting, it was resolved to amend the Articles of Association by introducing two series of shares, shares of series A and series B, respectively, and that all shares issued at the time shall be shares of series B. At the same General Meeting, it was also resolved on a new share issue of a total of 270,869,573 shares, whereby 18,217,200 shares of series A and 252,652,373 shares of series B, to the sole shareholder Getinge.

After the Extraordinary General Meeting on September 29, 2017 there are hence 272,369,573 shares in Arjo, whereof 18,217,200 shares of series A and 254,152,373 shares of series B. After the amendment of the Articles of Association, Arjo's share capital shall be no less than SEK 75,000,000 and no more than SEK 300,000,000, dividend on no less than 150,000,000 and no more than 600,000,000 shares. Shares of each series can be issued to a number corresponding to the share capital.

The shares in Arjo are issued in accordance with Swedish law, fully-paid and denominated in SEK. The rights associated with shares issued by the Company, including those set out in the Articles of Association, can only be changed in accordance with the procedures set forth in the Swedish Companies Act. The shares are not subject to any restrictions on transferability.

Certain rights attached to the shares

General meetings

Notice of General Meetings shall be published in the Swedish Official Gazette and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet. To be entitled to participate in a General Meeting, the shareholder must be registered in the share register five weekdays prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

Voting rights

Each share of series A carries ten (10) voting rights and each share of series B carries one (1) voting right at the General Meeting. Each shareholder is on the General Meeting entitled to vote for the total number of shares held by him or her without limitation of the voting powers.

Preferential rights to new shares, etc.

In the event of the Company deciding to issue new shares of series A and series B through a cash issue or an offset issue, owners of shares of series A and series B shall have preferential rights to subscribe for new shares of the same series in relation to the number of shares previously held by them (primary preferential right).

Shares not subscribed for on the basis of primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential right). If the number of shares subscribed for based on the subsidiary preferential right is insufficient, the shares shall be distributed among the subscribers in relation to the number of shares previously held by them, and, to the extent that this is not possible, by drawing of lots.

If the Company decides to issue new shares solely of series A or series B through a cash issue or an offset issue, all shareholders, regardless of whether they own shares of series A or series B, shall have preferential rights to the subscription of new shares in relation to the number of shares previously held.

If the Company decides to issue share warrants or convertibles through a cash issue or offset issue, the shareholders shall have preferential rights to subscribe for share warrants as if the issue applied to the shares that may be newly subscribed for as a result of the warrant rights, or shall have preferential rights to subscribe for convertibles as if the issue applied to shares for which the convertibles may be exchanged.

In the event of an increase in share capital through a bonus issue, new shares of each series shall be issued in relation to the number of shares of the same series already held. In such cases, old shares of a specific series carry entitlement to new shares of the same series. The aforementioned stipulation shall not constitute any infringement on the possibility, following the requisite amendment in the Articles of Association, to issue shares of a new series through a bonus issue.

There are no provisions in the Company's Articles of Association that limit the ability to decide to, in accordance with the rules set out in the Swedish Companies Act (2005:551), issue new shares, warrants or convertibles with deviation from the shareholders' preferential rights. See also § 6 in the section "*Articles of Association*".

Rights to dividend and surplus in the event of liquidation

All shares carry the same right to share of the Company's profit and any surplus in the event of liquidation.

Dividends are resolved upon by the General Meeting and the payment is administered by Euroclear. Dividends may only be paid if the Company, after such dividends, still has full coverage of its restricted equity and further to the extent that such dividends are justified taking into consideration (i) the demands with respect to the size of the shareholders' equity, considering the nature, scope and risks associated with the operations, and (ii) the Company's and the Group's consolidation needs, liquidity and financial position in general (the so-called prudence rule). As a general rule, the shareholders may not decide upon larger dividends than those proposed or approved by the Board of Directors. See also "*Dividend policy*" below.

On the record date established by the General Meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear will be entitled to receive dividends. If a shareholder cannot be paid through Euroclear, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of ten years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to Arjo. Neither the Swedish Companies Act (2005:551) nor the Arjo's Articles of Association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. See "*Certain tax issues*" for additional information.

Share capital development

The table below shows the development of the Company's share capital since December 20, 2016.

Year	Event	Change in number of shares	Change in share capital, SEK	Total number of shares	Total share capital, SEK	Quota value, SEK
2016	Incorporation	–	–	500,000	500,000	1
2017	Share split	1,000,000	0	1,500,000 B-shares[1)]	500,000	0.33
2017	New share issue	18,217,200 A-shares 252,652,373 B-shares	90,289,857.7	272,369,573, whereof 18,217,200 A-shares 254,152,373 B-shares	90,789,857.7	0.33

1) On Extraordinary General Meeting held on September 29, 2017, that resolved on the split, also resolved on an amendment of the Articles of Association, which, among other things, introduced two series of shares, shares of series A and series B, respectively, and resolved that all current shares should be shares of series B.

Ownership structure

The table below shows Arjo's ownership structure under the assumption that the distribution of shares in Arjo had been completed with October 31, 2017 as record date. The ownership structure will initially be the same as in Getinge, which at the aforementioned date had approximately 40,000 shareholders. The largest shareholder was Carl Bennet AB, with approximately 18.1 percent of the total share capital and approximately 48.9 percent of the total voting rights in Getinge.

Holder/nominee/custodian	Number of series A shares	Number of series B shares	Total number of shares	Shares,%	Votes,%
Carl Bennet AB	18,217,200	31,032,969	49,250,169	18.1	48.9
Franklin Templeton	–	21,987,359	21,987,359	8.1	5.0
Invesco	–	11,761,622	11,761,622	4.9	3.1
Fjärde AP-fonden	–	10,075,848	10,075,848	3.7	2.3
Fidelity	–	9,268,387	9,268,387	3.4	2.1
BlackRock	–	5,357,152	5,357,152	2.0	1.2
Vanguard	–	5,269,181	5,269,181	1.9	1.2
Nordea Fonder	–	5,237,800	5,237,800	1.9	1.2
Swedbank Robur Fonder	–	5,171,041	5,171,041	1.9	1.2
SHB Fonder & Liv	–	4,774,717	4,774,717	1.8	1.1
Total ten largest shareholders	**18,217,200**	**109,936,076**	**128,153,276**	**47.7**	**67.3**
Other shareholders	–	144,216,297	144,216,297	52.3	32.7
Total	**18,217,200**	**254,152,373**	**272,369,573**	**100.0**	**100.0**

Source: Euroclear and Monitor, October 31, 2017.

In Sweden, the lowest limit for disclosure of holdings (so-called flagging) is five percent of all shares or the voting rights of all shares.

Share-based incentive programs etc.

Arjo has no outstanding share-based incentive programs. However, the Board of Directors intends to prepare and propose a share-based incentive program directed to some employees within the Group, for resolution on a future General Meeting.

Carl Bennet AB has informed the Company's Board of Directors that Carl Bennet AB, in connection to the distribution and listing of the shares in Arjo, intends to offer the Company's Board members elected by a general meeting, CEO and all members of the Group Management an opportunity to acquire synthetic options on existing shares in the Company from Carl Bennet AB. The options will be offered at market price and will comprise a total of no more than a calculated market value of SEK 19.5 M. The options may be exercised during the fourth quarter 2021 at an exercise price corresponding to 122 percent of the volume-weighted average price for Arjo's shares during the first five trading days from and including the listing day.

Central securities depository

Arjo's shares are book-entry registered in a securities register in accordance with the Swedish Central Securities Depository and Financial Instruments Accounts Act (1998:1479). The register is operated by Euroclear (Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden). The shares are registered on person. No share certificates have been issued for the shares. The ISIN code of the shares of series B in Arjo is SE0010468116.

Shareholders' agreements, etc.

As far as the Board of Directors is aware, no shareholders' agreements or any other agreements between the shareholders of Arjo with the aim to exercise joint influence over the Company are in place. Nor is the Board of Directors aware of any agreements or equivalent which may result in any change of control over the Company.

Dividend policy

As a part of Getinge Group, Arjo has during the period 2014–2016 made group contributions and dividends to other group companies within the Getinge Group, for more information, see "*Related party transactions*" in the section "*Legal considerations and supplementary information*". For information regarding Arjo's dividend policy, see "*Financial targets and dividend policy*" in the section "*Business description*".

Articles of Association

Adopted by the Extraordinary General Meeting on September 29, 2017.

§ 1 Company name

The name of the company is Arjo AB (publ).

§ 2 Object of the company's business

The object of the company's operations shall be to, directly or indirectly through subsidiaries, engage in the manufacture and sale of medical technical equipment, and in any other activities compatible therewith.

§ 3 Registered office

The registered office of the company's Board of Directors is in the municipality of Malmö.

§ 4 Share capital

The company's share capital shall amount to not less than SEK 75,000,000 and not more than SEK 300,000,000.

§ 5 Number of shares

The number of shares shall not be fewer than 150,000,000 and not more than 600,000,000.

The shares may be issued in two series, series A and series B. Shares of each series may be issued to a number corresponding to the entire share capital.

In connection with voting at a General Meeting, shares of series A shall carry ten (10) voting rights per share and shares of series B shall carry one (1) voting right per share.

§ 6 Preferential rights in connection with share capital increases

In the event of the company deciding to issue new shares of series A and series B through a cash issue or an offset issue, owners of shares of series A and series B shall have preferential rights to subscribe for new shares of the same series in relation to the number of shares previously held by them (primary preferential right). Shares not subscribed for on the basis of primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential right). If the number of shares subscribed for based on the subsidiary preferential right is insufficient, the shares shall be distributed among the subscribers in relation to the number of shares previously held by them, and, to the extent that this is not possible, by drawing of lots.

If the company decides to issue new shares solely of series A or series B through a cash issue or an offset issue, all shareholders, regardless of whether they own shares of series A or series B, shall have preferential rights to the subscription of new shares in relation to the number of shares previously held.

If the company decides to issue share warrants or convertibles through a cash issue or offset issue, the shareholders shall have preferential rights to subscribe for share warrants as if the issue applied to the shares that may be newly subscribed for as a result of the warrant rights, or shall have preferential rights to subscribe for convertibles as if the issue applied to shares for which the convertibles may be exchanged.

The above stipulations shall not constitute any infringement on the possibility to make a decision regarding a cash issue or an offset issue with deviation from the shareholders' preferential rights.

In the event of an increase in the share capital through a bonus issue, new shares of each series shall be issued in relation to the number of shares of the same series already held. In such cases, old shares of a specific series carry entitlement to new shares of the same series. The aforementioned stipulation shall not constitute any infringement on the possibility, following the requisite amendment in the Articles of Association, to issue shares of a new series through a bonus issue.

§ 7 Board of Directors

The Board of Directors shall, in addition to any members who, pursuant to Swedish law, may be appointed other than by a General Meeting of the company, comprise no fewer than three (3) and no more than ten (10) members.

§ 8 Auditors

The company shall have one (1) or two (2) auditors and not more than two (2) deputy auditors. An authorized auditor or a registered auditing company shall be selected as the company's auditor.

§ 9 Annual General Meeting

The Annual General Meeting shall be held annually within six (6) months from the end of the financial year. At the Annual General Meeting the following shall be addressed:

1. Election of the chairman of the meeting.
2. Preparation and approval of the voting list.
3. Election of one or two persons to certify the minutes.
4. Determination of whether the meeting has been duly convened.
5. Approval of the agenda.

6. Presentation of the annual report and the auditor's report, and if applicable, the consolidated financial statements and the group auditor's report.
7. Resolutions regarding the following:
   a. adoption of the income statement and the balance sheet, and, if applicable, the consolidated income statement and the consolidated balance sheet;
   b. allocation of the company's profit or loss according to the adopted balance sheet;
   c. discharge from liability for members of the Board of Directors and the managing director.
8. Resolution regarding fees for the Board of Directors and fees for the auditors.
9. Resolution regarding the number of directors of the Board of Directors and auditors and deputy auditors.
10. Election of Board of Directors and auditors and deputy auditors.
11. Any other matter on which the Annual General Meeting is required to decide pursuant to the Swedish Companies Act or the Articles of Association.

§ 10 Notice

Notice convening a General Meeting shall be published in the Swedish Official Gazette and on the company's website. It shall be advertised in Svenska Dagbladet that notice convening a General Meeting has been made.

Shareholders that wish to participate in a General Meeting shall be recorded in a print-out or other representation of the entire share register as at the date falling five weekdays (Sw. *vardagar*) prior to the meeting and notify the company of their intention to participate by the date specified in the notice convening the meeting. The last mentioned day must not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the meeting.

At a General Meeting, shareholders may be accompanied by one or two assistants, however only if the shareholder has notified the company of the number of assistants in the manner stated in the previous paragraph.

§ 11 Financial year

The company's financial year shall comprise the period from January 1 up to and including December 31.

§ 12 CSD company

The company's shares shall be registered in a central securities depository register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

General corporate and group information

The legal name of the Company (and its commercial name) is Arjo AB (publ). Arjo's Swedish corporate registration number is 559092-8064 and the registered office of the Board of Directors is situated in the municipality of Malmö, Sweden. The Company was incorporated in Sweden on November 10, 2016 and registered with the Swedish Companies Registration Office on December 20, 2016. The Company has been conducting operations since then. The Company is a Swedish public limited liability company governed by the Swedish Companies Act.

Arjo is the ultimate parent company of the Group, which comprises 54 legal entities in 28 countries. The table below shows the most significant group companies. Arjo's holdings in associated companies are not deemed to be of significant importance to the Arjo's financial position or earnings.

Subsidiary	Country	Shares and voting rights,%
Arjo UK Ltd	United Kingdom	100
Huntleigh Technology Ltd	United Kingdom	100
ArjoHuntleigh Inc	USA	100
ArjoHuntleigh Polska Sp. z o.o.	Poland	100
ArjoHuntleigh SAS	France	100
ArjoHuntleigh GmbH	Germany	100
ArjoHuntleigh Canada Inc	Canada	100
ArjoHuntleigh Magog Inc	Canada	100
Huntleigh Healthcare Pty Ltd	Australia	100
Getinge (Suzhou) Co., Ltd	China	100

The separation from Getinge

Background

Prior to the distribution of Arjo, the Group's operations has been separated from the other operations conducted in Getinge Group. The general starting point for the separation has been that Arjo is responsible for the operations previously conducted within Getinge's business area PPAC and the related area Flusher Disinfection and that Getinge is responsible for the other operations conducted by Getinge Group. PPAC's operations were previously conducted largely as an operationally independent business, but has been legally integrated within Getinge Group. To regulate the relationship between the Group and Getinge after the separation, Arjo and Getinge has entered into a demerger agreement (the "**Demerger Agreement**") with several related agreements. For further information regarding the distribution of Arjo, see the section "*Information regarding the distribution of shares in Arjo*".

The Demerger Agreement

The Demerger Agreement serves as a framework agreement regarding the interactions relating to the re-structuring of Getinge Group in order to separate Arjo from Getinge. The Demerger Agreement generally covers (i) the transfers to Arjo of companies, assets and liabilities belonging to the PPAC operations, (ii) transfers of employees, (iii) transfer of intellectual property rights and (iv) allocation of liabilities between Arjo and Getinge in relation to the current, previous and future operations of Getinge and Arjo.

The main principle for the separation is that all assets and liabilities within a certain legal entity in one of the groups, but which are clearly attributable to the operations of the other group, shall be transferred to or be carried by the latter group. Consequently, Arjo shall indemnify Getinge for any obligations resulting in a loss for Getinge, provided that the obligation is clearly attributable to Arjo (and vice versa). The agreement also contains provisions relating to the situation if legal claims are made against the wrong group and a commitment from the parties to act to ensure that any consents and approvals necessary for the separation is obtained. In addition, the parties shall act to ensure that any problems that may arise due to the separation can be solved in collaboration and agreement.

Transitional service agreements

Arjo and Getinge have entered into a number of transitional service agreements, which serves as sub-agreements to the Demerger Agreement, whereby Getinge provides certain services on market terms to Arjo pending development of internal capacity or enters into agreements with a third party to replace the services provided by Getinge. The service agreements in material respects to transactional finance services provided by Getinge's shared service centers in Krakow (Poland) and San José (Costa Rica) and certain IT services, due to the separation of the IT environment. The services will be delivered on both group and country level. The term for the different services varies but are no longer than twelve months from the separation.

Distribution agreement etc.

Arjo and Getinge have entered into a number of agreements in connection with the separation that are not on a transitional basis, according to which Getinge provides certain services on market terms to Arjo. The agreements are mainly distribution agreements for marketing, distribution and sales of Arjo's products in different markets where Arjo has no own presence.

Intellectual property rights

In accordance with the Demerger Agreement, intellectual property rights belonging to the Group have been transferred from Getinge to Arjo. Arjo shall ensure that the companies within the Group cease to use any intellectual property rights belonging to Getinge Group no later than 24 months from the separation, and vice versa applies to Getinge.

Pension commitments

Arjo and Getinge have resolved that all pension commitments carried by Getinge relating to Arjo's operations, and pension assets which constitute a security for such commitments, shall be transferred to Arjo.

Costs for creating an independent Arjo and transaction costs

Getinge has previously communicated that costs related to the planned distribution and listing and costs to create an independent Arjo are estimated to charge the group's result with SEK 400–500 M for 2017.

For the period January to September in the current year, Getinge's result has been charged with SEK 360 M in respect of such costs. Of these, non-recurring restructuring costs in Arjo have accounted for SEK 144 M and increased operating costs in Arjo have accounted for the remaining SEK 216 M.

In addition to the above costs, Getinge's equity will be charged with transaction costs that are estimated to amount to approximately SEK 147 M excluding tax expenses.

Material agreements

Presented below is a summary of material agreements entered into by Arjo during the past two years as well as other agreements entered into by Arjo which contains any right or obligation which is material to Arjo (in both cases excluding agreements entered into in the ordinary course of business).

Acquisitions and divestments

For information regarding the acquisitions carried out by Arjo since January 1, 2014, see "*Acquisitions and divestments*" in the section "*Operational and financial overview*" and regarding acquisitions before this period see "*Acquisition history*" in the section "*Business description*". None of these purchase agreements contain any rights or obligations which are material in relation to the Group.

Credit agreements

See "*Credit facilities and loans*" in the section "*Capital structure and other financial information*" for information regarding the Group's material credit agreements.

Pension commitments in the UK

In connection to the separation of Arjo from Getinge, Arjo has taken over the responsibility for a benefit based pension plan in the UK since the majority of the obligations are connected to previous employees within the Group. In addition to Arjo paying to the pension plan, Arjo has given a guarantee including some obligations which could be realized upon fulfilment of the pension commitment.

Agreements in connection to the separation from Getinge

See "*The separation from Getinge*" previously in this section for information regarding the Demerger Agreement and certain transitional service agreements between Arjo and Getinge.

Legal and arbitration proceedings

The Group is present in several countries and from time to time the Group is subject to investigations, disputes, claims and administrative proceedings in the ordinary course of business. Such investigations, disputes and proceedings may be time-consuming and protracted, may disrupt normal operations, adversely affect customer relations and result in administrative and/or criminal sanctions and measures, as well as significant associated costs. If liability were to be imposed on Arjo in such disputes or proceedings, there is a risk that any remedies will not be fully covered by Arjo's insurance policies (see further the section "*Risk factors*"). However, during the past twelve months Arjo has not been part to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Arjo is aware) which may have, or have had in the recent past, significant effects on Arjo's financial position or profitability.

Related-party transactions

The table below sets forth transactions between Arjo and related parties during the financial years 2014–2016 and during the period January-September 2017.

SEK M	Jan–Sep 2017	2016	2015	2014
Sales	112	108	29	18
Other revenues	88	391	360	323
Purchases of goods	–31	–114	–134	–153
Other costs	–240	–665	–420	–336
Financial revenues	10	2	3	13
Financial costs	–39	–71	–73	–85
Received/made group contributions, net	–	–170	–20	–126
Received/made dividends, net	–2,593	57	–566	–46
New share issue	90	–	–	–
Transfer of net assets	–4,008	374	–	–

Please also refer to note 25 on F-52 in "*Historical financial information*".

In addition to the above, a re-allocation of the interest-bearing net debt between Arjo and Getinge has been made, which is described in "*Significant changes since September 30, 2017*" in the section "*Capital structure and other financial information*", and Arjo and Getinge have entered into the Demerger Agreement which is described previously in this section in "*The separation from Getinge*". In addition to this, there have been no related party transactions after September 30, 2017 which separately or jointly are material for the Company.

For information on remuneration to the members of the Board of Directors and Group Management, see "*Remuneration to the Board of Directors*" and "*Remuneration to Group Management*", respectively, in the section "*Corporate governance*".

Advisors, etc.

SEB provides financial advice to Arjo in conjunction with the distribution and listing on Nasdaq Stockholm. SEB (and its affiliates) has provided, and may in the future provide, various banking, financial, investment, commercial and other services to Arjo for which it has received, and may receive, compensation. Furthermore, SEB (and its affiliates) is lender and/or broker of loans granted to Arjo.

Mannheimer Swartling Advokatbyrå is Arjo's legal advisor in conjunction with the distribution and listing on Nasdaq Stockholm.

Documents on display

The following documents (excluding subsidiaries' Annual Reports) can be downloaded on Arjo's website, www.arjo.com. Copies of the documents can also be obtained at Arjo's head office, Hans Michelsensgatan 10 in Malmö, Sweden, during the validity of this prospectus (regular office hours on business days).

- Arjo's Articles of Association.
- Arjo and its subsidiaries' Annual Reports for the financial years 2014–2016 (including audit reports).
- Arjo's interim report for the period January-September 2017.

Certain tax issues

Certain tax issues in Sweden

The following is a summary of certain Swedish tax consequences which may arise from the distribution of shares in Arjo to the shareholders of Getinge. The summary is only intended to provide general information and is only applicable to individuals and limited liability companies tax resident in Sweden, unless otherwise stated. The summary does not purport to be a comprehensive description of all tax consequences that may be relevant in relation to the distribution of shares in Arjo. For instance, the summary does not cover securities held by partnerships or held as current assets in business operations. Furthermore, the summary does not cover the specific rules on tax-exempt capital gains (including non-deductibility in the event of capital losses) and dividends in the corporate sector, which may be applicable when shareholders hold shares that are considered to be held for business purposes (Sw. *näringsbetingade andelar*). Nor does the summary cover the specific rules which may be applicable to holdings in companies which are, or previously were, closely-held companies, or to shares acquired based on a holding of so-called qualified shares in closely-held companies. Nor does the summary cover shares or other securities that are held in a so-called investment savings account (Sw. *investeringssparkonto*) and that are subject to special rules on notional taxation. Special tax rules apply to certain types of tax payers, e.g. investment companies and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of shares should therefore consult a tax adviser for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

The statements of certain Swedish tax issues set forth below are based on the laws and regulations as at the date of this prospectus and may be subject to any changes in Swedish law occurring after that date, which changes may have retroactive effect.

Shareholders tax resident in Sweden

Individuals

Taxation of the distribution of shares in Arjo

The distribution of shares in Arjo to shareholders in Getinge is expected to be made under the "Lex ASEA" provisions. This means that the distribution will not result in any immediate taxation. The tax basis for the shares in Getinge that entitle the shareholders to the dividend will, however, be allocated between these shares and the shares received in Arjo. The allocation of the tax basis will be based on the change in value of the shares in Getinge due to the distribution of shares in Arjo. Getinge will request guidelines from the Swedish Tax Agency on the allocation of the tax basis. Information regarding the guidelines will be published as soon as possible at the web pages of Getinge, Arjo and the Swedish Tax Agency.

Taxation of dividends from Arjo

The shares in Arjo are intended to be listed on Nasdaq Stockholm. For individuals, dividends on listed shares are taxed as income from capital at a rate of 30 percent. A preliminary tax of 30 percent is generally withheld on dividends paid to individuals resident in Sweden. The preliminary tax is normally withheld by Euroclear or, regarding nominee-registered shares, by the Swedish nominee.

Capital gains taxation on the disposal of shares in Arjo

Upon the sale or other disposal of listed shares, a taxable capital gain or deductible capital loss may arise. For individuals, capital gains are taxed as income from capital at a tax rate of 30 percent. The capital gain or loss is calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis. The tax basis for all shares of the same class and type is calculated together in accordance with the average cost method. The acquisition cost, and thus the tax basis, for the shares received in Arjo through the distribution from Getinge is calculated based on the requested guidelines from the Swedish Tax Agency. Alternatively, upon the sale of listed shares the tax basis may be determined under the standardised method, under which the tax basis is determined to 20 percent of the sales proceeds after deducting sales costs.

Capital losses on listed shares are fully deductible against taxable capital gains on listed and non-listed shares and on other listed equity-related securities realised during the same fiscal year, except for units in securities funds (Sw. *värdepappersfonder*) or special funds (Sw. *specialfonder*) that consist solely of Swedish receivables. Capital losses which cannot be set off in this way can be deducted with up to 70 percent against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30 percent is allowed on the portion of such net loss that does not exceed SEK 100,000 and of 21 percent on any remaining loss. Such net loss cannot be carried forward to future fiscal years.

Limited liability companies

Taxation of the distribution of shares in Arjo

As mentioned above, the distribution of shares in Arjo is expected to be made under the Lex ASEA provisions and will thus not give rise to any immediate taxation. The shareholder's tax basis for the shares in Getinge that entitle the shareholders to shares in Arjo will, however, be allocated between the shares in Getinge and the shares in Arjo in accordance with the requested guidelines, please refer to the above description for individuals.

Taxation of dividends and capital gains with regard to the shares in Arjo

For a Swedish limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a rate of 22 percent. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. Deductible capital losses on shares and other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances such capital losses may also be deducted against capital gains on shares and other equity-related securities in another company within the same group, provided that the requirements for exchanging group contributions (Sw. *koncernbidrag*) are met. A capital loss that cannot be utilized during a given year may be carried forward and offset against taxable capital gains on shares and other equity-related securities during subsequent fiscal years without any limitation in time.

Certain tax considerations for shareholders not tax resident in Sweden

Dividend taxation

The distribution of shares in Arjo to the shareholders of Getinge is expected to be made under the Lex ASEA provisions, which means that no Swedish withholding tax will be imposed upon the distribution.

Dividends on the shares received in Arjo will normally be subject to Swedish withholding tax. The withholding tax rate is 30 percent. However, the tax rate is generally reduced for shareholders resident in other jurisdictions with which Sweden has entered into tax treaties. The majority of Sweden's tax treaties enable an at-source reduction of the Swedish withholding tax to the tax rate stipulated in the treaty at the time of payment of dividends, provided that necessary information is made available in relation to the person entitled to dividends. In Sweden, Euroclear, or in the case of nominee-registered shares, the nominee, normally carries out the deduction of withholding tax. If a 30 percent withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or in case too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Capital gains taxation on the disposal of shares in Arjo

Shareholders not tax resident in Sweden and whose shareholding is not attributable to a permanent establishment in Sweden are normally not liable for Swedish capital gains taxation on the disposal of shares. The shareholders may, however, be subject to taxation in their country of residence. Under a specific tax rule, individuals that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of shares if they have been resident or stayed permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The applicability of this rule may, however, be limited by tax treaties between Sweden and other countries.

Certain tax issues in the U.S.

This summary applies only to beneficial owners of Getinge shares, or of Arjo shares received in the distribution, that are citizens or residents of the United States or U.S. domestic corporations or that otherwise are subject to U.S. federal income taxation on a net income basis in respect of the Getinge or Arjo shares, as applicable ("**U.S. Holders**") that hold Getinge shares, and will hold Arjo shares, as capital assets for U.S. federal income tax purposes and have as their functional currency the USD. This summary does not address the tax treatment of U.S. Holders that are subject to special tax rules, such as banks, insurance companies, tax-exempt organizations, mutual funds, dealers in securities or currencies, traders in securities electing to mark-to-market, or persons that hedge their exposure in the Getinge shares or Arjo shares or hold the Getinge or Arjo shares as a position in a "straddle" for tax purposes or as part of a "synthetic security" or a "hedging" or "conversion" transaction or other integrated investment comprised of such Getinge or Arjo shares and one or more other investments, holders that own or are treated as owning more than 10 percent of Getinge or Arjo's shares, nonresident aliens present in the United States for more than 182 days in a taxable year, U.S. expatriates, or entities taxed as partnerships or the partners therein. This summary does not address the applicability and effect of the alternative minimum tax or the Medicare tax on net investment income to a U.S. Holder. U.S. Holders should consult their own tax advisers regarding the U.S. federal income tax consequences to them of receiving Arjo shares as a result of the distribution.

Distribution of Arjo shares

Getinge has consulted with U.S. tax advisors and evaluated the potential U.S. federal income tax consequences of the distribution of the Arjo shares. Based on that evaluation, Getinge believes the distribution of the Arjo shares should qualify as a tax-free distribution within the meaning of Section 355 of the IRC. At the time of the distribution, Getinge expects to have received an opinion of the Tax Counsel that on the basis of certain facts, representations, and assumptions on which the Tax Counsel relied, the distribution of the Arjo shares should be tax-free for U.S. federal income tax purposes under Section 355 of the IRC.

The opinion of the Tax Counsel is not binding on the IRS, and the IRS or the courts may disagree with the opinion. Additionally, if any of the facts, representations or assumptions are inaccurate, incomplete or untrue in any material respect, the opinion may not correctly describe the U.S. federal income tax treatment of the distribution of the Arjo shares. Accordingly, each U.S. Holder of Getinge shares should consult its tax advisor regarding the specific tax consequences of the distribution, including the applicability and effect of U.S. federal, state and local income and other tax laws on the distribution of the Arjo shares to the shareholders.

Assuming that the distribution of the Arjo shares will qualify as a tax-free distribution within the meaning of Section 355 of the IRC, in general, for U.S. federal income tax purposes:

- no gain or loss will be recognized by, and no amount will be included in the income of, shareholders of Getinge for U.S. federal income tax purposes upon their receipt of the Arjo shares;
- the aggregate tax basis of the Arjo shares distributed to shareholders of Getinge will be determined by allocating the aggregate tax basis such shareholder has in the shares of Getinge immediately before such distribution between the Arjo shares and the Getinge shares in proportion to the relative fair market value of each immediately following the distribution; and
- the holding period of the Arjo shares received by shareholders of Getinge will include the holding period of the shares in Getinge held by such shareholder prior to the distribution.

U.S. Treasury regulations require certain U.S. Holders who are "significant distributees" with respect to the distribution to attach to their U.S. federal income tax returns a statement setting forth information with respect to the distribution. A U.S. Holder should consult its own tax advisor to determine whether it is a significant distributee required to provide the foregoing statement.

If the distribution does not qualify as a tax-free distribution within the meaning of Section 355 of the IRC, U.S. Holders should expect to be treated as receiving ordinary dividend income as a result of the distribution in an amount equal to the USD value of the Arjo shares they receive, and their tax basis in such shares would also be equal to the USD value of the Arjo shares on the date of the distribution.

Distributions on Arjo shares

The gross amount of any distributions made in respect of the Arjo shares generally will be includible in a U.S. Holder's taxable income as ordinary dividend income on the date the U.S. Holder receives the distribution, to the extent of Arjo's earnings and profits for U.S. federal income tax purposes and will not be eligible for the dividends-received deduction allowed to U.S. corporations. The Company do not expect Arjo to maintain calculations of its earnings and profits in accordance with U.S. federal income tax principles. U.S. Holders therefore should expect that all distributions by Arjo generally will be treated as dividends for U.S. federal income tax purposes.

Dividends paid in a currency other than USD generally will be includible in a U.S. Holder's income in a USD amount calculated by reference to the exchange rate in effect on the date the U.S. Holder receives the dividends.

Subject to certain exceptions for short-term and hedged positions, the USD amount of dividends received by an individual U.S. Holder with respect to the Arjo shares will be subject to taxation at a preferential rate if the dividends are "qualified dividends". Dividends paid on the Arjo shares will be treated as qualified dividends if:

- the Arjo shares are readily tradable on an established securities market in the United States or Arjo is eligible for the benefits of a comprehensive tax treaty with the United States that the U.S. Treasury determines is satisfactory for purposes of this provision and that includes an exchange of information program; and
- Arjo was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (a "**PFIC**").

The U.S. Treasury has determined that the Convention between the Government of the United States of America and the Government of Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income dated September 1, 1996 (as amended by any subsequent protocols, including the protocol of September 2005) (the "**Treaty**") meets the requirements for reduced rates of taxation, and it is expected that Arjo will be eligible for the benefits of the Treaty. It is also expected that Arjo will not be a PFIC for U.S. federal income tax purposes with respect to the 2017 taxable year. Accordingly, it is expected that dividends paid on the Arjo shares will be treated as "qualified dividends".

Subject to complex limitations and other rules, a U.S. Holder may be able to claim a foreign tax credit against its U.S. federal income tax liability for any Swedish taxes required to be withheld from a dividend paid in respect of the Arjo shares. Alternatively, the U.S. Holder may deduct those Swedish taxes from its U.S. federal taxable income, provided that the U.S. Holder elects to deduct rather than credit all foreign income taxes for the relevant taxable year. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or other taxable disposition of Arjo shares

Gain or loss realized on the sale, exchange or other disposition of Arjo shares by a U.S. Holder will generally be capital gain or loss, and long-term capital gain or loss if the Arjo shares have been held for more than one year. Long-term capital gain realized by an individual U.S. Holder is subject to taxation at a preferential rate. The deductibility of capital losses is subject to limitations.

If a U.S. Holder sells or otherwise disposes of the Arjo shares in exchange for currency other than USD, any gain or loss that results from currency exchange fluctuations during the period from the date of the sale or other disposition until the date that the currency is converted into USD will be treated as ordinary income or loss and will not be eligible for the reduced tax rate applicable to long-term capital gains. This gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Specified foreign financial assets

Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of USD 50,000 are generally required to file an information statement along with their tax returns (currently on Form 8938) with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Arjo shares) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Treasury regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. U.S. Holders should consult their own tax advisors concerning the application of these rules to their investment in the Arjo shares, including the application of the rules to their particular circumstances

This discussion is not a complete analysis or description of all potential U.S. federal income tax consequences of the distribution nor does this discussion address tax consequences that may vary with, or are contingent on, individual circumstances. Accordingly, each shareholder of Getinge should consult its tax advisor regarding the specific tax consequences of the distribution, including the applicability and effect of U.S. federal, state and local income and other tax laws on the distribution of the Arjo shares to the shareholders.

Historical financial information

Financial information for the period January–September 2017

Financial information for the financial years 2014–2016

Financial information for the period January-September 2017

Interim report January–September 2017

Interim report January – September 2017

July-September 2017 in brief

- Net sales fell -5.4% to SEK 1,795 M (1,898). Net sales decreased organically by -3.3%.
- Adjusted EBITDA declined to SEK 251 M (385).
- Restructuring and integration costs amounted to SEK 135 M (10).
- Profit after financial items declined to SEK -95 M (184).
- Earnings per share declined to SEK -0.26 (0.50).
- Cash flow from operations amounted to SEK 122 M (213). The cash conversion was 105.1% (56.9).
- Preparations for the potential distribution and listing of Arjo continued during the quarter and proceeded according to plan.

January-September 2017 in brief

- Net sales were in line with the year-earlier period at SEK 5,620 M (5,634).
- Adjusted EBITDA declined to SEK 1,006 M (1,188).
- Restructuring and integration costs amounted to SEK 219 M (48).
- Profit after financial items declined to SEK 254 M (560).
- Earnings per share declined to SEK 0.68 (1.51).
- Cash flow from operations amounted to SEK 397 M (723). The cash conversion was 46.5% (63.7).

Financial summary

	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Rolling 12M	Full-year 2016
Net sales, SEK M	1,795	1,898	5,620	5,634	7,794	7,808
Gross profit, SEK M	745	792	2,527	2,453	3,516	3,442
Gross margin, %	41.5%	41.7%	45.0%	43.5%	45.1%	44.1%
EBITDA, adjusted[1]	251	385	1,006	1,188	1,428	1,610
EBITDA margin, adjusted[1], %	14.0%	20.3%	17.9%	21.1%	18.3%	20.6%
Operating profit/loss (EBIT), SEK M	-43	211	315	640	456	781
Profit/loss after financial items, SEK M	-95	184	254	560	365	671
Net profit/loss for the period, SEK M	-70	135	186	410	266	490
Number of shares, thousands	272,370	272,370	272,370	272,370	272,370	272,370
Earnings per share, SEK	-0.26	0.50	0.68	1.51	0.98	1.80
Cash flow from operations, SEK M	122	213	397	723	593	919

[1] Before acquisition, restructuring and integration costs. See Alternative performance measures on page 18 and definitions on page 21.

Arjo's work is based on genuine care for human health and well-being. Arjo is a market-leading supplier of medical devices and solutions that improve quality of life for patients with reduced mobility and wellness challenges. The company's offering includes products and solutions for patient handling, hygiene, disinfection, hospital beds, prevention of pressure ulcers, prevention of deep vein thrombosis and for obstetric and cardiac diagnostics. www.arjo.com

arjo
with people in mind

Toward an independent Arjo

Joacim Lindoff, you have been CEO of Arjo since April this year following a period as Acting President and CEO of Getinge. Tell us about the focus of the company this past quarter.

"It is very stimulating to work with Arjo and I look forward to an exciting future for the company. We have devoted at great deal of work in the last quarter to preparing for listing the company, while we continued to further developing the business. Our vision is for Arjo to be a preferred partner for enabling care and improving quality of life for people with reduced mobility and age-related health challenges. We have created a strong organization with a clear mandate to ensure that we achieve this goal.

"At the same time, we will also generate profitability and sustainable growth in the company. To attain the speed and efficiency required for achieving success in our industry today, we have built up an organization in which business responsibility is assumed close to customers.

"We call our business plan Arjo 2020. It has been created to enable us to achieve our vision and create added value for our customers, strengthen our commercial focus and increase our operational flexibility and efficiency."

What have the important components of Arjo 2020 been so far?

"One of the initiatives in the new business plan is to turn around the negative trend in our US operations. We have encountered challenges here in recent years, particularly in our rental operations. These were partly the result of a declining market, but also because we have not fully integrated the TSS business that was acquired in 2012.

"Despite declining sales in the US this quarter, we saw for the first time in a long time that the trend had been broken, with the rental operations reporting a positive performance as a result of the activities that we are carrying out."

What is in the pipeline for the operations in other parts of the world?

"We established our own sales organizations in Japan and Latin America in the third quarter. We also started the reorganization process in China in order to strengthen the local operations both commercially and operationally. These efforts are important for capitalizing on growth opportunities in Asia and Latin America.

"During the quarter, we also launched a key addition to our Sara product family – a series of standing and raising aids for people with reduced mobility. The new product, Sara® Flex, is easy to use with its flexible silicone leg support that enables the patient to be positioned from a seated to a safe, secure and comfortable standing position."

How did the business perform during the quarter?

"Sales were weak in the quarter. A negative trend in all regions contributed to an organic decline of -3.3% for the Group as a whole. The decline was primarily the result of falling sales in some of our largest markets, such as the US, UK and Canada.

However, we reported a strong order intake in several key markets, including the US, ahead of the final quarter of the year.

"The cost increase was in line with the plan, and was mainly related to the creation of Arjo as an independent company. Adjusted EBITDA amounted to SEK 251 M, bringing the adjusted EBITDA margin to 14.0%."

What is Arjo's progress ahead of the listing?

"The team working on the preparations is doing a fantastic job and work is progressing according to plan. We held a number of constructive and valuable meetings with the stock exchange auditors during the quarter and I believe that we are well-prepared for the planned listing. We will meet with both analysts and investors to explain more about Arjo later in the autumn. I have high expectations of this and am looking forward to it. The aim is to distribute and list Arjo before the end of 2017, on the condition that an extraordinary general meeting approves the Board's proposed distribution."

"The team working on the preparations is doing a fantastic job and work is progressing according to plan."

Finally, what is your view of the immediate future?

"At a recent Board meeting, we agreed on our long-term plans and established Arjo's priorities for 2018, which feels very positive."

"We are now entering the important final quarter, which is usually the strongest period of the year. I also have high hopes that we will end the year as an independent company listed on the stock exchange. We have an intense and exciting period ahead."

Joacim Lindoff
President & CEO

Group performance

Net sales and results

Third quarter of 2017

Arjo's net sales fell organically by -3.3% to SEK 1,795 M in the third quarter.

Sales in North America declined -3.3%, primarily related to the weak trend in the Patient Handling product category and continued challenges within the DVT business. The rental operations performed positively during the quarter, particularly with respect to leasing of hospital beds. This is deemed to be an effect of the Arjo 2020 plan and its initiatives to reverse the negative trend in the US.

Sales also declined in Western Europe, with a decrease of -3.6%, mainly due to a downturn in the UK, one of Arjo's largest markets. The trend in the UK was partly attributable to the National Health Service (NHS) reducing its investments. Sales for the Rest of the World also declined during the quarter and the change was -2.3%.

Sales of capital goods for the Group declined as a whole by -4.8% in the quarter, mainly due to weak sales in the Patient Handling, Hygiene and DVT product categories.

The gross margin was in line with the preceding year at 41.5% (41.7). Currency effects had a positive impact of approximately SEK 17 M.

Operating expenses increased 35.6% to SEK 788 M (581), of which restructuring and integration costs accounted for SEK 135 M (10). The increase was primarily due to costs related to the creation of Arjo as an independent company.

Adjusted EBITDA decreased by -34.8% to SEK 251 M (385), giving an adjusted EBITDA margin of 14.0% (20.3). Currency effects had a positive impact of about SEK 27 M on adjusted EBITDA.

Net financial items totaled SEK -52 M (-27), mainly driven by higher net debt to Getinge during the period as a result of building up the independent Arjo structure. Loss after financial items fell to SEK -95 M (184). Net loss for the period declined to SEK -70 M (135).

January–September 2017

Net sales decreased organically by -2.4% year-on-year, mainly due to the weak performance of the DVT product category and a weak first half-year for the rental operations in North America. The Rest of the World also declined during the period.

The period was charged with restructuring costs of SEK 219 M. Most of these costs related to the write down of assets in the US operations where the installation of a new IT system commenced in the fourth quarter of 2016, as part of the creation of Arjo as an independent company. This resulted in errors that have now been corrected, and entailed a non-recurring cost of approximately SEK 100 M. Restructuring costs for the period also include write down of approximately SEK 70 M for an ERP system that will be discontinued when Arjo becomes independent.

North America	652	702	-3.3%	2,088	2,103	-3.5%	2,890	2,905
Western Europe	848	891	-3.6%	2,708	2,714	-1.4%	3,753	3,759
Rest of the World	295	305	-2.3%	824	817	-2.7%	1,151	1,144
Total	**1,795**	**1,898**	**-3.3%**	**5,620**	**5,634**	**-2.4%**	**7,794**	**7,808**

Cash flow and financial position

Cash flow from operations was SEK 122 M (213) for the quarter, corresponding to a cash conversion of 105.1% (56.9). The weaker cash flow was mainly driven by lower operating profit, primarily due to increased operating expenses related to the creation of Arjo as an independent Group.

Net investments amounted to SEK 101 M (94), distributed as tangible assets of SEK 74 M (53) and intangible assets of SEK 27 M (41). At the end of the period, the Group's cash and cash equivalents amounted to SEK 407 M (1,401), and interest-bearing net debt was SEK 5,669 M (-1,128). The equity/assets ratio was 32.1% (74.1) and the net debt/equity ratio was 1.42 (-0.11).

Legal structure

Arjo's legal structure has been built up during 2017. The legal structure was essentially completed at the end of the period, except for a non-material transfer of operations in China that will take place in the fourth quarter.

Subsidiaries have been acquired and shareholders' contributions received from Getinge. Operations were also transferred from Getinge on the basis of asset transfers to newly founded companies in the Arjo Group. Remuneration for transfers of operations took place by cash payment or promissory note. This is the most important reason for the Group's cash and cash equivalents falling slightly more than SEK 1 billion since year-end 2016, and for financial liabilities increasing by slightly more than SEK 4.9 billion and financial receivables declining almost SEK 0.9 billion.

In total, this has resulted in the interest-bearing net receivable of SEK 1.2 billion that existed at the beginning of the year becoming interest-bearing net debt of SEK 5.7 billion at the end of the period. This is the reason for the change in equity during the quarter.

The principles for allocating interest-bearing net debt between Getinge and Arjo mean that both groups are to have the same level of indebtedness. Getinge will provide a shareholders' contribution to Arjo in the fourth quarter in order to achieve the desired capital structure for listing Arjo.

Research and development

Arjo's research and development costs amounted to SEK 46 M (47) for the quarter, corresponding to 2.6% (2.5) of consolidated net sales.

Other key events during the quarter

Launch of Sara® Flex – a new standing and raising aid

The global launch of Sara® Flex – the most recent addition in the Patient Handling product category – took place in the quarter. The product is a further development of the current Sara 3000, an aid used for transfering a patient from a seated to a standing position.
The new design of Sara® Flex makes it is easier to use for the caregiver and makes transfer more comfortable for the patient.

Market expansion in China, Japan and Latin America

As part of the Arjo 2020 plan, work continued on expanding Arjo's geographical market presence. Japan, China and Latin America are three examples of markets with opportunities for Arjo to strengthen its positions. Separate sales organizations were established in both Japan and Latin America in the quarter, and both of these markets now have sales managers in place to lead the local operations for Arjo as an independent company. An reorganization process began in China to strengthen both the commercial and operational business activities.

Preparations for planned distribution and listing of Arjo

As previously announced, the Getinge Board is preparing a proposal for a structural change in which the Group will be divided into two businesses, Getinge and Arjo, to give each the best conditions for developing and realizing their potential. The preparations for the potential distribution and listing of Arjo made good progress in the third quarter. Provided that the Getinge AB Board so decides, a proposal will be presented at an extraordinary general meeting and if the meeting approves the proposal, the intention is to complete the distribution and listing by the end of 2017.

Extraordinary general meeting as part of preparations for distribution and listing of Arjo

On September 29, an extraordinary general meeting of Arjo approved a share split, with one share being divided into three new shares. The number of shares in Arjo will be 1,500,000 following the split. The meeting also decided to amend the Articles of Association, entailing inter alia the introduction of two new classes of share (Class A shares and Class B shares) and that all shares issued on that occasion be Class B shares. Furthermore, the meeting decided on a rights issue of a total of 270,869,573 shares, of which 18,217,200 Class A shares and 252,652,373 Class B shares, meaning an increase in share capital of SEK 90,289,857.7. After the rights issue has been registered with the Swedish Companies Registration Office, the number of shares in the company will total 272,369,573, of which 18,217,200 Class A shares and 254,152,373 Class B shares. All shares are currently owned by Getinge AB.

Outlook 2017

Net sales for 2017 is expected to be in line with 2016 in comparable exchange rates.

Other information

Key events after the end of the quarter

There are no key events to report after the end of the reporting period.

Risk management

Customers and healthcare reimbursement systems

A considerable share of Arjo's revenue is derived from sales of products to public sector entities. A political discussion taking place in many countries concerns whether private healthcare providers should be able to offer publicly funded healthcare services. There is a risk that authorities in countries where Arjo operates will decide to limit or completely discontinue public funding of private healthcare, which could affect the establishment of new hospitals and other healthcare facilities and their purchasing of healthcare products, such as Arjo's emergency and long-term care products.

Sales of the Group's products are also dependent on various reimbursement systems in each of Arjo's markets. In many of Arjo's markets (such as the US), it is often the patient's insurance company that – within the framework of the existing political reimbursement system – funds or subsidizes products for the patient's emergency or long-term care. Some of the success for sales of Arjo's products in these markets is dependent on whether Arjo's products have been approved for reimbursement under the various reimbursement systems.

Since Arjo conducts operations in many different countries and markets, the above-named risks are limited for the Group as a whole.

Research and development

Arjo's future growth is also dependent on the continued expansion of new product segments and new product types in existing product segments, which is dependent on the Group's ability to influence, predict, identify and respond to changing customer preferences and needs. Arjo invests in research and development in order to produce and launch new products, but there is no guarantee that any new products will achieve the same degree of success as in the past. Nor is there any certainty that Arjo will succeed in predicting or identifying trends in customer preferences and needs, or that Arjo will identify them earlier than its competitors. To maximize the return on research and development efforts, the Group has a highly structured selection and planning process to ensure that the Group prioritizes correctly when making decisions about potential projects. This process includes careful analyses of the market, technological progress, choice of production method and selection of subsuppliers. Development activities are conducted in a structured manner and the deliveries of every project undergo a number of fixed control points. Arjo is focused on product launches that will lead to more efficient care, in which more diseases can be treated, which is expected to drive demand from end customers and therefore market growth. Product development that leads to a broader product range is a means for increasing organic growth in the market in which Arjo operates.

Product liability and damage claims

As a medical device supplier, Arjo, like other healthcare industry players, could be subject to claims related to product liability and other legal issues. Such claims could involve large financial amounts and significant legal expenses. Arjo cannot provide any guarantee that its operations will not be subject to claims for compensation. A comprehensive insurance program is in place to cover any property or liability risks (e.g. product liability) to which the Group is exposed.

Protection of intellectual property rights

Arjo invests significant financial amounts in research and development, and is continuously developing new products and technological solutions. To secure revenues from these investments, new products and technologies must be protected from unlawful use by competitors. If possible and appropriate, Arjo protects its intellectual property rights by registering patents, copyrights and trademarks. The Group is also dependent upon know-how and trade secrets that cannot be protected under intellectual property law.

Changes related to general economic and political conditions

Arjo operates in several parts of the world and, like other companies, is affected by general global economic, financial and political conditions. Demand for Arjo's medical devices and solutions is influenced by various factors, including general macroeconomic trends. Uncertainty about future economic prospects, including political concerns, could adversely affect customers' decisions to buy Arjo's products, which would adversely affect Arjo's operations, financial position and results. Furthermore, changes in the political situation in a region or country, or political decisions affecting an industry or country, could also have a material adverse impact on sales of Arjo's products. Since Arjo operates in a large number of geographical markets, this risk is limited for the Group as a whole.

Authorities and supervisory bodies

The healthcare market is highly regulated in all of the countries in which Arjo operates and Arjo's product range is subject to legislation, including EU Directives and implementing acts regarding medical devices, and the US Food and Drug Administration's (FDA) regulations and related quality systems requirements, which also encompass comprehensive evaluation, quality assurance and product documentation. It cannot be ruled out that Arjo's future operations, financial position and earnings may be adversely affected by difficulties in complying with the current regulations and requirements of authorities and supervisory bodies, or any changes thereof.

Arjo has developed its operations to comply with these laws and regulations and, to limit the above-named risk, Arjo devotes considerable efforts and resources to implementing and applying guidelines to ensure regulatory compliance. Annual audits are performed by designated accreditation bodies to ensure compliance with CE marking standards for Arjo's products, and authorities such as FDA conduct regular inspections of Arjo's production units to ensure regulatory compliance. All of the Group's production facilities are also certified according to ISO 13485 (Medical devices – quality management systems) and/or ISO 9001 (Quality management systems).

Financial risk management

Through its operations, Arjo is exposed to a number of financial risks. Arjo's risk management is regulated by a finance policy established by the Board. Ultimate responsibility for managing the Group's financial risks and developing methods and policies for mitigating these risks lies with Group management and the Treasury Function. The most significant financial risks to which the Group is exposed are currency risk, interest-rate risk and credit and counterparty risk.

Seasonal fluctuations

Arjo's earnings are impacted by seasonal fluctuations. The second quarter is normally weak in relation to the remainder of the fiscal year. The fourth quarter is usually the Group's strongest quarter.

Transactions with related parties

Transactions between Arjo and companies in Getinge Group are specified in Note 9.

Nomination Committee

An extraordinary general meeting held on August 30, 2017 decided on an instruction for Arjo's Nomination Committee that is to apply until further notice. The Nomination Committee ahead of annual general meetings is to comprise representatives of the five largest shareholders in terms of the number of votes registered in the shareholders' register maintained by Euroclear as per August 31 in the year prior to the year in which the Annual General Meeting is to be held, a representative for minor shareholders and the Chairman of the Board who is also to convene the first meeting of the Nomination Committee. The Committee member representing the largest shareholder in terms of the number of votes is to be appointed Chairman of the Nomination Committee.

The Nomination Committee is to present proposals on the Chairman of general meetings, the Board of Directors, the Chairman of the Board, auditors, Board fees as specified by the Chairman and other Board members, remuneration for Committee work and fees to the company's auditors.

Ahead of the 2018 Annual General Meeting, the composition of the Nomination Committee is to comprise representatives of the five largest shareholders in terms of the number of votes registered in the shareholders' register maintained by Euroclear as per December 31, 2017. The composition of the Nomination Committee ahead of the 2018 Annual General Meeting will be published separately.

2018 Annual General Meeting

Arjo AB's Annual General Meeting will be held on May 4, 2018 in Malmö, Sweden. Shareholders wishing to have a matter addressed at the Annual General Meeting on May 4, 2018 can submit their proposal to Arjo's Board Chairman by e-mail: agm@arjo.com, or by mail: Arjo AB, Att: Bolagsstämmoärenden, Hans Michelsensgatan 10, SE-211 20 Malmö, Sweden. To ensure inclusion in the notice and thus in the Annual General Meeting's agenda, proposals must be received by the company not later than March 16, 2018.

Forward-looking information

This report contains forward-looking information based on the current expectations of Arjo's Group management. Although management considers the expectations presented by such forward-looking information to be reasonable, there is no guarantee that these expectations will prove correct. Consequently, actual outcomes may vary considerably compared with what is stated in the forward-looking information, due to such factors as changed conditions regarding the economy, market and competition, changes in legal and regulatory requirements, as well as other policy measures and fluctuations in exchange rates.

Assurance

The Board of Directors and CEO assure that the interim report provides a true and fair review of the Parent Company and the Group's operations, position and earnings and describes the material risks and uncertainties faced by the Parent Company and the Group.

Malmö, October 20, 2017

Johan Malmquist Chairman of the Board	**Carl Bennet**	**Sten Börjesson**	**Eva Elmstedt**
Ulf Grunander	**Ingrid Hultgren**	**Carola Lemne**	**Joacim Lindoff** President & CEO

Auditors' report

Introduction

We have reviewed the condensed interim financial information (interim report) of Arjo AB (publ) as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Malmö, October 20, 2017

Öhrlings PricewaterhouseCoopers

Magnus Willfors
Authorized Public Accountant
Auditor in Charge

Cecilia Andrén Dorselius
Authorized Public Accountant

Combined financial statements

Combined income statement

SEK M	Note	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Net sales	2	1,795	1,898	5,620	5,634	7,808
Cost of goods sold		-1,050	-1,106	-3,093	-3,181	-4,366
Gross profit		**745**	**792**	**2,527**	**2,453**	**3,442**
Selling expenses		-344	-357	-1,122	-1,070	-1,392
Administrative expenses		-285	-192	-775	-600	-1,016
Research and development costs	4	-27	-31	-91	-88	-133
Acquisition expenses		–	-1	–	-5	-7
Restructuring and integration costs		-135	-10	-219	-48	-155
Other operating income and expenses		3	10	-5	-2	42
Operating profit/loss (EBIT)	**3, 6**	**-43**	**211**	**315**	**640**	**781**
Net financial items		-52	-27	-61	-80	-110
Profit/loss after financial items		**-95**	**184**	**254**	**560**	**671**
Taxes		25	-49	-68	-150	-181
Net profit/loss for the period		**-70**	**135**	**186**	**410**	**490**
Attributable to:						
Parent Company shareholders		-70	135	186	410	490
Number of shares, thousands		272,370	272,370	272,370	272,370	272,370
Earnings per share, SEK*		-0.26	0.50	0.68	1.51	1.80

*Before and after dilution. For definition, see page 21.

Combined statement of comprehensive income

SEK M	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Net profit/loss for the period	**-70**	**135**	**186**	**410**	**490**
Other comprehensive income					
Items that cannot be restated in profit					
Actuarial gains/losses pertaining to defined-benefit pension plans	26	3	-75	-42	53
Tax attributable to items that cannot be restated in profit	-18	0	14	10	-11
Items that can later be restated in profit					
Translation differences	-183	-19	-352	-365	-286
Cash-flow hedges	9	19	110	-78	-99
Tax attributable to items that can be restated in profit	-2	-4	-24	17	22
Other comprehensive income for the period, net after tax	**-168**	**-1**	**-327**	**-458**	**-321**
Total comprehensive income for the period	**-238**	**134**	**-141**	**-48**	**169**
Comprehensive income attributable to:					
Parent Company shareholders	-238	134	-141	-48	169

Combined balance sheet

SEK M	Note	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Assets				
Intangible assets		6,518	6,172	6,663
Tangible assets		1,099	1,589	1,110
Non-current financial receivables, Group companies	7	306	–	–
Financial assets		469	305	316
Inventories		1,144	1,098	1,044
Accounts receivable		1,669	1,600	1,884
Current receivables, Group companies		123	108	393
Current financial receivables, Group companies	7	199	1,387	1,397
Other current receivables		545	509	460
Cash and cash equivalents	7	407	1,401	1,446
Total assets		**12,479**	**14,169**	**14,713**
Shareholders' equity and liabilities				
Shareholders' equity		4,006	10,504	10,658
Provisions for pensions, interest-bearing	7	27	57	36
Non-current financial liabilities, Group companies	7	–	1,255	1,361
Other provisions		230	217	233
Accounts payable		409	348	380
Current liabilities, Group companies		134	157	546
Current financial liabilities, Group companies	7	6,622	357	340
Other non-interest-bearing liabilities		1,051	1,274	1,159
Total shareholders' equity and liabilities		**12,479**	**14,169**	**14,713**

Changes in shareholders' equity for the Group

SEK M	Share capital	Other capital provided	Reserves	Retained earnings	Total share-holders' equity*
Opening balance at January 1, 2016	**-**	**-**	**1,011**	**9,216**	**10,227**
Total comprehensive income for the period	–	–	-363	532	169
Formation of Parent Company	1	–	–	–	1
Transactions with shareholders	–	–	–	261	261
Closing balance at December 31, 2016	**1**	**-**	**648**	**10,009**	**10,658**
Opening balance at January 1, 2017	**1**	**-**	**648**	**10,009**	**10,658**
Total comprehensive income for the period	–	–	- 267	126	-141
Ongoing rights issue	–	90	–	–	90
Transactions with shareholders	–	–	–	-6,601	-6,601
Closing balance at September 30, 2017	**1**	**90**	**381**	**3,534**	**4,006**

* Fully attributable to Parent Company shareholders

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Combined cash-flow statement

SEK M	Note	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Operating activities						
Operating profit/loss (EBIT)		-43	211	315	640	781
Add-back of amortization, depreciation and write down	3	159	163	539	495	755
Other non-cash items		53	0	34	25	21
Add-back of restructuring and integration costs[1]		135	10	152	48	67
Paid restructuring and integration costs		-15	-14	-33	-80	-108
Financial items		-52	-27	-61	-80	-110
Taxes paid		-41	-37	-102	-126	-168
Cash flow before changes to working capital		**196**	**306**	**844**	**922**	**1,238**
Changes in working capital						
Inventories		99	-1	-193	-85	-87
Current receivables		-187	-246	282	66	-345
Current liabilities		14	154	-536	-180	113
Cash flow from operations		**122**	**213**	**397**	**723**	**919**
Investing activities						
Acquired operations		-	-	-	-214	-212
Net investments		-101	-94	-293	-224	-314
Cash flow from investing activities		**-101**	**-94**	**-293**	**-438**	**-526**
Financing activities						
Change in interest-bearing liabilities		26	-30	-86	7	-6
Change in interest-bearing receivables		5	-3	18	-20	-47
Transactions with shareholders		-400	119	-1,061	315	289
Cash flow from financing activities		**-369**	**86**	**-1,129**	**302**	**236**
Cash flow for the period		**-348**	**205**	**-1,025**	**587**	**629**
Cash and cash equivalents at the beginning of the period		762	915	1,446	808	808
Translation differences		-7	0	-14	6	9
Cash and cash equivalents at the end of the period		**407**	**1,120**	**407**	**1,401**	**1,446**

[1] Excluding write down of non-current assets

Note 1 Basis of preparation and accounting policies

The basis for preparation of the combined financial statements is presented in Note 1, Significant accounting policies in the combined financial statements, which are available in the prospectus "Admission to trading of shares in Arjo AB on Nasdaq Stockholm" published on www.arjo.com. The formation of Arjo comprises transactions under joint controlling influence. These types of transactions are not covered by IFRS; the Group is required to establish a policy for this purpose. The Group has chosen to apply the principles described in Basis for preparation of the combined financial statements when the consolidated financial statements were prepared. This means, essentially, that the assets and liabilities of the units have been aggregated and recognized on the basis of the carrying amounts they represent in Getinge AB's consolidated financial statements, and that the transactions are recognized as if they had occurred at the beginning of the earliest period presented (meaning that the comparative figures have been included).

The accounting policies applied in the preparation of this interim report apply to all periods and are consistent with the accounting policies presented in Note 1, Significant accounting policies in the combined financial statements. These are also available at www.arjo.com.

The Parent Company has prepared the interim report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. As of January 1, 2017, the company has applied RFR 2, Accounting for Legal Entities. The company previously applied the Swedish Accounting Standards Board's standard for annual reports and consolidated accounts (K3). The transition from K3 to RFR 2 took place at the beginning of 2016 and has not had any impact on the company's earnings and financial position in this report.

New accounting standards

IFRS 9 Financial instruments

IFRS 9 Financial Instruments will come into effect for the fiscal year beginning on January 1, 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new rules on, for example, the classification and measurement of financial instruments, write down of financial instruments, and hedge accounting. The standard has been adopted by the EU. Arjo has initiated work to evaluate the effect of introducing the standard. The new rules are not expected to impact the classification and measurement of material financial instruments, in the form of accounts receivable, accounts payable, liabilities to credit institutions and receivables and liabilities to group companies, in the financial statements. All above-mentioned material items are recognized at amortized cost and will continue to be recognized according to this approach under IFRS 9.

The preliminary assessment of write down is that reserves for expected losses could be changed even though they have not yet been quantified. Given the fact that the Group's customers have high credit ratings and confirmed customer losses have historically been low, it has been assessed that the rules on write down will not have a material impact on the Group's financial position.

Hedge accounting is applied to currency forward contracts held for managing currency exposure that arises during operations. The introduction of the new standard is not deemed to entail any changes to existing accounting policies for such hedges, which is why Arjo's financial position will not be impacted. Arjo is also working on analyzing the additional information that might be required to meet the disclosure requirements of IFRS 7.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 introduces new requirements for income recognition and replaces IAS 18 Revenue, IAS 11 Construction Contracts and several IFRS income-related interpretations. IFRS 15 is applicable to fiscal years beginning on or after January 1, 2018. The standard provides more detailed guidance in many areas that were not previously described in applicable IFRS, for example, recognizing contracts with multiple performance obligations, variable consideration and whether or not income is to be recognized over time. The standard has been adopted by the EU.

Work on evaluating the standard has been initiated and the analysis indicates that the current income recognition policies are compatible with IFRS 15. Accordingly, Arjo's assessment is that the standard will not have any material impact on the financial statements. Parts of Arjo's income flows pertain to rental income that is not encompassed by IFRS 15 and thus will not be impacted by the introduction of the standard.

IFRS 15 will entail new disclosure requirements and Arjo recently initiated work to identify the information that will need to be collected from companies in the Group to meet these requirements.

IFRS 16 Leases

IFRS 16 comes into effect for the fiscal year beginning on January 1, 2019. The standard has not yet been adopted by the EU. The amendment compared with the current IAS 17 Leases is that all contracts in which the Group is the lessee are to be recognized in the balance sheet as an asset and a liability, except for short-term leases or leases where the underlying asset has a low value. The standard does not entail any material change for the lessor.

Arjo has commenced work to analyze the effect that IFRS 16 will have on the consolidated financial statements. Arjo will review all of its contracts to determine whether there are additional contracts that will now be considered to be leases under the new definition in IFRS 16, and to verify the lease terms. This will subsequently be quantified and recognized in the company's balance sheet. Commitments that exist regarding operating leases are described in Note 16.

Arjo has not yet decided which transition rule to apply.

Arjo will also analyze additional disclosure requirements and the impact this will have on the information that needs to be collected.

Note 2 Geographical overview

Net sales by geographic area, SEK M	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
North America	652	702	2,088	2,103	2,905
Western Europe	848	891	2,708	2,714	3,759
Rest of the World	295	305	824	817	1,144
Total	**1,795**	**1,898**	**5,620**	**5,634**	**7,808**

Note 3 Depreciation/amortization and write down

SEK M	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Intangible assets in acquired companies	-24	-29	-76	-92	-123
Intangible assets	-34	-16	-168	-50	-242
Tangible assets	-101	-118	-295	-353	-390
Total	**-159**	**-163**	**-539**	**-495**	**-755**
Of which, write down	0	-	-67	-	-88

Note 4 Capitalized development costs

SEK M	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Research and development costs, gross	-46	-47	-147	-137	-201
Capitalized development costs	19	16	56	48	68
Research and development costs, net	**-27**	**-31**	**-91**	**-88**	**-133**

Note 5 Financial assets and liabilities measured at fair value

Sep 30, 2017	Assets at fair value through profit and loss	Derivatives used for hedging purposes	Total
Financial assets	–	3	3
Other current receivables	–	16	16
Total assets	0	19	19
Other non-interest-bearing liabilities	–	8	8
Total liabilities	**0**	**8**	**8**

Sep 30, 2016	Assets at fair value through profit and loss	Derivatives used for hedging purposes	Total
Financial assets	–	38	38
Other current receivables	–	114	114
Total assets	**0**	**152**	**152**
Other non-interest-bearing liabilities	–	231	231
Total liabilities	**0**	**231**	**231**

The fair value of derivative instruments is established using valuation techniques. For this purpose, observable market information is used. All derivatives are classified under level 2 of the value hierarchy.

Note 6 Financial data per quarter

SEK M	Quarter 1 2016	Quarter 2 2016	Quarter 3 2016	Quarter 4 2016	Quarter 1 2017	Quarter 2 2017	Quarter 3 2017
Net sales	1,904	1,832	1,898	2,174	1,931	1,894	1,795
Cost of goods sold	-1,017	-1,058	-1,106	-1,185	-1,014	-1,029	-1,050
Gross profit	**887**	**774**	**792**	**989**	**917**	**865**	**745**
Operating expenses	-607	-625	-581	-848	-679	-745	-788
Operating profit/loss (EBIT)	**280**	**149**	**211**	**141**	**238**	**120**	**-43**
Net financial items	-27	-26	-27	-30	-14	5	-52
Profit/loss after financial items	**253**	**123**	**184**	**111**	**224**	**125**	**-95**
Taxes	-68	-33	-49	-31	-60	-33	25
Net profit/loss for the period	**185**	**90**	**135**	**80**	**164**	**92**	**-70**
EBITDA, adjusted[1]	471	332	385	422	460	296	251
EBITDA margin, adjusted[1], %	24.7	18.1	20.3	19.4	23.8	15.6	14.0

[1] EBITDA before acquisition, restructuring and integration costs. See Alternative performance measures on page 18 and definitions on page 21.

Note 7 Combined interest-bearing net receivables/debt

SEK M	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Financial liabilities, Group companies	6,622	1,612	1,701
Provisions for pensions, interest-bearing	27	57	36
Interest-bearing liabilities	**6,649**	**1,669**	**1,737**
Less financial receivables, Group companies	-505	-1,387	-1,397
Less financial receivables	-68	-9	-69
Less cash and cash equivalents	-407	-1,401	-1,446
Interest-bearing net receivables/debt	**5,669**	**-1,128**	**-1,175**

Note 8 Key figures for the Group

SEK M	Quarter 3 2017	Quarter 3 2016	Change %	Jan-Sep 2017	Jan-Sep 2016	Change %	Full-year 2016
Organic growth in net sales, %	-3.3	-	-	-2.4	-	-	-2.6
EBITDA growth, %	-69.0	-	-	-24.8	-	-	25.8
Cash conversion, %	105.1	56.9	48.1	46.5	63.7	-17.2	59.8
Return on shareholders' equity, %	-	-	-	3.7	-	-	4.7
Gross margin, %	41.5	41.7	-0.2	45.0	43.5	1.4	44.1
Selling expenses as % of net sales	19.2	18.8	0.4	20.0	19.0	1.0	17.8
Administrative expenses as % of net sales	15.9	10.1	5.8	13.8	10.6	3.1	13.0
EBITDA	116	374	-69.0	854	1,135	-24.8	1,536
EBITDA, adjusted[1]	251	385	-34.9	1,006	1,188	-15.3	1,610
EBITDA margin, %	6.5	19.7	-13.2	15.2	20.1	-4.9	19.7
EBITDA margin, adjusted[1], %	14.0	20.3	-6.3	17.9	21.1	-3.2	20.6
Operating margin, %	-2.4	11.1	-13.5	5.6	11.4	-5.8	10.0
Earnings per share, SEK[2]	-0.26	0.50	-151.9	0.68	1.51	-54.6	1.80
Number of shares, thousands	272,370	272,370	0	272,370	272,370	0	272,370
Interest-coverage ratio, multiple	-	-	-	7.1	-	-	8.2
Operating capital, SEK M	-	-	-	10,510	-	-	11,055
Return on operating capital, %	-	-	-	7.5	-	-	8.5
Net debt/equity ratio, multiple	-	-	-	1.42	-0.11	-1,417.8	-0.11
Net debt/EBITDA, adjusted[1] R12, multiple	-	-	-	3.97	-	-	-0.73
Equity/assets ratio, %	-	-	-	32.1	74.1	-42.0	72.4
Equity per share, SEK	-	-	-	14.71	38.57	-61.9	39.13
Number of employees	-	-	-	5,987	5,542	8.0	5,623

[1] EBITDA before acquisition, restructuring and integration costs. See Alternative performance measures on page 18 and definitions on page 21.
[2] Before and after dilution. For definition, see page 21.

Alternative performance measures

Alternative performance measures refer to financial measures used by the company's management and investors to evaluate the Group's earnings and financial position, and that cannot be directly read or derived from the financial statements. These financial measures are intended to facilitate analysis of the Group's performance. The alternative performance measures should not be considered substitutes, but rather a supplement to, the financial statements prepared in accordance with IFRS.

The financial measures recognized in this report may differ from similar measures used by other companies.

The alternative performance measures recognized below have not been calculated in accordance with IFRS but have been presented since Arjo believes that they are important in connection with investors' assessments of the Company and the Company's share.

EBITDA, adjusted SEK M	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Operating profit/loss (EBIT)	**-43**	**211**	**315**	**640**	**781**
Add-back of amortization, depreciation and write down of intangible and tangible assets	159	163	539	495	755
Add-back of acquisition, restructuring and integration costs, excluding write down	135	11	152	53	74
EBITDA, adjusted	**251**	**385**	**1,006**	**1,188**	**1,610**

Cash conversion	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Cash flow from operations, SEK M	**122**	**213**	**397**	**723**	**919**
Operating profit/loss (EBIT)	-43	211	315	640	781
Add-back of amortization, depreciation and write down of intangible and tangible assets	159	163	539	495	755
EBITDA, SEK M	**116**	**374**	**854**	**1,135**	**1,536**
Cash conversion, %	**105.1**	**56.9**	**46.5**	**63.7**	**59.8**

Net receivables/indebtedness	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Interest-bearing net receivables/debt, SEK M	5,669	-1,128	-1,175
Shareholders' equity, SEK M	4,006	10,504	10,658
Net receivables/indebtedness, multiple	**1.42**	**-0.11**	**-0.11**

Note 9 Transactions with related parties

	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Transactions with Group companies, SEK M					
Sales	31	39	112	55	108
Other income	21	0	88	0	391
Purchases of goods	-12	-15	-31	-82	-114
Other expenses	-102	-19	-240	-49	-665
Financial income	4	1	10	2	2
Financial expenses	-16	-17	-39	-52	-71
Net received/paid Group contributions	–	–	–	–	-170
Net received/paid dividends	-746	-5	-2,593	-9	57
Rights issue	90	–	90	–	–
Transfer of net assets	-3962	67	-4008	334	374

Transactions between Arjo and companies in Getinge Group are specified in the table above. Receivables and liabilities to Group companies relate to transactions with Getinge, which are reported separately in the balance sheet. In addition to the above, there were no other material transactions with related parties.

Arjo uses Getinge as a distributor in certain markets. Business terms and conditions as well as market-regulated pricing apply for delivery of products and services between the Groups.

Other income and expenses primarily refer to Group-wide services.

Net assets are transferred for the establishment of the Arjo Group and to optimize the capital structure.

Parent Company financial statements

Parent Company income statement*

SEK M	Quarter 3 2017	Quarter 3 2016	Jan-Sep 2017	Jan-Sep 2016	Full-year 2016
Administrative expenses	-32	-	-65	-	-
Other operating income	31	-	39	-	-
Operating profit/loss (EBIT)	**-1**	**-**	**-26**	**-**	**-**
Interest income (expenses) and other similar items	-4	-	-1	-	-
Profit/loss after financial items1	**-5**	**-**	**-27**	**-**	**-**
Taxes	1	-	5	-	-
Net profit/loss for the period	**-4**	**-**	**-22**	**-**	**-**

1 Interest income and other similar items, and interest expenses and other similar expenses include exchange-rate gains and losses attributable to the translation of receivables and liabilities in foreign currencies measured at the closing day rate.

Parent Company balance sheet*

SEK M	Sep 30, 2017	Sep 30, 2016	Dec 31, 2016
Assets			
Intangible assets	387		
Financial assets	5,335	-	-
Receivables from Group companies	97	-	-
Current receivables	17	-	-
Cash and cash equivalents	-	-	1
Total assets	**5,836**	**-**	**1**
Shareholders' equity and liabilities			
Shareholders' equity	2,544	-	1
Current financial liabilities, Group companies	3,272	-	-
Other non-interest-bearing liabilities	20	-	-
Total shareholders' equity and liabilities	**5,836**	**-**	**1**

* The company was formed on November 10, 2016.

The Parent Company acquired and, based on shareholders' contributions, obtained shares in subsidiaries during the period. At the end of the quarter, the carrying amount of shares and participations in the Parent Company amounted to SEK 5,328 M. Of this amount, SEK 2,653 M was received in the form of shareholders' contributions.

A rights issue was carried out in September, which resulted in an increase in share capital of SEK 90,289,857.7. For further information, see page 5.

Investments in intangible assets comprise IT investments.

Definitions

Financial terms

Operating capital
Average total assets less cash and cash equivalents, other provisions, accounts payable and other non-interest-bearing liabilities.

Return on operating capital
Rolling 12 months' operating profit with add-back of acquisition, restructuring and integration costs in relation to operating capital.

Return on shareholders' equity
Rolling 12 months' profit after tax in relation to average shareholders' equity.

Cash conversion
Cash flow from operations in relation to EBITDA.

Adjusted EBITDA
Operating profit before amortization, depreciation and write down, with add-back of acquisition, restructuring and integration costs.

Adjusted EBITDA margin
EBITDA in relation to net sales, with add-back of acquisition, restructuring and integration costs.

Net debt/equity ratio
Interest-bearing net debt in relation to shareholders' equity.

Organic change
A financial change adjusted for currency fluctuations, acquisitions and divestments.

Earnings per share
Profit for the period attributable to Parent Company shareholders in relation to average number of shares. The following data was used to calculate earnings per share:

Profit for the period attributable to Parent Company shareholders	SEK 186 M
Number of shares, thousands	272,370
Earnings per share	SEK 0.68

Interest-coverage ratio
Profit after financial items plus interest expenses and add-back of restructuring costs in relation to interest expenses. Calculated based on rolling twelve-month data.

Operating margin
Operating profit in relation to net sales.

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

Recurring revenue
Revenue from disposables, service, spare parts and similar items.

Medical terms

Deep vein thrombosis (DVT)
Formation of a blood clot in a deep leg vein.

Ergonomics
A science concerned with designing the job to fit the worker to prevent illness and accidents.

Prevention
Preventive activity/treatment.

Pressure ulcers
Sores that occur when blood flow to the skin is reduced by external pressure. Most common in patients with reduced mobility.

Teleconference

n/a

Financial information

n/a

The following financial statements, in addition to this quarterly report, will be published for the 2017/2018 fiscal year:

February 6, 2018:	Year-End Report
April 2018:	2017 Annual Report
May 4, 2018:	Interim report, January-March
July 19, 2018:	Interim report, January-June

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About Arjo

Arjo's work is based on genuine care for human health and well-being, and contributes to a sustainable healthcare system – always with people in mind.

Arjo is a market-leading supplier of medical devices and solutions that contributes to improving the quality of life for patients with reduced mobility and age-related health challenges.

Arjo creates value by improving clinical outcomes for patients and enabling a better work environment for healthcare professionals. Arjo thereby contributes to a sustainable healthcare system – always with people in mind.

Arjo's main customers are private and public institutions providing acute care and long-term care. The company's offering includes products and solutions for patient handling, hygiene, disinfection, hospital beds, prevention of pressure ulcers, prevention of deep vein thrombosis and for obstetric and cardiac diagnostics. The Group also offers services such as training in connection with product sales.

The company operates in more than 60 countries, which Arjo has divided into three geographic areas: North America, Western Europe and Rest of the World. Arjo has more than 5,900 employees worldwide. The company's head office is in Malmö, Sweden.

Arjo's work is based on genuine care for human health and well-being. Arjo is a market-leading supplier of medical devices and solutions that improve quality of life for patients with reduced mobility and wellness challenges. The company's offering includes products and solutions for patient care, hygiene, disinfection, hospital beds, prevention of pressure ulcers, prevention of deep vein thrombosis and for obstetric and cardiac diagnostics.

Arjo AB · Corp. Reg. No. 559092-8064 · Hans Michelsensgatan 10 · SE-211 20 Malmö · Sweden

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Financial information for the financial years 2014–2016

Combined income statement

SEK M	Note	2016	2015	2014
Net sales	2, 3	7,808	8,115	7,568
Cost of goods sold	4	–4,366	–4,521	–4,011
Gross profit		**3,442**	**3,594**	**3,557**
Selling expenses	4	–1,392	–1,575	–1,422
Administrative expenses	4	–1,016	–1,039	–937
Research and development costs	4, 28	–133	–118	–116
Acquisition expenses		–7	–4	–1
Restructuring and integration costs	4	–155	–186	–83
Other operating income		58	15	16
Other operating expenses		–16	–147	–61
Operating profit (EBIT)	3, 4, 5, 6, 16	**781**	**540**	**953**
Interest income and other similar profit items	7	7	5	5
Interest expenses and other similar loss items	8	–117	–120	–97
Profit after financial items		**671**	**425**	**861**
Taxes	9	–181	–118	–242
Net profit for the year		**490**	**307**	**619**
Attributable to:				
Parent company's shareholders		490	307	619
Earnings per share, SEK*	11	**1.80**	**1.13**	**2.27**
– weighted average number of shares for calculation of earnings per share (thousand)	11	272,370	272,370	272,370

* Before and after dilution.

Combined statement of comprehensive income

SEK M	Note	2016	2015	2014
Net profit for the year		**490**	**307**	**619**
Other comprehensive income				
Items that cannot be restated in profit for the period				
Actuarial gains/losses pertaining to defined-benefit pension plans		53	228	72
Tax attributable to items that cannot be restated in profit		–11	–57	–18
Items that can later be restated in profit for the period				
Translation differences		–286	–2	1,014
Cash-flow hedges	22	–99	54	–128
Tax attributable to items that can be restated in profit		22	–12	28
Other comprehensive income for the period, net after tax		**–321**	**211**	**968**
Total comprehensive income for the period		**169**	**518**	**1,587**
Comprehensive income attributable to:				
Parent company's shareholders		169	518	1,587

Combined balance sheet

SEK M	Note	2016	2015	2014	2014-01-01
ASSETS					
Non-current assets					
Intangible assets	3, 4, 12	6,663	6,343	6,336	5,667
Tangible assets	3, 4, 12	1,110	1,656	1,658	1,496
Financial instruments, long-term	22	9	33	7	16
Non-current financial receivables, group companies	22	–	9	10	9
Non-current financial receivables		100	38	39	35
Deferred tax assets	9	207	231	332	363
Total non-current assets		**8,089**	**8,310**	**8,382**	**7,586**
Current assets					
Inventories	13	1,044	1,194	1,134	961
Accounts receivable	14	1,884	1,584	1,842	1,597
Current tax assets		115	69	54	22
Current receivables, group companies		393	220	102	104
Current financial receivables, group companies		1,397	1,477	1,622	1,563
Financial instruments, current	22	116	55	48	81
Other current receivables		78	133	107	155
Prepaid expenses and accrued income	15	151	167	162	139
Cash and cash equivalents		1,446	808	1,369	1,012
Total current assets		**6,624**	**5,707**	**6,440**	**5,634**
TOTAL ASSETS		**14,713**	**14,017**	**14,822**	**13,220**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	10	1	–	–	–
Other reserves		648	1,011	971	57
Retained earnings		10,009	9,216	9,631	9,239
Equity attributable to the Parent Company's share-holders		**10,658**	**10,227**	**10,602**	**9,296**
Non-current liabilities					
Non-current financial liabilities, group companies	22	1,361	475	357	348
Provisions for pensions, interest-bearing	18	36	98	328	361
Deferred tax liabilities	9	157	143	167	275
Other provisions	17	38	43	58	140
Total long-term liabilities		**1,592**	**759**	**910**	**1,124**
Current liabilities					
Other provisions, current	17	39	65	21	12
Current liabilities, group companies	22	546	384	572	373
Current financial liabilities, group companies	22	340	1,168	1,257	1,229
Advance payments from customers		11	7	13	8
Accounts payable	22	380	369	376	398
Current tax liabilities		36	19	47	83
Financial instruments, current	22	224	89	111	23
Other liabilities		244	225	192	123
Accrued expenses and deferred income	19	643	705	721	551
Total current liabilities		**2,463**	**3,031**	**3,310**	**2,800**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**14,713**	**14,017**	**14,822**	**13,220**

For information about pledged assets and contingent liabilities, see Note 20.

Combined changes in equity

SEK M	Share capital	Reserves[1]	Retained earnings	Total
Opening balance at January 1, 2014	**–**	**57**	**9,239**	**9,296**
Total comprehensive income for the period	–	914	673	1,587
Transactions with shareholders	–	–	–281	–281
Closing balance at December 31, 2014	**–**	**971**	**9,631**	**10,602**
Opening balance at January 1, 2015	**–**	**971**	**9,631**	**10,602**
Total comprehensive income for the period	–	40	478	518
Transactions with shareholders	–	–	–893	–893
Closing balance at December 31, 2015	**–**	**1,011**	**9,216**	**10,227**
Opening balance at January 1, 2016	**–**	**1,011**	**9,216**	**10,227**
Total comprehensive income for the period	–	–363	532	169
Formation of Parent Company	1	–	–	1
Transactions with shareholders	–	–	261	261
Closing balance at December 31, 2016	**1**	**648**	**10,009**	**10,658**

1) Reserves pertain to cash-flow hedges and translation differences.

Combined cash flow analysis

SEK M	Note	2016	2015	2014
Operating activities				
Operating profit (EBIT)		781	540	953
Add-back of amortization, depreciation and write-downs		755	681	635
Add-back of restructuring and integration costs[1)]		67	186	82
Paid restructuring and integration costs		–108	–166	–173
Other non-cash items	27	21	2	11
Financial items		–110	–115	–92
Taxes paid		–168	–162	–291
Cash flow before changes to working capital		**1,238**	**966**	**1,125**
Changes in working capital				
Inventories		–87	–78	–40
Current receivables		–345	115	6
Current liabilities		113	–192	–132
Cash flow from operating activities		**919**	**811**	**959**
Investing activities				
Acquired operations	21	–212	–	–
Net investments		–314	–516	–498
Cash flow from investing activities		**–526**	**–516**	**–498**
Financing activities				
Change in interest-bearing liabilities		–6	–17	–1
Change in non-current receivables		–47	–25	5
Transactions with shareholders		289	–808	–134
Cash flow from financing activities		**236**	**–850**	**–130**
Cash flow for the year		**629**	**–555**	**331**
Cash and cash equivalents at the beginning of the period		808	1,369	1,012
Cash flow for the year		629	–555	331
Translation differences		9	–6	26
Cash and cash equivalents at year-end	27	**1,446**	**808**	**1,369**

1) Excluding write-downs of non-current assets.

Notes

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

In view of the decision of the board of directors of Getinge AB on November 10 to propose that the extraordinary general meeting resolve to distribute Arjo AB (publ) (Arjo) through a so-called Lex Asea, these combined financial statements have been prepared for the purpose of compiling a prospectus, since Arjo's shares are to be admitted to trading on a regulated market.

The following combined financial statements for Arjo were prepared in accordance with International Financial Reporting Standards (IFRS)/International Accounting Standards (IAS), as approved by the EU, and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

The combined financial statements encompass the three fiscal years ending December 31, 2016, 2015 and 2014. Arjo applies the cost method to value its assets and liabilities, except as regards available-for-sale financial assets and financial assets and liabilities, including derivative instruments, at fair value through profit and loss, which are measured at cost either through profit and loss or other comprehensive income if they are hedging instruments attributable to cash-flow hedges. Additional information about the preparation of the combined financial statements is presented below.

The formation of the Arjo Group is a transaction under shared controlling influence (joint venture) and is not currently encompassed by any IFRSs, which means that an appropriate accounting policy is to be applied in accordance with IAS 8. An applicable and accepted method is using previous carrying amounts (predecessor basis), which is the policy that Arjo has decided to apply.

The financial statements have been prepared based on the financial information reported for the above-mentioned entities for the purposes of consolidation in Getinge AB (publ), which is Arjo's parent company. Accordingly, the financial statements are an aggregate of this financial information and are presented as if the entities had been a group from the point in time that they had been a part of Getinge Group. The accounting policies comply with the accounting policies presented in Getinge AB's consolidated financial statements for the 2016 fiscal year, as described below, and entail that the entities' assets and liabilities are presented at the carrying amounts for the highest level of the shared controlling influence (meaning Getinge AB) for the periods encompassed by this financial statement.

This financial statement is also Arjo's first financial statements that has been prepared in accordance with IFRS. Considering the above, IFRS 1 has no impact on the measurement of assets and liabilities. However, Arjo has decided in its presentation of the financial statements to apply the voluntary exemption in IFRS 1 to reset translation differences in the opening balance sheet for 2014 to zero.

Since not only legal entities were transferred in connection with the formation of the Arjo Group, the following considerations were made in the preparation of the financial statements, in addition to the policies used for determining which assets, liabilities, income, expenses and cash flows were to be included in the consolidated financial statements:

Allocation of income and expenses

A prerequisite for preparing combined financial statements is that income and expenses, and assets and liabilities, are based on items that can be identified. Getinge AB has applied internal cost allocations whereby central expenses, including IT and HR functions and other group staff function expenses, were debited to the respective units, which means that related expenses for Arjo have been included in the combined financial statements.

Remuneration of senior executives

No separate disclosures on remuneration of senior executives are presented since Arjo had appointed no management team during the period encompassed by these combined financial statements. No Board fees were paid either.

Pension commitments

The majority of the pension commitments and related plan assets were recognized by each legal entity in Arjo for all periods, and were calculated in accordance with the policies presented below. Pension commitments and the fair value for directly attributable plan assets for these pension commitments were recognized in the financial statements based on the calculated commitments in accordance with IAS 19. Pension commitments and assets for which consent for transfer is required from a government authority or another party were included. Costs and remeasurement effects related to these commitments are reflected in the financial statements.

Derivatives and hedge accounting

Arjo's commercial flows have been hedged in accordance with Getinge's finance policy via internal reporting for future flows, which in turn have been hedged by Getinge AB's treasury function. This function has handled all of Getinge Group's derivatives and hedging relationships regarding commercial flows and net investments. The derivatives and the hedge reserve attributable to Arjo regarding cash-flow hedges have been included in these financial statements. Since the derivatives have not been directly regulated, they are recognized as transactions with owners. Net investments were not hedged.

Financial expenses and capital structure

Financial expenses charged to the entities in Arjo are based on actual borrowing and interest expenses in relation to Getinge's central treasury function and any external borrowing in the individual entities. Arjo's historical capital structure has not reflected that of a separate, listed entity since it has primarily been financed internally. Arjo's definitive capital structure will be determined when Getinge distributes Arjo.

Income tax

As a result of Getinge being able to equalize tax between entities via group contributions and similar methods, the entities comprising Arjo have not historically been levied tax as if they were an independent group.

Accordingly, tax in these combined financial statements is recognized based on the taxable earnings of the entities and the Group's opportunities to equalize tax via, for example, group contributions. Tax equalization that has taken place between Arjo and other Getinge companies has been recognized as a transaction with owners.

Note 1 Basis of preparation and accounting policies, cont.

Earnings per share
The calculation of earnings per share in these financial statements is based on the average number of shares outstanding that are expected to exist when Arjo is distributed, which amounts to 272 369 573 million shares. This is deemed to be more relevant since the intention going forward is to reflect the share structure that will exist in Arjo due to the proposed distribution of the Company.

Elimination of transactions in Arjo
Receivables, liabilities, income, expenses, and unrealized gains and losses arising between entities in Arjo are eliminated in their entirety. Unrealized losses are eliminated in the same manner as unrealized gains, but only insofar as no impairment is required. Arjo has had many transactions with Getinge companies, and pricing complied with Getinge Group's transfer pricing policy. Arjo has chosen to recognize these transactions on separate rows in its balance sheet as current/non-current receivables/liabilities from/to group companies. For additional information on transactions between Arjo and Getinge, see Note 25 Transactions with related parties.

Significant events after the end of the fiscal year
Due to the potential impact of events after the closing date in accordance with IAS 10, the policy has been decided for the financial statements to only take into account such potential events in the most recent period presented, meaning the 2016 fiscal year. Accordingly, the 2015 and 2014 fiscal years are considered to have been completed.

Accounting and measurement policies

The basis for preparation of Arjo's combined financial statements is presented above.

The financial statements are presented in Swedish kronor (SEK). Unless otherwise stated, all amounts are given in millions of Swedish kronor (SEK M). Figures in parentheses pertain to operations in 2015 and 2014, unless otherwise specified. Amounts for each year are separated by a semi colon.

Significant estimates and assessments
To prepare the financial statements in accordance with IFRS, company management is required to make assessments and assumptions that affect the recognized amounts of assets and liabilities, other information provided in the financial statements and income and expenses recognized during the period. Estimates, assessments and assumptions are reviewed on a regular basis. The actual outcome may diverge from these assessments, estimates and assumptions. The board of directors and group management have deemed that the following areas may have a significant impact on Arjo's earnings and financial position:

Measurement of identifiable assets and liabilities in connection with acquisitions. In conjunction with acquisitions, all identifiable assets and liabilities in the acquired company are identified and measured at fair value, including the value of assets and liabilities in the previously owned share as well as the share attributable to non-controlling interests.

Goodwill and intangible assets with an indefinite useful life. The impairment requirement for goodwill and other intangible assets with an indefinite useful life is tested annually by Arjo in accordance with the accounting policy described here in Note 1. The recoverable amount for cash generating units has been established through the measurement of value in use. For these calculations, certain estimates must be made (see Note 12).

Pension commitments. Recognition of the expenses for defined-benefit pensions and other applicable retirement benefits is based on actuarial valuations, relying on assumptions for discount rates, future salary increases and expected inflation. In turn, the discount rate assumptions are based on rates for high-quality fixed-interest investments with durations similar to the pension plans (see Note 18).

Obsolescence reserve. Inventories are recognized at the lower of cost according to the first in/first out principle, and net realizable value. The value of inventories is adjusted for the estimated decrease in value attributable to products no longer sold, surplus inventories, physical damage, lead times for inventories, and handling and sales overheads. If the net realizable value is lower than the cost, a valuation reserve is established for inventory obsolescence (see Note 13).

Deferred tax. The measurement of loss carryforwards and the Company's ability to utilize unutilized loss carryforwards is based on the Company's assessments of future taxable income in various tax jurisdictions and includes assumptions regarding whether expenses that have not yet been subject to taxation are tax deductible. Deferred tax is recognized in profit and loss unless the deferred tax is attributable to items recognized in other comprehensive income, in which case the deferred tax is recognized together with the underlying transaction in other comprehensive income (see Note 9).

Subsidiaries
Subsidiaries are all companies (including structured entities) over which Arjo exercises a controlling influence. Arjo controls a company when it is exposed to or has the right to variability of returns from its holding in the company and can affect these returns through its influence over the company.

Foreign currencies
Functional currency. Transactions in foreign currencies are translated to the functional currency of the financial statements according to the exchange rate on the date of the transaction. Receivables and liabilities in foreign currencies are measured at the closing day rate, and unrealized currency gains and losses are included in profit and loss. Exchange-rate differences attributable to operating receivables and liabilities are recognized as other operating income (operating expenses). Exchange-rate differences regarding financial assets and liabilities are recognized under "*Other financial items*." When preparing the financial statements, the balance sheets of Arjo's foreign operations are translated from their functional currency to SEK, based on the closing day rate.

Translation of foreign operations. Arjo applies the current method for translation of foreign subsidiaries' balance sheets and income statements. This means that all assets and liabilities in subsidiaries are translated at the closing day rate, and all income statement items are translated at average annual exchange rates. Translation differences arising in this context are due to the difference between the income statement's average exchange rates and closing day rates, and to the net assets being translated at a different

Note 1 Basis of preparation and accounting policies, cont.

exchange rate at year-end than at the beginning of the year. Translation differences are recognized under other comprehensive income. The total translation differences in conjunction with divestments are recognized together with the gain/loss arising from the transaction.

Revenue recognition

Sales include products, services and leasing, excluding indirect sales tax and discounts provided. Income is recognized when essentially all risks and rights connected with ownership have been transferred to the buyer. This usually occurs in connection with delivery, after the price has been determined and collection of the receivable is appropriately secured. If delivery of finished products is postponed at the buyer's request, but the buyer assumes the proprietary rights and accepts the invoice (a "bill and hold" sale), income is recognized when the proprietary rights are transferred. Income is normally recognized once the buyer has accepted delivery and after installation and final inspection. However, income is recognized immediately after delivery if the installation and final inspection are of a simple nature, and after establishing provisions for estimated residual expenses. Income recognition for services takes place as and when the services are performed. Income from leasing is allocated to a particular period over the term of the lease. Interest income is recognized continuously and dividends received are recognized after the right to the dividend is deemed secure. Internal sales are eliminated from the financial statements. For larger assignments extending over more than one accounting period, where the outcome can be measured in a reliable manner, income and expenses are recognized in relation to the degree of completion of the assignment on the closing date. The degree of completion of an assignment is established in a ratio between accrued assignment costs for work completed on the closing date and the calculated total assignment costs, except in those instances this does not correspond to the degree of completion. Changes in the scope and claims of the assignment are included only if there is an agreement with the customer. When the outcome of an assignment cannot be calculated in a reliable manner, only the amount corresponding to the accrued assignment costs that will probably be paid by the client is recognized as revenue. Other accrued assignment costs are recognized as costs in the period in which they occur. If it is probable that the total amount of accrued assignment costs will exceed total revenue from the assignment, the expected loss is promptly recognized as a cost in its entirety.

Government grants

Government grants are measured at fair value when it is probable that the terms associated with the grants will be met and that the grants will be received. Government grants relating to costs are recognized in profit and loss. The income is recognized in the same period as the cost that the grants are intended to compensate. Government grants relating to the acquisition of assets reduce the assets' carrying amounts. Grants affect recognized earnings over the assets' useful life by reducing depreciation.

Financial income and expenses

Financial income and expenses include interest income on bank deposits and receivables, interest expenses on loans, income from dividends, unrealized and realized profits and losses on financial investments, exchange-rate differences, and the change in value of derivative instruments used in financial activities. Borrowing costs in conjunction with the raising of loans are recognized as part of the loan to which they pertain and are charged to profit during the term of the loan.

Intangible assets

Goodwill. Goodwill comprises the portion of a purchase price for an acquisition that exceeds the market value of the identifiable assets, with deductions for liabilities and contingent liabilities, calculated on the acquisition date, on the share of the acquired company's assets acquired by Arjo. In a business acquisition whereby the acquisition costs are less than the net value of acquired assets, assumed liabilities and contingent liabilities, the difference is recognized directly in profit and loss. Goodwill arising in conjunction with the acquisition of a foreign entity is treated as an asset in the foreign entity and translated at the exchange rate on the closing date. An impairment test of goodwill is conducted at least once per year or more often if there is an indication that there could have been a decrease in value. Impairment of goodwill is recognized in profit and loss. The gain or loss in connection with the divestment of an entity includes the residual carrying amount of goodwill that pertains to the divested unit.

Other intangible assets. Other intangible assets comprise capitalized development costs, customer relationships, technical know-how, trademarks, agreements and other assets. Intangible assets are recognized at cost with deductions for accumulated amortization and any impairment losses. Amortization is applied proportionally over the asset's anticipated useful life, which usually varies between 3 and 15 years. Acquired intangible assets are recognized separately from goodwill if they fulfill the criteria for qualifying as an asset, implying they can be separated or they are based on contractual or other legal rights and that their market value can be established in a reliable manner. Intangible assets that are recognized separately from goodwill in the context of acquisitions of operations include customer relationships, technical know-how, trademarks, agreements, etc. Acquired intangible assets are measured at market value and amortized on a straight-line basis over their anticipated useful life. The useful life can, in certain cases, be indefinite. These intangible assets are not amortized. Instead they are subject to an impairment test at least every year or more often if there is an indication that there could have been a decrease in value. Costs for development, whereby research results or other knowledge is applied to produce new products, are recognized as an asset in the balance sheet to the extent that these products are expected to generate future financial benefits. These costs are capitalized when management deems that the product is technically and financially viable, which is usually when a product-development project has reached a defined milestone in accordance with an established project model. The capitalized value includes expenses for material, direct expenses for salaries and indirect expenses that can be assigned to the asset in a reasonable and consistent manner. In other cases, development costs are expensed as they arise. Research costs are charged to earnings as they arise. Capitalized expenses are amortized on a straight-line basis from the point in time at which the asset is put into commercial operation and during the asset's estimated useful life. The amortization period is between three and 15 years.

Note 1 Basis of preparation and accounting policies, cont.

Tangible assets

Properties, machinery, equipment and other tangible assets are recognized at cost, with deductions for accumulated depreciation and any impairment losses. The cost includes the purchase price and expenses directly attributable to the asset to bring the asset to the site and in the working condition for its intended use. Examples of directly attributable expenses included in the cost are delivery and handling costs, installation, legal services and consultancy services. Assets provided to the Company in conjunction with the acquisition of new subsidiaries are recognized at market value on the acquisition date. Depreciation is conducted straight line. The value in the balance sheet represents the acquisition cost with deduction for accumulated depreciation and any impairment losses. Land is not depreciated since it is deemed to have an infinite economic life. However, the depreciation of other assets is based on the following anticipated useful lives:

Class of assets	Depreciation, number of years
Land	40 – 50
Buildings	10 – 50
Machinery	5 – 25
Equipment	10
Production tools	5
Equipment for rental	5
Cars	4
Computer equipment	3

Tangible assets comprising parts with different useful lives are treated as separate components of tangible assets. Standard maintenance and repair costs are expensed during the periods in which they arise. More extensive repair and upgrading costs are capitalized and depreciated over the item's remaining anticipated useful life. Capital gains/losses are recognized under "*Other operating income/expenses*".

Leasing. Arjo as a lessee

Financial leases. Arjo has no material financial leases as a lessee.

Operating leases. Leasing of assets whereby the lessor essentially remains the owner of the asset is classified as operating leases, and payments made according to operating lease contracts or rental agreements are expensed proportionally during the lease or rental period, respectively. Any compensation, according to agreement, that the lessee is obliged to pay to the lessor if the leasing contract is terminated prematurely is expensed during the period in which the contract is terminated.

Leasing. Arjo as lessor

Leasing agreements are defined in two categories, operational and financial, depending on the financial significance of the agreement. Operating lease agreements are recognized as non-current assets. Income from operating leases is recognized evenly over the lease period. Straight-line depreciation is applied to these assets in accordance with the undertakings and the depreciation amount is adjusted to correspond with the estimated realizable value when the undertaking expires. The estimated impairment requirement is immediately charged to profit and loss. The products' estimated realizable value at the expiration of the undertaking is continuously followed up on an individual basis. Financial lease agreements are recognized as non-current and current receivables. Payments received from financial leasing agreements are divided between interest income and amortization of receivables.

Impairment

At the end of each accounting period, the carrying amount of the assets is assessed to determine whether there is any indication that impairment is required. If there is such an indication, the asset's recoverable amount is established. The recoverable amount is deemed to be the higher of the asset's net realizable value and its value in use, for which the impairment loss is recognized as soon as the carrying amount exceeds the recoverable amount. Previously recognized impairment on other intangible assets and tangible assets are reversed if the recoverable amount is deemed to have increased, although the impairment is not reversed to an amount greater than what the carrying amount would have been if no impairment had been recognized in earlier years. Recognized impairment of goodwill is not reversed.

Inventories

Inventories are measured at the lower of cost and production value, according to the FIFO principle, and net realizable value. Inventories include a share of indirect costs related to this. The value of finished products includes raw materials, direct work, other direct costs and production-related expenses including depreciation. The net realizable value is calculated as the estimated sales price less estimated completion and selling expenses. An assessment of obsolescence in inventories is conducted on an ongoing basis during the year. The value of inventories is adjusted for the estimated decrease in value attributable to products no longer sold, surplus inventories, physical damage, lead times for inventories, and handling and sales overheads. If the net realizable value is lower than the cost, a valuation reserve is established for inventory obsolescence.

Financial instruments

A financial asset or financial liability is recognized in the balance sheet when the Company is party to the contractual conditions of the instrument. A financial asset is derecognized from the balance sheet when the contractual rights to the asset are realized, extinguished or the Company loses control over them. A financial liability is derecognized from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. Acquisitions and sales of financial assets are recognized on the transaction date, which is the date on which the Company commits to acquire or sell the assets, apart from cases in which the Company acquires or sells listed securities, when liquidity-date reporting is applied.

Financial instruments are recognized at amortized cost or fair value, depending on the initial classification according to IAS 39 (see page F-48–F-49). At the end of each accounting period, the Company assesses whether there are objective indications that a financial asset or group of financial assets requires impairment.

Further information about financial instruments can be found in Note 14 Accounts receivable and Note 22 Financial risk management.

Financial assets measured at fair value in profit and loss. Financial assets in this category comprise derivatives. They are included in current assets if they are expected to be settled within 12 months of the end of the reporting period, otherwise, they are classified as non-current assets. All derivatives are measured at fair value in the balance sheet.

Note 1 Basis of preparation and accounting policies, cont.

Changes in fair value are recognized as a component of other comprehensive income insofar as they are part of a hedging relationship that qualifies as hedge accounting. They are reversed to profit and loss when the hedged transaction occurs, at which point they are recognized as part of gross profit.

Loan receivables and accounts receivable. Assets in this category comprise non-current financial receivables, accounts receivable and other current receivables. They are included in current assets with the exception of items that fall due more than 12 months after the end of the reporting period, which are classified as non-current assets. Assets in this category are initially measured at fair value including transaction costs.

After the acquisition date, they are recognized at amortized cost using the effective interest method. Accounts receivable are recognized in the amounts that are expected to be received after deductions for doubtful receivables, which are assessed on a case-by-case basis. The expected term of accounts receivable is short, which is why amounts are recognized at nominal values without discounting.

Any impairment of accounts receivable is recognized in operating expenses.

Cash and cash equivalents. The major portion of cash and cash equivalents comprises cash funds held at financial institutions, and only a minor portion comprises current liquid investments with a term from the acquisition date of less than three months, which are exposed to only an insignificant risk of value fluctuations. Cash and cash equivalents are recognized at nominal amounts, which are equivalent to fair value.

Other financial liabilities. This category includes liabilities to Getinge's group companies, accounts payable and other current liabilities. Non-current liabilities have an expected term longer than one year while current liabilities have a term of less than one year. Items in this category are initially measured at fair value and in the subsequent periods at amortized cost using the effective interest method.

Hedge accounting. For derivative instruments or other financial instruments that meet hedge-accounting requirements under the cash-flow hedging method, the effective component of the value change is recognized in other comprehensive income. Accumulated value changes from cash-flow hedges are reversed from shareholders' equity to profit and loss at the same time as the hedged item impacts profit and loss. The effect of the hedge is recognized on the same line as the hedged item.

Fair value. The fair value of derivative instruments was calculated using the most reliable market prices available. This requires all instruments that are traded in an effective market, such as currency forward contracts, to be measured at marked-to-market prices. Arjo has no instruments for which no reliable prices were available in the market. Translation to SEK is conducted at the closing day rate. Additional information can be found in Note 22 Financial risk management.

Remuneration of employees

Recognition of pensions. Arjo has both defined-contribution and defined-benefit pension plans, of which some have assets in special funds or similar securities. The plans are usually financed by payments from the respective group companies and the employees. Arjo's Swedish companies are generally covered by the ITP plan, which does not require any payments from employees.

Defined-benefit plans. Pension expenses for defined-benefit plans are calculated using the Projected Unit Credit Method in a manner that distributes expenses over the employee's working life. The calculation is performed annually by independent actuaries. These commitments are measured at the present value of expected future payments, with consideration for calculated future salary increases, utilizing a discount rate corresponding to the interest rate of first-class company or government bonds with a remaining term that is almost equivalent to the actual commitments. Arjo's net liabilities for each defined-benefit plan (which is also recognized in the balance sheet), comprises the present value of the obligation less the fair value of the plan assets. If the value of the plan assets exceeds the value of the obligation, a surplus arises, which is recognized as an asset. The recognized asset value is limited to the total of costs related to services rendered during previous periods and the present value of future repayments from the plan, or reductions in future contributions to the plan. The actuarial assumptions constitute the Company's best assessment of the different variables that determine the costs of providing the benefits. When actuarial assumptions are used, the actual results could differ from the estimated results, and actuarial assumptions change from one period to another. These differences are recognized as actuarial gains and losses. Actuarial gains and losses are recognized in other comprehensive income for the period in which they are incurred.

Costs for defined-benefit pension plans in profit and loss comprise the total costs for service during the current and earlier years, interest on commitments and the expected return on plan assets. Costs for service during the current period and previous periods are recognized as employee costs. The interest component of pension expenses is recognized under financial expenses.

Defined-contribution plans. Defined-contribution plans are plans in which the Company pays fixed fees to a separate legal entity and does not have any legal or informal obligation to pay additional fees. Arjo's payments for defined-contribution plans are recognized as expenses during the period in which the employees perform the services that the fee covers. The part of the Swedish ITP plan concerning family pension, disability pension, and employment group life insurance financed by insurance with Alecta is a defined-benefit pension multi-employer plan. For this pension scheme, according to IAS 19, a company is primarily to recognize its proportionate share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension plan. The financial statements are also to include disclosures required for defined-benefit pension plans. Alecta is currently unable to provide the necessary information and therefore the above pension plans are recognized as defined-contribution plans in accordance with item 30 of IAS 19. This means that premiums paid to Alecta will also be recognized on an ongoing basis as expenses in the period to which they pertain.

Provisions

Provisions are recognized when Arjo has a legal or informal obligation as a result of past events and it is probable that payment will be required to fulfill the commitment and if a reliable estimation can be made of the amount to be paid. Pensions, deferred tax liabilities, restructuring measures, guarantee commitments and similar items are recognized as

Note 1 Basis of preparation and accounting policies, cont.

provisions in the balance sheet. Provisions are reviewed at the end of each accounting period.

Contingent liabilities
Contingent liabilities are commitments not recognized as liabilities/provisions either because it is not certain that an outflow of resources will be required to regulate the commitment or because it is not possible to make a reliable estimate of the amount.

Income tax
Arjo's income tax includes taxes on group companies' profits recognized during the accounting period and tax adjustments attributable to earlier periods and changes in deferred taxes. Measurement of all tax liabilities/receivables is conducted at nominal amounts and in accordance with enacted tax regulations and tax rates or those that have been announced and will almost certainly be adopted.

Tax is recognized directly in shareholders' equity if the tax is attributable to items that are recognized directly in shareholders' equity. Deferred tax is calculated to correspond to the tax effect arising when final tax is determined. Deferred tax corresponds to the net effect of tax on all existing differences between fiscal and carrying amounts of assets and liabilities by applying applicable tax rates. Temporary differences primarily arise from the depreciation of properties, machinery and equipment, the market valuations of identifiable assets, liabilities and contingent liabilities in acquired companies, the market valuation of investments classified as available-for-sale and financial derivatives, gains from intragroup inventory transactions, untaxed reserves and tax loss carryforwards, of which the latter is recognized as an asset only to the extent that it is probable that these loss carryforwards will be matched by future taxable profits. Deferred tax liabilities pertaining to temporary differences that are attributable to investments in subsidiaries and affiliates are not recognized, since the parent company, in each instance, can control the point in time of reversal of the temporary differences and a reversal in the foreseeable future has been deemed improbable.

Segment reporting
Arjo's operations comprise one operating segment, which is why no operating segment information is provided under IFRS 8, except for the disclosures provided in Note 3. The reporting of operating segments corresponds to the internal reporting submitted to the chief operating decision maker. This function in Arjo was identified as the CEO.

Cash-flow statement
Cash-flow statements are prepared in accordance with IAS 7 Statement of Cash Flows, indirect method. The cash flows of foreign group companies are translated at average exchange rates. Changes in the Group structure, acquisitions and divestments are recognized net, excluding cash and cash equivalents, under "*Acquired operations*" and "*Divested operations*" and are included in cash flow from investing activities.

Dividend
Dividends proposed by the board of directors are not deducted from distributable earnings until the dividend has been approved by the annual general meeting.

Alternative performance measures
Alternative performance measures are presented in this Prospectus to monitor Arjo's operations, the primary measures being adjusted EBITDA, cash conversion and net debt/equity ratio. Definitions and reconciliations of the alternative performance measures are presented on page 83–88.

New accounting policies applied by Arjo in 2016
No standards, amendments or interpretations effective from the fiscal year beginning on January 1, 2016 had a material impact on Arjo's financial statements.

New and revised standards and interpretations that have not yet come into effect
A number of new standards and interpretations will come into effect for fiscal years beginning on January 1, 2016 and were not applied when preparing these financial statements. None of these are expected to have any material impact on Arjo's financial statements with the exception of the following:

IFRS 9 Financial instruments
IFRS 9 Financial Instruments will come into effect for the fiscal year beginning on January 1, 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new rules on, for example, the classification and measurement of financial instruments, impairment of financial instruments, and hedge accounting. The standard has been adopted by the EU.

Arjo has initiated work to evaluate the effect of introducing the standard. No new rules on the classification and measurement of material financial instruments, in the form of accounts receivable, accounts payable, liabilities to credit institutions and receivables and liabilities to group companies, in the financial statements are expected. All above-mentioned material items are recognized at amortized cost and will continue to be recognized according to this approach under IFRS 9.

The preliminary assessment of impairment is that reserves for expected losses could be changed even though they have not yet been quantified. Given the fact that the Group's customers have high credit ratings and confirmed customer losses have historically been low, it has been assessed that the rules on impairment will not have a material impact on the Group's financial position.

Hedge accounting is applied to currency forward contracts held for managing currency exposure that arises during operations. The introduction of the new standard is not deemed to entail any changes to existing accounting policies for such hedges, which is why Arjo's financial position will not be impacted.

Arjo is also working on analyzing the additional information that might be required to meet the disclosure requirements of IFRS 7.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 introduces new requirements for income recognition and replaces IAS 18 Revenue, IAS 11 Construction Contracts and several IFRS income-related interpretations. IFRS 15 is applicable to fiscal years beginning on or after January 1, 2018. The standard provides more detailed guidance in many areas that were not previously described in applicable IFRS, for example, recognizing contracts with multiple performance obligations, variable consideration and whether or not income is to be recognized over time. The standard has been adopted by the EU.

Work on evaluating the standard has been initiated and the analysis indicates that the current income recognition policies are compatible with IFRS 15. Accordingly, Arjo's assessment is that the standard will not have any material

Note 1 Basis of preparation and accounting policies, cont.

impact on the financial statements. Parts of Arjo's income flows pertain to rental income that is not encompassed by IFRS 15 and thus will not be impacted by the introduction of the standard.

IFRS 15 will entail new disclosure requirements and Arjo recently initiated work to identify the information that will need to be collected from companies in the Group to meet these requirements.

IFRS 16 Leases

IFRS 16 Leases comes into effect for the fiscal year beginning on January 1, 2019. The standard has not yet been adopted by the EU. The amendment compared with the current IAS 17 Leases is that all contracts in which the Group is the lessee are to be recognized in the balance sheet as an asset and a liability, except for short-term leases or leases where the underlying asset has a low value. The standard does not entail any material change for the lessor.

Arjo has commenced work to analyze the effect that IFRS 16 will have on the consolidated financial statements. Arjo will review all of its contracts to determine whether there are additional contracts that will now be considered to be leases under the new definition in IFRS 16, and to verify the lease terms. This will subsequently be quantified and recognized in the Company's balance sheet. Commitments that exist regarding operating leases are described in Note 16.

Arjo has not yet decided which transition rule to apply.

Arjo will also analyze additional disclosure requirements and the impact this will have on the information that need to be collected.

NOTE 2 NET SALES PER REVENUE CLASSIFICATION

SEK M	2016	2015	2014
Product sales, capital goods	**3,100**	**3,347**	**3,173**
Recurring revenue			
Product sales	1,328	1,309	1,097
Spare parts	663	553	486
Service assignments	769	904	845
Leasing	1,948	2,002	1,967
Total recurring revenue	**4,708**	**4,768**	**4,395**
Total	**7,808**	**8,115**	**7,568**

NOTE 3 SEGMENT REPORTING

Arjo's operations comprise one operating segment. Net sales, intangible assets and tangible assets are presented below for the segment by geographic area. Net sales are based on the customer's domicile and assets are based on the domicile of the Arjo company. The Group has no single customer that accounts for 10% or more of the Group's sales.

	Net sales			Intangible assets and tangible assets		
SEK M	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
North America	**2,905**	**2,957**	**2,700**	**1,806**	**1,580**	**1,560**
of which, US	*2,331*	*2,377*	*2,129*	*1,201*	*1,020*	*991*
Western Europe	**3,759**	**3,873**	**3,731**	**5,376**	**5,873**	**5,989**
of which, UK	*1,116*	*1,263*	*1,148*	*4,537*	*5,089*	*5,205*
of which, Sweden	*78*	*61*	*72*	*149*	*157*	*125*
Rest of the World	**1,144**	**1,285**	**1,137**	**591**	**546**	**445**
Total	**7,808**	**8,115**	**7,568**	**7,773**	**7,999**	**7,994**

NOTE 4 COSTS BY COST CATEGORY

Costs by cost category, SEK M	2016	2015	2014
Salaries and remuneration	–2,185	–2,111	–1,976
Social security expenses	–294	–283	–289
Pension expenses	–109	–113	–119
Amortization and impairment of intangible assets	–366	–193	–184
Depreciation and impairment of tangible assets	–389	–488	–451
Goods and services	–3,726	–4,255	–3,551
Total	**–7,069**	**–7,443**	**–6,570**

Depreciation/amortization and impairment, SEK M	2016	2015	2014
Cost of goods sold	–403	–378	–351
Selling expenses	–135	–141	–131
Administrative expenses	–126	–156	–150
Research and development costs	–3	–6	–3
Restructuring and integration costs	–88	–	–
Total	**–755**	**–681**	**–635**

NOTE 5 AUDITING

Fee to PwC, SEK M	2016	2015	2014
Fee and expense reimbursement:			
Auditing assignments	–7	–7	–6
Auditing activities other than auditing assignments	–1	–1	0
Tax consultancy services	–2	–1	0
Other services	–1	–2	–2
Total	**–11**	**–11**	**–8**

Öhrlings PricewaterhouseCoopers AB (PwC) is the entire Group's auditor. Auditing assignments refer to statutory auditing, meaning assignments required to issue the auditor's report. Auditing activities other than auditing assignments include the review of interim reports and services in conjunction with the issuance of certificates and audit certificates. Tax consultancy services primarily pertain to general tax matters concerning corporate tax. Other services pertain to consultancy regarding financial accounting, internal control and services in conjunction with acquisitions.

NOTE 6 EXCHANGE-RATE GAINS AND LOSSES, NET

Exchange-rate differences were recognized in profit and loss as follows, SEK M	2016	2015	2014
Other operating income and expenses	–2	9	1
Financial items	3	–1	–
Total	**1**	**8**	**1**

NOTE 7 INTEREST INCOME AND OTHER SIMILAR ITEMS

SEK M	2016	2015	2014
Interest income	4	4	2
Currency gains	3	–	–
Other	–	1	3
Total	**7**	**5**	**5**

NOTE 8 INTEREST EXPENSES AND OTHER SIMILAR EXPENSES

SEK M	2016	2015	2014
Interest expenses	–115	–117	–95
Currency losses	–	–1	–
Other	–2	–2	–2
Total	**–117**	**–120**	**–97**

NOTE 9 TAX

Tax, SEK M	2016	2015	2014
Current tax	–129	–108	–225
Deferred tax	–52	–10	–17
Total	**–181**	**–118**	**–242**

The relationship between the year's tax expense and the recognized profit before tax, SEK M	2016	2015	2014
Recognized profit before tax	671	425	861
Tax according to current tax rate in Sweden (22%)	–148	–93	–189
Adjustment for tax rates in foreign subsidiaries	–24	–38	–58
Adjustment of tax expenses from earlier years	2	–3	2
Tax effect of non-deductible costs	–30	–26	–17
Tax effect of non-taxable income	45	40	21
Utilized loss carryforwards not previously capitalized	–	3	–
Changed value of temporary differences	–21	–	–
Other	–5	–1	–1
Recognized tax expense	**–181**	**–118**	**–242**

Deferred tax assets relate to the following temporary differences and loss carryforwards, SEK M	2016	2015	2014
Deferred tax assets relating to:			
Non-current assets	91	104	112
Financial receivables and derivatives	22	28	28
Current assets	58	52	75
Provisions	44	55	62
Loss carryforwards	14	4	9
Other	44	82	93
Offset	–66	–94	–47
Deferred tax assets	**207**	**231**	**332**

Deferred tax liabilities relate to the following temporary differences, SEK M	2016	2015	2014
Deferred tax liabilities relating to:			
Non-current assets	–192	–201	–195
Financial receivables and derivatives	–	–28	–16
Current assets	–1	–	–
Provisions	–2	–1	–2
Other	–28	–7	–1
Offset	66	94	47
Deferred tax liabilities	**–157**	**–143**	**–167**

Note 9 Tax, cont.

Maturity structure for loss carryforwards, SEK M	2016	2015	2014
Due within 1 year	–	–	–
Due within 2 years	–	–	–
Due within 3 years	–	–	–
Due within 4 years	–	–	–
Due within 5 years	–	–	–
Due in more than 5 years	–	–	–
No due date	53	15	34
Total	**53**	**15**	**34**

NOTE 10 SHARE CAPITAL

The registered share capital of the future parent company of the Group, Arjo AB (publ), amounted to SEK 500,000 on December 31, 2016, distributed over 500,000 shares (no change since the formation of the new company on December 20, 2016) with a quotient value of SEK 1 per share. According to the articles of association applicable on December 31, 2016, the number of shares shall be not fewer than 500,000 and not more than 2,000,000, and the share capital shall not be less than SEK 500,000 and not more than SEK 2,000,000.

NOTE 11 EARNINGS PER SHARE

Earnings per share, before and after dilution, amounted to SEK 1.80 (1.13; 2.27).

The calculation of earnings per share relating to the parent company shareholders is based on the following information:

Earnings (numerator), SEK M	2016	2015	2014
Earnings relating to the parent company shareholders, which form the basis for calculation of earnings per share	490	307	619

Number of shares (denominator)	2016	2015	2014
Weighted average number of ordinary shares for calculation of earnings per share	272,369,573	272,369,573	272,369,573

The calculation of earnings per share is based on the average number of shares outstanding that are expected to exist when Arjo is distributed. This is deemed to be more relevant since the intention going forward is to reflect the share structure that will exist in Arjo due to the proposed distribution of the Group.

NOTE 12 INTANGIBLE ASSETS AND TANGIBLE ASSETS

INTANGIBLE ASSETS 2016, SEK M	Goodwill	Brands	Capitalized development costs	Customer relation-ships	Intangible assets, Other[1]
Cost, Jan 1, 2016	**5,150**	**820**	**756**	**826**	**286**
Investments	–	–	68	–	68
Acquisitions	162	–	–	39	–
Reclassifications	–	–	–118	–	991
Translation differences	–212	–69	–42	–5	–35
Accumulated cost, Dec 31, 2016	**5,100**	**751**	**664**	**860**	**1,310**
Amortization and impairment, Jan 1, 2016	**–143**	**–346**	**–283**	**–449**	**–274**
Amortization for the year	–	–45	–64	–56	–113
Impairment	–	–	–	–	–88
Reclassifications	–	–	22	–	–287
Translation differences	10	34	17	22	21
Accumulated amortization and impairment, Dec 31, 2016	**–133**	**–357**	**–308**	**–483**	**–741**
Closing carrying amount, Dec 31, 2016	**4,967**	**394**	**356**	**377**	**569**

1) Some IT-related tangible assets were reclassified to intangible assets during the year. Figures for 2015 and 2014 were not restated.

Note 12 Intangible assets and tangible assets, cont.

INTANGIBLE ASSETS 2015, SEK M	Goodwill	Brands	Capitalized development costs	Customer relation-ships	Intangible assets, Other
Cost, Jan 1, 2015	**5,084**	**809**	**526**	**816**	**465**
Investments	–	–	102	–	1
Sales/Disposals	–	–	–18	–	–37
Reclassifications	–	–	163	–	–163
Translation differences	66	11	–17	10	20
Accumulated cost, Dec 31, 2015	**5,150**	**820**	**756**	**826**	**286**
Amortization and impairment, Jan 1, 2015	**–139**	**–292**	**–216**	**–392**	**–325**
Amortization for the year	–	–49	–69	–53	–22
Sales/Disposals	–	–	18	–	37
Reclassifications	–	–	–23	–	23
Translation differences	–4	–5	7	–4	13
Accumulated amortization and impairment, Dec 31, 2015	**–143**	**–346**	**–283**	**–449**	**–274**
Closing carrying amount, Dec 31, 2015	**5,007**	**474**	**473**	**377**	**12**

INTANGIBLE ASSETS 2014, SEK M	Goodwill	Brands	Capitalized development costs	Customer relation-ships	Intangible assets, Other
Cost, Jan 1, 2014	**4,510**	**713**	**378**	**719**	**413**
Investments	–	–	125	–	1
Sales/Disposals	–	–	–17	–	–
Translation differences	574	96	40	97	51
Accumulated cost, Dec 31, 2014	**5,084**	**809**	**526**	**816**	**465**
Amortization and impairment, Jan 1, 2014	**–135**	**–215**	**–171**	**–301**	**–244**
Amortization for the year	–	–43	–44	–48	–49
Sales/Disposals	–	–	17	–	–
Translation differences	–4	–34	–18	–43	–32
Accumulated amortization and impairment, Dec 31, 2014	**–139**	**–292**	**–216**	**–392**	**–325**
Closing carrying amount, Dec 31, 2014	**4,945**	**517**	**310**	**424**	**140**

Note 12 Intangible assets and tangible assets, cont.

TANGIBLE ASSETS 2016, SEK M	Buildings and land[1]	Plant and machinery	Equipment, tools, fixtures and fittings[2]	Equipment for leasing	Construction in progress
Cost, Jan 1, 2016	**369**	**206**	**1,608**	**3,873**	**13**
Investments	2	7	28	128	24
Acquisitions	–	15	13	12	–
Sales/Disposals	–1	–2	–19	–396	–1
Reclassifications	4	–1	–837	258	–9
Translation differences	5	4	–40	159	–
Accumulated cost, Dec 31, 2016	**379**	**229**	**753**	**4,034**	**27**
Deprecation and impairment, Jan 1, 2016	**–117**	**–152**	**–774**	**–3,370**	**–**
Depreciation for the year	–14	–16	–74	–285	–
Acquisitions	–	–1	–6	–	–
Sales/Disposals	1	1	15	370	–
Reclassifications	–	–	252	–16	–
Translation differences	–2	–2	1	–123	–
Accumulated depreciation and impairment, Dec 31, 2016	**–132**	**–170**	**–586**	**–3,424**	**–**
Closing carrying amount, Dec 31, 2016	**247**	**59**	**167**	**610**	**27**

1. Of which, land amounted to SEK 18 M in 2016
2. Some IT-related tangible assets were reclassified to intangible assets during the year. Figures for 2015 and 2014 were not restated.

TANGIBLE ASSETS 2015, SEK M	Buildings and land[1]	Plant and machinery	Equipment, tools, fixtures and fittings[2]	Equipment for leasing	Construction in progress
Cost, Jan 1, 2015	**327**	**192**	**1,500**	**4,036**	**66**
Investments	2	11	145	302	8
Sales/Disposals	–5	–22	–60	–539	–
Reclassifications	23	29	9	33	–61
Translation differences	22	–4	14	41	–
Accumulated cost Dec 31, 2015	**369**	**206**	**1,608**	**3,873**	**13**
Deprecation and impairment, Jan 1, 2015	**–102**	**–146**	**–633**	**–3,582**	**–**
Depreciation for the year	–19	–14	–175	–280	–
Sales/Disposals	5	5	35	524	–
Translation differences	–1	3	–1	–32	–
Accumulated depreciation and impairment, Dec 31, 2015	**–117**	**–152**	**–774**	**–3,370**	**–**
Closing carrying amount, Dec 31, 2015	**252**	**54**	**834**	**503**	**13**

1. Of which, land amounted to SEK 19 M in 2015.

Note 12 Intangible assets and tangible assets, cont.

TANGIBLE ASSETS 2014, SEK M	Buildings and land[1]	Plant and machinery	Equipment, tools, fixtures and fittings	Equipment for leasing	Construction in progress
Cost, Jan 1, 2014	**527**	**310**	**1,139**	**3,419**	**58**
Investments	1	9	242	226	26
Sales/Disposals	-258	-152	-40	-108	-7
Reclassifications	7	5	–	11	-12
Translation differences	50	20	159	488	1
Accumulated cost Dec 31, 2014	**327**	**192**	**1,500**	**4,036**	**66**
Deprecation and impairment, Jan 1, 2014	**-235**	**-249**	**-473**	**-3,000**	**–**
Depreciation for the year	-12	-18	-148	-273	–
Sales/Disposals	162	134	40	86	–
Translation differences	-17	-13	-52	-395	–
Accumulated depreciation and impairment, Dec 31, 2014	**-102**	**-146**	**-633**	**-3,582**	**–**
Closing carrying amount, Dec 31, 2014	**225**	**46**	**867**	**454**	**66**

1. Of which, land amounted to SEK 26 M in 2014.

Impairment testing

Goodwill and intangible assets with an indefinite useful life, SEK M	2016	2015	2014
Arjo	**5,012**	5,047	4,990

Arjo has one cash generating unit and, accordingly, goodwill and intangible assets with an indefinite useful life are tested for impairment based on the Group's total amount.

Goodwill and other net assets were first tested for impairment in 2016, and will subsequently be tested annually and whenever conditions indicate that impairment may be necessary. The recoverable amount for the cash generating unit is based on the calculated value in use. The operating segment, corresponding to Arjo in its entirety, was tested for impairment, and it is at this level that goodwill is monitored.

Assumptions

The value in use of goodwill and other net assets attributable to Arjo was calculated based on discounted cash flows. A discount rate of 9.9% before tax was applied when calculating the value in use. Arjo bases the calculation on attained earnings, forecasts, business plans, financial forecasts and market data. Cash flow for the first four years is based on a strategic plan established by group management. Future cash flow has then been assumed to have a growth rate corresponding to 2%. This growth rate is based on the going concern assumption and does not exceed long-term growth for the industry as a whole. With the assumptions described above, value in use exceeds the carrying value for all cash generating units

Sensitivity analysis

Sensitivity analyses of changes in growth rates and the discount rate, which have a significant impact on the calculation of the discounted cash flows, were performed in connection with impairment testing. The sensitivity analyses revealed that the negative changes below would not individually lead to an impairment requirement.

- Growth rate after year four decreases to 1%.
- Discount rate before tax increases by 1 percentage point to 10.9%.

Intangible assets

There are a limited number of intangible assets, in the form of trademarks with a carrying amount of SEK 45 M (40; 45), for which the useful life has been assessed as indefinite. For these trademarks, there is no foreseeable limit for the time period during which the trademarks are expected to generate net revenue for Arjo. The useful life for other intangible assets is three to 15 years. For strategic acquisitions, the useful life exceeds five years.

NOTE 13 INVENTORIES

SEK M	2016	2015	2014
Raw materials	244	387	361
Work in progress	21	9	15
Finished products	779	798	758
Total	**1,044**	**1,194**	**1,134**

Of inventories, SEK 976 M (1,163; 1,093) was measured at cost and SEK 67 M (31; 41) at net realizable value. At December 31, 2016, the Group's provisions for obsolescence totaled SEK 154 M (150; 196).

NOTE 14 ACCOUNTS RECEIVABLE

SEK M	2016	2015	2014
Accounts receivable before provisions	1,965	1,650	1,904
Provisions for doubtful receivables	-81	-66	-62
Total	**1,884**	**1,584**	**1,842**

Accounts receivable net, after provisions for doubtful receivables, theoretically constitutes the maximum exposure for the calculated risk of losses. Accordingly, the carrying amount of accounts receivable represents the fair value. It is the Group's opinion that there is no significant concentration of accounts receivable to any single client. Letters of credit or the equivalent normally cover sales to countries outside the OECD.

A maturity analysis of accounts receivable is presented below:

SEK M	2016	2015	2014
Not fallen due	1,060	926	1,030
Fallen due 1–5 days	167	94	103
Fallen due 6–30 days	198	185	182
Fallen due 31–60 days	134	113	108
Fallen due 61–90 days	51	59	73
Fallen due, more than 90 days	355	273	408
Total	**1,965**	**1,650**	**1,904**

At December 31, 2016, the Group's provisions for doubtful receivables totaled SEK 81 M (66; 62). A maturity analysis of these accounts receivable is presented below:

SEK M	2016	2015	2014
Not fallen due	-4	-1	-5
Fallen due 1–5 days	0	0	0
Fallen due 6–30 days	0	-1	0
Fallen due 31–60 days	0	-2	0
Fallen due 61–90 days	-1	-4	0
Fallen due, more than 90 days	-76	-58	-57
Total	**-81**	**-66**	**-62**

Recognized amounts, by currency, for the Group's accounts receivable are as follows:

SEK M	2016	2015	2014
EUR	536	505	552
USD	793	581	693
GBP	250	226	262
CAD	139	102	142
SEK	0	0	14
Other currencies	247	236	241
Total	**1,965**	**1,650**	**1,904**

Changes in provisions for doubtful receivables are as follows:

SEK M	2016	2015	2014
At beginning of the year	**-66**	**-62**	**-29**
Provision for expected losses	-36	-30	-33
Confirmed losses	12	1	1
Payment made for reserved receivable	20	26	5
Acquisition of operations	-12	0	0
Translation differences	1	-1	-6
Amount at year-end	**-81**	**-66**	**-62**

NOTE 15 PREPAID EXPENSES AND ACCRUED INCOME

SEK M	2016	2015	2014
Accrued income	57	90	64
Prepaid rental expenses	6	6	14
Prepaid insurance expenses	10	10	8
Prepaid commissions	0	0	1
Other	78	61	75
Total	**151**	**167**	**162**

NOTE 16 LEASING

Operating leases, SEK M	2016	2015	2014
Costs relating to operating leases	-264	-265	-192

Leasing costs for assets held via operating leases, such as leased premises, machinery, mainframe computers and office equipment, are recognized among operating expenses.

On the closing date, future leasing fees for non-cancellable leasing agreements amounted to the following:	2016	2015	2014
Due within 1 year	-209	-238	-183
Due within 2 to 5 years	-472	-416	-253
Due in more than 5 years	-84	-88	-65
Total	**-765**	**-742**	**-501**

NOTE 17 OTHER PROVISIONS

SEK M	Restructuring	Guarantees	Personnel	Other	Total
Value according to opening balance 2014	**123**	**13**	**0**	**15**	**151**
Provisions	82	8	–	16	106
Used amount	–172	–7	–	–1	–180
Unutilized funds restored	–	–	–	0	0
Translation differences	–	1	–	1	2
Value according to closing balance 2014	**33**	**15**	**0**	**31**	**79**
Of which:					
Current					21
Non-current					58
Value according to opening balance 2015	**33**	**15**	**0**	**31**	**79**
Provisions	185	12	–	9	206
Used amount	–167	–6	–	–4	–177
Unutilized funds restored	–	–	–	0	0
Translation differences	1	–	–	–1	0
Value according to closing balance 2015	**52**	**21**	**0**	**35**	**108**
Of which:					
Current					65
Non-current					43
Value according to opening balance 2016	**52**	**21**	**0**	**35**	**108**
Provisions	9	4	3	22	38
Used amount	-51	-3	–	-14	-68
Unutilized funds restored	–	–	–	-2	-2
Reclassifications	–	-16	2	14	0
Translation differences	2	–	–	-1	1
Value according to closing balance 2016	**12**	**6**	**5**	**54**	**77**
Of which:					
Current					39
Non-current					38

Expected timing of outflow, SEK M	Total
Within 1 year	39
Within 3 years	25
Within 5 years	2
> 5 years	11
Value according to closing balance 2016	**77**

NOTE 18 PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Defined-contribution plans

In many countries, Arjo's employees are covered by defined-contribution pension plans.

The pension plans primarily include retirement pensions. The premiums are paid continuously throughout the year by each group company to separate legal entities, such as insurance companies. The size of the premium paid by the group companies is normally based on a set proportion of the employee's salary.

Defined-benefit plans

Arjo has defined-benefit pension plans in Sweden, Germany, the UK and Italy. The pension plans primarily comprise retirement pensions. Each employer normally has an obligation to pay a lifelong pension. Vesting is based on the number of years of service. The employee must be affiliated with the plan for a certain number of years to achieve full retirement pension entitlement. The pension is financed through payments from each group company.

Pension commitments are usually calculated at year-end after actuarial assumptions. New calculations are made if substantial changes occur during the year. Gains and losses on changed actuarial assumptions are recognized as part of comprehensive income.

The net value of the defined-benefit commitment is detailed below:

2016, SEK M	Funded pension plans	Unfunded pension plans	Total
Present value of commitments	–1,892	–26	–1,918
Fair value of plan assets	1,941	–	1,941
Net assets in the balance sheet	**49**	**–26**	**23**[1]

1. Of which, SEK 59 M is recognized as non-current financial receivables and SEK 36 M as pension provisions.

2015, SEK M	Funded pension plans	Unfunded pension plans	Total
Present value of commitments	–1,775	–22	–1,797
Fair value of plan assets	1,699	–	1,699
Net provisions in the balance sheet	**–76**	**–22**	**–98**

2014, SEK M	Funded pension plans	Unfunded pension plans	Total
Present value of commitments	–1,905	–25	–1,930
Fair value of plan assets	1,602	–	1,602
Net provisions in the balance sheet	**–303**	**–25**	**–328**

SEK M	2016	2015	2014
Pension commitments			
Opening balance	**–98**	**–328**	**–361**
Costs for service in the current year	–3	–16	–10
Net interest rate	–2	–20	–9
Administrative costs pertaining to plan assets	–1	–2	–
Gains and losses from adjustments	–	1	–23
Return on plan assets	324	24	193
Gain/(loss) attributable to changed demographic assumptions	–	155	–2
Gain/(loss) attributable to changed financial assumptions	–286	21	–125
Experience-based gains/(losses)	10	35	–4
Restriction in plan surpluses with regard to asset ceilings	5	–7	10
Exchange-rate differences	4	–15	–40
Fees paid by employer	69	54	43
Paid benefits	1	–	–
Closing balance	**23**	**–98**	**–328**

Note 18 Provisions for pensions and similar obligations, cont.

The defined-benefit pension commitment and composition of plan assets 2016, SEK M	Present value of commitments	Fair value of plan assets	Net provisions for pensions
Sweden	–42	42	0
Germany	–8	–	–8
UK	–1,850	1,899	49
Italy	–18	–	–18
Total	**–1,918**	**1,941**	**23**[1]

1. Of which, SEK 59 M is recognized as non-current financial receivables and SEK 36 M as pension provisions.

The defined-benefit pension commitment and composition of plan assets 2015, SEK M	Present value of commitments	Fair value of plan assets	Net provisions for pensions
Sweden	–49	49	0
Germany	–7	–	–7
UK	–1,726	1,650	–76
Italy	–15	–	–15
Total	**–1,797**	**1,699**	**–98**

The defined-benefit pension commitment and composition of plan assets 2014, SEK M	Present value of commitments	Fair value of plan assets	Net provisions for pensions
Sweden	–45	45	0
Germany	–7	–	–7
UK	–1,861	1,557	–304
Italy	–17	–	–17
Total	**–1,930**	**1,602**	**–328**

Significant actuarial assumptions	2016	2015	2014
Weighted average, %			
Discount rate	3.0	3.8	3.4
Expected salary increase rate	2.0	3.2	3.3
Expected inflation	3.6	3.3	2.0

Significant actuarial assumptions 2016	Sweden	Germany	UK	Italy
Weighted average, %				
Discount rate	2.5	1.6	3.0	2.0
Expected salary increase rate	3.0	2.5	2.0	2.0
Expected inflation	2.0	1.3	3.7	2.0

Significant actuarial assumptions 2015	Sweden	Germany	UK	Italy
Weighted average, %				
Discount rate	3.3	2.3	3.8	2.3
Expected salary increase rate	3.0	2.5	3.2	2.8
Expected inflation	2.0	1.3	3.4	1.8

Significant actuarial assumptions 2014	Sweden	Germany	UK	Italy
Weighted average, %				
Discount rate	3.0	2.5	3.4	2.5
Expected salary increase rate	3.0	2.5	3.3	2.5
Expected inflation	2.0	1.3	2.0	1.5

Note 18 Provisions for pensions and similar obligations, cont.

Sensitivity of defined-benefit commitments changes in significant assumptions 2016, SEK M	Expected value of pension commitments	Changes compared with used calculation for assumptions
Pension commitments according to original valuation	**–1,918**	
Discount rate + 1 percentage point	–1,553	365
Inflation + 1 percentage point	–2,169	–251
Salary increases +1 percentage point	–1,926	–8

The sensitivity analyses above are based on a change in one assumption, while all other assumptions remain constant. It is unlikely that this will happen in practice, and changes in some of the assumptions may correlate. The calculation of sensitivity in the defined-benefit commitments for material actuarial assumptions uses the same method (the present value of defined-benefit commitments by applying the Projected Unit Credit Method at the end of the reporting period) as that used in the calculation of pension liabilities.

Composition of plan assets, SEK M	2016	2015	2014
Equities and funds	1,879	1,635	1,541
Properties	5	5	4
Cash and cash equivalents and similar assets	35	33	31
Other	22	26	26
Total	**1,941**	**1,699**	**1,602**

The weighted average term of the pension commitments is 20 years (19; 19).

Information regarding recognition of multi-employer defined-benefit pension plans, Alecta

The commitment for retirement pensions and family pensions for salaried employees in Sweden is safeguarded through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined-benefit plan. For the 2016 fiscal year, the Company did not have access to such information that makes it possible to recognize this plan as a defined-benefit plan. The pension plan in accordance with ITP, which is safeguarded through insurance with Alecta, is thus recognized as a defined-contribution plan. In 2016, fees for pension insurance covered by Alecta amounted to SEK 4 M (4; 4).

Alecta's surplus can be distributed to the insurers and/or the insured. At year-end 2016, Alecta's surplus in the form of the collective consolidation level was approximately 149% (143; 148). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance commitment calculated in accordance with Alecta's actuarial calculation assumption, which does not correspond with IAS 19.

NOTE 19 ACCRUED EXPENSES AND DEFERRED INCOME

SEK M	2016	2015	2014
Salaries	249	235	201
Social security expenses	57	65	54
Interest expenses	11	0	0
Consultancy fees	6	10	8
Deferred income	36	89	77
Other	284	306	381
Total	**643**	**705**	**721**

NOTE 20 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets

The Group has no pledged assets.

Contingent liabilities, SEK M	2016	2015	2014
Guarantees	17	16	20
Other	3	–	–
Total	**20**	**16**	**20**

NOTE 21 ACQUIRED/DIVESTED OPERATIONS

Acquired operations in 2016

Net assets acquired, SEK M	2016
Intangible assets	39
Tangible assets	33
Inventories	27
Other current assets	14
Cash and cash equivalents	47
Deferred tax liabilities	-7
Other current liabilities	-16
Identifiable net assets	**137**
Goodwill	162
Total purchase consideration	**299**
Less:	
Unpaid purchase consideration	-40
Cash and cash equivalents in the acquired company	-47
Impact on the Group's cash and cash equivalents	**212**

AccuMed

The acquisition of AccuMed was completed in April 2016. Under the acquisition, Arjo will obtain a manufacturing unit for the production of medical textiles in the Dominican Republic. The operations have more than 400 employees and the total purchase consideration amounted to SEK 66 M. The goodwill arising in connection with the acquisition amounted to SEK 29 M and was attributable to future integration synergies for production. Acquisition expenses of SEK 1.0 M were charged to earnings.

Net assets acquired, SEK M	Carrying amount
Tangible assets	16
Inventories	22
Other current liabilities	-1
Identifiable net assets	**37**
Goodwill	29
Total purchase consideration	**66**
Less:	
Cash and cash equivalents in the acquired company	0
Impact on the Group's cash and cash equivalents	**66**

The operation was included in Arjo on April 1, 2016.

1st Call Mobility Limited

All of the shares in the UK company 1st Call Mobility Limited were acquired during the second quarter of 2016. The company is specialized in medical device solutions for bariatric patients, generates sales of approximately SEK 100 M and has 48 employees. The total purchase consideration amounted to SEK 233 M and the goodwill arising in connection with the acquisition amounted to SEK 133 M and was primarily attributable to geographical spread. Acquisition expenses of SEK 1.6 M were charged to earnings.

Net assets acquired, SEK M	Carrying amount
Intangible assets	39
Tangible assets	17
Inventories	5
Other current assets	14
Cash and cash equivalents	47
Deferred tax liabilities	-7
Other current liabilities	-15
Identifiable net assets	**100**
Goodwill	133
Total purchase consideration	**233**
Less:	
Unpaid purchase consideration	-40
Cash and cash equivalents in the acquired company	-47
Impact on the Group's cash and cash equivalents	**146**

The operation was included in Arjo on June 10, 2016.

Divested operations in 2016

No operations were divested in 2016.

No operations pertaining to Arjo were acquired or divested in 2015 or 2014.

NOTE 22 FINANCIAL RISK MANAGEMENT

Most of Arjo's operations are located outside Sweden. This situation entails exposure to different types of financial risks that may cause fluctuations in net profit for the year, cash flow and shareholders' equity due to changes in exchange rates and interest rates. In addition, the Group is exposed to refinancing and counterparty risks. The primary role of Getinge's treasury function has been to support business activities and to identify and in the best way manage the Group's financial risks in line with the board's established finance policy. Arjo's financial activities will be centralized to benefit from economies of scale, to ensure good internal control and to facilitate monitoring of risk.

Currency risks

Currency risks comprise exchange-rate fluctuations, which have an impact on the Group's earnings and shareholders' equity. Currency exposure occurs in connection with payments in foreign currency (transaction exposure) and when translating foreign subsidiaries' balance sheets and income statements into SEK (translation exposure). The effect of exchange-rate fluctuations on earnings calculated using forecast volumes and earnings in foreign currencies is presented on page 90.

Transaction exposure. Payment flows as a result of sales income and cost of goods sold in foreign currencies cause currency exposure that affects group earnings in the event of exchange-rate fluctuations. The Group's payment flows in foreign currencies consist mainly of the income generated by export sales. The most important currencies are USD, EUR, GBP, CAD and PLN. In line with finance policy, the forecast flows in foreign currency are hedged to 90% for the next fiscal year. Hedging is conducted using currency forward contracts. The market value of financial currency derivatives that meet cash-flow hedging requirements and are recognized in other comprehensive income amounted to a negative SEK 99 M (neg: 1; neg: 56) at December 31, 2016.

Translation exposure – income statement. When translating the results of foreign group companies into SEK, currency exposure occurs, which affects the Group's earnings when exchange rates fluctuate.

Translation exposure – balance sheet. Currency exposure occurs when translating net assets of foreign group companies into SEK, which can affect the Group's other comprehensive income.

Financial risks

As part of Getinge Group, Arjo has raised intra-group financing in the form of fixed-term loans from Getinge Treasury. In addition, Arjo has had access to the cash pools at Getinge's disposal. Prior to the distribution of Getinge Group, whereby preparations are being made to list Arjo as a separate company, Arjo signed an agreement for external financing of a total of EUR 600 M with a group of Nordic and international banks. These financing agreements are described in more detail on pages 100–101.

Credit and counterparty risks

Arjo's financial transactions cause credit risks with regard to financial counterparties. Credit risks or counterparty risks constitute the risk of losses if the counterparties do not fully meet their commitments. The finance policy states that the credit risk must be limited through accepting only creditworthy counterparties and fixed limits. At December 31, 2016, the total counterparty exposure in derivative instruments was SEK 1 M (16; 13). Credit risks in outstanding derivatives are limited by the offset rules agreed with the respective counterparty. The Group's liquidity is placed in bank accounts with negligible credit risks. Commercial credit risks are limited by a diverse customer base with a high credit rating.

Financial derivatives. Arjo uses financial derivatives in the form of currency forward contracts to manage currency exposure arising in its business. All outstanding currency forward contracts are held for hedging and are deemed to be effective. The currency forward contracts are found in level 2 of the fair value hierarchy, meaning that measurement at fair value is based on published forward rates in an active market.

Fair value disclosures pertaining to interest-bearing loans and other financial instruments. Arjo's intra-group interest-bearing loans have floating interest rates and, accordingly, the fair value is assessed as corresponding to the carrying amount. For other financial assets and liabilities, fair value is assessed as corresponding to the carrying amount due to the short expected term.

Offsetting of financial derivatives. The Group has ISDA agreements for all of its significant counterparties for raising funds and trading in financial instruments. For the financial assets and liabilities that are subject to legally binding offset agreements or similar, each agreement between the Company and its counterparties permits the relevant financial assets and liabilities to be offset.

	2016		2015		2014	
Outstanding derivative instruments, SEK M	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Currency derivatives	2,780	–99	3,748	–1	3,083	–56
Total	**2,780**	**–99**	**3,748**	**–1**	**3,083**	**–56**

	2016		2015		2014	
SEK M	**Asset**	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**
Currency derivatives – cash-flow hedges	125	224	88	89	55	111
Total	**125**	**224**	**88**	**89**	**55**	**111**
Of which, short-term	116	224	55	89	48	111
Of which, long-term	9	–	33	–	7	–

The fair value of derivative instruments is established using valuation techniques. For this purpose, observable market information is used. All derivatives are classified under level 2 of the value hierarchy.

Note 22 Financial risk management, cont.

Financial instruments by category 2016, SEK M Financial assets	Loan receivables and accounts receivable 2016	Assets at fair value through profit and loss 2016	Derivatives used for hedging purposes 2016	Available-for-sale financial assets 2016	Total 2016
Available-for-sale financial assets	–	–	–	–	–
Derivative instruments	–	–	125	–	125
Loan receivables and other receivables	1,884	–	–	–	1,884
Receivables from group companies	1,790	–	–	–	1,790
Financial assets at fair value through profit and loss	–	–	–	–	–
Cash and cash equivalents	1,446	–	–	–	1,446
Total	**5,120**	**–**	**125**	**–**	**5,245**

Financial instruments by category 2016, SEK M Financial liabilities	Liabilities at fair value through profit or loss 2016	Derivatives used for hedging purposes 2016	Other financial liabilities 2016	Total 2016
Borrowings	–	–	–	–
Derivative instruments	–	224	–	224
Accounts payable and other financial liabilities	–	–	380	380
Liabilities to group companies	–	–	2,247	2,247
Total	**–**	**224**	**2,627**	**2,851**

Financial instruments by category 2015, SEK M Financial assets	Loan receivables and accounts receivable 2015	Assets at fair value through profit and loss 2015	Derivatives used for hedging purposes 2015	Available-for-sale financial assets 2015	Total 2015
Available-for-sale financial assets	–	–	–	–	–
Derivative instruments	–	–	88	–	88
Loan receivables and other receivables	1,584	–	–	–	1,584
Receivables from group companies	1,706	–	–	–	1,706
Financial assets at fair value through profit and loss	–	–	–	–	–
Cash and cash equivalents	808	–	–	–	808
Total	**4,098**	**–**	**88**	**–**	**4,186**

Financial instruments by category 2015, SEK M Financial liabilities	Liabilities at fair value through profit or loss 2015	Derivatives used for hedging purposes 2015	Other financial liabilities 2015	Total 2015
Borrowings	–	–	–	–
Derivative instruments	–	89	–	89
Accounts payable and other financial liabilities	–	–	369	369
Liabilities to group companies	–	–	2,027	2,027
Total	**–**	**89**	**2,396**	**2,485**

Note 22 Financial risk management, cont.

Financial instruments by category 2014, SEK M Financial assets	Loan receivables and accounts receivable 2014	Assets at fair value through profit and loss 2014	Derivatives used for hedging purposes 2014	Available-for-sale financial assets 2014	Total 2014
Available-for-sale financial assets	–	–	–	–	–
Derivative instruments	–	–	55	–	55
Loan receivables and other receivables	1,842	–	–	–	1,842
Receivables from group companies	1,734	–	–	–	1,734
Financial assets at fair value through profit and loss	–	–	–	–	–
Cash and cash equivalents	1,369	–	–	–	1,369
Total	**4,945**	**–**	**55**	**–**	**5,000**

Financial instruments by category 2014, SEK M Financial liabilities	Liabilities at fair value through profit or loss 2014	Derivatives used for hedging purposes 2014	Other financial liabilities 2014	Total 2014
Borrowings	–	–	–	–
Derivative instruments	–	111	–	111
Accounts payable and other financial liabilities	–	–	376	376
Liabilities to group companies	–	–	2,186	2,186
Total	**–**	**111**	**2,562**	**2,673**

The table below analyzes the Group's external financial liabilities, subdivided into the periods remaining on the closing date until the agreed date of maturity.

At December 31, 2016, SEK M	< 1 year	1–2 years	2–5 years	> 5 years
Accounts payable	–380	–	–	–
Total	**–380**	**–**	**–**	**–**

Distribution of currency for outstanding derivative instruments 2016, SEK M	
AUD	231
CAD	294
GBP	538
PLN	741
USD	976
Total	**2,780**

Distribution of currency for outstanding derivative instruments 2014, SEK M	
AUD	130
CAD	286
GBP	400
PLN	1,300
USD	967
Total	**3,083**

Distribution of currency for outstanding derivative instruments 2015, SEK M	
AUD	305
CAD	303
GBP	772
PLN	1,489
USD	879
Total	**3,748**

Note 22 Financial risk management, cont.

Maturity structure of outstanding derivative instruments (SEK M) 2016	2017	2018	2019	2020	2021	Total
Currency derivatives	2,150	630	–	–	–	2,780
Total	**2,150**	**630**	**–**	**–**	**–**	**2,780**

The table refers to net flows

Maturity structure of outstanding derivative instruments (SEK M) 2015	2016	2017	2018	2019	2020	Total
Currency derivatives	1,992	1,643	113	–	–	3,748
Total	**1,992**	**1,643**	**113**	**–**	**–**	**3,748**

The table refers to net flows

Maturity structure of outstanding derivative instruments (SEK M) 2014	2015	2016	2017	2018	2019	Total
Currency derivatives	1,897	1,186	–	–	–	3,083
Total	**1,897**	**1,186**	**–**	**–**	**–**	**3,083**

The table refers to net flows

NOTE 23 EMPLOYEE COSTS

2016, SEK M	Board and CEO[1]	Other	Total
Salaries and remuneration	63	2,122	2,185
Social security expenses	8	286	294
Pension expenses	4	105	109
Total	**75**	**2,513**	**2,588**

2015, SEK M	Board and CEO[1]	Other	Total
Salaries and remuneration	94	2,017	2,111
Social security expenses	11	272	283
Pension expenses	5	108	113
Total	**110**	**2,397**	**2,507**

2014, SEK M	Board and CEO[1]	Other	Total
Salaries and remuneration	84	1,892	1,976
Social security expenses	13	276	289
Pension expenses	5	114	119
Total	**102**	**2,282**	**2,384**

1. Pertains to remuneration of board and CEO of subsidiaries in the Group. See Note 1 Basis of preparation regarding remuneration of senior executives.

NOTE 24 AVERAGE NUMBER OF EMPLOYEES

	2016			2015			2014		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Australia	143	51	194	138	50	188	132	45	177
Belgium	54	24	78	52	22	74	54	23	77
Denmark	27	15	42	17	32	49	31	20	51
Dominican Republic	99	353	452	–	–	–	–	–	–
France	297	93	390	270	91	361	260	86	346
United Arab Emirates	3	2	5	8	3	11	9	2	11
Netherlands	82	55	137	90	51	141	87	51	138
Hong Kong	2	1	3	10	4	14	10	6	16
India	223	25	248	217	24	241	185	21	206
Ireland	72	21	93	70	19	89	74	21	95
Italy	89	39	128	89	43	132	86	40	126
Japan	–	–	–	3	1	4	1	1	2
Canada	218	100	318	230	113	343	236	114	350
China	247	122	369	300	156	456	306	141	447
Norway	7	4	11	9	5	14	7	4	11
New Zealand	25	5	30	22	5	27	18	5	23
Poland	269	393	662	250	372	622	250	356	606
Russia	–	–	–	–	1	1	–	–	–
Switzerland	36	13	49	35	11	46	32	11	43
Singapore	28	13	41	23	12	35	15	8	23
Spain	5	3	8	8	5	13	8	4	12
UK	672	279	951	672	264	936	705	224	929
Sweden	57	46	103	86	56	142	93	57	150
South Africa	54	27	81	54	22	76	39	28	67
South Korea	1	1	2	2	1	3	2	2	4
Czech Republic	7	5	12	8	3	11	7	3	10
Germany	301	68	369	273	73	346	281	75	356
USA	674	192	866	685	169	854	716	190	906
Austria	103	18	121	89	21	110	62	50	112
Total	**3,795**	**1,968**	**5,763**	**3,710**	**1,629**	**5,339**	**3,706**	**1,588**	**5,294**

Distribution of senior executives at the closing date, %
Arjo has not existed as an operating entity in Getinge, which is why information about the gender distribution among senior executives and board members is not presented.

NOTE 25 TRANSACTIONS WITH RELATED PARTIES

Arjo's transactions with companies in Getinge Group are presented in the table below. Business terms and conditions as well as market-regulated pricing apply for delivery of products and services between group companies.

Other revenue and expenses primarily refer to group-wide services.

SEK M	2016	2015	2014
Sales	108	29	18
Other revenue	391	360	323
Purchases of goods	-114	-134	-153
Other expenses	-665	-420	-336
Financial revenue	2	3	13
Financial expenses	-71	-73	-85
Group contributions received	–	118	51
Group contributions paid	-170	-138	-177
Dividends received	83	63	22
Dividends paid	-26	-629	-68

Receivables and liabilities to group companies are recognized separately in the balance sheet and relate to transactions with Getinge.

NOTE 26 EVENTS AFTER THE END OF THE FISCAL YEAR

Financing

Arjo has signed two material credit agreements for revolving credit facilities. One of the credit agreements is with a bank consortium comprising of Commerzbank Aktiengesellschaft, Danske Bank A/S, DNB Bank ASA, Sweden Branch, Handelsbanken Capital Markets, Svenska Handelsbanken AB (publ), Mizuho Bank, Ltd and Investment Banking and Skandinaviska Enskilda Banken AB (publ). The credit has a term of five years and amounts to EUR 500 M. The second credit agreement is with HSBC and amounts to EUR 50 M. It has a term of three years with the option of extending the agreement by an additional two years.

Arjo has also signed a material credit agreement for a fixed-term loan with Bank of America Merrill Lynch International Limited for USD 58 M with a term of three years.

All three credit agreements are intended to be used for Arjo's general company requirements and working capital in the Group.

The credit agreements can only be utilized on the condition that Arjo is listed during 2017 and that standard terms and conditions are met. The credit agreement contains standard terms and conditions, guarantees and commitments that, with certain exceptions, include restrictions on divestments and acquisitions, lending and guarantees, raising financial liabilities and providing securities for the borrower's subsidiaries and certain change of control clauses (defined as a change of more than 30% of the shares and/or the votes in the borrower or in the case of delisting).

Share capital

On September 29, an extraordinary general meeting (EGM) in Arjo decided on a split of shares in which one share is divided into three new shares. After completion of the division, the number of shares in Arjo was 1,500,000. Furthermore, the EGM resolved to amend the Articles of Association, which includes two various series of shares, shares of series A and shares of series B, and that all issued shares should be of series B. The EGM also resolved on a new issue of a total of 270,869,573 shares, of which 18,217,200 shares of series A and 252,652,373 shares of series B, which represented an increase of the share capital of SEK 90,289,857.7. After the mentioned changes the company's number of shares amounts to a total of 272,369,573 shares, of which 18,217,200 shares of series A and 254,152,373 shares of series B. All shares are currently owned by Getinge AB.

Legal structure

Arjo's legal structure has been continuously built up during 2017. The legal structure will to a large extent ready by the end of the third quarter 2017, with the exception of a non-essential business transfer in China which will take place during the fourth quarter 2017. Subsidiaries have both been acquired and received via shareholders contribution from Getinge. Business transfers from Getinge have also been made through insolvency stores to newly formed companies within the Arjo Group. Remuneration for the business transfers has been made via cash payment or against reverses.

Organization

Arjo became a separate division of Getinge on April 1, 2017 and at the same time was assigned its own management team, headed by Joacim Lindoff as CEO. Joacim Lindoff was registered as the CEO with the Companies Registration Office on February 8, 2017.

Resolution concerning distribution

On November 10, 2017, the board of Getinge decided to propose the distribution of all of the shares of Arjo AB at an extraordinary general meeting.

Shareholder's contribution

After September 30, 2017, Getinge has submitted a shareholder's contribution amounting to SEK 1,203 M to Arjo, to achieve the desired net debt between Arjo and Getinge.

Intra-group transactions

After September 30, 2017, one intra-group business transfer between Getinge and Arjo has occurred. The transaction value amounted to SEK 66 M.

NOTE 27 SUPPLEMENTARY DISCLOSURES TO THE CASH-FLOW STATEMENT

Cash and cash equivalents, SEK M	2016	2015	2014
Investments	–	1	1
Cash and bank balances	1,446	807	1,368
Total	**1,446**	**808**	**1,369**

Adjustments for items not included in cash flow, SEK M	2016	2015	2014
Gain from divestment/disposal of non-current assets	21	2	11
Total	**21**	**2**	**11**

NOTE 28 CAPITALIZED DEVELOPMENT COSTS

SEK M	2016	2015	2014
Development costs, gross	–201	–220	–241
Capitalized development costs	68	102	125
Development costs, net	**–133**	**–118**	**–116**

NOTE 29 COMPANIES INCLUDED IN THE COMBINED FINANCIAL STATEMENTS

The group companies that will be included in the Arjo Group on the distribution date are specified below. The ownership interest is 100% in all cases.

Sweden
- Arjo AB, 559092-8064, Malmö
- ArjoHuntleigh AB, 556304-2026, Malmö
- Arjo Hospital Equipment AB, 556247-0145 Malmö
- Arjo Scandinavia AB, 556528-4600, Eslöv
- ArjoHuntleigh International AB, 556528-1440, Malmö
- Arjo Treasury AB, 556475-7242, Malmö

Australia
- Huntleigh Healthcare Pty Ltd

Belgium
- ArjoHuntleigh NV

Denmark
- ArjoHuntleigh A/S

Dominican Republic
- Getinge Dominican Republic SA

France
- ArjoHuntleigh SAS

United Arab Emirates
- ArjoHuntleigh Middle East FZ-LLC
- Arjo Middle East FZ-LLC

Hong Kong
- ArjoHuntleigh (Hong Kong) Ltd

India
- ArjoHuntleigh Healthcare India Pvt Ltd

Ireland
- ArjoHuntleigh Ireland Ltd

Italy
- ArjoHuntleigh Spa

Japan
- Arjo Japan Co., Ltd

Canada
- ArjoHuntleigh Canada Inc
- ArjoHuntleigh Magog Inc

China
- Acare Medical Science Co. Ltd
- ArjoHuntleigh (Shanghai) Medical Equipment Co Ltd
- Getinge (Suzhou) Co. Ltd

Netherlands
- Arjo Nederland BV
- Huntleigh Holdings BV

Norway
- ArjoHuntleigh Norway A/S

New Zealand
- ArjoHuntleigh Ltd

Poland
- ArjoHuntleigh Polska Sp. z.o.o.

Switzerland
- ArjoHuntleigh AG

Singapore
- ArjoHuntleigh Singapore Pte Ltd
- Boxuan Medical Equipment Pte Ltd

Spain
- Arjo Iberia S.L.

UK
- 1st Call Mobility Ltd
- ArjoHuntleigh International Ltd
- Arjo UK Ltd
- Huntleigh Diagnostics Limited
- Huntleigh Healthcare Ltd
- Huntleigh International Holdings Ltd
- Huntleigh Luton Ltd
- Huntleigh Properties Ltd
- Huntleigh (SST) Ltd
- Huntleigh Technology Ltd
- Pegasus Ltd

South America
- ArjoHuntleigh South Africa (Pty) Ltd
- Huntleigh Africa Provincial Sales (Pty) Ltd
- Huntleigh Africa (Pty) Ltd

South Korea
- ArjoHuntleigh Korea Co. Ltd

Czech Republic
- ArjoHuntleigh sro

Germany
- ArjoHuntleigh GmbH
- Huntleigh Healthcare GmbH

USA
- ArjoHuntleigh Inc
- Getinge Group Logistics Americas, LLC
- Arjo Holdings USA, Inc

Austria
- ArjoHuntleigh GmbH

To the Board of Directors of Arjo AB (publ)

The Auditor's Report on historical financial statements

We have audited the financial statements for Arjo AB (publ) on pages F-25-F-53, which comprise the balance sheet as of December 31, 2016 (December 31, 2015 and December 31, 2014) and the income statement, cash flow statement and statement of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' and the Managing Director's responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

The auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Arjo AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

An audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on my (our) assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU/Annual Accounts Act and additional applicable framework of the financial position of Arjo AB (publ) as of December 31, 2016 (December 31, 2015 and December 31, 2014) and its financial performance, statement of changes in equity and cash flows for these years.

Malmö, November 10, 2017
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorised Public Accountant
Auditor in Charge

Cecilia Andrén Dorselius
Authorised Public Accountant

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BranFactory Finanstryck/Elanders, 2017