Interim report January – June 2019

April – June 2019 in brief

- Net sales increased by 10.7% to SEK 2,197 M (1,986). Net sales grew organically by 6.5%.
- EBITDA increased by 38.8% to SEK 421 M (303), including the effect of IFRS 16. Excluding IFRS 16, EBITDA was SEK 336 M, an increase of 10.5%.
- Profit after financial items increased to SEK 132 M (121).
- Earnings per share increased to SEK 0.36 (0.33).
- Cash flow from operations amounted to SEK 255 M (189), including the effect of IFRS 16. Excluding the effect of IFRS 16, cash flow was SEK 178 M.
- Cash conversion was 60.7% (62.4), including the effect of IFRS 16. Excluding the effect of IFRS 16, cash conversion was 53.5%.
- Arjo raises its outlook for the full-year and estimates that the organic sales growth will now be in the upper part of the 2–4% interval.
- Key event after the end of the quarter: Acquisition of equity stake in Atlas Lift Tech in the US.

January – June 2019 in brief

- Net sales increased by 10.0% to SEK 4,320 M (3,929). Net sales rose organically by 4.2%.
- EBITDA increased by 51.0% to SEK 834 M (552), including the effect of IFRS 16. Excluding IFRS 16, EBITDA was SEK 664 M, an increase of 20.2%.
- Profit after financial items increased to SEK 265 M (188).
- Earnings per share increased to SEK 0.73 (0.52).
- Cash flow from operations amounted to SEK 435 M (457), including the effect of IFRS 16. Excluding the effect of IFRS 16, cash flow was SEK 282 M.
- Cash conversion was 52.2% (82.8), including the effect of IFRS 16. Excluding the effect of IFRS 16, the cash conversion was 42.6%.

Financial summary

SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Rolling 12 months	Full-year 2018
Net sales	2,197	1,986	4,320	3,929	8,608	8,217
Gross profit	968	896	1,905	1,752	3,815	3,662
Gross margin, %	44.1%	45.1%	44.1%	44.6%	44.3%	44.6%
Adjusted EBITA[1]	246	224	480	413	997	930
Adjusted EBITA margin, %[1]	11.2%	11.3%	11.1%	10.5%	11.6%	11.3%
EBITDA	421	303	834	552	1,462	1,180
EBITDA margin, %	19.1%	15.3%	19.3%	14.1%	17.0%	14.4%
Adjusted EBITDA[1]	421	313	834	602	1,544	1,312
Adjusted EBITDA margin, %[1]	19.1%	15.7%	19.3%	15.3%	17.9%	16.0%
Operating profit (EBIT)	165	142	333	225	601	493
Profit after financial items	132	121	265	188	472	395
Net profit for the period	99	91	199	141	354	296
Number of shares, thousands	272,370	272,370	272,370	272,370	272,370	272,370
Earnings per share, SEK	0.36	0.33	0.73	0.52	1.30	1.09
Cash flow from operations	255	189	435	457	969	991
Cash conversion, %	60.7%	62.4%	52.2%	82.8%	66.3%	84.0%

1 Before exceptional items. See Alternative performance measures on page 19 and definitions on page 22.
For more information about the effects of IFRS 16, refer to Note 6 on pages 13-14.

At Arjo, we are committed to improving the everyday lives of people affected by reduced mobility and age-related health challenges. With products and solutions that ensure ergonomic patient handling, personal hygiene, disinfection, diagnostics, and the effective prevention of pressure ulcers and venous thromboembolism, we help professionals across care environments to continually raise the standard of safe and dignified care. Everything we do, we do with people in mind. www.arjo.com

arjo
with people in mind

Strong organic growth and improved full-year outlook

Growth continued in the second quarter. Can you tell us more?
We deliver another stable quarter with good sales development in a number of markets and a healthy, total organic growth of 6.5%. We see our strongest growth in North America, particularly in the US, where our positive performance continues. We can conclude that the first half of 2019 has progressed well, and we can now raise our outlook for full year organic net sales growth to be in the upper part of the 2-4% interval.

Can you elaborate on the company's performance?
North America continues to perform well with an organic growth of 15.8%. The US reports a strong quarter with high deliveries of medical beds from the large order to Kindred Healthcare. Canada also noted a strong quarter, driven by a healthy performance across several product categories. We can also report another solid quarter for our Rest of the World region with an organic growth of 11.6%. It is satisfying to see that the initiatives we are carrying out in new markets continue to deliver results. Growth in Western Europe was held back by the UK, where sales fell organically by 7.3% year on year. The decline was driven by continued uncertainty surrounding Brexit, where investments in capital goods are not being prioritized to the same extent as before. During the quarter, we have initiated a review of our cost structure in the UK to adapt operations to the current market situation and thus improve profitability. Our markets in Continental Europe delivered an organic growth in line with the corresponding quarter last year.

What was the profitability trend for the quarter?
We continue to improve our EBITDA during the quarter and deliver an increase of 38,8% including the effect of IFRS 16. If excluding the effect of IFRS 16, we report an increase in EBITDA of 10.5%, well in line with our plans.

The gross margin amounted to 44.1% in the quarter. Although some areas need improvement, numerous areas are progressing well. An unfavourable product mix driven by high deliveries of medical beds had a negative impact on the gross margin. The gross margin for medical beds is initially lower than the average for Arjo as a whole, but has a positive effect on performance over time from service and aftermarket sales. We also saw a decline in the gross margin from rental operations in Europe, mainly driven by price and lower capacity utilization in Germany, UK, and France – the region's three largest rental markets. Rental operations in the US also had a negative impact on the gross margin in the quarter due to lower volumes of our Critical Care solutions, driven by a milder influenza season. To ensure long-term profitability within our rental operations, we are now initiating larger structural changes, primarily in the UK and US.

On the positive side, we continue to see a healthy performance within services and higher resource utilization in our production units as a result of the increase in sales.

It should also be mentioned that operating expenses as a percentage of net sales continue to decline according to plans.

"The strong start to the year naturally gives us confidence as we enter the second half of 2019."

At the beginning of July, you announced the acquisition of equity stake in Atlas Lift Tech, a US-based company. What does this partnership mean for Arjo?
Atlas shares our ambition and goal of achieving safe patient mobilization while creating a healthy and effective working environment for healthcare professionals. Atlas provides Lift Coaches who train and support care professionals in executing patient transfers and lifts. The company has also developed the LiftTracker software, which delivers real-time data for evaluating and optimizing patient handling processes. This investment is an important step in strengthening our patient handling portfolio and will enable us to gain market shares in the US. We will further have access to Atlas's Silicon Valley-network to help drive practices and new innovations in this field going forward.

Finally, what are your expectations for the remainder of 2019?
The strong start to the year naturally gives us confidence as we enter the second half of 2019. Our focus will remain on meeting and delivering both the growth and profitability targets within our Arjo 2020 plan. All in all, I look forward to a second half of the year with a high activity level in which we continue our positive trend of building a successful Arjo.

Joacim Lindoff
President & CEO

Group performance

Net sales and results

Second quarter of 2019

Net sales increased organically by 6.5% to SEK 2,197 M (1,986) in the second quarter, with a particularly solid performance in the Group's largest market, the US.

Sales in North America grew organically by 15.8%. The US reported strong growth primarily driven by deliveries of medical beds to Kindred Healthcare. Canada also continued to perform well as a result of positive trends across all product categories and within rental operations.

Sales in Western Europe decreased organically by 1.7%. Growth in Western Europe was held back by the UK, where sales fell by 7.3% organically year on year. This decline was primarily driven by continued uncertainty surrounding Brexit, which has affected investments in capital goods by the National Health Services (NHS). During the quarter, we have initiated a review of our cost structure in the UK to adapt the operations to the current market situation and thus improve profitability. Other parts of the region reported sales in line with the second quarter in 2018. Germany and the Netherlands noted a somewhat weaker performance, while France continued developing well.

Overall, growth for Rest of the World was healthy with an increased organic net sales of 11.6%. Investments to build up our sales organizations in, for example, Japan and Latin America, yielded favorable results and sales growth for the quarter, albeit from low levels. Several distributor markets also reported a positive organic development, including Africa, Eastern Europe and countries in South East Asia. Australia reported a slight sales decline for the quarter but a strong order intake, providing several growth opportunities for the remainder of the year.

The Group's gross margin amounted to 44.1% in the quarter, down 1 percentage point compared with the second quarter in 2018. The decline was mainly due to an unfavorable product mix driven by high deliveries of medical beds in the US, lower capacity utilization within rental operations in Europe, and lower rental volumes of our Critical Care solutions in the US due to a shorter influenza season than in 2018. The gross margin was positively impacted by improvements in service operations and higher resource utilization in the Group's production units.

Two restructuring programs were initiated during the quarter to boost profitability and improve the gross margin. One proposed program focuses on the UK operations and affects about 70 roles. The cost for this program amounts to approximately SEK 25 M and is deemed to have a full-year effect of about SEK 20 M that will gradually impact 2019, evenly distributed between gross profit and operating expenses. The second program involves an organizational change to enhance the efficiency of the rental operations primarily in the US. The cost for this program amounts to approximately SEK 25 M and is expected to have a positive full-year effect on the gross margin of about SEK 30 M gradually during this year. The total restructuring costs of approximately SEK 50 M will be continuously charged to the third and fourth quarters of 2019.

Operating expenses amounted to SEK 806 M (744) for the quarter. The expenses were in line with plans. The change compared to the same quarter last year is due to the expected higher personnel expenses, higher IT-amortization as well as negative impact of translation effects totaling SEK 31 M. Operating expenses as a percentage of net sales continued to decline during the quarter according to plan.

Reported EBITDA for the Group improved by 38.8% to SEK 421 M (303) in the quarter, including the effect of IFRS 16. This resulted in an EBITDA margin of 19.1% (15.3). Excluding IFRS 16, EBITDA was SEK 336 M, up 10.5%. This corresponds to an EBITDA margin of 15.2%.

Net financial items for the quarter amounted to SEK -33 M (-21). Net interest increased by SEK 10 M as a result of IFRS 16. Net financial items also include currency effects of SEK -1 M (+4).

January – June 2019

Organic net sales increased by 4.2% during the period to SEK 4,320 M (3,929) compared with the second quarter in 2018. North America grew organically by 11.1% following a favorable performance in both the US and Canada. A slight decline was noted in Western Europe, mainly driven by the UK where Brexit and lower investments within the healthcare sector continue creating uncertainty. New investments in own sales organizations and additional focus on distributor markets had a positive impact for the progress in Rest of the World. Australia reported a sales decline during the period but a strong order intake indicating a positive full-year outlook.

The gross margin for the period amounted to 44.1% and was somewhat negatively affected by an unfavorable product mix caused by high

Net sales by geographic area, SEK M	Quarter 2 2019	Quarter 2 2018	Organic change	Jan – Jun 2019	Jan – Jun 2018	Organic change	Rolling 12 months	Full-year 2018
North America	902	718	15.8%	1,714	1,399	11.1%	3,330	3,015
Western Europe	1,010	1,007	-1.7%	2,035	2,020	-2.2%	4,140	4,125
Rest of the World	285	261	11.6%	571	510	9.9%	1,138	1,077
Total	**2,197**	**1,986**	**6.5%**	**4,320**	**3,929**	**4.2%**	**8,608**	**8,217**

deliveries of medical beds. Lower sales within rental operations in several countries in Western Europe as well as lower rental volumes of Critical Care solutions in the US also had an negative effect on the gross margin.

Operating expenses amounted to SEK 1 574 M (1 469) for the quarter, in accordance with plan. The increase is mainly due to negative currency translation effects of SEK 74 M but also higher amortization related to IT and, according to plan, higher personnel expenses.

The Group did not have any exceptional items in the period.

Reported EBITDA for the period amounted to SEK 834 M (552). EBITDA increased by 51.0%, including the effect of IFRS 16. Excluding IFRS 16, EBITDA was SEK 664 M, an increase of 20.2%.

The operating profit amounted to SEK 333 M (225) in the period, an increase of 47.9%.

Cash flow and financial position

Cash flow from operations amounted to SEK 255 M (189) for the quarter. Cash flow before changes in working capital increased SEK 128 M year on year, mainly based on higher add-back of depreciation due to IFRS 16. The change in working capital was SEK -52 M (+10). The decline was mainly due to the change in accounts receivables coming from sales growth during the quarter. The working capital was positively impacted during the first half of 2018 by previously unpaid claims and is therefore not entirely representative.

The Group's cash conversion in the quarter amounted to 60.7% compared with 62.4% in the year-earlier quarter. The introduction of IFRS 16 had a positive impact of SEK 77 M on cash flow before changes to working capital relative to the second quarter of last year. Cash conversion excluding IFRS 16 amounted to 53.5% for the quarter.

Net investments for the quarter amounted to SEK 205 M (176), divided between tangible assets of SEK 141 M (136) and intangible assets of SEK 64 M (40). The investments in tangible assets include investments in the rental fleet of SEK 123 M (88).

The equity/assets ratio was 39.2% (42.0) and excluding IFRS 16 was 42.5%. The net debt/equity ratio was 1.1 (0.9) and excluding IFRS 16 was 0.9.

Research and development

Arjo's research and development costs amounted to SEK 52 M (65) for the quarter, corresponding to 2.4% (3.3) of consolidated net sales. These costs for the period January to June amounted to SEK 103 M (109), corresponding to 2.4% (2.8). Refer to Note 4 for more information.

Outlook for 2019 (adjusted)

Organic sales growth for 2019 is expected to be in the upper part of the 2-4% interval (adjusted from the previously communicated target of approx. 3%).

Operating expenses are expected to continue declining slightly as a percentage of sales in 2019.

Other key events during the quarter

Dementia Forum X

Arjo participated in Dementia Forum X for the second time. The forum gathers scientists, politicians and patient representatives to discuss the global challenges of an increasingly aging population and rising number of dementia patients. The event was arranged by Swedish Care International (SCI) and provides an opportunity to engage with key stakeholders on the global dementia challenge and a chance to establish frameworks for future actions. Improving dementia care is a core focus area for Arjo. By combining Arjo's product portfolio and expertise, Arjo can contribute to person centric care, which is key for delivering good dementia care. Arjo has collaborated with SCI since 2018.

New accounting standards 2019

IFRS 16

IFRS 16 Leases came into effect for the fiscal year starting January 1, 2019. The amendment compared to 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 low value. The income statement is impacted by the depreciation of the asset and an interest expense on the lease liability instead of an operating lease cost. Arjo is mainly impacted by leases of premises and cars. The lease portfolio contains about 2,500 agreements.

In the first half of 2019, EBIT was positively affected by SEK 8 M and EBITDA positively by SEK 170 M. Net financial items were negatively impacted by SEK 19 M and profit before tax was negatively impacted by SEK 11 M. Refer to Note 1 Accounting policies and Note 6 Leases for more information.

Other information

Key events after the end of the quarter

Arjo acquires equity stake in Atlas Lift Tech

During the quarter, Arjo made an investment in Atlas Lift Tech, a Silicon Valley-based company focused on patient handling solutions in the US.

Patient mobilization and repositioning have been demonstrated as safe and feasible manners of improving patient well-being and provide financial benefits to healthcare providers. Atlas' Lift Coaches integrate themselves into each healthcare facility and empower care providers through bedside training methods, thereby reducing injuries and mitigating risks, while boosting overall morale. Atlas' proprietary software system, LiftTracker, is embedded into each facility to provide real-time task tracking and scheduling. Combined with Arjo's products and patient handling solutions, the mutual goal of the collaboration is to improve clinical outcomes through better and more efficient mobilization.

Established in 2009, Atlas is a dynamic company with a solid growth trajectory. In the third quarter of 2018, Arjo and Atlas began exploring the possibilities of gaining market shares in the US. The investment and commercial collaboration is expected to have a positive impact on Arjo's net sales, gross margin and earnings per share already in 2019, driven by increased growth within the Patient Handling portfolio. There is a performance-based option for Arjo to acquire additional equity in Atlas within the agreement.

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 patients 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.

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 revenue 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 where Arjo operates. 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 notified 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. Annual audits are performed by designated certification bodies to ensure compliance with CE marking of Arjo's products, and authorities such as FDA conduct regular inspections of Arjo's production units to ensure regulatory compliance. The Group's head office and 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 Group Finance. The most significant financial risks to which the Group is exposed are currency risk, interest-rate risk and credit and counterparty risk.

Transactions with related parties

Transactions between Arjo and companies in Getinge Group are specified in Note 12.

Forward-looking information

This report contains forward-looking information based on the current expectations of Arjo's Management Team. 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.

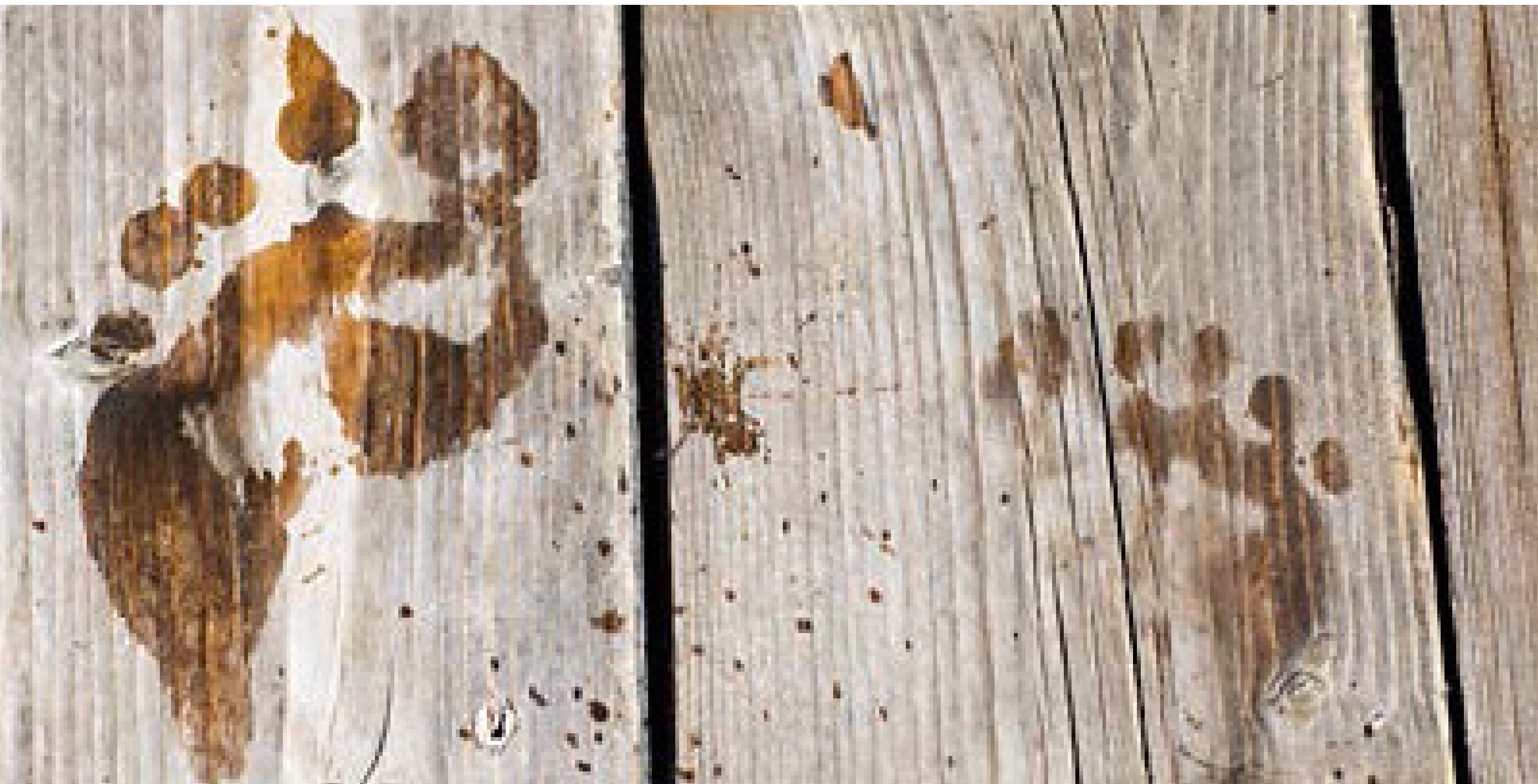
This interim report is unaudited.

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, July 17, 2019

Johan Malmquist Chairman of the Board	**Carl Bennet** Vice Chairman of the Board	**Sten Börjesson**
Eva Elmstedt	**Dan Frohm**	**Ulf Grunander**
Ingrid Hultgren	**Carola Lemne**	**Joacim Lindoff** President & CEO



Consolidated financial statements

Consolidated income statement

SEK M	Note	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Net sales	2	2,197	1,986	4,320	3,929	8,217
Cost of goods sold	6	-1,229	-1,090	-2,415	-2,177	-4,555
Gross profit	6	**968**	**896**	**1,905**	**1,752**	**3,662**
Selling expenses		-470	-412	-912	-804	-1,657
Administrative expenses		-306	-282	-595	-589	-1,219
Research and development costs	4	-30	-50	-67	-76	-141
Exceptional items	5	0	-15	0	-57	-156
Other operating income and expenses		3	5	2	-1	4
Operating profit (EBIT)	3, 6, 8	**165**	**142**	**333**	**225**	**493**
Net financial items	6	-33	-21	-68	-37	-98
Profit after financial items	6	**132**	**121**	**265**	**188**	**395**
Taxes		-33	-30	-66	-47	-99
Net profit for the period		**99**	**91**	**199**	**141**	**296**
Attributable to:						
Parent Company shareholders		99	91	199	141	296
Number of shares, thousands		272,370	272,370	272,370	272,370	272,370
Earnings per share, SEK[1]		0.36	0.33	0.73	0.52	1.09

1 Before and after dilution. For definition, see page 22.

Consolidated statement of comprehensive income

SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Net profit for the period	**99**	**91**	**199**	**141**	**296**
Other comprehensive income					
Items that cannot be restated in profit					
Actuarial gains/losses pertaining to defined-benefit pension plans	4	–	-50	–	108
Tax attributable to items that cannot be restated in profit	-1	–	8	–	-18
Items that can later be restated in profit					
Translation differences	-39	170	294	460	264
Hedges of net investments	-12	-14	-43	-139	-126
Cash-flow hedges	20	-87	37	-39	-52
Tax attributable to items that can be restated in profit	-2	22	1	39	39
Other comprehensive income for the period, net after tax	**-30**	**91**	**247**	**321**	**215**
Total comprehensive income for the period	**69**	**182**	**446**	**462**	**511**
Comprehensive income attributable to:					
Parent Company shareholders	69	182	446	462	511

Consolidated balance sheet

SEK M	Note	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Assets				
Intangible assets		7,050	6,909	6,946
Tangible assets		1,274	1,218	1,153
Tangible lease assets	6	1,142	-	-
Financial assets	10	578	439	448
Inventories		1,252	1,248	1,117
Accounts receivable		1,827	1,598	1,802
Current financial receivables	10	38	-	10
Other current receivables		534	623	625
Cash and cash equivalents	10	917	776	961
Assets held for sale		-	-	74
Total assets		**14,612**	**12,811**	**13,136**
Shareholders' equity and liabilities				
Shareholders' equity		5,723	5,378	5,427
Non-current financial liabilities	10	2,913	3,029	2,859
Non-current lease liabilities	6, 10	898	-	41
Provisions for pensions, interest-bearing	10	28	48	27
Other provisions		301	313	301
Current financial liabilities	10	2,940	2,451	2,761
Current lease liabilities	6, 10	264	-	10
Accounts payable		470	448	458
Other non-interest-bearing liabilities		1,075	1,144	1,208
Liabilities held for sale		-	-	44
Total shareholders' equity and liabilities		**14,612**	**12,811**	**13,136**

Changes in shareholders' equity for the Group

SEK M	Share capital	Reserves	Retained earnings	Total share-holders' equity[1]
Opening balance at January 1, 2018	**91**	**419**	**4,564**	**5,074**
Adjustment for prior years	-	-	-22	-22
Total comprehensive income for the period	-	124	387	511
Dividend	-	-	-136	-136
Closing balance at December 31, 2018	**91**	**543**	**4,793**	**5,427**
Opening balance at January 1, 2019	**91**	**543**	**4,793**	**5,427**
Total comprehensive income for the period	-	288	158	446
Dividend	-	-	-150	-150
Closing balance at June 30, 2019	**91**	**831**	**4,801**	**5,723**

1 Fully attributable to Parent Company shareholders

Consolidated cash-flow statement

SEK M	Note	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Operating activities						
Operating profit (EBIT)		165	142	333	225	493
Add-back of amortization, depreciation and write-down	3	256	161	501	327	687
Other non-cash items		-12	-16	27	-7	-84
Expensed exceptional items[1]		0	9	0	49	130
Paid exceptional items		-9	-11	-20	-13	-81
Financial items		-30	-21	-60	-37	-92
Taxes paid		-63	-85	-121	-112	-171
Cash flow before changes to working capital		**307**	**179**	**660**	**432**	**882**
Changes in working capital						
Inventories		40	22	-101	-88	24
Current receivables		-35	133	-14	243	95
Current liabilities		-57	-145	-110	-130	-10
Cash flow from operations		**255**	**189**	**435**	**457**	**991**
Investing activities						
Divested / acquired operations	8	–	–	-5	–	-144
Acquired financial assets		-14	–	-14	–	-16
Net investments		-205	-176	-386	-284	-557
Cash flow from investing activities		**-219**	**-176**	**-405**	**-284**	**-717**
Financing activities						
Raising of loans		2,651	39	4,931	2,451	5,507
Repayment of interest-bearing liabilities		-2,085	-140	-4,908	-2,400	-5,336
Change in pension assets/liabilities		0	-11	-1	-17	-22
Change in interest-bearing receivables		-6	6	-6	6	0
Dividend		-150	-136	-150	-136	-136
Realized derivatives attributable to financing activities		-37	–	56	–	–
Cash flow from financing activities		**373**	**-242**	**-78**	**-96**	**13**
Cash flow for the period		**409**	**-229**	**-48**	**77**	**287**
Cash and cash equivalents at the beginning of the period		506	999	961	672	672
Translation differences		2	6	4	27	16
Reclassification to Assets held for sale		–	–	–	–	-14
Cash and cash equivalents at the end of the period		**917**	**776**	**917**	**776**	**961**

1 Excluding write-down of non-current assets

Note 1 Accounting policies

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the applicable rules of the Swedish Annual Accounts Act. 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.

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 2018 Annual Report, published on www.arjo.com.

New accounting standards

IFRS 16 Leases

IFRS 16 Leases is applied from the 2019 fiscal year and replaces IAS 17 Leases. 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.

The accounting policies applied by Arjo due to the introduction of IFRS 16 are presented in the 2018 Annual Report Note 1 Significant accounting policies. The financial effects of IFRS 16 Leases are presented in this report in Note 6.

IFRIC 23 Uncertainty over Income Tax Treatments

This IFRIC interpretation clarifies the accounting for uncertainties in income taxes. If it is probable that the taxation authority will accept a tax treatment, the accounting is to reflect its income tax filings in this respect. If it is not probable that a particular tax treatment is accepted, the effect is to be reflected when determining, for example, taxable profit, tax bases, unused tax losses, etc.

The introduction of IFRIC 23 does not have any material effect on Arjo's financial position.

None of the IFRS or IFRIC interpretations that have yet to come into legal effect are expected to have any significant impact on Arjo.

Note 2 Net sales by geographic area and type of revenue

Net sales by geographic area, SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
North America	902	718	1,714	1,399	3,015
Western Europe	1,010	1,007	2,035	2,020	4,125
Rest of the World	285	261	571	510	1,077
Total	**2,197**	**1,986**	**4,320**	**3,929**	**8,217**

Net sales by type of revenue, SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Product sales	1,316	1,121	2,552	2,230	4,810
Service incl. spare parts	365	346	726	676	1,373
Rental	516	519	1,042	1,023	2,034
Total	**2,197**	**1,986**	**4,320**	**3,929**	**8,217**

Note 3 Depreciation/amortization and write-down

SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Intangible assets	-81	-72	-147	-138	-305
Tangible assets	-95	-89	-192	-189	-382
Tangible lease assets	-80	–	-162	–	–
Total	**-256**	**-161**	**-501**	**-327**	**-687**
Of which, write-down	–	-5	–	-7	-24

Note 4 Capitalized development costs

SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Research and development costs, gross	-52	-65	-103	-109	-201
Capitalized development costs	22	15	36	33	60
Research and development costs, net	**-30**	**-50**	**-67**	**-76**	**-141**

Note 5 Exceptional items

SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Acquisition expenses	-	-	-	-	-3
Restructuring and integration costs	0	-15	0	-57	-113
Adjustment of pension liability, UK	-	-	-	-	-40
Total	**0**	**-15**	**0**	**-57**	**-156**

Note 6 Leases

IFRS 16 Leases comes into effect for the fiscal year beginning on January 1, 2019. The amendment compared with 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 income statement is impacted by depreciation of the asset and an interest expense on the lease liability instead of an operating lease cost. Arjo is mainly impacted by leases of premises and cars. The lease portfolio contains about 2,500 agreements. Commitments that exist regarding operating leases are described in Note 18 of the 2018 Annual Report. On the transition to IFRS 16 on January 1, 2019, Arjo decided to apply the modified retrospective approach and in accordance with the standard did not restate the comparative year. Leases that were previously classified as operating leases under IAS 17 are recognized from 2019 at the present value of the remaining lease payments discounted by the incremental borrowing rate on January 1, 2019. Arjo recognizes a tangible lease asset that corresponds to the lease liability adjusted by any prepaid lease payments recognized on December 31, 2018. This entails that there will be no impact on the Group's shareholders' equity in connection with the transition. Arjo applies the practical exemption for short-term leases (leases with a term of 12 months or less) and low-value leases (the value of the underlying asset in new condition is less than about USD 5,000) of not recognizing an asset or a liability, and instead recognizing an expense in profit or loss. Arjo has also decided to include non-lease components in the calculation for all assets except buildings. Arjo decided to utilize the following practical exemptions the first time that IFRS 16 is applied:

- The same discount rate was used on lease portfolios with similar characteristics
- Direct costs for right-of-use assets were not included in connection with the transition
- Historical information (hindsight) was used when determining the length of the lease if the contract contains options to extend or terminate the lease.
- Relied on its assessment as to whether leases are onerous by applying IAS 37 immediately before the date of initial application.

On the transition date of January 1, 2019, Arjo recognized a tangible lease asset of SEK 1,290 M and a lease liability of SEK 1,253 M. The difference comprised prepaid lease payments. The standard does not entail any material change for Arjo as the lessor.

NOTE 6 CONTINUED

Commitments for operating leases at December 31, 2018

SEK M	
Operating leases at December 31, 2018	-1,313
Discounted using the Group's weighted average incremental borrowing rate	299
Liabilities for financial leases at December 31, 2018	-51
Short-term leases expensed straight-line	1
Leases for which the underlying asset is of low value expensed straight-line	3
Leases reclassified to service contracts	88
Adjustment due to different handling of options to extend and cancel the lease	-331
Lease liability recognized at January 1, 2019	**-1,304**

Lease assets

SEK M	Jun 30, 2019
Buildings and land	884
Cars and other vehicles	246
Other	12
Total	**1,142**

Lease liabilities

SEK M	Jun 30, 2019
Financial leases from 2018	46
New leases according to IFRS 16	1,116
Total	**1,162**

Lease liabilities of SEK 159 M were repaid in 2019, of which a total of SEK 153 M was attributable to new lease liabilities under IFRS 16 and SEK 6 M referred to financial lease liabilities existing already in 2018.

Impact of IFRS 16 on Income statement 2019

SEK M	Lease expenses under IAS 17 Quarter 2 2019	Leases, depreciation under IFRS 16 Quarter 2 2019	Net impact Quarter 2 2019	Lease expenses under IAS 17 Jan – Jun 2019	Leases, depreciation under IFRS 16 Jan – Jun 2019	Net impact Jan – Jun 2019
Cost of goods sold	58	-55	3	109	-104	5
Gross margin	**58**	**-55**	**3**	**109**	**-104**	**5**
Operating expenses	27	-25	2	61	-58	3
Operating profit/loss (EBIT)	**85**	**-80**	**5**	**170**	**-162**	**8**
Net financial items			-10			-19
Loss before tax			**-5**			**-11**
EBIT			**5**			**8**
Add-back of amortization of intangible assets			-			-
EBITA			**5**			**8**
Add-back of depreciation of tangible assets			80			162
EBITDA			**85**			**170**

IFRS 16 had a material impact on a number of key performance measures. Accordingly, Arjo has decided to present certain selected key performance measures in this report both including and excluding the effect of IFRS 16. These are key performance measures that include the following items:

- EBITDA
- Operating cash flow
- Total assets
- Net debt
- Interest expenses

These key performance measures are recognized in a separate section in Note 11 Key performance measures for the Group. The amounts with which IFRS 16 adjustments have been made are presented under the heading alternative performance measures.

Note 7 Financial assets and liabilities measured at fair value

Jun 30, 2019	Assets measured at fair value through profit or loss	Derivatives used for hedging purposes	Total
Other current receivables	–	22	22
Total assets	**-**	**22**	**22**
Other non-interest-bearing liabilities	–	81	81
Total liabilities	**-**	**81**	**81**

Jun 30, 2018	Assets measured at fair value through profit or loss	Derivatives used for hedging purposes	Total
Other current receivables	–	28	28
Total assets	**-**	**28**	**28**
Other non-interest-bearing liabilities	–	90	90
Total liabilities	**-**	**90**	**90**

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 fair value hierarchy.

Note 8 Divestments

In February, Acare Medical Sciences Co., Ltd – the Group's low-spec medical beds business – was divested to CBL based in China. The divestment involves a production and sales unit in Zhuhai, China, with 186 employees and sales of about SEK 80 M. Acare was recognized in the balance sheet for 2018 under assets and liabilities held for sale. The divestment did not have any significant capital gains effect. The sales proceeds of about SEK 24 M were received via a promissory note that falls due for payment in the third quarter of 2019. Cash and cash equivalents in Acare on the divestment date amounted to SEK 5 M.

Divested net assets	Carrying amount
Net assets	
Assets held for sale	70
Liabilities held for sale	-46
Total net assets	**24**
Cash-flow effect	
Proceeds received	–
Cash and cash equivalents in divested company	-5
Total cash-flow effect	**-5**

Note 9 Financial data per quarter

SEK M	Quarter 1 2018	Quarter 2 2018	Quarter 3 2018	Quarter 4 2018	Quarter 1 2019	Quarter 2 2019
Net sales	1,943	1,986	1,981	2,307	2,123	2,197
Cost of goods sold	-1,087	-1,090	-1,113	-1,265	-1,186	-1,229
Gross profit	**856**	**896**	**868**	**1,042**	**937**	**968**
Operating expenses	-725	-744	-734	-814	-768	-806
Exceptional items	-42	-15	-21	-78	0	0
Other operating income and expenses	-6	5	-2	7	-1	3
Operating profit (EBIT)	**83**	**142**	**111**	**157**	**168**	**165**
Net financial items	-16	-21	-34	-27	-35	-33
Profit after financial items	**67**	**121**	**77**	**130**	**133**	**132**
Taxes	-17	-30	-19	-33	-33	-33
Net profit for the period	**50**	**91**	**58**	**97**	**100**	**99**
Adjusted EBITDA[1]	289	313	301	409	413	421
Adjusted EBITDA margin, %[1]	14.9	15.7	15.2	17.7	19.5	19.1

1 EBITDA before exceptional items. Refer to Note 5 Exceptional items on page 13, Alternative performance measures on page 19 and definitions on page 22.

Note 10 Consolidated interest-bearing net debt

SEK M	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Non-current financial liabilities	2,913	3,029	2,859
Non-current lease liabilities	898	-	41
Current financial liabilities	2,940	2,451	2,761
Current lease liabilities	264	-	10
Provisions for pensions, interest-bearing	28	48	27
Interest-bearing liabilities	**7,043**	**5,528**	**5,698**
Less financial receivables	-91	-3	-55
Less pension assets	-6	-	-52
Less cash and cash equivalents	-917	-776	-961
Interest-bearing net debt	**6,029**	**4,749**	**4,630**
Adjustment IFRS 16, Non-current lease liabilities	-853	-	-
Adjustment IFRS 16, Current lease liabilities	-263	-	-
Interest-bearing net debt, excluding IFRS 16	**4,913**	**4,749**	**4,630**

Note 11 Key performance measures for the Group

SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Sales measures					
Net sales	2,197	1,986	4,320	3,929	8,217
Net sales growth, %	10.7%	4.8%	10.0%	2.7%	6.9%
Organic growth in sales, %	6.5%	2.3%	4.2%	2.3%	3.0%
Expense measures					
Selling expenses as a % of net sales	21.4%	20.7%	21.1%	20.5%	20.2%
Administrative expenses as a % of net sales	13.9%	14.2%	13.8%	15.0%	14.8%
Research and development costs as a % of net sales	1.4%	2.5%	1.5%	1.9%	1.7%
Earnings measures					
Operating profit (EBIT)	165	142	333	225	493
EBITA	246	214	480	363	798
Adjusted EBITA[2]	246	224	480	413	930
EBITDA	421	303	834	552	1,180
EBITDA growth, %	38.8%	8.0%	51.0%	-25.2%	18.4%
Adjusted EBITDA[2]	421	313	834	602	1,312
Earnings per share, SEK	0.36	0.33	0.73	0.52	1.09
Margin measures					
Gross margin, %	44.1%	45.1%	44.1%	44.6%	44.6%
Operating margin, %	7.5%	7.2%	7.7%	5.7%	6.0%
EBITA margin, %	11.2%	10.8%	11.1%	9.3%	9.7%
Adjusted EBITA margin, %[2]	11.2%	11.3%	11.1%	10.5%	11.3%
EBITDA margin, %	19.1%	15.3%	19.3%	14.1%	14.4%
Adjusted EBITDA margin, %[2]	19.1%	15.7%	19.3%	15.3%	16.0%
Cash flow and return measures					
Return on shareholders' equity, %[1]			6.4%	0.1%	5.6%
Cash conversion, %	60.7%	62.4%	52.2%	82.8%	84.0%
Operating capital, SEK M			10,991	10,257	9,946
Return on operating capital, %[1]			6.4%	4.3%	6.5%
Capital structure					
Interest-bearing net debt			6,029	4,749	4,630
Interest-coverage ratio, multiple[1]			5.6×	4.1×	6.2×
Net debt/equity ratio, multiple			1.1×	0.9×	0.9×
Net debt/adjusted EBITDA, multiple[1,2]			3.5×	4.2×	3.5×
Equity/assets ratio, %			39.2%	42.0%	41.3%
Equity per share, SEK			21.0	19.7	19.9
Other					
No. of shares			272,369,573	272,369,573	272,369,573
Number of employees			6,175	5,994	6,123
Earnings measures, excluding IFRS 16					

1 Rolling 12 months.
2 Before exceptional items. See Alternative performance measures on page 19 and definitions on page 22.
For more information about the effects of IFRS 16, refer to Note 6 on pages 13-14.

NOTE 11 CONTINUED

SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
EBITDA	336	303	664	552	1,180
EBITDA growth, %	10.5%	8.0%	20.2%	-25.2%	18.4%
Adjusted EBITDA[2]	336	313	664	602	1,312
Margin measures, excluding IFRS 16					
EBITDA margin, %	15.2%	15.3%	15.4%	14.1%	14.4%
Adjusted EBITDA margin, %[2]	15.2%	15.7%	15.4%	15.3%	16.0%
Cash flow and return measures, excluding IFRS 16					
Cash conversion, %	53.5%	62.4%	42.6%	82.8%	84.0%
Operating capital, SEK M			10,420	10,257	9,946
Return on operating capital, %[1]			6.7%	4.3%	6.5%
Capital structure, excluding IFRS 16					
Interest-bearing net debt			4,913	4,749	4,630
Interest-coverage ratio, multiple[1]			6.5×	3.6×	6.2×
Net debt/equity ratio, multiple			0.9×	0.9×	0.9×
Net debt/adjusted EBITDA, multiple[1,2]			3.5×	4.2×	3.5×
Equity/assets ratio, %			42.5%	42.0%	41.3%

1 Rolling 12 months.
2 Before exceptional items. See Alternative performance measures on page 19 and definitions on page 22.
For more information about the effects of IFRS 16, refer to Note 6 on pages 13-14.

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.

Adjusted EBITA/EBITDA SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Operating profit (EBIT)	165	142	333	225	493
Add-back of amortization and write-down of intangible assets	81	72	147	138	305
EBITA	**246**	**214**	**480**	**363**	**798**
Add-back of depreciation and impairment of tangible assets	175	89	354	189	382
EBITDA	**421**	**303**	**834**	**552**	**1,180**
Adjustment for IFRS 16	-85	-	-170	-	-
EBITDA, excluding IFRS 16	**336**	**303**	**664**	**552**	**1,180**
Exceptional items[1]	0	15	0	57	156
Add-back of write-down of restructuring and integration costs	-	-5	-	-7	-24
Adjusted EBITA	**246**	**224**	**480**	**413**	**930**
Adjusted EBITDA	**421**	**313**	**834**	**602**	**1,312**
Adjustment for IFRS 16	-85	-	-170	-	-
Adjusted EBITDA, excluding IFRS 16	**336**	**313**	**664**	**602**	**1,312**

1 Refer to Note 5 Exceptional items on page 13.

Cash conversion	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Cash flow from operations, SEK M	**255**	**189**	**435**	**457**	**991**
Operating profit (EBIT)	165	142	333	225	493
Add-back of amortization, depreciation and write-down of intangible and tangible assets	256	161	501	327	687
EBITDA, SEK M	**421**	**303**	**834**	**552**	**1,180**
Cash conversion, %	**60.7%**	**62.4%**	**52.2%**	**82.8%**	**84.0%**

Cash conversion, excluding IFRS 16	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Cash flow from operations, SEK M	**255**	**189**	**435**	**457**	**991**
Adjustment for IFRS 16	-77	-	-153	-	-
Cash flow from operations, SEK M, excluding IFRS 16	**178**	**189**	**282**	**457**	**991**
Operating profit (EBIT)	165	142	333	225	493
Add-back of amortization, depreciation and write-down of intangible and tangible assets	256	161	501	327	687
Adjustment for IFRS 16	-85	-	-170	-	-
EBITDA, SEK M, excluding IFRS 16	**336**	**303**	**664**	**552**	**1,180**
Cash conversion, %, excluding IFRS 16	**53.5%**	**62.4%**	**42.6%**	**82.8%**	**84.0%**

Net debt/equity ratio	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Interest-bearing net debt, SEK M	6,029	4,749	4,630
Adjustment for IFRS 16	-1,116	-	-
Interest-bearing net debt, SEK M, excluding IFRS 16	**4,913**	**4,749**	**4,630**
Shareholders' equity, SEK M	5,723	5,378	5,427
Net debt/equity ratio	**1.05**	**0.88**	**0.85**
Net debt/equity ratio, multiple, excluding IFRS 16	**0.86**	**0.88**	**0.85**

Calculation of return on operating capital	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Total assets opening balance	12,811	12,871	12,210
Total assets closing balance	14,612	12,811	13,136
Adjustment for IFRS 16	-1,142	-	-
Total assets closing balance, excluding IFRS 16	13,470	12,811	12,673
Average total assets	**13,712**	**12,841**	**12,673**
Average total assets, excluding IFRS 16	**13,141**	**12,841**	**12,673**
Average total assets	13,712	12,841	12,673
Average total assets, excluding IFRS 16	13,141	12,841	12,673
Excluding average cash and cash equivalents	-846	-769	-817
Excluding average other provisions	-307	-277	-278
Excluding average other non-interest-bearing liabilities	-1,568	-1,538	-1,632
Average operating capital	**10,991**	**10,257**	**9,946**
Average operating capital, excluding IFRS 16	**10,420**	**10,257**	**9,946**
Operating profit (EBIT)[1]	601	148	493
Add-back of exceptional items[1]	99	297	156
EBIT after add-back of exceptional items	700	445	649
Return on operating capital, %	**6.4%**	**4.3%**	**6.5%**
Return on operating capital, %, excluding IFRS 16	**6.7%**	**4.3%**	**6.5%**

1 Rolling 12 months.

Note 12 Transactions with related parties

	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Transactions with related parties, SEK M					
Sales	16	29	31	41	72
Purchases of goods	-1	-4	-2	-5	-9
Other expenses	-	-17	-	-38	-69
Accounts receivable			16	29	20
Other current receivables			0	-	-
Non-current financial liabilities			57	84	55
Accounts payable			0	16	10
Other non-interest-bearing liabilities			6	5	6

Transactions between Arjo and companies in Getinge Group are specified in the table above. 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 expenses primarily refer to administrative services.

Parent Company financial statements

Parent Company income statement

SEK M	Quarter 2 2019	Quarter 2 2018	Jan – Jun 2019	Jan – Jun 2018	Full-year 2018
Administrative expenses	-37	-40	-77	-84	-155
Restructuring and integration costs	-	-33	-	-35	-49
Other operating income and expenses	0	1	0	-6	66
Operating profit (EBIT)	**-37**	**-72**	**-77**	**-125**	**-138**
Income from participations in Group companies	69	20	69	20	1,370
Net financial items[1]	-15	-2	-46	-60	-85
Profit/loss after financial items	**17**	**-54**	**-54**	**-165**	**1,147**
Taxes	9	16	24	40	-33
Net profit/loss for the period	**26**	**-38**	**-30**	**-125**	**1,114**

1 Net financial items contain interest income and other similar items, and interest expenses and other similar expenses include exchange-rate gains and losses attributable to the translation of financial receivables and liabilities in foreign currencies measured at the closing day rate.

Parent Company balance sheet

SEK M	Jun 30, 2019	Jun 30, 2018	Dec 31, 2018
Assets			
Intangible assets	345	385	349
Financial assets	6,357	5,469	6,317
Current financial receivables, Group companies	671	4	677
Other current receivables, Group companies	6	6	82
Current receivables	29	6	30
Cash and cash equivalents	3	-	-
Total assets	**7,411**	**5,870**	**7,455**
Shareholders' equity and liabilities			
Shareholders' equity	4,425	3,366	4,605
Provisions	1	-	1
Current financial liabilities	2,938	2,451	2,761
Other current liabilities, Group companies	26	15	55
Other non-interest-bearing liabilities	21	38	33
Total shareholders' equity and liabilities	**7,411**	**5,870**	**7,455**

At the end of the period, the carrying amount of shares and participations in subsidiaries amounted to SEK 6,292 M (5,390). The carrying amount was unchanged during this period.

The Parent Company's commercial paper program has a framework amount of SEK 4,000 M. The total amount issued at the end of the period amounted to SEK 2,941 M (2,452).
Intangible assets comprise software.

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 exceptional items 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.

EBIT
Operating profit.

EBITA
Operating profit before amortization and write-down of intangible assets.

Adjusted EBITA
EBITA with add-back of exceptional items.

EBITA margin
EBITA in relation to net sales.

Adjusted EBITA margin
Adjusted EBITA in relation to net sales.

EBITDA
Operating profit before amortization, depreciation and write-down.

Adjusted EBITDA
EBITDA with add-back of exceptional items.

EBITDA margin
EBITDA in relation to net sales.

Adjusted EBITDA margin
Adjusted EBITDA in relation to net sales.

Exceptional items
Total of acquisition, restructuring and integration costs as well as major non-recurring items.

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 199 M
Number of shares, thousands	272,370
Earnings per share	SEK 0.73

Interest-coverage ratio
Profit after financial items plus interest expenses and add-back of exceptional items in relation to interest expenses. Calculated based on rolling twelve-month data.

Operating expenses
Selling expenses, administrative expenses and research and development costs.

Operating margin
Operating profit in relation to net sales.

Equity/assets ratio
Shareholders' equity in relation to total assets.

Medical and other 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.

US Food and Drug Administration (FDA)
The US authority responsible for protecting the public health by carrying out regular inspections of, among other things, medical devices.

Compression therapy
Treatment technique which means that one uses outer pressure with a certain frequency and for a certain period of time to treat and prevent venous leg ulcers.

EU Medical Device Regulation (MDR)
Regulations created by the EU to ensue better protection for the public health and patient safety by establishing modernized and more robust EU legislation. All medical device manufacturers and distributors must comply with these new regulations that will come into force in May 2020.

Prevention
Preventive activity/treatment.

Sequential VTE prevention
A treatment that aims to enhance the circulation of blood in the deep veins of the legs, which helps reduce deep vein thrombosis (blood clot in the deep veins of the legs).

Pressure ulcers
Sores that occur when blood flow to the skin is reduced by external pressure. Most common in patients with reduced mobility.

VTE
The abbreviation VTE standards for venous thromboembolism – a blood clot in the veins, similar to DVT (above).

Edema
Swelling due to accumulation of fluid in tissues.

Teleconference

Fund managers, analysts and the media are invited to a teleconference on July 18 at 8:00 a.m. CEST.

Dial the number below to participate:

Sweden: +46 (0)8 5033 6574
UK: +44 (0)330 336 9105
USA: +1 323-794-2093
Code: 9808789

A presentation will be held during the telephone conference. To access the presentation, please use this link: https://slideassist.webcasts.com/starthere.jsp?ei=1245570

Alternatively, use the following link to download the presentation: https://www.arjo.com/int/about-us/investors/reports--presentations/2019/

A recording of the teleconference will be available for 90 days via the following link: https://slideassist.webcasts.com/starthere.jsp?ei=1245570

Financial information

Updated information on, for example, the Getinge share and corporate governance is available on Arjo's website www.arjo.com. The Annual Report, year-end report and interim reports are published in Swedish and English and are available for download at www.arjo.com.

The following financial statements will be published in 2019:

October 23, 2019:	Interim report January-September
February 3, 2020:	Year-end report 2019
April – May 2020:	2019 Annual Report

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This information is information that Arjo AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication, through the agency of the contact person set out above, on July 18, 2019 at 7:30 a.m. CEST.

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 improve 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 and long-term care. The company's offering includes products and solutions for patient handling, prevention of pressure ulcers, prevention of deep vein thrombosis and for diagnostics. The Group also offers medical beds and services such as training in connection with product sales.

The company has customers in more than 100 countries, which Arjo has divided into three geographic areas: North America, Western Europe and Rest of the World. Arjo has about 6,000 employees worldwide and the 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 age-related health challenges. The company's offering includes products and solutions for patient handling, hygiene, disinfection, medical beds, prevention of pressure ulcers, prevention of deep vein thrombosis and for obstetric and cardiac diagnostics.

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