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.

Net sales by geographic area, SEK M	Quarter 3 2017	Quarter 3 2016	Organic change	Jan-Sep 2017	Jan-Sep 2016	Organic change	Rolling 12M	Full-year 2016
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

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.

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