Arjo – Q1 report 2018

May 4, 2018

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Agenda

1. Business update – Q1 2018
2. Other business highlights
3. Balance sheet
4. Outlook
5. Summary
6. Q&A

Business update

Q1 2018

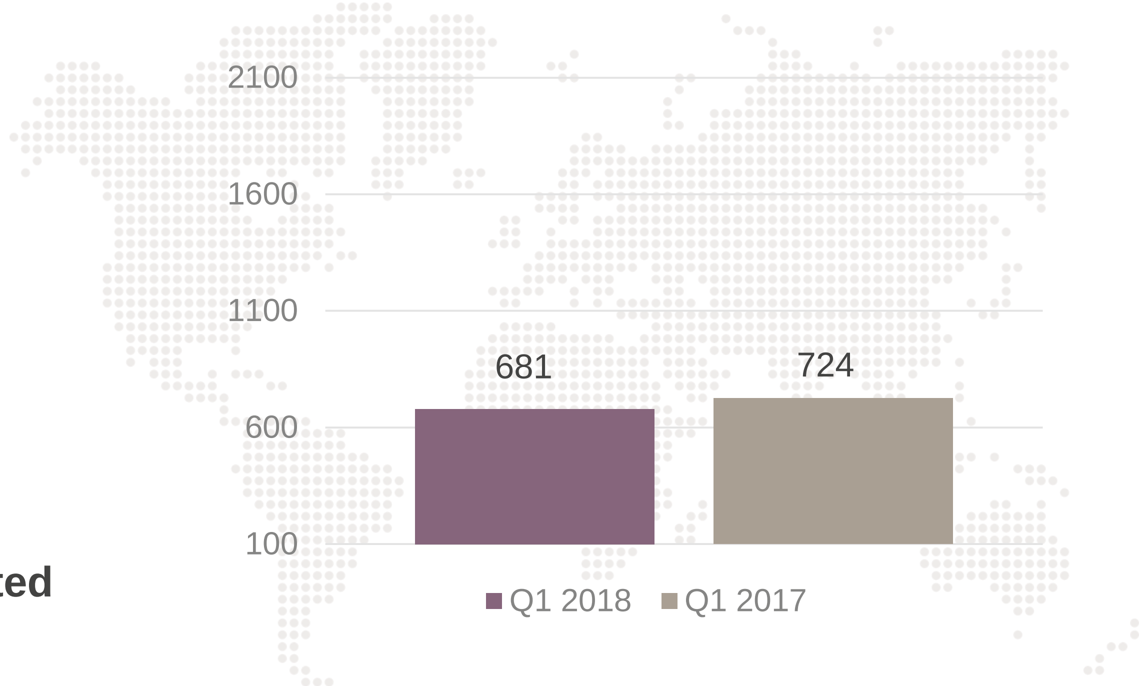
Q1 2018 - Summary

Strong start to 2018 with positive net sales development

- **Positive net sales development, +2,3 % organic growth**
  - Continued positive development of US rental, third consecutive quarter
  - Stabilization of US DVT business – volume and product mix
  - Positive UK development - activities paying off
  - Overall positive development accross most markets and product categories
- **Profitability impacted by costs related to the creation of Arjo as an independent company**
  - Gross margin in line with expectation but negatively affected by unfavorable product mix
  - OPEX slightly better than plan
  - EBITDA before acquisition, restructuring and integration costs declined to SEK 289 M (460)
- **Cash flow from operations amounted to SEK 268 M (153)**
  - The cash conversion was 107,6% (33,4)
- **Restructuring of product development function to enable higher output**
  - Restructuring costs of SEK 40 M
  - Total savings of approx. SEK 20 M in 2018 and approx. SEK 40 M annually from 2019

Q1 2018
North America

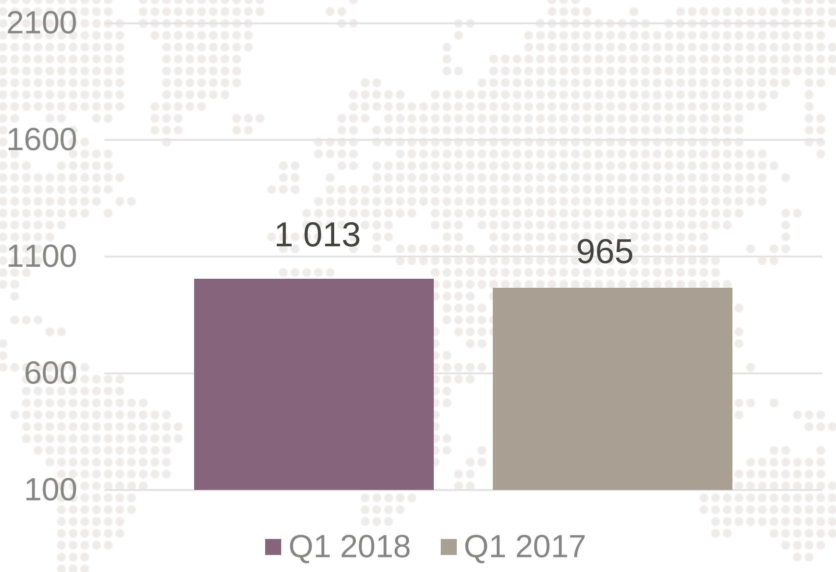
- **Net sales grew organically by 2,3%**
  - Continued stabilization of DVT demand during the quarter
  - Hygiene performing well
- **Rental performing well for third consecutive quarter – continued positive results from US turnaround plan**
- **Continued focus on Long Term Care in the US - dedicated sales organization now in place**



North America net sales, SEK M, Actuals

Q1 2018
Western Europe

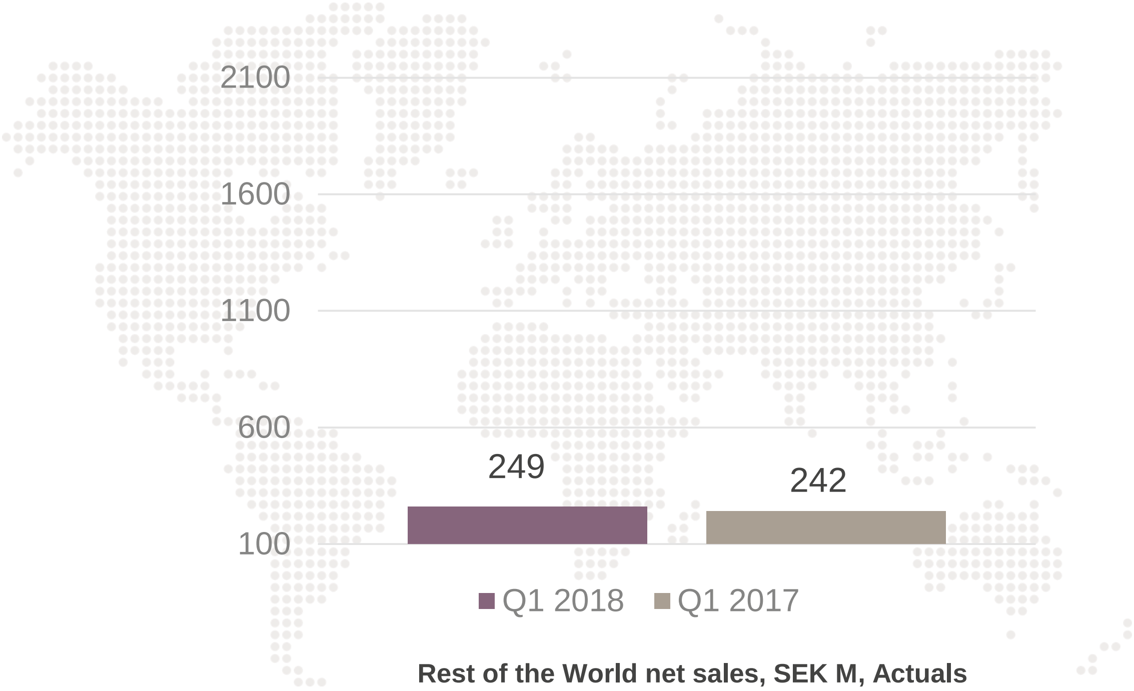
- **Net sales grew organically by 1,5%**
  - Positive development in several larger markets
    - Italy and Netherlands
  - Growth across product categories
    - Medical Beds, Patient Handling, Wound Care
- **UK performing well and grew by 3%**
  - Activities paying off and new management in place
  - UK sales volumes for FY 2018 estimated to mirror FY 2017 levels



Western Europe net sales, SEK M, Actuals

Q1 2018
Rest of the World

- **Net sales grew by 5,6% organically**
  - Positive development in Medical Beds & Wound Care
  - Main drivers are Australia, India and South Africa
- **Geographic expansion continues**
  - Continued establishment of sales organizations in Japan, China & Latin America
- **Product registrations well underway**



Rest of the World net sales, SEK M, Actuals

Profit development – Q1 2018

- **Gross margin level of 44,1% (47,5) in Q1**
  - Somewhat unfavourable product mix and lower service sales
  - Negative currency impact of SEK 20 M since year-end 2017
- **EBITDA before acquisition, restructuring and integration costs was SEK 289 M (460) in Q1**
  - OPEX development on plan, slightly lower
- **Restructuring costs of 42 MSEK in Q1**
  - Mainly related to organisational changes in Product development
  - Fully accounted for in Q1, cash flow effects mainly in Q2 and Q3

MSEK	Q1 2018	Q1 2017	FY 2017
Net sales	1 943	1 931	7 688
Gross profit	856	917	3 428
Gross margin, %	44,1	47,5	44,6
EBITDA*	289	460	1 246
EBITDA-margin*, %	14,9	23,8	16,2

Currency effects

- New currency strategy as of listing day, December 12, 2017
- 2018 vs. 2017 not comparable in terms of currency effects due to the above
  - Positive currency effects of 19 MSEK compared with Q1 2017 (whereof transaction is 18 MSEK)
  - Compared with the Arjo standalone year-end rates 2017 there is a negative transaction effect of 20 MSEK.
- Higher volatility expected due to lower hedging
- Gradually increased hedging in 2018

Other business highlights

Business Highlights

New product development setup for increased efficiency

Re-organization of global product development organization for increased efficiency and output

- New eco system setup to enable better use of competencies and resources
- Current investment levels into R&D remain, with better utilization of resources
- Product development in San Antonio transferred to other existing product development sites
- Total annual savings of approx. SEK 20 M in 2018, and SEK 40 M annually from 2019
- Restructuring costs of SEK 40 M
  - No effect on cash flow in Q1
  - Cash flow effect in remaining quarters of 2018

Business Highlights

Preparations for EU Medical Device Regulation well underway

- Activities started in 2017 – project well underway
- Current focus on:
  - Future interaction with notified body
  - Product portfolio impact
  - Clinical evidence
  - Update of post-market surveillance process
- Clear governance structure in place to ensure compliance on time
- Covered by current resources, but require extensive focus
- Competitive advantage

Balance sheet

Balance sheet

- **Continued strong balance sheet**
  - Equity ratio ~41%
- **Focus on Working Capital**
  - Cash-flow effect + 15 MSEK in Q1
- **New commercial paper program**
  - Utilized ~2,4 billion SEK in March
  - Purpose to decrease interest cost

Cash Flow

- **Cash flow before changes to working capital**
  - lower EBIT
  - lower add-back of amortization, depreciation and write down
- **Working capital positive in the quarter**
  - Focus area
- **Investing activities slightly up in Q1**
  - Rental fleet, R&D and IT

MSEK	Q1 2018	Q1 2017	FY 2017
Operating profit	83	238	281
Cash flow before changes to working capital	253	429	982
Change in working capital	15	-276	-410
Cash flow from operations	268	153	572
Cash flow from investing activities	-108	-90	-652

Outlook 2018

Outlook 2018

- Organic sales growth in 2018 is estimated to reach the lower range of 2-4 %
- The group’s operating expenses for the full year 2018 is expected to amount to approx. 2 950 MSEK

Summary

Summary

- **Strong start to 2018 with 2,3% organic sales growth**
  - US rental business performing well for third consecutive quarter and US turnaround plan continues to hit milestones
  - Stabilization of DVT in the US
  - Positive UK development – activities paying off
- **Healthy development in majority of our markets and product categories**
- **Profitability impacted by costs related to the creation of Arjo as an independent company**
- **Q1 marks an important step towards 2-4 % annual sales growth**

Q&A

Forward looking information

This document contains forward-looking information based on the current expectations of Arjo's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary considerably compared with what is stated in the forward-looking information, due to such factors as changed conditions regarding business cycles, market and competition, changes in legal requirements and other political measures, and fluctuations in exchange rates.

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with people in mind