Interim report January – September 2018

July-September 2018 in brief

- Net sales increased 10.4% to SEK 1,981 M (1,795). Net sales rose organically by 1.4%. Sales was held back by temporary disruptions in connection with the planned change of logistics partner in Europe. Adjusted for this, organic growth for the quarter was 3.5%.
- Adjusted EBITDA increased by 19,9% to SEK 301 M (251).
- Restructuring and integration costs amounted to SEK 18 M (135).
- Profit after financial items increased to SEK 77 M (-95).
- Earnings per share increased to SEK 0.21 (-0.26).
- Cash flow from operations amounted to SEK 200 M (122). The cash conversion was 71.4% (105.1).
- Arjo is raising its outlook for the full-year and estimates that the sales growth will now be in the middle of the 2–4% interval.
- Key event after the end of the quarter: Divestment of Acare, the group's operations for low-spec medical beds.

January-September 2018 in brief

- Net sales increased 5.2% to SEK 5,910 M (5,620). Net sales rose organically by 2.0%.
- Adjusted EBITDA declined to SEK 903 M (1006), primarily due to higher operating expenses related to Arjo now operating as an independent group.
- Restructuring and integration costs amounted to SEK 75 M (219).
- Profit after financial items increased to SEK 265 M (254).
- Earnings per share increased to SEK 0.73 (0.68).
- Cash flow from operations amounted to SEK 657 M (397). The cash conversion was 79.0% (46.5).

Financial summary

	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Rolling 12 months	Full-year 2017
Net sales, SEK M	1,981	1,795	5,910	5,620	7,978	7,688
Gross profit, SEK M	868	745	2,620	2,527	3,521	3,428
Gross margin, %	43.8%	41.5%	44.3%	45.0%	44.1%	44.6%
Adjusted EBITA	204	150	617	711	752	846
Adjusted EBITA margin, %	10.3%	8.3%	10.4%	12.7%	9.4%	11.0%
EBITDA	280	116	832	854	974	996
EBITDA margin, %	14.1%	6.5%	14.1%	15.2%	12.2%	13.0%
Adjusted EBITDA[1]	301	251	903	1,006	1,143	1,246
Adjusted EBITDA margin, %	15.2%	14.0%	15.3%	17.9%	14.3%	16.2%
Operating profit (EBIT), SEK M	111	-43	336	315	302	281
Profit/loss after financial items, SEK M	77	-95	265	254	190	179
Net profit/loss for the period, SEK M	58	-70	199	186	131	118
Number of shares, thousands	272,370	272,370	272,370	272,370	272,370	272,370
Earnings/loss per share, SEK	0.21	-0.26	0.73	0.68	0.48	0.43
Cash flow from operations, SEK M	200	122	657	397	832	572
Cash conversion, %	71.4%	105.1%	79.0%	46.5%	85.4%	57.4%

1 Before acquisition, restructuring and integration costs. See Alternative performance measures on page 19 and definitions on page 22.

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

Continued growth and improved outlook for the full year

Growth continued in the third quarter. Can you tell us more?

We continue to see positive development and clear results from the actions we are taking. When we started our Arjo 2020 journey just over a year ago we had five years of negative growth behind us, so it is especially pleasing that we have good momentum in the organization and can now deliver the third consecutive quarter of growth. However, sales for the quarter was held back by temporary disruptions in connection with a planned change of logistics partner and relocation of our logistics center in Europe, as part of the separation from Getinge. Shipments of about SEK 40 M will instead take place in October. Excluding these postponements, organic growth for the quarter would have been 3.5%. With a consistently strong order intake for the quarter and a continued positive outlook for the remainder of the year, we are now raising our expectations for the full year organic net sales growth to be in the middle of the 2–4% interval.

How did the various markets perform?

We continue to perform well in the North American market and growth increased organically by 3.9% in the quarter with our US turnaround plan continuing to generate results. It is particularly positive that the rental operations continues to perform according to plan and have grown by almost 4% to date this year. We are also starting to see the first effects of our investments within Long-Term Care.

Sales in Western Europe rose organically by 1.6%, despite the postponements, with a stable trend in several markets. The UK is continuing to perform according to plan and grew in the quarter despite a challenging market.

The performance for the Rest of the World region was slightly weaker this quarter, mainly due to growing uncertainty in Australia where the political situation resulted in a slowdown in healthcare investments. However, sales were high in Eastern Europe and South-East Asia and from the fourth quarter we will now be operating through our own sales companies in both China and Latin America. We are also making significant progress in our work on registering our existing products in additional markets, which will support our geographic expansion.

The partnership with Next Step Dynamics is on track and we are now in a highly intensive development phase and looking forward to launching exciting digital solutions in 2019.

You have decided to sell Acare. Why?

We have decided to focus on the premium segment for medical beds where we already hold strong market positions and where profitability is significantly better. The divestment is part of the action plan that we have initiated to improve the group's gross margin in capital goods sales of medical beds.

In the future, we will sell the low-spec products via a third-party solution, with good control of both quality and profitability, in order to meet the needs of our customers in specific tenders. Our focus and our strength are found outside the value segment and that is also where we will continue to focus to maintain and further strengthen our leading market positions.

The gross margin is in line with your expectations, can you elaborate?

The gross margin amounted to 43.8% for the quarter, which is in line with expectations given the seasonal low invoicing. In this quarter, as well as in the previous ones, we saw how low-spec medical beds negatively impacted the gross margin. With the divestment of Acare and the other initiatives in our action plan, we are now taking important steps to gradually improve the gross margin in capital goods sales of medical beds.

You acquired the US company ReNu Medical in the beginning of the quarter. Can you provide an update so far?

The reprocessing market is experiencing rapid growth, especially in the US where we see that demand from our customers for these types of solutions has increased significantly in recent years. The acquisition strengthens our existing DVT offering and enables new business opportunities for us. The integration of ReNu is progressing according to plan and we are now actively looking at opportunities to expand this concept to more product categories and increase our market shares in sequential VTE prevention, which accounts for about 70% of the US DVT market and where we currently have a very small market share. The acquisition of ReNu Medical is a good example of the type of acquisition that we want to make in the future, where we see many opportunities for positive sales synergies.

What are your final comments ahead of the last quarter of the year?

All in all, I am proud and happy with what we have achieved since we listed Arjo almost one year ago. After five years of declining growth, we have turned the business around and have delivered growth for the third consecutive quarter. We have a fourth quarter ahead of us with a high activity level and I expect a strong finish to the year.

Joacim Lindoff
President & CEO

Group performance

Net sales and results

Third quarter of 2018

Net sales increased organically by 1.4% to SEK 1,981 M (1,795) in the third quarter. Sales was held back by temporary disruptions in connection with a planned change of logistics partner and relocation of the group's logistics center in Europe which took place during the quarter. Shipments of about SEK 40 M will take place in October instead. The postponements does not affect the full-year expectations for the relevant markets. Adjusted for the above-mentioned postponements, net sales for the quarter increased organically by 3.5%.

The sales trend was favorable in the group's largest markets. North America increased by 3.9% organically in the quarter, reporting healthy sales in both the US and Canada. The trend in the rental operations in the US is progressing according to plan, growing by about 4% to date this year. In addition, the group's investments in Long-Term Care have started to generate greater momentum.

Net sales in Western Europe grew organically by 1.6%. The above mentioned disruptions accounted for approximately 4% of the region's organic growth in the quarter, and without these postponements net sales would have increased by 5,5% organically. Growth was healthy in the largest market in the region – the UK – which performed according to plan, despite a challenging market with continued low investments by the National Health Services (NHS).

Net sales in Rest of the World declined by 5.1%, mainly due to the uncertain political situation in Australia. However, the group reported a positive performance in several markets in the region, including Hong Kong, New Zealand and South Africa.

The gross margin amounted to 43.8%, impacted slightly by the seasonally low sales and previously described disruptions related to relocation of the group's logistics center in Europe. As in previous quarters, the gross margin was also affected by lower margins in low-spec medical beds. Combined with additional activities, the group's divestment of Acare is expected to improve the gross margin in medical beds from 2019 and the divestment is expected to have an annual positive impact of about SEK 25 M on operating profit from 2019.

Compared with the third quarter of 2017, the gross margin was positively impacted by currency transaction effects of about SEK 13 M.

The group's operating expenses, although higher than last year, are developing slightly better than plan in comparable currencies, and amounted to SEK 734 M (656). The cost increase was due to the planned expenses related to Arjo now being an independent group. Currency translation effects had a negative impact of SEK 34 M on operating expenses compared with exchange rates at the end of 2017. Exchange rates at the end of 2017 are those used as a basis for the group's outlook on operating expenses of SEK 2,965 M for the full-year.

Restructuring and integration costs for the quarter amounted to SEK 18 M (135), most of which was related to the planned change of logistics partner as a result of the separation from Getinge.

The group's EBITDA before acquisition, restructuring and integration costs rose to SEK 301 M (251), resulting in an adjusted EBITDA margin of 15.2% (14.0). EBITDA was positively impacted by currency effects of about SEK 37 M, of which SEK 13 M comprised transaction effects and SEK 24 M translation effects.

Net financial items amounted to SEK -34 M (-52). This increase in net financial items compared with prior quarters this year was due to higher financial expenses and exchange losses during the quarter. Comparisons with the preceding year are not relevant since the company had a different capital structure when Arjo was part of Getinge.

January-September 2018

Net sales increased organically by 2.0% during the period to SEK 5,910 M (5,620) compared with the year-earlier period. Growth was held back by the previously described disruptions in connection with the planned change of logistics partner and relocation of the group's logistics center in Europe which took place during the third quarter. Adjusted for these disruptions, net sales for the period would have increased organically by 2.7%.

All geographic regions reported growth for the period, with a particularly healthy trend in North America. The negative performance reported in the UK in 2017 stabilized and after three quarters, higher year-on-year sales can now be reported.

The gross margin amounted to 44.3% for the period, slightly negatively impacted by the unfavorable product mix and high deliveries of low-spec medical beds and DVT hardware. Currency transaction effects had a positive impact of SEK 18 M on the gross margin for the period compared with exchange rates at the end of 2017.

The period was charged with restructuring costs of SEK 75 M (219), slightly more than half of which were related to the reorganization and

Net sales by geographic area, SEK M	Quarter 3 2018	Quarter 3 2017	Organic change	Jan – Sep 2018	Jan – Sep 2017	Organic change	Rolling 12 months	Full-year 2017
North America	744	650	3.9%	2,143	2,083	2.9%	2,878	2,818
Western Europe	962	868	1.6%	2,983	2,770	1.6%	4,033	3,820
Rest of the World	275	277	-5.1%	784	767	1.0%	1,067	1,050
Total	**1,981**	**1,795**	**1.4%**	**5,910**	**5,620**	**2.0%**	**7,978**	**7,688**

efficiency enhancements of the group's product development function that was charged to the first quarter of the year in its entirety. Costs for the change of logistics partner and the IT separation from Getinge represented most of the remainder.

Lower adjusted EBITDA of SEK 903 M (1,006) was primarily due to higher operating expenses related to Arjo now operating as an independent group.

Cash flow and financial position

Cash flow from operations was SEK 200 M (122) for the quarter, corresponding to a cash conversion of 71.4% (105.1). The improved cash flow was mainly the result of lower tied up capital. Cash conversion for the nine-month period was 79.0% and 85.4% for the rolling 12 months.

Acquisition of operations amounted to SEK 144 M (-) and pertained to the acquisition of ReNu, refer to Note 6 for more information.

Acquired financial assets amounted to SEK 16 M (-) and refer to investments in development projects on preventive healthcare together with Next Step Dynamics. As previously announced, Arjo has, as a first step in its partnership with Next Step Dynamics, committed to spend SEK 70 M over a period of 24 months from July 1, 2018.

Net investments for the quarter amounted to SEK 134 M (101), distributed as tangible assets of SEK 51 M (74) and intangible assets of SEK 83 M (27). Net investments also include investments of SEK 41 M (49) in the rental fleet.

The framework amount of the group's commercial paper program was expanded from SEK 2,500 to SEK 4,000 in the third quarter. Issues totaling SEK 2,493 M have been implemented by the end of the quarter.

The negative cash flow of SEK -139 M (-348) for the quarter primarily comprises acquired operations. The comparative figure includes net payments of SEK 362 M to Getinge, mainly attributable to the creation of Arjo's legal structure in 2017.

At the end of the quarter, the Group's cash and cash equivalents amounted to SEK 623 M (407), and interest-bearing net debt was SEK 4,744 M (5,669). The equity/assets ratio was 42.0% (32.1) and the net debt/equity ratio was 0.9 (1.4).

Research and development

Arjo's research and development costs amounted to SEK 43 M (46) for the quarter, corresponding to 2.2% (2.6) of consolidated net sales. The research and development costs for January to September amounted to SEK 152 M (147), corresponding to 2.6% (2.6) of net sales. For more information, see note 4.

Outlook 2018 (changed)

The organic sales growth for 2018 is expected to be **in the middle** of the target of 2-4%. (previously: Organic sales growth for 2018 is expected to be **in the lower end** of the target of 2-4%).

Given the difficulty in analyzing the group's earnings and cost trend compared with 2017, when the creation of Arjo as an independent group began, the group also provides a forecast for operating expenses for the full-year 2018, as it did in the first and second quarters.

The group's operating expenses for the full-year 2018 are expected to amount to approximately SEK 2,965 M in comparable currencies.

Other key events during the quarter

Change of logistics partner and relocation of logistics center in Europe

During the quarter, as part of its separation process from Getinge, the group carried out the planned change of logistics partner and relocation of the logistics center from Eersel to Venray in the Netherlands. Certain initial disruptions led to postponements in deliveries valued at about SEK 40 M, which will be delivered in October instead of September.

Launch of Sara Stedy Compact, a new standing and raising aid

During the quarter, the group launched Sara Stedy Compact, a new addition to the Sara Stedy family, which is a series of standing and raising aids for people with reduced mobility. Sara Stedy Compact provides greater flexibility to Arjo's customer offering to help position patients from a seated to a standing position with ease.

Sara Stedy allows one caregiver to transfer patients her/himself, which is a key benefit in today's care environments where personnel resources are often limited. Promoting mobility is an important factor in accelerating recovery or slowing down the weakening of the body for people affected by reduced mobility. Sara Stedy is one of Arjo's best-sellers in its Patient Handling offering. Sales of Sara Stedy Compact started in the third quarter.

Acquisition of ReNu Medical – a green medical reprocessor of single use medical devices

During the quarter, Arjo signed an agreement to acquire ReNu Medical, a privately owned US company specializing in green reprocessing for single use non-invasive medical devices within, for example, DVT treatment.

The acquisition of ReNu Medical strengthens the group's offering in compression therapy products, such as DVT in the US. The acquisition is expected to contribute to a more profitable business model for Arjo and is also well aligned with the group's focus on sustainability and supports sustainable development.

ReNu Medical was consolidated with the Arjo group on July 1, 2018. ReNu Medical's sales in 2017 amounted to about SEK 60 M. The acquisition is expected to have a marginally positive effect on the group's sales, gross margin and earnings per share in 2018.

New EU regulations for medical devices, MDR

In May 2017, the EU introduced the new Medical Device Regulation (MDR) that becomes mandatory in 2020. MDR entails that more comprehensive clinical information is required also for products of a lower classification, and for Arjo, this means that medical device classification must be implemented for all of our CE-marked products in accordance with the new classification rules. A number of updates to documentation and product marking are required.

Arjo launched an extensive effort in 2017 to implement the new requirements and adapt its business to the new regulations within the prescribed time limit. This work, which is taking place within the company's existing structure, progressed well during the quarter and entirely in line with plan.

Other information

Key events after the end of the quarter

Arjo divests low-spec medical beds business

After the end of the quarter, Arjo signed an agreement to divest Acare, the group's low-spec medical beds business, to China-based CBL. The divestment is a key part of the group's action plan to improve profitability in the medical beds product category. The group's strength is found outside the value segment and that is also where continued focus will help maintain and further strengthen Arjo's leading positions in the market.

Arjo acquired the Chinese company Acare Medical Science Ltd. in 2012. Arjo has now decided to focus on the premium segment for medical beds where the company already has strong market positions and where the profitability is significantly better.

The divestment involves a production and sales unit in Zhuhai, China, with 186 employees and sales of about SEK 80 M in 2017. The divestment is expected to be completed at the end of 2018.

The divestment will not have a significant effect on cash flow or earnings in 2018, but is expected to have an annual positive impact of about SEK 25 M on operating profit from 2019.

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. 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.

Transactions with related parties

Transactions between Arjo and companies in Getinge Group are specified in Note 10.

Nomination Committee ahead of 2019 Annual General Meeting

In accordance with the resolution of Arjo's 2018 Annual General Meeting, the Nomination Committee ahead of Annual General Meetings is to comprise representatives of the three largest shareholders in terms of the number of votes registered in the shareholders' register maintained by Euroclear Sweden AB as per August 31 in the year prior to the year in which the Annual General Meeting is to be held, one representative of the 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.

Ahead of the 2019 Annual General Meeting, this means that Arjo's Nomination Committee comprises: Carl Bennet (Carl Bennet AB), Per Colleen (Fourth Swedish National Pension Fund), Marianne Nilsson (Swedbank Robur), Maria De Geer representing the minor shareholders and Board Chairman Johan Malmquist.

Shareholders who would like to submit proposals to Arjo's Nomination Committee ahead of the 2019 Annual General Meeting can contact the Nomination Committee by e-mail at nominating.committee@arjo.com or by mail: Arjo AB, Att: Valberedningen, Hans Michelsensgatan 10, SE-211 20 Malmö, Sweden.

2019 Annual General Meeting

Arjo's Annual General Meeting will be held on May 7, 2019 in Malmö, Sweden. Shareholders wishing to have a matter addressed at the Annual General Meeting on May 7, 2019 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 by March 19, 2019.

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.

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 22, 2018

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

Auditor's report

Arjo AB (publ) reg. no. 559092-8064

Introduction

We have reviewed the condensed interim financial information (interim report) of Arjo AB (publ) as of 30 September 2018 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, 22 October 2018
Öhrlings PricewaterhouseCoopers AB

Magnus Willfors
Authorized Public Accountant
Auditor in Charge

Cecilia Andrén Dorselius
Authorized Public Accountant

Consolidated financial statements

Consolidated income statement

SEK M	Note	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Net sales	2	1,981	1,795	5,910	5,620	7,688
Cost of goods sold		-1,113	-1,050	-3,290	-3,093	-4,260
Gross profit		**868**	**745**	**2,620**	**2,527**	**3,428**
Selling expenses		-420	-344	-1,224	-1,122	-1,571
Administrative expenses		-283	-285	-872	-775	-1,136
Research and development costs	4	-31	-27	-107	-91	-134
Acquisition expenses	6	-3	–	-3	–	–
Restructuring and integration costs		-18	-135	-75	-219	-324
Other operating income and expenses		-2	3	-3	-5	18
Operating profit/loss (EBIT)	3, 7	**111**	**-43**	**336**	**315**	**281**
Net financial items		-34	-52	-71	-61	-102
Profit/loss after financial items		**77**	**-95**	**265**	**254**	**179**
Taxes		-19	25	-66	-68	-61
Net profit/loss for the period		**58**	**-70**	**199**	**186**	**118**
Attributable to:						
Parent Company shareholders		58	-70	199	186	118
Number of shares, thousands		272,370	272,370	272,370	272,370	272,370
Earnings/loss per share, SEK[1]		0.21	-0.26	0.73	0.68	0.43

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

Consolidated statement of comprehensive income

SEK M	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Net profit/loss for the period	**58**	**-70**	**199**	**186**	**118**
Other comprehensive income					
Items that cannot be restated in profit					
Actuarial gains/losses pertaining to defined-benefit pension plans	72	26	72	-75	-165
Tax attributable to items that cannot be restated in profit	-12	-18	-12	14	32
Items that can later be restated in profit					
Translation differences	-121	-183	339	-352	-345
Hedges of net investments	26	–	-113	–	49
Cash-flow hedges	1	9	-38	110	101
Tax attributable to items that can be restated in profit	-6	-2	33	-24	-33
Other comprehensive income for the period, net after tax	**-40**	**-168**	**281**	**-327**	**-361**
Total comprehensive income for the period	**18**	**-238**	**480**	**-141**	**-243**
Comprehensive income attributable to:					
Parent Company shareholders	18	-238	480	-141	-243

Consolidated balance sheet

SEK M	Note	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Assets				
Intangible assets		7,014	6,518	6,634
Tangible assets		1,200	1,099	1,134
Financial assets	8	530	775	334
Inventories		1,260	1,144	1,104
Accounts receivable		1,591	1,792	1,898
Current financial receivables	8	-	199	-
Other current receivables		628	545	434
Cash and cash equivalents	8	623	407	672
Total assets		**12,846**	**12,479**	**12,210**
Shareholders' equity and liabilities				
Shareholders' equity		5,396	4,006	5,074
Non-current financial liabilities	8	2,909	-	5,131
Provisions for pensions, interest-bearing	8	25	27	61
Other provisions		334	230	256
Current financial liabilities	8	2,490	6,622	90
Accounts payable		495	543	541
Other non-interest-bearing liabilities		1,197	1,051	1,057
Total shareholders' equity and liabilities		**12,846**	**12,479**	**12,210**

Changes in shareholders' equity for the Group

SEK M	Share capital	Reserves	Retained earnings	Total share-holders' equity[1]
Opening balance at January 1, 2017	**1**	**648**	**10,009**	**10,658**
Total comprehensive income for the period	-	-229	-14	-243
New share issue	90	-	-	90
Transactions with shareholders	-	-	-5,431	-5,431
Closing balance at December 31, 2017	**91**	**419**	**4,564**	**5,074**
Opening balance at January 1, 2018	**91**	**419**	**4,564**	**5,074**
Adjustment for prior years	-	-	-22	-22
Total comprehensive income for the period	-	221	259	480
Dividend	-	-	-136	-136
Closing balance at 30 September 2018	**91**	**640**	**4,665**	**5,396**

1 Fully attributable to Parent Company shareholders

Consolidated cash-flow statement

SEK M	Note	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Operating activities						
Operating profit/loss (EBIT)		111	-43	336	315	281
Add-back of amortization, depreciation and write-down	3	169	159	496	539	715
Other non-cash items		- 28	53	-35	34	36
Expensed restructuring and integration costs[1]		18	135	68	152	250
Paid restructuring and integration costs		- 31	-15	-45	-33	-63
Financial items		- 31	-52	-68	-61	-102
Taxes paid		- 65	-41	-177	-102	-135
Cash flow before changes to working capital		**143**	**196**	**575**	**844**	**982**
Changes in working capital						
Inventories		-20	99	-108	-193	-103
Current receivables		59	-187	302	282	176
Current liabilities		18	14	-112	-536	-483
Cash flow from operations		**200**	**122**	**657**	**397**	**572**
Investing activities						
Acquired operations	6	-144	-	-144	-	-
Acquired financial assets		-16	-	-16	-	-
Net investments		-134	-101	-418	-293	-652
Cash flow from investing activities		**-294**	**-101**	**-578**	**-293**	**-652**
Financing activities						
Raising of loans		454	-	2,904	-	5,131
Repayment of interest-bearing liabilities		-491	-	-2,890	0	0
Change in pension assets/liabilities		-4	-19	-21	-58	-53
Change in interest-bearing receivables		-4	-7	2	17	24
Dividend		-	-	-136	-	-
Transactions with shareholders		-	-343	-	-1,088	-5,796
Cash flow from financing activities		**-45**	**-369**	**-141**	**-1,129**	**-694**
Cash flow for the period		**-139**	**-348**	**-62**	**-1,025**	**-774**
Cash and cash equivalents at the beginning of the period		776	762	672	1,446	1,446
Translation differences		-14	-7	13	-14	0
Cash and cash equivalents at the end of the period		**623**	**407**	**623**	**407**	**672**

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 2017 Annual Report, published on www.arjo.com.

New accounting standards

IFRS 9 Financial instruments

IFRS 9 Financial Instruments is applied from the 2018 fiscal year 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 evaluated the effect of introducing the standard. The new rules did not 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 reserves for expected losses have not changed. Given the fact that the Group's customers have high credit ratings and confirmed customer losses have historically been low, the rules on impairment have not had 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 did not entail any changes to existing accounting policies for such hedges, which is why Arjo's financial position was not impacted.

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. Arjo applies IFRS 15 from the 2018 fiscal year. The standard provides more detailed guidance in many areas that were not previously described in previously 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.

The implementation of IFRS 15 did not change Arjo's policies on revenue recognition and this did not have a 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 were not impacted by the introduction of the standard.

However, IFRS 15 does entail new disclosure requirements. From 2018, sales per type of revenue have been added to Note 2 of this interim report, in addition to the previous sales per region.

IFRS 16 Leases

IFRS 16 Leases comes into effect for the fiscal year beginning on January 1, 2019. 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 standard has been adopted by the EU.

Arjo has started analyzing the effect of IFRS 16 on the consolidated financial statements. Arjo has decided to apply the modified retrospective approach and in accordance with the standard will not restate the comparative year. The Group is in the process of evaluating various choices in connection with the transition but has not yet formed a final opinion and it is currently too early for Arjo to quantify the effect. Arjo will mainly be impacted by leases of premises and cars. Commitments that exist regarding operating leases are described in Note 18 of the 2017 Annual Report.

Arjo will also analyze additional disclosure requirements and the impact this will have on the information that needs to be collected.

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 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
North America	744	650	2,143	2,083	2,818
Western Europe	962	868	2,983	2,770	3,820
Rest of the World	275	277	784	767	1,050
Total	**1,981**	**1,795**	**5,910**	**5,620**	**7,688**

The 2017 figures have been slightly adjusted in terms of the distribution between the geographic areas because the reporting structure was changed in 2018. The total figure for the Group is unchanged.

Net sales by type of revenue, SEK M	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Product sales	1,145	1,003	3,375	3,134	4,398
Service incl. spare parts	333	312	1,009	1,003	1,325
Rental	503	480	1,526	1,483	1,965
Total	**1,981**	**1,795**	**5,910**	**5,620**	**7,688**

Note 3 Depreciation/amortization and write-down

SEK M	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Intangible assets in acquired companies	-36	-24	-105	-76	-101
Intangible assets	-36	-34	-105	-168	-214
Tangible assets	-97	-101	-286	-295	-400
Total	**-169**	**-159**	**-496**	**-539**	**-715**
Of which, write-down	0	0	-7	-67	-74

Note 4 Capitalized development costs

SEK M	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Research and development costs, gross	-43	-46	-152	-147	-204
Capitalized development costs	12	19	45	56	70
Research and development costs, net	**-31**	**-27**	**-107**	**-91**	**-134**

Note 5 Financial assets and liabilities measured at fair value

Sep 30, 2018	Assets at fair value through profit and loss	Derivatives used for hedging purposes	Total
Financial assets	–	–	–
Other current receivables	–	21	21
Total assets	**–**	**21**	**21**
Other non-interest-bearing liabilities	–	82	82
Total liabilities	**–**	**82**	**82**

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**

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 Acquisition

All of the shares in the US company ReNu Medical Inc. were acquired in July. The company is a specialized green medical reprocessor of single use medical devices.

Its annual sales amount to approximately SEK 60 M, of which about SEK 40 M comprises sales to Arjo. The number of employees on the acquisition date was 87.

The acquisition analysis is preliminary for the period until one year after the acquisition date. Acquisition-related costs amounted to SEK 3 M.

If the acquisition had taken place on January 1, 2018, the Group's sales would have increased by approximately SEK 13 M and made a positive contribution to earnings.

Acquired net assets	Carrying amount	Valuation adjustment	Fair value
Net assets			
Intangible assets	–	12	12
Tangible assets	–	3	3
Inventories, accounts receivables and other receivables	7	1	8
Accounts payable and other liabilities	-1	-10	-11
Cash and bank balances	12	–	12
Total net assets	**18**	**6**	**24**
Goodwill	–	192	192
Total net assets	**18**	**198**	**216**
Cash-flow effect			
Acquisition price			216
Unpaid acquisition price			-60
Cash and cash equivalents in the acquired company			-12
Total cash-flow effect			**144**

Note 7 Financial data per quarter

SEK M	Quarter 1 2017	Quarter 2 2017	Quarter 3 2017	Quarter 4 2017	Quarter 1 2018	Quarter 2 2018	Quarter 3 2018
Net sales	1,931	1,894	1,795	2,068	1,943	1,986	1,981
Cost of goods sold	-1,014	-1,029	-1,050	-1,167	-1,087	-1,090	-1,113
Gross profit	**917**	**865**	**745**	**901**	**856**	**896**	**868**
Operating expenses	-605	-727	-656	-853	-725	-744	-734
Acquisition expenses	-	-	-	-	-	-	-3
Restructuring and integration costs	-69	-15	-135	-104	-42	-15	-18
Other operating income and expenses	-5	-3	3	22	-6	5	-2
Operating profit/loss (EBIT)	**238**	**120**	**-43**	**-34**	**83**	**142**	**111**
Net financial items	-14	5	-52	-41	-16	-21	-34
Profit/loss after financial items	**224**	**125**	**-95**	**-75**	**67**	**121**	**77**
Taxes	-60	-33	25	7	-17	-30	-19
Net profit/loss for the period	**164**	**92**	**-70**	**-68**	**50**	**91**	**58**
Adjusted EBITDA[1]	460	294	251	240	289	313	301
Adjusted EBITDA margin[1], %	23.8	15.6	14.0	11.6	14.9	15.7	15.2

1 EBITDA before acquisition, restructuring and integration costs. See Alternative performance measures on page 19 and definitions on page 22.

Note 8 Consolidated interest-bearing net receivables/debt

SEK M	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Financial liabilities	5,399	6,622	5,221
Provisions for pensions, interest-bearing	25	27	61
Interest-bearing liabilities	**5,424**	**6,649**	**5,282**
Less financial receivables	-57	-573	-8
Less cash and cash equivalents	-623	-407	-672
Interest-bearing net receivables/debt	**4,744**	**5,669**	**4,602**

Note 9 Key figures for the Group

SEK M	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Sales measures					
Net sales	1,981	1,795	5,910	5,620	7,688
Net sales growth, %	10.4%	-5.4%	5.2%	-0.2%	-1.5%
Organic growth in sales, %	1.4%	-3.3%	2.0%	-2.4%	-1.6%
Expense measures					
Selling expenses as a % of net sales	21.2%	19.2%	20.7%	20.0%	20.4%
Administrative expenses as a % of net sales	14.3%	15.9%	14.8%	13.8%	14.8%
Research and development costs as a % of net sales	1.6%	1.5%	1.8%	1.6%	1.7%
Earnings measures					
Operating profit/loss (EBIT)	111	-43	336	315	281
EBITA	183	15	546	559	596
Adjusted EBITA	204	150	617	711	846
EBITDA	280	116	832	854	996
EBITDA growth, %	141.4%	-69.0%	-2.5%	-24.8%	-35.1%
Adjusted EBITDA	301	251	903	1,006	1,246
Earnings/loss per share, SEK	0.21	-0.26	0.73	0.68	0.43
Margin measures					
Gross margin, %	43.8%	41.5%	44.3%	45.0%	44.6%
Operating margin, %	5.6%	-2.4%	5.7%	5.6%	3.7%
EBITA margin, %	9.2%	0.8%	9.2%	9.9%	7.8%
Adjusted EBITA margin, %	10.3%	8.3%	10.4%	12.7%	11.0%
EBITDA margin, %	14.1%	6.5%	14.1%	15.2%	13.0%
Adjusted EBITDA margin, %	15.2%	14.0%	15.3%	17.9%	16.2%
Cash flow and return measures					
Return on shareholders' equity, %[1]	–	–	2.8%	3.7%	1.5%
Cash conversion, %	71.4%	105.1%	79.0%	46.5%	57.4%
Operating capital, SEK M	–	–	10,223	10,510	10,317
Return on operating capital, %[1]	–	–	4.8%	7.5%	5.9%
Capital structure					
Interest-bearing (+) net debt/(-) net receivables	–	–	4,744	5,669	4,602
Interest-coverage ratio, multiple[1]	–	–	4.9×	7.1×	5.3×
Net debt/equity ratio, multiple	–	–	0.9×	1.4×	0.9×
Net debt / adjusted EBITDA, multiple[1, 2]	–	–	4.0×	3.2×	3.7×
Equity/assets ratio, %	–	–	42.0%	32.1%	41.6%
Equity per share, SEK	–	–	19.8	14.7	18.6
Other					
No. of shares	–	–	272,369,573	272,369,573	272,369,573
Number of employees, average	–	–	6,131	5,823	5,853

1 Rolling 12 months.
2 The calculation for September 2018 and 2017 is based on the net debt on December 31, 2017 since the net debt for earlier periods in 2017 does not reflect how Arjo is financed as an independent Group.

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 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Operating profit/loss (EBIT)	111	-43	336	315	281
Add-back of amortization and write-down of intangible assets	72	58	210	244	315
EBITA	**183**	**15**	**546**	**559**	**596**
Add-back of depreciation and write-down of tangible assets	97	101	286	295	400
EBITDA	**280**	**116**	**832**	**854**	**996**
Acquisition expenses	3	-	3	-	-
Restructuring and integration costs	18	135	75	219	324
Add-back of write-down of restructuring and integration costs	0	0	-7	-67	-74
Adjusted EBITA	**204**	**150**	**617**	**711**	**846**
Adjusted EBITDA	**301**	**251**	**903**	**1,006**	**1,246**

Cash conversion	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Cash flow from operations, SEK M	**200**	**122**	**657**	**397**	**572**
Operating profit/loss (EBIT)	111	-43	336	315	281
Add-back of amortization, depreciation and write-down of intangible and tangible assets	169	159	496	539	715
EBITDA, SEK M	**280**	**116**	**832**	**854**	**996**
Cash conversion, %	**71.4%**	**105.1%**	**79.0%**	**46.5%**	**57.4%**

Net receivables/indebtedness	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Interest-bearing net receivables/debt, SEK M	4,744	5,669	4,602
Shareholders' equity, SEK M	5,396	4,006	5,074
Net receivables/indebtedness, multiple	**0.88**	**1.42**	**0.91**

Calculation of return on operating capital	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Total assets opening balance	12,479	14,169	14,713
Total assets closing balance	12,846	12,479	12,210
Average total assets	**12,663**	**13,324**	**13,462**
Average total assets	12,663	13,324	13,462
Excluding average cash and cash equivalents	-515	-904	-1,058
Excluding average other provisions	-282	-223	-220
Excluding average other non-interest-bearing liabilities	-1,643	-1,687	-1,867
Operating capital	**10,223**	**10,510**	**10,317**
Operating profit (EBIT)[1]	302	456	281
Add-back of acquisition expenses[1]	3	2	-
Add-back of restructuring and integration costs[1]	180	326	324
EBIT after add-back of acquisition, restructuring and integration costs[1]	485	784	605
Return on operating capital, %	**4.8%**	**7.5%**	**5.9%**

1 Rolling 12 months.

Note 10 Transactions with related parties

	Quarter 3 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Transactions with related parties, SEK M					
Sales	17	31	58	112	148
Other income	-	21	-	88	90
Purchases of goods	-3	-12	-8	-31	-48
Other expenses	-14	-102	-52	-240	-282
Financial income	-	4	-	10	11
Financial expenses	-	-16	-	-39	-48
Accounts receivable			23	123	54
Current financial receivables			-	199	-
Other current receivables			-	306	-
Non-current financial liabilities			54	-	-
Accounts payable			16	134	78
Current financial liabilities			-	6,622	90
Other non-interest-bearing liabilities			-	-	31
Net received/paid Group contributions/shareholders' contributions	-	-	-	-	1,203
Net received/paid dividends	-	-746	-	-2,593	-2,600
New share issue	-	90	-	90	90
Transfer of net assets	-	-3,962	-	-4,008	-4,034

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 income and expenses primarily refer to administrative 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 2018	Quarter 3 2017	Jan – Sep 2018	Jan – Sep 2017	Full-year 2017
Administrative expenses	-26	-32	-110	-65	-192
Restructuring and integration costs	-1	-	-36	-	-18
Other operating income and expenses	0	31	-6	39	197
Operating profit/loss (EBIT)	**-27**	**-1**	**-152**	**-26**	**-13**
Income from participations in Group companies	781	-	801	-	-108
Net financial items[1]	-17	-4	-77	-1	-58
Profit/loss after financial items	**737**	**-5**	**572**	**-27**	**-179**
Taxes	9	1	49	5	38
Net profit/loss for the period	**746**	**-4**	**621**	**-22**	**-141**

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	Sep 30, 2018	Sep 30, 2017	Dec 31, 2017
Assets			
Intangible assets	398	387	428
Financial assets	5,495	5,335	5,408
Receivables from Group companies	735	97	363
Current receivables	19	17	42
Total assets	**6,647**	**5,836**	**6,241**
Shareholders' equity and liabilities			
Shareholders' equity	4,112	2,544	3,627
Current financial liabilities	2,490	-	-
Current financial liabilities, Group companies	-	3,272	2,458
Other current liabilities, Group companies	10	-	100
Other non-interest-bearing liabilities	35	20	56
Total shareholders' equity and liabilities	**6,647**	**5,836**	**6,241**

Income from participations in Group companies during the year relates to dividends from subsidiaries.

At the end of the period, the carrying amount of shares and participations in subsidiaries amounted to SEK 5,390 M. The change for the year is SEK 21 M and comprises the formation of new subsidiaries and capital contributions to subsidiaries.

A dividend of SEK 136 M was paid to the shareholders during the year. The Parent Company established a commercial paper program during the year and the framework amount was expanded from SEK 2,500 to SEK 4,000 in the third quarter. Issues totaling SEK 2,493 M have been implemented.

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 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.

EBIT
Operating profit.

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

Adjusted EBITA
EBITA with add-back of acquisition, restructuring and integration costs.

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 acquisition, restructuring and integration costs.

EBITDA margin
EBITDA in relation to net sales.

Adjusted EBITDA margin
Adjusted EBITDA in relation to net sales.

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 restructuring costs 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 terms

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.

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.

Sequential VTE prevention
Sequential VTE prevention is 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).

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.

Other terms

Deep learning
A concept in artificial intelligence and a subfield of machine learning. Deep learning uses algorithms that allow computers to interpret and learn from huge volumes of data to then create an understanding or prediction about something.

Teleconference

Fund managers, analysts and the media are invited to a teleconference on October 22 at 2:00 p.m. CEST.

Dial the number below to join the conference:
Sweden: +46 (0) 8 5065 3942
UK: +44 (0)330 336 9411
USA: +1 323-794-2588
Code: 7702322

A presentation will be held during the telephone conference. To access the presentation, please use this link:
https://slideassist.webcasts.com/starthere.jsp?ei=1212492

Alternatively, use the following link to download the presentation:
https://www.arjo.com/int/about-us/investors/reports--presentations/2018/

A recording of the teleconference will be available for 90 days via the following link: https://slideassist.webcasts.com/starthere.jsp?ei=1212492

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 2018 and 2019:

February 4, 2019:	Year-end report 2018
April-May 2019:	2018 Annual Report
May 7, 2019:	Interim report January-March
May 7, 2019:	2019 Annual General Meeting

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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 October 22, 2018 at 13:15 CEST.

Customers in more than **100** countries

Approximately **6,000** employees worldwide

996 EBITDA (SEK M, full-year 2017)

7,688 Net sales (SEK M, full-year 2017)

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, 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 sells its products and services 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.

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www.arjo.com