Year-End Report January – December 2017

October-December 2017 in brief

- Net sales fell -4.9% to SEK 2,068 M (2,174). Net sales decreased organically by -1.8%.
- The adjusted organic net sales is estimated to increase by 0.4%.
- Adjusted EBITDA declined to SEK 240 M (422).
- Restructuring and integration costs amounted to SEK 104 M (107), and were mainly related to the creation of Arjo as an independent company.
- Result after financial items declined to SEK -75 M (111).
- Earnings per share declined to SEK -0.25 (0.29).
- Cash flow from operations amounted to SEK 175M (196). The cash conversion was 123.2% (49.0).
- Partnership with Sony Mobile for unique tracking solution
- Arjo listed on Nasdaq Stockholm

January-December 2017 in brief

- Net sales fell -1.5% to SEK 7,688 M (7,808). Net sales decreased organically by -1.6%.
- The adjusted organic net sales is estimated to decline by -1.0%.
- Adjusted EBITDA fell to SEK 1,246 M (1,610).
- Restructuring and integration costs amounted to SEK 324 M (155), and were mainly related to the creation of Arjo as an independent company.
- Result after financial items declined to SEK 179 M (671).
- Earnings per share declined to SEK 0.43 (1.80).
- Cash flow from operations amounted to SEK 572 M (919). The cash conversion was 57.4% (59.8).
- A dividend per share of SEK 0.50 is proposed, corresponding to approx. SEK 136 M.

Financial summary

	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Net sales, SEK M	2,068	2,174	7,688	7,808
Gross profit, SEK M	901	989	3,428	3,442
Gross margin, %	43.6	45.5	44.6	44.1
EBITA, before restructuring, acquisition and integration costs	128	299	773	1,132
EBITA margin, %	6.2	13.7	10.0	14.5
EBITDA	142	400	996	1,536
EBITDA margin	6.9	18.4	13.0	19.7
EBITDA, adjusted[1]	240	422	1,246	1,610
EBITDA margin, adjusted, %	11.6	19.4	16.2	20.6
Operating profit/loss (EBIT), SEK M	-34	141	281	781
Profit/loss after financial items, SEK M	-75	111	179	671
Profit/loss for the period, SEK M	-68	80	118	490
Number of shares, thousands	272,370	272,370	272,370	272,370
Earnings per share, SEK	-0.25	0.29	0.43	1.80
Cash flow from operations, SEK M	175	196	572	919

[1] Before acquisition, restructuring and integration costs. See Alternative performance measures on page 17 and definitions on page 21.

Positive performance in many markets – but UK remains challenging

This is the first quarterly report as an independent company How does it feel?

"Naturally, it is especially exciting and important now that we are a standalone company. Last year, and the fourth quarter in particular, was a very intense time for us. Separating Arjo from Getinge has involved extensive work and the organisation has done a fantastic job. We have now laid the foundation of the company with clear plans in place for turning around the trend. Now is our time and I am very optimistic about our ability to achieve growth as early as 2018."

Your future plans look promising, although the fourth quarter seems to have been a challenge. Can you comment more on this?

"Our net sales fell -1.8% organically in the fourth quarter. But this is a figure that requires explanation to provide a fair view of the performance of the operations.

As we communicated in our Q3 report, we wrote down assets in the US operations during the year which related to incorrectly generated customer invoices for DVT products during the fourth quarter 2016, and which now provides misleading comparative figures. In reality, we saw demand in DVT in the US stabilise in the final quarter of the year, something that is a positive signal considering the challenges we have experienced in the product category for some time now.

Adjusting for the DVT situation, we saw positive sales growth for the Group as a whole of 0.4% for the fourth quarter.

As previously announced, we have long encountered challenges in the rental operations in the US. Following a positive third quarter, it is now very pleasing to see this positive performance also continuing into the fourth quarter. The activities we are carrying out in the US market under our action plan for the US are generating results, and we are continuing to achieve the milestones we set in the plan. Adjusting for the above-mentioned problems with DTV invoicing, we can note a more than 4% sales increase in North America for the fourth quarter.

The single most important reason for our slightly declining sales growth in Western Europe is the low investments from the National Health Services (NHS) in the UK, which has been challenging for us and our competitors. In light of this, we established an action plan during the quarter to better allocate our resources and maintain healthy profitability.

In summary, the gross margin for the fourth quarter declined as an effect of the excessively high invoicing volumes for DVT in the US in the fourth quarter 2016 as well as a slightly unfavourable product mix."

Your costs increased significantly during the quarter. What is the reason for this?

"Operating expenses for the quarter increased by almost 9% due to expenses related to the creation of Arjo as an independent Group. This increase should also be seen in the light of the fact that the comparative figures from 2016 do not include any corporate head quarter costs such as Finance or HR."

What areas are most important to be successful in to turn around sales and grow at the target of 2-4% as early as 2018?

"We will deliver on the plans that we announced under the Arjo 2020 plan. Above all, it is important that we continue to deliver on set targets for the US operations – for both the rental operations and through increased investment in long-term care. We have already received positive signals that we are making good progress. We will also continue the geographic expansion that we initiated in other markets, for example, Japan, South-East Asia, Latin America and Eastern Europe.

We will see a number of exciting new products in 2018. One of these is the new partnership we entered into with Sony Mobile during the quarter that will enable us to soon offer our customers a unique tracking solution. The solution aims to improve efficiency and quality of care by reducing time spent on locating critical equipment in healthcare environments. The partnership with Sony Mobile is an important milestone in our digitalisation efforts that are taking place on several fronts. We also plan to continue product launches, particularly in the areas of patient handling and prevention of pressure ulcers."

Finally, what has been the response of investors and shareholders to the listing of Arjo?

"The reactions have been very positive. The company has generated widespread interest since it was listed on 12 December and I believe that there is high confidence in our plans to gradually turn around the challenges that Arjo has experienced over the past four to five years. We now have to prove ourselves and I, together with my colleagues, look forward to continuing to deliver on the plans that we have announced.

Joacim Lindoff
President & CEO

Group performance

Net sales and results

Fourth quarter of 2017

Arjo's net sales fell organically by -1.8% to SEK 2,068 M in the fourth quarter.

Sales in North America declined -1.9%. As previously described, issues arose in connection with the installation of an ERP system in the US in 2016. This provides misleading comparative figures, with sales of DVT in the fourth quarter of 2017 appearing weaker than they actually were compared with the preceding year. In reality, the Group saw demand in DVT in the US stabilise in the final quarter of the year.

The positive performance of the rental operations continued in the fourth quarter, meaning that the Group now reports two consecutive positive quarters. The activities carried out in the US market under the US turnaround plan are generating results, and the Group continued to achieve the milestones set in the plan during the quarter.

Adjusted for the above-mentioned excessively high invoicing volumes for DVT in the US in 2016, net sales in North America is estimated to increase by 4.4% in the quarter.

Sales in Western Europe fell -1.6%, a decline that was primarily attributable to lower investments from the National Health Service (NHS) in the UK. Due to the situation in the UK, a well-defined action plan was established during the quarter to better allocate the Group's resources and maintain profitability.

Sales growth for the quarter was favourable in several other markets in Western Europe, such as France, the Netherlands, Italy and Austria.

Sales in Rest of the World fell -2.6% in the quarter. This decline was mainly the result of lower sales volumes in China and Hong Kong. However, performance was healthy in several markets in the region with such countries as Australia and New Zealand reporting high sales volumes.

In terms of the Group's product categories, patient handling continued to post a positive trend. With the existing product portfolio in this category, the Group will continue to capitalise on the opportunities found in the long-term care segment.

The gross margin declined to 43% (45.5), mainly attributable to lower net sales and an unfavourable product mix. Currency effects had a positive impact of approximately SEK 3 M.

Operating expenses for the quarter increased 8.9% to SEK 853 M (783). Restructuring and integration costs amounted to SEK 104 M (107). The increase in expenses was primarily due to costs related to the creation of Arjo as an independent Group.

EBITDA before acquisition-, restructuring- and integration costs decreased to SEK 240 M (422), giving an adjusted EBITDA margin of 11.6% (19.4). The lower earnings were primarily related to lower sales volumes and higher operating expenses. Currency effects had a positive impact of about SEK 1 M on adjusted EBITDA.

Net financial items amounted to SEK -41 M (-30). Loss after financial items fell to SEK -75 M (111). Net loss for the period declined to SEK -68 M (80).

Net sales by geographic area, SEK M	Quarter 4 2017	Quarter 4 2016	Organic change	Full-year 2017	Full-year 2016	Organic change
North America	731	802	-1.9%	2,819	2,905	-3.1%
Western Europe	1,042	1,045	-1.6%	3,749	3,759	-0.4%
Rest of the World	295	327	-2.6%	1,120	1,144	-1.7%
Total	**2,068**	**2,174**	**-1.8%**	**7,688**	**7,808**	**-1.6%**

January–December 2017
Net sales for the full-year declined organically by -1.6% to SEK 7,688 M, mainly driven by the negative trend of the Group's two largest markets of the US and the UK.

In the US, which is Arjo's single largest market, lower sales volumes in 2017 were primarily attributable to the rental operations and the DVT product category. The decline in DVT was impacted by the previously described situation with excessively high invoicing volumes in 2016. Demand in DVT stabilised in the final quarter of the year.

The rental operations in the US, which have presented challenges to Arjo for a long time, had an adverse effect of the Group's growth in 2017. However, there was a positive break in trend for the rental operations in both the third and the fourth quarters of the year. This shows that the activities being carried out under the Group's US turnaround plan are generating results.

The decline in the UK was due to the lower investments from the NHS, and had a major impact on the Group as a whole since the UK is Arjo's second largest market. As previously mentioned, a well-defined action plan for the UK was initiated at the end of the year to better allocate the Group's resources and maintain profitability.

The Group's gross margin increased to 44.6% (44.1) during the year. Currency effects had a positive impact of approximately SEK 55 M.

Operating expenses for the full-year increased by 11.8% to SEK 2,841 M (2,541). The increase in expenses was primarily due to costs related to the creation of Arjo as an independent Group.

Restructuring and integration costs amounted to SEK 324 M (155) and include a write-down in the US operations amounting to about SEK 100 M and IT costs of approximately SEK 80 M. The remaining costs are attributable to the creation of Arjo as an independent Group.

EBITDA before acquisition-, restructuring- and integration costs decreased -22.6% to SEK 1,246 M (1,610), yielding an adjusted EBITDA margin of 16.2% (20.6). The lower earnings were mainly attributable to the DVT development in the US, lower sales volumes in the UK and higher operating expenses as a result of the creation of Arjo as an independent Group. Currency effects had a positive impact of about SEK 55 M on adjusted EBITDA.

Net financial items amounted to SEK -102 M (-110). Profit after financial items fell to SEK 179 M (671). Net profit for the period declined to SEK 118 M (490).

Cash flow and financial position

Cash flow from operations was SEK 175 M (196) for the quarter, corresponding to a cash conversion of 123,2% (49.0). The weaker cash flow was mainly driven by lower operating profit, primarily due to increased operating expenses, offset by improved working capital.

Cash flow from operations was SEK 572 M (919) for the full-year, corresponding to a cash conversion of 57.4% (59.8). The weaker cash flow was mainly driven by lower operating profit, primarily due to increased operarating expenses and increase in working capital.

Net investments amounted to SEK 652 M (314), distributed as tangible assets of SEK 477 M (178) and intangible assets of SEK 175 M (136). The net investments also include investments in the rental fleet. At the end of the period, the Group's cash and cash equivalents amounted to SEK 672 M (1,446), and interest-bearing net debt was SEK 4,602 M (-1,175). The equity/assets ratio was 41.6% (72.4) and the net debt/equity ratio was 0.91 (-0.11).

Legal structure

Arjo's legal structure was finalised in the fourth quarter of 2017. 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 almost SEK 0.8 billion since year-end 2016, and for financial liabilities increasing by slightly more than SEK 3.5 billion and financial receivables declining almost SEK 1.4 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 4.6 billion at the end of the period.

Research and development

Arjo's research and development costs amounted to SEK 57 M (62) for the quarter, corresponding to 2.8% (2.9) of consolidated net sales. Research and development costs for the full-year 2017 amounted to SEK 204 M (201) corresponding to 2.7% (2.6) of net sales.

Other key events during the quarter

Partnership with Sony Mobile

During the quarter, Arjo entered into a partnership with Sony Mobile Communications for a unique tracking solution. The cloud-based solution aims to improve efficiency and quality of care by reducing time spent on locating critical equipment in healthcare environments. The partnership with Sony Mobile is an important milestone in Arjo's digitalisation efforts to help customers improve healthcare efficiency. With this solution, healthcare providers can focus their resources on ensuring the best possible care at a lower cost.

The image shows a hospital floor plan where the tracking solution helps helathcare providers to locate critical equipment.

Arjo together with Sony Mobile will initiate sales of this new tracking solution at hospitals in the US and the UK during the first half of 2018. Both parties see a great potential for further cooperation in other areas of digitalisation that can help improve workflows, clinical outcomes, caregiver safety and ultimately reduce cost of care.

Arjo AB listed on Nasdaq Stockholm

At an Extraordinary General Meeting of Getinge AB on 4 December 2017, the shareholders resolved to distribute all of the shares in Arjo to the shareholders of Getinge and Getinge was thereby divided into two listed companies, Getinge and Arjo. All of the shares of Getinge's wholly owned subsidiary Arjo AB, including the underlying Group, were distributed to Getinge shareholders according to Lex ASEA rules and series B shares in Arjo AB were admitted to trading on Nasdaq Stockholm on 12 December 2017.

Board members and senior executives of Arjo acquired synthetic share options in Arjo from Carl Bennet AB.

As stated in the prospectus for admission to trading of the shares in Arjo, Carl Bennet AB has offered all Board members elected by the general meeting and all members of the Arjo Management Team in Arjo to acquire synthetic share options in Arjo issued by Carl Bennet AB. Everyone who had received the offer has acquired options during the quarter. A total of 9,190,469 synthetic share options were acquired at a price deemed to correspond to the market value of the options. The total market value of the options at the time of the transaction was calculated at SEK 19.3 M. The synthetic share options are related to the Arjo series B share with a maturity of four years. Arjo has not been involved in the offer that has been provided by, and solely on the initiative of, Carl Bennet AB to the Board members and the Arjo Management Team.

Financing

On 12 December 2017, external credit facilities were utilised in an amount of approximately SEK 5.1 billion to repay net debt to Getinge. The amount of approximately SEK 5.1 billion is made up of EUR 80 M, GBP 150 M, USD 58 M and SEK 2.2 billion.

Net financial items

When the external credit facilities became available for use on 12 December 2017, arrangement fees and other costs fell due for payment, which were allocated over the term of the credit facilities.

Change in US tax policy

The change in corporate tax in the US in 2017 entails an increase in corporate tax of approximately USD 1.5 M due to the decrease in the value of the Group's loss carryforwards.

Outlook 2018

Sales growth for 2018 is expected to be in the lower end of the target of 2-4%.

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.

Transactions with related parties

Transactions between Arjo and companies in Getinge Group are specified in Note 9.

Annual General Meeting 2018

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

Nomination Committee

For the 2018 Annual General Meeting, Arjo's Nomination Committee comprises Carl Bennet representing Carl Bennet AB, Per Colleen representing the Fourth Swedish National Pension Fund, Marianne Nilsson representing Swedbank Robur, Maria de Geer representing the minority shareholders and Board Chairman Johan Malmquist.

Dividend

The Board of Directors and CEO propose a dividend for 2017 of SEK 0.50 per share. The total dividend thus amounts to SEK 136 M.

The proposed dividend for 2017 exceeds the target in Arjo's adopted dividend policy. The proposal is justified based on the combination of the Group's financial position and future development opportunities.

The Board's proposed record date is 8 May 2018. Euroclear expects to distribute the dividend to shareholders on 14 May 2018.

Forward-looking information

This report contains forward-looking information based on the current expectations of Arjo's Management Team. Although management considers the expectations presented by such forward-looking information to be reasonable, there is no guarantee that these expectations will prove correct. Consequently, actual outcomes may vary considerably compared with what is stated in the forward-looking information, due to such factors as changed conditions regarding the economy, market and competition, changes in legal and regulatory requirements, as well as other policy measures and fluctuations in exchange rates.

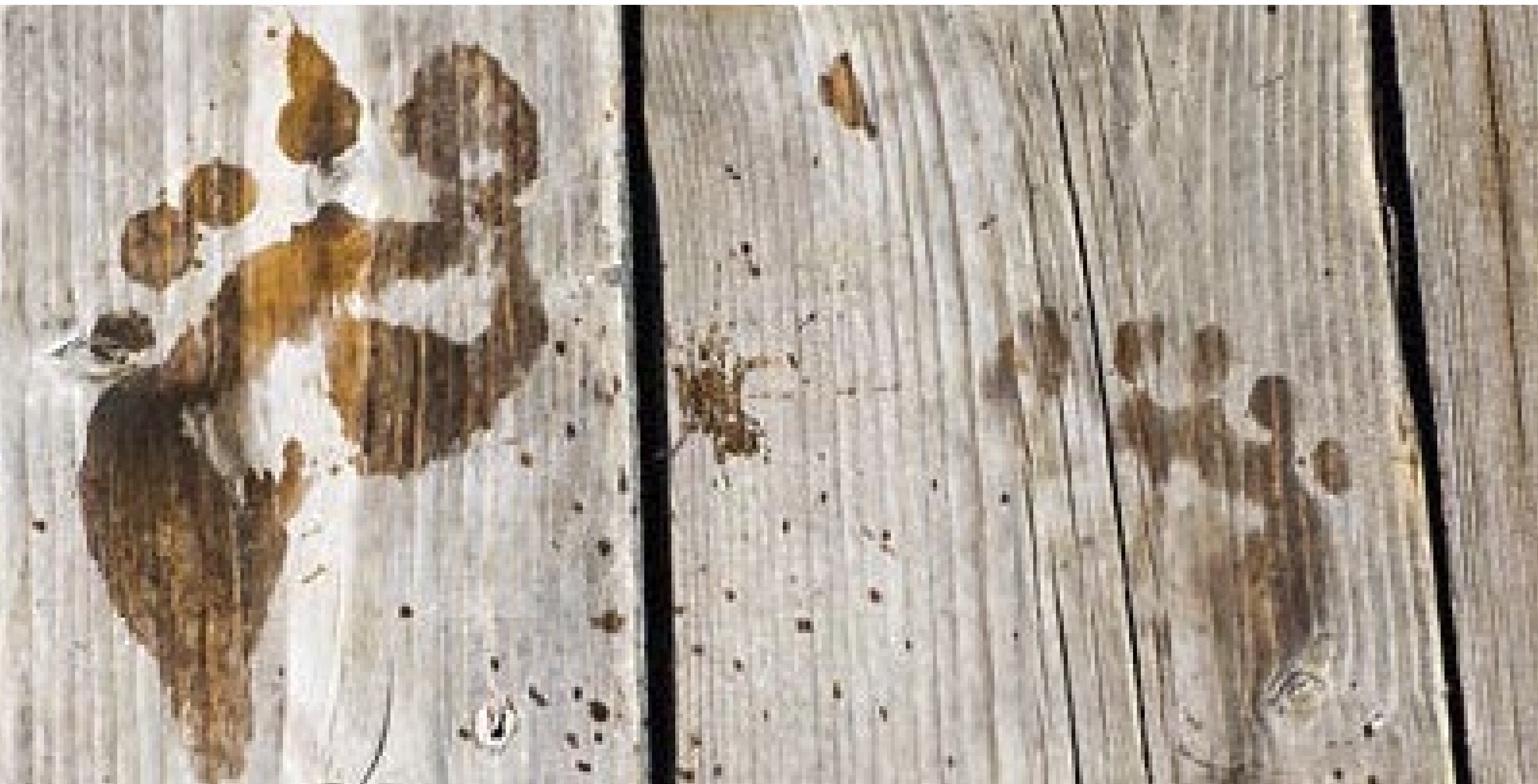
This interim report is unaudited.

Assurance

The Board of Directors and CEO assure that the interim report provides a true and fair review of the Parent Company and the Group's operations, position and earnings and describes the material risks and uncertainties faced by the Parent Company and the Group.

Malmö, 29 January 2018

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



Consolidated financial statements

Consolidated income statement

SEK M	Note	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Net sales	2	2,068	2,174	7,688	7,808
Cost of goods sold		-1,167	-1,185	-4,260	-4,366
Gross profit		**901**	**989**	**3,428**	**3,442**
Selling expenses		-449	-322	-1,571	-1,392
Administrative expenses		-361	-416	-1,136	-1,016
Research and development costs	4	-43	-45	-134	-133
Acquisition expenses		–	-2	–	-7
Restructuring and integration costs		-104	-107	-324	-155
Other operating income and expenses		22	44	18	42
Operating profit/loss (EBIT)	**3, 6**	**-34**	**141**	**281**	**781**
Net financial items		-41	-30	-102	-110
Profit/loss after financial items		**-75**	**111**	**179**	**671**
Taxes		7	-31	-61	-181
Net profit/loss for the period		**-68**	**80**	**118**	**490**
Attributable to:					
Parent Company shareholders		-68	80	118	490
Number of shares, thousands		272,370	272,370	272,370	272,370
Earnings per share, SEK[1]		-0.25	0.29	0.43	1.80

[1] Before and after dilution. For definition, see page 21.

Consolidated statement of comprehensive income

SEK M	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Net profit/loss for the period	**-68**	**80**	**118**	**490**
Other comprehensive income				
Items that cannot be restated in profit				
Actuarial gains/losses pertaining to defined-benefit pension plans	-89	95	-165	53
Tax attributable to items that cannot be restated in profit	19	-21	32	-11
Items that can later be restated in profit				
Translation differences	6	79	-345	-286
Hedging of net investments	49	-	49	-
Cash-flow hedges	-9	-21	101	-99
Tax attributable to items that can be restated in profit	-9	5	-33	22
Other comprehensive income for the period, net after tax	**-33**	**137**	**-361**	**-321**
Total comprehensive income for the period	**-101**	**217**	**-243**	**169**
Comprehensive income attributable to:				
Parent Company shareholders	-101	217	-243	169

Consolidated balance sheet

SEK M	Note	31 Dec 2017	31 Dec 2016
Assets			
Intangible assets		6,634	6,663
Tangible assets		1,134	1,110
Financial assets		334	316
Inventories		1,104	1,044
Accounts receivable		1,898	2,277
Current financial receivables	7	–	1,397
Other current receivables		434	460
Cash and cash equivalents	7	672	1,446
Total assets		**12,210**	**14,713**
Shareholders' equity and liabilities			
Shareholders' equity		5,074	10,658
Provisions for pensions, interest-bearing	7	61	36
Non-current financial liabilities	7	5,131	1,361
Other provisions		256	233
Accounts payable		541	739
Current financial liabilities	7	90	340
Other non-interest-bearing liabilities		1,057	1,346
Total shareholders' equity and liabilities		**12,210**	**14,713**

Changes in shareholders' equity for the Group

SEK M	Share capital	Other capital provided	Reserves	Retained earnings	Total share-holders' equity[1]
Opening balance at 1 January 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 31 December 2016	**1**	**-**	**648**	**10 009**	**10,658**
Opening balance at 1 January 2017	**1**	**-**	**648**	**10 009**	**10,658**
Total comprehensive income for the period	–	–	-229	-14	-243
Rights issue	90	–	–	–	90
Transactions with shareholders	–	–	–	-5,431	-5,431
Closing balance at 31 December 2017	**91**	**-**	**419**	**4,564**	**5,074**

[1] Fully attributable to Parent Company shareholders

Consolidated cash-flow statement

SEK M	Note	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Operating activities					
Operating profit/loss (EBIT)		-34	141	281	781
Add-back of amortization, depreciation and write-down	3	176	260	715	755
Other non-cash items		2	-4	36	21
Add-back of restructuring and integration costs[1]		98	19	250	67
Paid restructuring and integration costs		-30	-28	-63	-108
Financial items		-41	-30	-102	-110
Taxes paid		-33	-42	-135	-168
Cash flow before changes to working capital		**138**	**316**	**982**	**1,238**
Changes in working capital					
Inventories		90	-2	-103	-87
Current receivables		-106	-411	176	-345
Current liabilities		53	293	-483	113
Cash flow from operations		**175**	**196**	**572**	**919**
Investing activities					
Acquired operations		-	2	-	-212
Net investments		-359	-90	-652	-314
Cash flow from investing activities		**-359**	**-88**	**-652**	**-526**
Financing activities					
Change in interest-bearing liabilities		5,206	-13	5,120	-6
Change in interest-bearing receivables		65	-27	83	-47
Transactions with shareholders		-4,836	-26	-5,897	289
Cash flow from financing activities		**435**	**-66**	**-694**	**236**
Cash flow for the period		**251**	**42**	**-774**	**629**
Cash and cash equivalents at the beginning of the period		407	1,401	1,446	808
Translation differences		14	3	0	9
Cash and cash equivalents at the end of the period		**672**	**1,446**	**672**	**1,446**

[1] Excluding write-down of non-current assets

Note 1 Accounting policies

The consolidated year-end report has been prepared in accordance to IAS 34 Interim Financial Reporting and applicable regulations in the Swedish Annual Accounts Act.The basis for preparation of the historical consolidated 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 1 January 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 evaluated 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 assessment of write-down is that reserves for expected losses will not be changed. Given the fact that the Group's customers have high credit ratings and confirmed customer losses have historically been low, it has been assessed that the rules on impairment will not have a material impact on the Group's financial position.

Hedge accounting is applied to currency forward contracts held for managing currency exposure that arises during operations. The introduction of the new standard is not deemed to entail any changes to existing accounting policies for such hedges, which is why Arjo's financial position will not be impacted.

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.

Arjo has evaluated the standard and the analyze shows 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.

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 analyse 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 analyse 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 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
North America	731	802	2,819	2,905
Western Europe	1,042	1,045	3,749	3,759
Rest of the World	295	327	1,120	1,144
Total	**2,068**	**2,174**	**7,688**	**7,808**

Note 3 Depreciation/amortization and write-down

SEK M	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Intangible assets in acquired companies	-26	-32	-101	-123
Intangible assets	-44	-191	-214	-242
Tangible assets	-106	-37	-400	-390
Total	**-176**	**-260**	**-715**	**-755**
Of which, write-down	-6	-87	-74	-88

Note 4 Capitalised development costs

SEK M	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Research and development costs, gross	-57	-62	-204	-201
Capitalised development costs	14	17	70	68
Research and development costs, net	**-43**	**-45**	**-134**	**-133**

Note 5 Financial assets and liabilities measured at fair value

31 Dec 2017	Assets at fair value through profit and loss	Derivatives used for hedging purposes	Total
Financial assets	–	–	0
Other current receivables	–	35	35
Total assets	0	35	35
Other non-interest-bearing liabilities	–	7	7
Total liabilities	**0**	**7**	**7**

31 Dec 2016	Assets at fair value through profit and loss	Derivatives used for hedging purposes	Total
Financial assets	–	8	8
Other current receivables	–	116	116
Total assets	**0**	**124**	**124**
Other non-interest-bearing liabilities	–	224	224
Total liabilities	**0**	**224**	**224**

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	Quarter 4 2017
Net sales	1,904	1,832	1,898	2,174	1,931	1,894	1,795	2,068
Cost of goods sold	-1,017	-1,058	-1,106	-1,185	-1,014	-1,029	-1,050	-1,167
Gross profit	**887**	**774**	**792**	**989**	**917**	**865**	**745**	**901**
Operating expenses	-607	-625	-581	-848	-679	-745	-788	-935
Operating profit/loss (EBIT)	**280**	**149**	**211**	**141**	**238**	**120**	**-43**	**-34**
Net financial items	-27	-26	-27	-30	-14	5	-52	-41
Profit/loss after financial items	**253**	**123**	**184**	**111**	**224**	**125**	**-95**	**-75**
Taxes	-68	-33	-49	-31	-60	-33	25	7
Net profit/loss for the period	**185**	**90**	**135**	**80**	**164**	**92**	**-70**	**-68**
Adjusted EBITDA[1]	471	332	385	422	460	296	251	240
Adjusted EBITDA margin[1], %	24.7	18.1	20.3	19.4	23.8	15.6	14.0	11.6

[1] EBITDA before acquisition, restructuring and integration costs. See Alternative performance measures on page 17 and definitions on page 21.

Note 7 Consolidated interest-bearing net receivables/debt

SEK M	31 Dec 2017	31 Dec 2016
Financial liabilities	5,221	1,701
Provisions for pensions, interest-bearing	61	36
Interest-bearing liabilities	**5,282**	**1,737**
Less financial receivables	-8	-1,466
Less cash and cash equivalents	-672	-1,446
Interest-bearing net receivables/debt	**4,602**	**-1,175**

Note 8 Key figures for the Group

SEK M	Quarter 4 2017	Quarter 4 2016	Change %	Full-year 2017	Full-year 2016	Change %
Organic growth in sales, %	-1.8	-	-	-1.6	-2.6	1.0
EBITDA growth, %	-64.4	-	-	-35.1	25.8	-60.9
Cash conversion, %	123.2	49.0	74.2	57.4	59.8	-2.4
Return on shareholders' equity, %	-	-	-	1.5	4.7	-3.2
Gross margin, %	43.6	45.5	-1.9	44.6	44.1	0.5
Selling expenses as a % of net sales	21.7	14.8	6.9	20.4	17.8	2.6
Administrative expenses as a % of net sales	17.5	19.1	-1.7	14.8	13.0	1.8
EBITA before restructuring, acquisition and integration costs	128	299	-57	773	1,132	-31.7
EBITA margin, %	6.2	13.7	-7.5	10.0	14.5	-4.4
EBITDA	142	400	-64.5	996	1,536	-35.1
Adjusted EBITDA[1]	240	422	-43.2	1,246	1,610	-22.6
EBITDA margin, %	6.9	18.4	-11.5	13.0	19.7	-6.7
Adjusted EBITDA margin[1], %	11.6	19.4	-7.8	16.2	20.6	-4.4
Operating margin, %	-1.6	6.5	-8.1	3.7	10.0	-6.3
Earnings per share, SEK[2]	-0.25	0.29	-185.0	0.43	1.80	-75.9
Number of shares, thousands	272,370	272,370	-	272,370	272,370	-
Interest-coverage ratio, multiple	-	-	-	5.3	8.2	-2.9
Operating capital, SEK M	-	-	-	10,317	11,055	-6.7
Return on operating capital, %	-	-	-	5.9	8.5	-2.6
Net debt/equity ratio, multiple	-	-	-	0.91	-0.11	-922.7
Net debt/adjusted EBITDA[1] R12, multiple	-	-	-	3.69	-0.73	-605.7
Equity/assets ratio, %	-	-	-	41.6	72.4	-30.8
Equity per share, SEK	-	-	-	18.63	39.13	-52.4
Number of employees	-	-	-	5,983	5,623	6.4

[1] EBITDA before acquisition, restructuring and integration costs. See Alternative performance measures on page 17 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.

Adjusted EBITDA, SEK M	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Operating profit/loss (EBIT)	**-34**	**141**	**281**	**781**
Add-back of amortization, depreciation and write-down of intangible and tangible assets	176	260	715	755
Add-back of acquisition, restructuring and integration costs, excluding write-down	98	21	250	74
Adjusted EBITDA	**240**	**422**	**1,246**	**1,610**

Cash conversion	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Cash flow from operations, SEK M	**175**	**196**	**572**	**919**
Operating profit/loss (EBIT)	-34	141	281	781
Add-back of amortization, depreciation and write-down of intangible and tangible assets	176	260	715	755
EBITDA, SEK M	**142**	**400**	**996**	**1,536**
Cash conversion, %	**123.2**	**49.0**	**57.4**	**59,8**

Net receivables/indebtedness	31 Dec 2017	31 Dec 2016
Interest-bearing net receivables/debt, SEK M	4,602	-1,175
Shareholders' equity, SEK M	5,074	10,658
Net receivables/indebtedness, multiple	**0.91**	**-0.11**

Calculation of return on operating capital	Full-year 2017	Full-year 2016
Total assets opening balance	14,713	14,017
Total assets closing balance	12,210	14,713
Average total assets	**13,462**	**14,365**
Average total assets	13,462	14,365
Excluding average cash and cash equivalents	-1,058	- 1,127
Excluding average other provisions	-220	-191
Excluding average other interest-bearing liabilities	-1,867	-1,992
Operating capital	**10,317**	**11,055**
Operating profit (EBIT)	281	781
Add-back of acquisition expenses	-	7
Add-back of restructuring and integration costs	324	155
EBIT after add-back of acquisition, restructuring and integration costs	605	943
Return on operating capital, %	**5.9**	**8.5**

Note 9 Transactions with related parties

	Quarter 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Transactions with related parties, SEK M				
Sales	36	53	148	108
Other income	2	391	90	391
Purchases of goods	-17	-32	-48	-114
Other expenses	-42	-616	-282	-665
Financial income	1	0	11	2
Financial expenses	-9	-19	-48	-71
Accounts receivable			54	393
Current financial receivables			0	1,397
Non-current financial liabilities			-	1,361
Accounts payable			78	359
Current financial liabilities			90	340
Other non-interest-bearing liabilities			31	187
Net received/paid Group contributions/shareholders' contributions	1,203	-170	1,203	-170
Net received/paid dividends	0	66	-2,600	57
Rights issue	90	-	90	-
Transfer of net assets	-131	40	-4,139	374

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 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 4 2017	Quarter 4 2016	Full-year 2017	Full-year 2016
Administrative expenses	-127	-	-192	-
Restructuring and integration costs	-18	-	-18	-
Other operating income	158	-	197	-
Operating profit/loss (EBIT)	**13**	**-**	**-13**	**-**
Net financial items	-57	-	-58	-
Profit/loss after financial items[1]	**-44**	**-**	**-71**	**-**
Group contributions	-108	-	-108	-
Taxes	33	-	38	-
Net profit/loss for the period	**-119**	**-**	**-141**	**-**

[1] Net financial items includes interest income and other similar items, and interest expenses and other similar expenses, and 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	31 Dec 2017	31 Dec 2016
Assets		
Intangible assets	428	-
Financial assets	5,408	-
Receivables from Group companies	363	-
Current receivables	42	-
Cash and cash equivalents	-	1
Total assets	**6,241**	**1**
Shareholders' equity and liabilities		
Shareholders' equity	3,627	1
Current financial liabilities, Group companies	2,458	-
Current liabilities, Group companies	100	-
Other non-interest-bearing liabilities	56	-
Total shareholders' equity and liabilities	**6,241**	**1**

* The company was formed on 10 November 2016.

The Parent Company acquired and, based on shareholders' contributions, obtained shares in subsidiaries during the year. At the end of the year, the carrying amount of shares and participations in the subsidiaries amounted to SEK 5,369 M. Of this amount, SEK 2,653 M was received in the form of shareholders' contributions. During the quarter a shareholders' contribution amounting to SEK 1,203 M has been received in cash.

A rights issue was carried out in September, which resulted in an increase in share capital of SEK 90,289,857.7.

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 118 M
Number of shares, thousands	272,370
Earnings per share	SEK 0.43

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 and admin 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.

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

Fund managers, analysts and the media are invited to a teleconference on 29 January at 9:00 a.m. CET. Dial the number below to join the conference:
Sweden: +46 (0) 8 5065 3942
UK: +44 (0)330 336 9411
USA: +1 646-828-8143
Code: 2028669
A presentation will be held during the telephone conference. To access the presentation, please use this link: https://slideassist.webcasts.com/starthere.jsp?ei=1177074
Alternatively, use the following link to download the presentation: https://www.arjo.com/sv-se/om-arjo/investerare/rapporter--presentationer/2018/
A recording of the teleconference will be available for 90 days via the following link: https://slideassist.webcasts.com/starthere.jsp?ei=1177074

Financial information

Updated information on, for example, the Arjo share and corporate governance is available on Arjo's website www.arjo.com. The year-end report and interim reports are published in Swedish and English and are available for download at www.arjo.com. The Annual Report will also be available on www.arjo.com once it is published.
The following financial statements will be published in 2018:

April 2018:	2017 Annual Report
4 May 2018:	Interim report, January-March
4 May 2018:	Annual General Meeting
19 July 2018:	Interim report, January-June
22 October 2018:	Interim report January-September

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This information is information that Arjo AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 08:00 CET on January 29, 2018.

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.

Arjo 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 head office is in Malmö, Sweden.

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

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