GETINGE GROUP

PRESS RELEASE
Getinge 8 February 2013

Focus on profitability and growth

Press release regarding Getinge's Capital Markets Day on 8 February

The Getinge Group has long performed very well and the company's strategy for continued profitable growth remains firm. The areas of focus for the Group's future performance are continued investments in product development, programmes to increase the Group's exposure to rapidly expanding emerging markets and initiatives to improve the Group's cost-effectiveness and competitiveness. Acquisitions – which have played a significant role in the Group's expansion – remain a cornerstone for creating scope and critical mass, and for positioning the company as a formidable partner in an increasingly consolidated healthcare market.

Efficiency enhancements

Unlike the Group's other business areas, Getinge's smallest business area, Infection Control, has experienced a weak profitability trend in recent years. With the aim of clearly and sustainably improve Infection Control's profitability, an extensive action programme is being implemented by the new management, which has been in position in the business area since mid-2012. The programme aims to improve the business area's EBITA margin from its current level of about 12% to more than 17% within a three to five-year horizon. A key element of the efficiency-enhancement programme is concentrating the business area's production to fewer plants with greater resources, while also focusing manufacturing on assembly, which will result in component manufacturing being outsourced to external suppliers. The efficiency-enhancement programme will also include a review of distribution, logistics, administrative processes and the discontinuation of unprofitable product lines. The completion of the restructuring programme is expected to cost about SEK 440 m over the course of four years. As a first step in the programme, Infection Control announced earlier this week the relocation of sterilisation manufacturing from Skärhamn in Sweden to China, and the discontinuation of water-treatment products.

Extended Care – which, unlike Infection Control, is reporting highly favourable profitability – will also continue its efforts to further strengthen competitiveness. Similar to Infection Control, Extended Care aims to concentrate manufacturing to fewer units and to expand production to low-cost countries. The decision to discontinue the production unit, which was included in the acquisition of TSS, has already been communicated and the costs of the discontinuation will be financed by the previously announced restructuring costs. The continued enhancement of the business area's efficiency will result in additional restructuring costs of SEK 240 m, which will be charged to the financial years 2013-2016.

The Group's financial objectives
Getinge has already communicated ambitious plans concerning profit growth, capital efficiency and profitability. Under the Group's profitability targets, the aim is to achieve an EBITA margin (EBIT adjusted for the amortisation/depreciation of acquisition-related surplus values) of about 22%. Getinge had previously aimed to achieve the EBITA margin target between 2013 and 2014. However, since market demand has experienced a weaker recovery than expected, the currency scenario has become more challenging and new costs have arisen due to the introduction of the so-called medical device tax in the US, the Group does not believe that it will achieve its EBITA margin target until 2015.

Increased exposure to emerging markets
Getinge is acquiring the Turkish company Trans Medical Devices Inc., which will be included in the Infection Control business area. Trans' range of autoclaves will represent Getinge's product offering in the growing mid-range segment and will contribute to increased exposure to the emerging markets. The company is the market leader in Turkey and commands a market share of about 35%. Trans has about 70 employees and generated sales of SEK 55 m in 2011.

Outlook
The increasing uncertainty that marks several of the Group's key markets makes it more difficult to assess the growth prospects for the current year. Demand in the markets outside North America and Western Europe, which comprise an increasing share of Group sales, is expected to continue to show strong growth in terms of medical-technical capital goods such as disposables and services. In the Western European markets, demand for medical-technical capital goods is expected to remain weak, while demand for disposables and services is expected to continue to grow. In North America, the demand for both medical-technical capital goods and disposables is expected to increase, albeit modestly. Overall, organic volume growth is expected to remain in line with that of 2012.
Profit growth, excluding restructuring costs, is expected to be favourable in the current year, even in consideration of the introduction of what is known as the medical device tax in the US in 2013, and of adverse exchange-rate effects. The introduction of the medical device tax is expected to have an impact of SEK 130 m on earnings for the current year, and the negative exchange-rate effects are expected to amount to about SEK 170 m, of which about SEK 130 m pertains to transaction effects.

In terms of the profit trend for the current year, growth is expected to become stronger during the second half of the year compared with the first six months. Earnings in the first quarter of 2013 are expected to be lower than in the year-earlier period.

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