

*A n n u a l R e p o r t*

1998



 **GETINGE**

GETINGE INDUSTRIER AB

## **Getinge – a company with the whole world as its market...**

... and rapidly-expanding sectors – health care, geriatric care and the pharmaceutical industry – as its customers. Products supplied by Getinge help these sectors carry out professional, high-quality work.

Getinge is growing rapidly, both in financial and geographic terms. In the past year, eight acquisitions have been made in the US and Europe. With roots in a small community in the west of Sweden, Getinge is approaching the turn of the millennium with high confidence and ambitious plans for the future.

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## **Business Area Scientific**

*develops, manufactures and markets sterilization equipment for the pharmaceutical industry, pharmacies, R&D laboratories and, to some degree, the food and laundry sectors.*

## **Business Area Sterilization - Health Care**

*develops, manufactures and markets sterilization and operating room equipment for the health care sector. The goods supplied include both individual products and complete systems for sterilization centres and operating theatres.*



## **Business Area Disinfection**

*develops, manufactures and markets products and systems for cleaning and disinfecting reusable materials and goods within health and geriatric care, laboratories and the pharmaceutical industry.*

## **Business Area Hygiene Systems**

*develops, manufactures and markets hygiene system products for bathing, showering and hydrotherapy with integrated lifting and handling equipment designed for the elderly, disabled and handicapped in the health and geriatric care sectors.*



## **Business Area Patient Handling**

*develops, manufactures and markets two product systems aimed at the growing geriatric care sector: patient handling equipment and antidecubitus mattresses for the prevention and treatment of sores among bedridden patients.*

# The Annual General Meeting

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## The Annual General Meeting

*will be held on Wednesday, 21 April 1999 at 4 p.m. in Getingehallen*

### Notification

Shareholders wishing to participate at the Annual General Meeting shall be registered in the register of shareholders kept by Värdepapperscentralen VPC AB, the Swedish Central Securities Depository, no later than Friday, 9 April 1999 and shall notify Getinge Industrier's head office, at the address below, of their intention to participate, no later than Friday, 16 April 1999:

#### *GETINGE INDUSTRIER AB*

*Information Dept.*

*Box 69*

*S-310 44 Getinge*

*Tel: +46 35 - 15 55 00*

Shareholders whose shares are registered in the name of a nominee must, in order to be entitled to participate at the Annual General Meeting, have registered their shares in their own name with VPC well in advance of 9 April 1999.

### Dividend

The Board of Directors and the Managing Director propose that a dividend of SEK 3:25 (2:75) per share be paid for 1999, amounting to a total of SEK 147.6 million. The proposed record date is 26 April 1999. VPC anticipates being able to forward the dividend to shareholders on 3 May 1999.

### Reports for 1999

Getinge Industrier AB will be publishing the following reports in Swedish and English during the year:

- The 1st quarterly report for 1999 will be issued in conjunction with the Annual General Meeting on 21 April 1999 in Getinge
- Interim report for the first six months of 1999: August 1999
- 3rd quarterly report for 1999: October 1999
- Press release of the financial statements for 1999: February 2000
- Annual Report for 1999: April 2000

The reports can be ordered from:

*GETINGE INDUSTRIER AB*

*Information Dept.*

*Box 69*

*S-310 44 Getinge*

*Tel: +46 35 - 15 55 00*

### Information when

#### reading this Annual Report

The Getinge Industrier Group is referred to in this Annual Report as Getinge.

Figures in brackets refer, unless otherwise specified, to 1997's operations. Swedish krona is abbreviated (SEK) throughout this document. Millions of kronor are written as SEK xx million alternatively SEK xx m.

All amounts are given in SEK million, unless otherwise specified.

*This document is essentially a translation of the Swedish language version.*

*In the event of any discrepancies between this translation and the original Swedish document, the latter shall be deemed correct.*

## Summary of the last five years

The Group	1994	1995	1996	1997	1998
Net turnover, SEK m <sup>1)</sup>	2,590.8	2,813.0	2,961.2	3,661.0	<b>4,345.0</b>
of which overseas sales, % <sup>1)</sup>	94.7%	93.7%	93.8%	94.1%	<b>94.5%</b>
Operating profit before items affecting comparability, SEK m <sup>1)</sup>	425.9	365.3	497.2	547.9	<b>652.9</b>
Operating margin, % <sup>1)</sup>	16.4%	13.0%	16.8%	15.0%	<b>15.0%</b>
Profit before tax, SEK m	411.9	388.9	497.1	501.5	<b>602.6</b>
Profit for the year, SEK m	335.6	321.4	392.8	401.3	<b>476.7</b>
Capital employed, SEK m	1,026.4	1,317.0	1,809.9	2,535.2	<b>2,610.6</b>
Shareholders' equity, 31 December, SEK m	1,161.6	801.8	1,093.0	1,372.8	<b>1,221.0</b>
Return on capital employed, %	41.6%	30.1%	29.6%	23.4%	<b>25.0%</b>
Return on equity, %	33.0%	32.7%	42.3%	36.4%	<b>39.1%</b>
Equity/assets ratio, %	59.4%	29.4%	31.3%	36.5%	<b>27.6%</b>
Interest cover, multiple	13.7	13.1	7.5	7.8	<b>8.0</b>
Net investments in fixed assets, SEK million	45.5	74.2	103.3	126.2	<b>141.4</b>
No. of employees, 31 December	2,124	2,729	3,495	3,481	<b>3,724</b>
EPS after full tax, SEK	7.60 <sup>2)</sup>	7.27	8.65	8.83	<b>10.50</b>
Shareholders' equity, SEK per share	25.63 <sup>2)</sup>	17.65	24.06	30.22	<b>26.88</b>
Dividend, SEK per share	1.67 <sup>2)</sup>	2.00	2.50	2.75	<b>3.25 <sup>3)</sup></b>
Market price, 31 December, SEK per share	64.33 <sup>2)</sup>	100.83	134.50	126.00	<b>122.00</b>
Dividend yield, %	2.6% <sup>2)</sup>	2.0%	1.9%	2.2%	<b>2.7%</b>

<sup>1)</sup> These figures do not include the Distribution (Lifco) business area.

<sup>2)</sup> Getinge, excluding Arjo.

<sup>3)</sup> As per the proposal by the Board and President.

### Definitions

#### Operating margin

Net operating profit in relation to invoiced sales.

#### Interest cover

Profit after net financial items plus interest costs in relation to interest expenses.

#### Capital employed

Total assets, less liquid funds and non-interest bearing liabilities. Average calculated during the year.

#### Return on capital employed

Net operating profit in relation to capital employed.

#### Net debt

Interest bearing liabilities, including pension liabilities, less deduction for liquid funds.

#### Return on equity

Net profit for the year in relation to average shareholders' equity.

#### Equity/assets ratio

Equity in relation to Balance Sheet total

#### EPS after full tax

Net profit for the year divided by the number of shares.

#### Dividend yield

Dividend in relation to the market share price on 31 December.

## Johan Malmquist, President:

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*“ 1998 has been a year marked by its rapid rate of change. Businesses have been divested, new companies have been acquired. The dividend in kind among shareholders of the Distribution business area in May, has given Getinge a more well-defined structure. Today, the Group consists of five business areas that are market leaders within their respective niches, and have good synergies between them.*

*The restructuring and rationalization programme announced in 1997 was implemented during the year. This has sharpened the competitiveness of all our business areas. The Group achieved its 1998 targets. Getinge, now a stronger and more focused Group than before, is ready to take on new challenges ”.*

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## Growth

During the year, the Group's organic growth has been supplemented by a large number of acquisitions. Eight companies, with combined annual sales of around SEK 800 million, have been integrated within the Group. Through the acquisition of Pegasus and Egerton, Getinge has established the basis for a future business area covering the prevention and treatment of pressure sores. The Sterilization - Health Care business area has, through the acquisition of three competitors, won market-leading positions in Italy, France and the Netherlands. These acquisitions represent an important step towards achieving economies of scale, which will provide good, stable profitability in the future.

## Market trends

Demand for the Group's products has been good in its major markets, North America and Western Europe. In 1998, these markets accounted for 90% of the Group's total sales. The same markets accounted for 95% of sales. Sales volumes remained stable in Eastern Europe, the Middle East and Japan, while invoicing has increased in Latin America and Australia. All business areas have endured reduced demand from the markets in the Far East.

## Business area trends

Four of the five business areas have performed very well. There has been strong organic growth, both of orders received and invoiced sales, in Hygiene Systems, Patient Handling and Disinfection – mainly due to the addition of newly developed products and sales success in the important North American markets.

Business area Scientific has had a good year with a level of orders received that was satisfactory compared with past performances.

Results in business area Sterilization - Health Care, have, however, been unsatisfactory. Sales volumes stagnated as a result of the situation in the Far East. In addition, the North American operation has faced problems, mainly in production. The activity programmes implemented after the first quarter will,

## Getinge Group sales by geographical market:

	1998	1997
Sweden	6%	6%
Rest of Scandinavia	3%	3%
Western Europe	42%	40%
Eastern Europe	3%	3%
North America	38%	36%
Asia, Australia	6%	9%
Africa	1%	2%
Latin America	1%	1%
Total	100%	100%

however, result in an improved profit in the future.

The Group's ambition is that the business area Sterilization - Health Care shall attain a sustainable operating margin of around 15%. The business area will achieve this by creating a more streamlined manufacturing structure with substantially fewer units than today. The business area has a good basis for success, as it presently holds a 25% market share and is also continuing to focus on the highly profitable after sales market.

## Getinge and the future

*What are the Group's aims for the next few years?*

Efforts to improve and strengthen Getinge's competitiveness will continue along the established path. The Group's good profitability and strength will be built on holding global market-leading positions within chosen niches. Each of these niches has good potential and together they offer synergy in distribution, technology and development. Work involving the deepening and strengthening of the company's position within its chosen areas will continue and be prioritized. At the same time, new and adjacent areas are continually assessed for their potential as a complement to existing areas or as entry points for new business areas within the Group.

The basis of the Group's operation will be organic growth. Acquisitions are a complement to both geographical and product-related expansion. Of the three customer segments: health care, long-term care of the elderly and disabled, and the pharmaceutical industry, the

long-term care segment has shown the most promising potential for growth. Therefore, expansion within this area has been prioritized.

Expansion of activities in the antidecubitus field will be of special interest in the next few years. Today, Getinge has a modest market share in this area. However, the company aims to become a significant player within a reasonable time.

Organic growth in the next few years will be underpinned by two factors: continual renewal of the product range and sales of integrated systems. Few of the company's competitors worldwide, and none in Europe, can offer the complete solutions supplied by Getinge in the areas of infection control and ergonomics for carers.

To maintain the rapid rate of change, it is vital for the company that management can inject competence, a will to renew and strong operational capability into the organization. The management of Getinge has precisely the required skills. During the year, management at company level has been closely involved with corporate acquisitions, leaving Group management to concentrate on the long-term perspective. I would like to convey my thanks to all Getinge employees for their committed contribution to the company's success in 1998.

The past year has laid the foundations for continued profit improvement by the Getinge Group. Growth in the long-term care market, profit contributed by newly acquired companies and improved profit in the Sterilization-Health Care business area are factors in our forecast for 1999: a pre-tax profit of around SEK 675 million.

Johan Malmquist  
President & CEO

# The Getinge Group

## GETINGE'S GOALS

- Getinge strives to be the global leader in the product areas in which it works.
- Getinge's financial goal, is a growth in profits before tax of 15% per year over a business cycle.
- Long-term organic growth over a business cycle should amount to 7%.
- Growth will also be through acquisition aimed at accessing new markets, creating benefits of scale for production and broadening the product range.
- The company may also establish new business areas that fulfil its objectives, where the customer structure coincides with the Group's existing customers, and where good potential exists for reaching world-leading positions.

Product Dimension Geographic Dimension	Scientific B.Sjöholm	Sterilization - Health Care S.Kristensson	Disinfection C.Hammer	Patient Handling A.Wozencroft	Hygiene Systems S.Bengtsson
US C.White	■	■	■	■	■
Arjo (outside the US) A.Knauf			■	■	■
Getinge (outside the US) H.Castler	■	■	■		

## Business Areas

Three markets are the core of Getinge's business activities:

- The health care sector, focusing on acute care.
- Geriatric care, focusing on institutional care.
- Industry customers (mainly the pharmaceutical industry and laboratories).

The services and products Getinge offers these markets are gathered together in five business areas, divided into two groups:

### Infection control and hygiene

- Scientific
- Sterilization - Health Care
- Disinfection

### Equipment for geriatric care

- Hygiene Systems
- Patient Handling

## Scientific

The business area supplies the pharmaceutical industry and laboratories with customized sterilization solutions. The market is technically driven and activities are regulated by stringent demands from the authorities.

Growth is controlled by the underlying growth in the sector. Long-term growth is expected to be around 5 - 7%.

### Sterilization – Health Care

The business area supplies the health care sector with sterilization products and systems. The market is mature and growth in the Western world is low and consists mainly of replacement investments. Developing markets are expanding and the after sales market is very profitable.

Long-term market growth is expected to be 4-6%.

### Disinfection

This business area's products clean and disinfect goods that are reused in the health care sector, laboratories and the pharmaceutical industry. There is strong synergy between this business area and Getinge's four other business areas.

Disinfection products are sold mainly in the developed countries. Over 60% of sales are in Western Europe. The market is expected to grow by 5 - 7% annually.

### Hygiene Systems

The operation manufactures and markets ergonomically designed products and aids for the hygienic care of the elderly and physically impaired. The market has a geographic spread and growth potential similar to that of business area Disinfection.

Growth is expected to be around 5- 7%.

### Patient Handling

The operation manufactures and markets ergonomically designed products and aids for moving and transferring the elderly and physically impaired.

The driving force in this market is the legislation of various Western European countries regarding the limits for manual lifting in the care sector, as well as increased awareness of the costs for work-related injuries.

Growth is forecast to be around 10% annually. The business also includes antidecubitus mattresses and special beds for preventing and treating pressure sores, where market growth is estimated at 8 - 10%.

## Organisation

Getinge's head office is in Getinge, Sweden and there are no plans to move it abroad.

Getinge is a multinational organisation that can be described in two ways, either from a market-focused viewpoint or a product-oriented perspective.

The following is the market-focused view.

Getinge works with three customer groups:

- 15 per cent of customers are pharmaceutical companies and laboratories which need equipment for sterilizing and disinfection.
- 40 per cent of customers are hospitals and other institutions for acute care
- 45 per cent of customers are institutions for long-term care

There are five business areas that supply these three groups: Scientific, Sterilization - Health Care, Disinfection, Hygiene Systems and Patient Handling. Patient Handling consists of two operating areas: Patient lifts and Antidecubitus mattresses. Antidecubitus mattresses is

proposed to become a separate business area in future.

There is a network of interlocking relationships common to the customer groups and business areas. The pharmaceutical industry and laboratories are served by the Scientific and Disinfection business areas. The acute care hospitals are served by Sterilization - Health Care, Disinfection, Hygiene Systems and Patient Handling. The long-term care group is served by Disinfection, Hygiene Systems and Patient Handling.

In other words, there are good distribution synergy between the business

areas. It can be seen that business area Disinfection serves all three customer groups, while Hygiene Systems and Patient Handling serve two customer groups each. Scientific and Sterilization Health Care each have one customer group.

The rapid rate of acquisition over the past year has led to a large number of production units. Today, manufacturing is carried out at 21 factories. In some cases, local production is strategically important for achieving success in the local market. Getinge's ambition is, however, to reduce the number of pro-

duction units to achieve crucial advantages of scale and make product development more effective. Over the past few years 10 factories have been closed and production will be concentrated further in future.

One of Getinge's greatest strengths is its broad geographic base, with sales to over 100 markets every year. Where possible, and where the customer base allows, Getinge has its own direct sales organisations. To complement Getinge's direct sales organisations, there is an extensive network of distributors and agents in some 90 developing countries.

## Health care: economic forces and factors

The customer base for the majority of Getinge's business areas is the health care sector in Western Europe and the US.

The global health care industry is controlled partly by mechanisms different from the traditional economic forces. National health care policies, forms of financing and health care traditions play an important role.

### USA

The guiding principle for American health care services is that individuals must make their own health care provisions. In 1965, the American Congress resolved to provide basic health insurance to vulnerable groups in society through the establishment of Medicare and Medicaid programmes. The federal government accordingly assumed primary responsibility for financing health care services for the elderly (Medicare) and the impoverished (Medicaid). The programmes are based on a combination of insurance coverage at various levels, patient fees and contributions by the states in which patients live.

After 1965, the professional element in society also became responsible for their own insurance coverage through individual insurance. They are indirectly subsidised, as the federal states allow certain tax deductions for insurance payments. Today, health insurance included among salary benefits is increasingly commonplace.

Despite these basic reforms, health care in the US continually causes dissatis-

faction on grounds of rising costs, lack of accessibility and variable quality. This has led to a number of other reforms and economic health care experiments.

The key term is "managed care", an all-encompassing expression for health care programmes in the US, through which individuals connect themselves to a certain network of doctors and hospitals. Care-providers are paid according to a fixed rate. This is a change from the previously dominant payment principle, fee-for-service, which meant patients were charged for each separate component of received care. Managed care is developing rapidly and new trends are emerging. The implications are that:

- hospitals join forces in larger organizations
- bigger purchasing organizations are created
- the home care sector will grow
- there will be new decision-makers in the health care market
- different levels of health care will be integrated

Indications point to continued cost rationalisation in health care. The customer/patient will have more of a say and health care organisations will become more local. Companies will be responsible for a smaller portion of their employees' health insurance than today. IT will play a major role in the rationalisation of health care, which will include more loosely structured networks of

resources that are activated when required.

### Europe

Health care in European countries has taken different paths.

In Sweden, about 93 percent of institutional care is provided by the public sector. In Europe, public health services are dominant to this extent in the Nordic and Benelux countries. The public sector's involvement with institutional care in other European countries varies between 50-70 percent.

During the 1990s, European health care debate has focused on the high cost of health care. Efforts to reduce costs have resulted in comprehensive medical and health care reforms in most countries. Variations between different countries' health care systems are pronounced, which naturally affects the European activities of Getinge to a great extent, and means that each national market must be treated according to a local model.

The EU has created some harmonising regulations that counteract the problems which major differences between national health care policies cause for companies such as Getinge. Common regulations for the introduction of new products (CE marking, etc) and a joint EU patent office have been in existence for several years. Getinge has acquired companies and developed its product range in recent years to meet challenges in health care markets both in the US and Europe.

## Getinge and the environment

Overall responsibility for environmental questions within the Getinge Group lies with each company's President.

The company's environmental policy includes these points:

- All employees of the Getinge Group will take personal responsibility for health and the environment in their daily work.
- The company's development work in industrial technology and product research will have positive environmental consequences.
- The company's work will be characterised by a holistic approach to products' life-cycles. Environmental aspects should always be considered from raw materials and manufacturing, to use and recycling.
- The company will work to ensure that the staff, products and manufacturing processes are covered by, and comply with, national laws and high international environmental standards.

Environmental aspects are included in the business areas' development strategies. The prudence concept is the underlying component of the Group's envi-

ronmental work regarding both the internal and the external environments.

The drive towards environmental certification in line with ISO 14001 is proceeding according to plan. The system involves the company making an inventory of corporate environmental aspects, creating an environmental organisation, documenting the management of environmental issues, creating routines for continued improvement, and deciding concrete environmental goals.

At Getinge Industrier's main plant in Getinge, Sweden, the Scientific and Sterilization – Health Care business areas report the completion of a new flusher hall connected to a new oil separation unit. The hall is used for manufacturing autoclaves. All the drains and sewer systems have been inventoried during the year to reduce the risk of accidental effluent discharges. The outer environment around the factory has been improved. A recycling station has been moved, as has the factory's entrance.

Disinfection has launched two new products – a washer disinfectant and a flusher disinfectant – that focus on reduced water consumption. The factory

at Växjö has introduced a system for recycling paper and metal.

Hygiene Systems continues to develop new products which create a better working environment for care providers. PVC and hard plastics are being replaced by thermo-plastics which are recyclable and Eslöv's factory has changed to water-soluble solvents. The panels of the high/low bathing system have been changed from glass-fibre reinforced plastic, to recyclable polypropylene. Sorting at source continues and has reduced the amount of material for disposal.

Patient Handling has developed its own environmental policy. Water-soluble degreasing materials have been introduced at the English paint workshop. A recycling system for paint and water has been introduced. Environmental aspects are central in the development and design of new products. A reduction in the amount of packing material used is at the forefront of 1999's environmental work



*Testing a pressure vessel in the new hall at Getinge.*



*Energy-efficient and ergonomic S615 flusher disinfectant.*



*The Miranti hygiene lift bath trolley.*

# Getinge's shares

## Getinge's shares

In 1998, Getinge's share price reached a high of SEK 179 (6 May 1998) and a low of SEK 105 (8 October 1998).

The final price paid for 1998 was SEK 122. The number of shares traded during 1998 was 21,415,283 (30,749,610). There are approximately 14,000 shareholders. The percentage of foreign-owned shares amounts to 22% (25%). The percentage of Swedish institutional ownership is 51% (45%), of which unit trusts constitute 22.6% (17.8%).

## Share capital and ownership structure

The share capital in Getinge is SEK 90,843,264, divided between 45,421,632 shares, each share having a nominal value of SEK 2. All shares are unrestricted and carry an equal right to dividends. Every class A share carries ten votes and every class B share carries one vote.

## Dividend policy

Future dividends will be adjusted in keeping with Getinge's profit level, financial position and future development potential. The aim of the Board is that dividends will comprise in the long-term, approximately one third of the profit after financial items at a standard rate of 28% tax.

## The share capital breaks down as follows:

Type of share	Number of shares	Number of votes	% of capital	% of voting rights
A	3,037,986	30,379,860	6.7	41.8
B	42,383,646	42,383,646	93.3	58.2
Total	45,421,632	72,763,506	100.0	100.0

## Development of share capital through issues

Year	Transaction	No. of shares after transaction	Share capital after transaction, SEK
1990	Formation	500	50,000
1992	Split 50:1	25,000	50,000
1992	New issue	5,088,400	10,176,800
1993	New issue	6,928,400	13,856,800
1995	New issue	7,477,662	14,955,324
1995	New issue	15,140,544	30,281,088
1996	Bonus issue	45,421,632	90,843,264

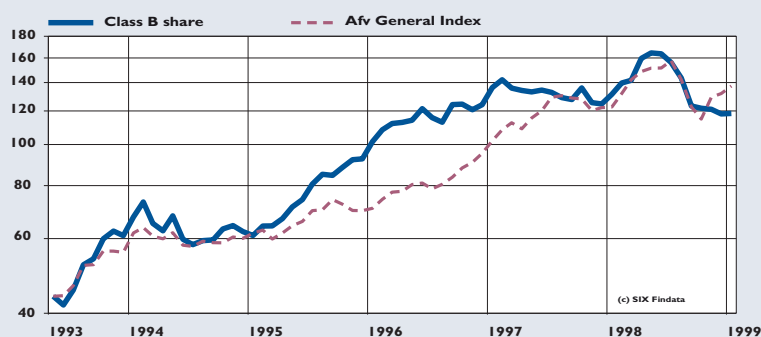
## Shareholder structure of Getinge Industrier AB, as at March 1999

	% of capital		% of voting rights	
	1999	1998	1999	1998
Swedish private individuals (incl. Carl Bennet companies)	27	30	54	56
Swedish institutions and funds	51	45	32	28
Foreign private individuals and owners through foreign nominees	22	25	14	16
Total	100	100	100	100

## The largest shareholders as at March 1999

Company	No. of class-A shares	No. of class-B shares	% of capital	% of voting rights
Carl Bennet Medicinteknik AB	3,037,986	3,035,400	13.4	45.9
Robur's Unit Trusts		3,981,300	8.8	5.5
Nordbanken's Unit Trusts		3,899,860	8.6	5.4
Swedish Pension Fund 4th Board		3,018,550	6.6	4.1
SHB's Unit Trusts		2,316,000	5.1	3.2
SPP + SPP's Unit Trusts		2,204,350	4.9	3.1
Deutsche Bank		1,640,200	3.6	2.3
Acorn International, USA		1,255,000	2.8	1.7
Skandia		975,247	2.1	1.3
Trygg Hansa Försäkring		811,000	1.8	1.1
Other shareholders		19,246,739	42.3	26.4
Total	3,037,986	42,383,646	100.0	100.0

## Price trend of Getinge's shares



## Business Area Scientific

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*Business Area Scientific (previously Sterilization - Pharmaceutical Industry) develops, manufactures and markets sterilization equipment designed for the pharmaceutical industry, pharmacies, R&D laboratories and, to some degree, the food and laundry sectors. The business area's range of sterilization equipment covers, in principle, all these customers' needs; from tailor-made solutions for individual customers to a highly developed broad range of compact, standardized sterilizers.*

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*Orders received, SEK m: 496.8 (585.4)  
Net turnover, SEK m: 579.2 (434.1)  
Operating profit, SEK m: 107.5 (66.8)  
Operating profit as % of net turnover: 18.6% (15.4)  
Share of Group sales: 13% (9)*

*Scientific*

*A recently-installed closure processing system (CPS) at Astra Södertälje.*



## Markets

The business area's most important customers are the world's major pharmaceutical companies.

In the US and Europe, the pharmaceutical industry is still undergoing major restructuring. The mergers and rationalisations implemented in recent years have resulted in considerable investment programmes and larger production facilities with higher levels of automation.

The business area supplies systems that are often specially adapted to customer's needs. Tailor-made autoclaves for batch sterilization are important products. The company is the world leader in steam sterilization.

*Some important market trends are:*

- Delivery of several products within an integrated system
- A need for external product competence resulting from restructuring – outsourcing
- An increasing need for external service-related services, such as validation of the equipment.
- A degree of pricing pressure -affecting large purchases via consultants

The market, which is worth around SEK 2,000 million, has a growth rate of 5-7%.

## Competition

The business area, which is active in some 100 countries, is No.1 in the segment of the sterilization market aimed at the pharmaceutical industry, with a 27% global market share.

Getinge and the American company, Steris, are the major players in the sterilization market. In Europe, the most significant competitors are Fedegari of Italy and MMM-SBM of Germany. Other competitors are smaller, family companies that do not export. This category represents around 35% of the world market.

## Strategies

The Getinge approach to markets is through its own regionally responsible sales force, which has strong support from product specialists. In addition,



*A water distillation unit manufactured by the recently-acquired Danish company, Kemiterm.*

Getinge has around 75 qualified agents and distributors.

*The business area's future strategies include the following key points:*

- Active involvement with development in the pharmaceutical industry to create added value through own initiatives and in cooperation with the customer.
- Clear product leadership
- A broader product range
- Development of international key account sales
- Increased flexibility and shortened lead times
- Acquisition of products with high potential will complement internal product development

## Highlights of 1998

Invoiced sales rose during the year by 33.5%, and the profit climbed by 60.9%. Adjusted for company acquisitions and exchange rate fluctuations, the business area's invoiced sales rose by 28.8%.

The business area's orders received fell by 15.1%. Adjusted for acquisitions and exchange rate fluctuations, orders received diminished by 17.5%.

Seen against past performance, the year's orders received were at a satisfactory level.

Particularly successful markets were the US, England and France.

The Danish company, Kemiterm, which manufactures and markets water distillation equipment and pure steam generators for the pharmaceutical industry was acquired in the fourth quarter. The acquisition makes Getinge a more attractive and complete supplier to the pharmaceutical industry.

Kemiterm is active in a market valued at SEK 250 million. Its main competitors are Stilmas (Italy) and Steris (USA).

## Business Area Sterilization - Health Care

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*Business Area Sterilization - Health Care develops, manufactures and markets sterilization equipment for the health care sector. The product range includes both individual products and complete systems for sterilization centres and operating theatres.*

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# Sterilization - Health Care

Orders received, SEK m: 1,229.2 (1,207.4)

Net turnover, SEK m: 1,259.4 (1,225.1)

Operating profit, SEK m: 95.6 (147.5)

Operating profit as % of net turnover 7.6% (12)

Share of Group sales: 29% (27)

*Baskets conveyed safely and efficiently to the right autoclave at the Central Hospital in Lahtis, Finland.*

### Markets

The business area's customers are mainly large hospitals. As the world's leading supplier of sterilization equipment, Getinge gains considerable economies of scale. At the same time, the business area's success depends on adapting to the distinctive features of each local market, as each country has its own regulations and traditions.

In Western Europe, markets are mature but fragmented with several manufacturers in each country. The new EU standards – the medical device directive – which came into force in 1998, will mean increased standardisation of the product range, which is favourable to a large manufacturer such as Getinge. The new EU regulations mean that customers must review and complement their machine pools. At the same time, demand for service is rising considerably, as the new regulations sharpen requirements for functional checks through regular testing of equipment.

An increased focus on costs is evident in European markets. One of the consequences is the closing and merging of hospitals. Fewer hospitals must cope with an increasing number of patients. This sets demands for rational



and safe handling of sterile goods. Getinge has a range of products to offer for this purpose.

The medical device directive also means that the company's production must be quality assured in accordance with EN 46001.

In North America, where the market is mature but structurally developed, there are two major players –Steris and Getinge. Around 85% of customers are organised in hospital chains or purchasing organisations, (GPO's) known as key accounts.

Getinge has also a strong presence since many years in the developing markets of the Far East, Eastern Europe, the Middle East and Latin America. Long term growth is forecast for all these markets.

The global market for sterilizers in health care is estimated at around SEK 3,000 million, excluding service and spare parts. The market is expected to grow between 4-6% annually.

### Competition

Getinge is the world leader in sterilization for the health care sector with a market share of around 24%. Getinge, the dominant player in Western Europe, is No.2 in North America.

Significant competitors are Steris and Johnson & Johnson (USA), MMM-SBM (Germany) and Sakura (Japan). In addition, there are several smaller but locally strong companies.

### Products

In addition to the most important products – autoclaves – the business area also supplies complete systems for sterilization centres (CSSD's) and central operating theatres as well as wards and clinics.

- A sterilization centre can be described as a manufacturing unit for sterile products. Used instruments and articles from the hospital's various departments are conveyed to the sterilization centre for processing and then returned to the users. A safe flow of goods must be organised in terms of efficiency and ergonomics, and to conform to microbiological standards.

- In an operating theatre, there are strict guidelines for the handling of sterile articles. A safe, functional Getinge handling system makes it easier to follow these guidelines.
- To make sterile article handling more efficient, Getinge supplies an IT system for quality assurance, traceability and efficient administration of the sterile goods flow. This system is marketed under the name, T-Doc.
- The Getinge range can also be used in anaesthesia departments and dental surgery units, in the disinfection of mattresses, and the sterilization of hazardous waste.

### Strategies

In Western Europe, sales are conducted through Getinge-owned companies. Manufacturing is carried out in Sweden, France, the UK, Holland and Italy.

In the US and Canada, Getinge Castle has a strong sales and service organisation. The production plant in Rochester, New York, manufactures around half of the hospital sterilizers produced by the Group.

Operations in the Far East and Middle East are led from the Getinge offices in Hong Kong and Athens. Sales are carried out via distributors in all countries except China, where Getinge has its own sales offices.

In Eastern Europe and Latin America, markets are served by a network of distributors. Products sold in Australia and South Africa are manufactured at local plants.

The cornerstones of the business unit's future development are:

- Further investment to develop the after-sales market, both in terms of volume and products. This development is also supported by the new EU regulations, which require regular maintenance and checks.
- Additional investment in order to offer complete and functional system solutions which include both sterilizers and disinfectors
- The volume advantage held by Getinge shall be maintained and reinforced, as large scale production and a broad market presence offer considerable benefits.

- A significant part of growth shall be achieved through acquisition. In order to maintain the market-leading position in manufacturing-related economies of scale, production and product development will be concentrated at fewer units.

### Highlights of 1998

Invoiced sales increased during the year by 2.8%, and the operating profit fell by 35.2%. Adjusted for company acquisitions, divestments and exchange rate fluctuations, the business area's invoiced sales slipped by 1.8%.

Markets in Europe, Eastern Europe, the Middle East, Africa and Latin America generated good profits during the year. Markets in the Far East have been affected negatively by the economic upheaval in that part of the world. Performance in the US market was also weak. This was mainly due to disruptions in production and investments in the operating table and lamp segment.

There were three acquisitions during the year: SMI/BBC (France), OMASA (Italy) and Royal Linden (Netherlands). These acquisitions give Getinge a leading position in the respective markets.

## Business Area Disinfection

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*Business Area Disinfection develops, manufactures and markets products and systems for cleaning and disinfecting reusable goods within the health care and long-term care sectors, laboratories and the pharmaceutical industry.*

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# Disinfection

*Orders received, SEK m: 798.1 (721.4)  
Net turnover, SEK m: 777.1 (693.8)  
Operating profit, SEK m: 159.9 (141,0)  
Operating profit as % of net turnover: 20.6 % (20.3)  
Share of Group sales: 18 % (15)*

*The Getinge 8666 washer disinfector for hospitals.*

### **Markets**

The disinfection market comprises two sectors: flusher disinfection and washer disinfection.

#### *Flusher disinfection*

Flusher disinfectors are sold under the Getinge and Arjo brand names to the health and geriatric care sectors. Products are used for emptying, cleaning and disinfecting reusable goods such as bed-pans and urine bottles.

The market for flusher disinfection is mainly concentrated to Northern Europe, where it is at a mature stage. The market will grow between 4-6% per year. The trend of replacing disposable items with reusable products will continue to progress over the next few years.

#### **Washer disinfection**

Washer disinfectors are sold under the Getinge and Lancer brand names to health care facilities, laboratories and the pharmaceutical industry.

There are three product lines in this area:

1) Washer disinfectors for health care that are used to clean and disinfect surgical instruments prior to sterilization.



This growing market is steered mainly by three key factors:

- Hospital infection control has a higher priority, globally
- New surgical instruments create and demand new cleaning and disinfection solutions.
- Quality assurance in health care imposes strict regulations and new methods

2) Washer disinfectors for laboratories are used for the cleaning of glass and other laboratory goods. Validation is the principle driving force in this mature market.

3) Industrial washer disinfectors for use in the pharmaceutical industry. These washer disinfectors are adapted to the pharmaceutical industry's special requirements. The market is experiencing a period of strong growth. The world market for washer disinfectors is worth around SEK 1,500 million. Annual growth is estimated at about 7%.

### Competition

Getinge is the world leader in flusher disinfectors with a market share close to 40%. Competitors chiefly operate at the local level. The main competitor is the German company, Meiko.

In the washer disinfectant market, Getinge, with a market share of around 17%, has a strong position. Competitors include Steris (USA), Miele (Germany) and Hamo (Switzerland).

### Strategies

Success in the flusher disinfection market is dependent on efficient production. The business area's production unit in Våxjö, Sweden, is the largest of its type in the world, and is marked by a high level of automation, which provides a good basis for cost-effective production. Other production units are located in Toulouse, France (washer disinfection) and Oer-Erkenschwick, Germany (utility rooms).

The three product lines within washer disinfection have shown good growth and high profitability during the year. This performance stems from investment in the continual development and refinement of the product range. Sales have been especially good in the North American market and to customers in the pharmaceutical industry.

Efforts will be focused in the next few years on developing sales of flusher disinfectors to the geriatric care sector by using the strong Arjo sales organisation, as well as continuing the successful market penetration of the washer disinfection market in North America.

### Highlights of 1998

Invoiced sales increased during the year by 12% to SEK 777.1 million. The profit increased by 13.4% to SEK 159.9 million. Orders received increased for the full year by 10.6%. Adjusted for corporate acquisitions, disposals and exchange rate fluctuations, invoiced sales rose by 12.5%, while orders received climbed 11.1%.

The acquisition in December 1998 of the MTP Corporation, which manufactures washer disinfectors for the life-science market will generate significant synergy gains.



*The Lancer laboratory washer disinfectant, I 600UP.*

## Business Area Hygiene Systems

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*Business Area Hygiene Systems – market leader in its sector – develops, manufactures and markets bathing, shower and hydrotherapy systems with integrated lifting and handling equipment designed for the elderly, disabled and handicapped in the health and geriatric care sectors.*

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*Orders received, SEK m: 797.0 (681.3)  
Net turnover, SEK m: 760.1 (661.9)  
Operating profit, SEK m: 114.1 (88.4)  
Operating profit as % of net turnover: 15% (13.4)  
Share of Group sales: 17% (14)*

# Hygiene Systems

*The Håkansson nursing home in Eslöv, Sweden – sensitive care and a bathing system that makes daily working routines easier.*



## Markets

The global market for the business area's products is worth around SEK 1,500 million and is growing by 5-7% per year. Growth is stable and rising in line with increased life expectancy. Hygiene systems are one of the basic necessities in the institutional geriatric care sector. The business area's products are also aimed at the needs of nursing homes and assisted living facilities. The assisted living segment is growing, particularly in the US.

Sales are primarily handled directly through own sales forces and subsidiaries in 18 countries. The largest markets are the US and Germany, which combined account for around 45% of total sales. Bathing systems account for the greater part of sales.

## Competition

The Hygiene Systems business area is the world leader in its field with a global market share of around 40%. Most competitors are small local companies such as France Reval (France), Krämer (Austria) and Trautwein (Germany). The only major competitor is the English/American company, Parker. The two major Japanese manufacturers, OG Giken and Sakai are only active in Japan.

## Products

The lift hygiene chair, Alenti, and the lift bath trolley, Miranti, have had great success during the year. Malibu, a height-adjustable bath with integrated lift that requires no more floor space than a conventional tub, is now firmly established in England.

Freedom Bath, a product acquired in 1997 has been very successful in the American market.

The company supports architects and planners in the building of nursing homes by offering the in-house developed Architect's Guidebook. The book – and the Architect's Tools CD-ROM – are primarily aimed at architects, but have also been used to train and certificate the company's sales staff.

Several new products are under development. A new shower chair will be launched as well as a range of grips and handles intended to provide support



*Safe transport to the bathroom using the Alenti lift hygiene chair.*

for the elderly at assisted living facilities. To aid future product development, a new system for identifying different patient categories has been developed based on the World Health Organization's classification system.

## Strategies

The Hygiene Systems business area closely follows the changing geriatric care market in order to provide all types of hygiene facilities for the eldest segment of the population with the right equipment. The business area will supply the market with equipment for both private and institutional hygiene facilities. Consolidation within institutional care continues and supplying new products to senior and assisted living accommodation means that the segment is growing. An important strategy is to be ahead of the field in product development. Another is to work on project sales in close cooperation with those responsible for planning and building

nursing homes and assisted living facilities. Another strategy is to continually enhance the competence of the sales organisation.

## Highlights of 1998

Invoiced sales rose by 14.8% during the year and the profit after depreciation climbed by 29.1%. Adjusted for currency exchange rate fluctuations, invoiced sales improved by 13.8% and orders received by 16.3%.

The marked improvement in profit compared to the previous year is largely due to the restructuring that has been implemented within the business area during the year. Efficiency has continued to improve at the main factory in Eslöv. Plants in Aurora, NE, USA and Randers, Denmark were closed and production from these units was transferred to the Eslöv factory during 1998.

Sales in the US have been particularly successful during the year.

## Business Area Patient Handling

The Business Area Patient Handling consists of two divisions, which both serve the health care market. The Patient Lifts division develops, manufactures and markets equipment for lifting and transferring patients. The Antidecubitus division develops, manufactures and markets special purpose mattresses and beds for the treatment of pressure sores.

Orders received, SEK m: 917.1 (572.3)  
Net turnover, SEK m: 902.9 (572.5)  
Operating profit, SEK m: 168.8 (102.5)  
Operating profit as % of net turnover: 18.7% (17.9)  
Share of Group sales: 21% (12)

# Patient Handling

### Markets

The market for patient handling equipment is steered by a number of different trends. On the one hand there is pressure on prices as the volume of care increases in line with the elderly population explosion and longer life expectancy. On the other hand there is a demand for high quality functional equipment that can ensure quality care and protect the health and safety of employees.

Statistics gathered from around the world prove that manual handling, especially the lifting of patients, leads to disabling injuries to health care staff and huge costs for health care providers. Knowledge about these problems and their costs has been an important factor in increasing awareness and market penetration in the product segment.

Today, there is legislation in most European countries that stipulates limits for manual lifting. In North America, insurance companies have played an active role in developing the patient handling market with an aim to prevent occupational injuries,

The patient handling market is estimated at a value of SEK 1,400 million and is growing by 10% per year. The UK, Holland, and Scandinavia are con-

The Renal Clinic at Huddinge Hospital Sweden has 28 places for the treatment of patients with acute and chronic kidney damage. To ensure correct dialysis, staff weigh patients before treatment, a vital but time-consuming procedure. A new scale for weighing patients in bed makes the work considerably easier by minimising the number of patient transfers.



sidered mature markets. All other markets still have large growth potential. Growth has been very good in the US and Southern Europe in the past year.

### Antidecubitus mattresses

Pegasus and Egerton, acquired during the year, are active in the antidecubitus mattress and special purpose bed market. Using these mattresses, pressure sores caused by long-term confinement to bed can be prevented or treated. The treatment of pressure sores is an expensive element in geriatric care. It costs up to SEK 500,000 to treat a severe pressure sore. With the help of antidecubitus mattresses, the incidence of pressure sores can be radically reduced.

Annual market growth is 8-10%. The global market is estimated at SEK 8,000 million.

### Competition

With a 35% market share, the business area is the world leader in the patient handling sector. Sunrise Medical (US) follows with 12% and Liko (Sweden) is third with 7%.

In the antidecubitus mattress sector, Pegasus is a minor player with around 6% of the world market. The major competitors in the market are HillRom and KCI with respective market shares of around 30 and 20%.

### Products

The business area has a very broad portfolio of mechanical transfer aids that address the handling and lifting needs of patients and carers. There are two types of patient lifts: active and passive.

Active lifts, which includes the SARA (Standing And Raising Aid) encourage patients to take an active part in their mobility training by using the physical strength in their arms and legs.

A passive lift involves the lifting of the patient's body weight – from a wheelchair to a bed, for example.

To complement the product portfolio, there is also a ceiling hoist which functions in areas where space is limited or the ergonomic layout of a room or ward does not allow mobile hoists to be utilised.

Arjo's products are known for their quality and functional performance.

The business area's resources are concentrated on product development, final assembly and quality control. The range includes products for institutional care as well as sectors within health care with a higher degree of price sensitivity.

Products in the antidecubitus range are adapted to different patient's specific needs. The portfolio includes mattresses as well as seats for wheelchair bound patients. Pegasus products are sold mainly through Pegasus sales companies in the UK and US. The sales trend for Pegasus products has been very good during the year. Sales can be stimulated in a number of markets in Western Europe by using Arjo's sales organisation.

### Strategies

The business area's principal strategy has been to combine innovative and functional products with extensive software sales. Through its BIPP program (Back Injury Prevention Program) Arjo can guarantee customers a fast return on investments in patient handling equipment.

The strategy's success is built on a highly-trained sales force and a strong service organisation. Product develop-

ment has a central role in the future of the business area and the aim is to launch one to two products per year. In the current year, the active and passive lift range for the institutional sector will be replaced by a new generation of products.

### Highlights of 1998

Invoiced sales during the year rose by 57.7%, and the operating profit after depreciation went up by 64.8% to SEK 168.8 million. Orders received increased by 60.3% for the full year. Adjusted for corporate acquisitions, disposals and exchange rate fluctuations, orders received rose by 13% and invoiced sales by 10.5%. Sales growth was good in North America and Southern Europe.

The Antidecubitus division created by the acquisition of Pegasus in April has reported good results for sales and profit. In December, another acquisition, Egerton Hospital Equipment, was made in the field of pressure sore treatment.

The patient handling company Medibol (Holland/Belgium) was acquired in the autumn. Its product range will be mainly aimed at the most price-sensitive markets.



*The use of antidecubitus mattresses prevents pressure sores.*

# Getinge in the USA

*Getinge's activities in the Americas are divided into three units: Arjo, Pegasus and Getinge/Castle, which has two divisions – Health Care and Scientific.*

*Getinge/Castle Health Care accounts for 47% of invoiced sales, Arjo 28.7%, Scientific 12.5% and Pegasus 11.8%.*

*The head office is located in Rochester, New York. Getinge has three production facilities in the US which manufacture products for infection control and equipment for operating rooms.*

## Markets

The American health care market is in a phase of rapid change (see page 7) which creates both challenges and opportunities for Getinge. The market is being driven by two fundamental factors: 1) cost management and 2) technological advances. The need to control the escalating cost of health care has made price one of the decisive factors in purchasing decisions over the past few decades. At the same time, there is a readiness among customers to pay premium prices for technologically superior products. The Getinge product range for the North American market covers both categories.

A new system addressing health care reimbursement for patients within long-term institutional care, the Prospective Payment System (PPS), came into force in July 1998. The system is partly aimed at containing cost increases within long-term care. At the same time, it also seeks to address the disparity-causing effects of the old reimbursement system, in which payment was based on health care facility's costs. The new system bases reimbursement on a pre-set daily rate. Reimbursement is decided and fixed on the basis of the patient's needs for care. The new reimbursement system is similar to the existing payment model in a number of European markets and will be completely implemented within a four-year period. In parallel with the introduction of PPS, there will be an increased focus on controlling how institutions manage the quality of services that care givers

deliver to their patients. The reason for quality checks is to counteract the risk that cost savings resulting from PPS will negatively affect the quality of care.

It is uncertain what PPS will mean in future economic terms for American long-term care institutions and their suppliers. Getinge believes a supplier will be successful if it actively assists care providers to cut the overall cost of health care or strives to improve the quality of care. Complete systems of ergonomic and labour-saving equipment from Arjo offer short pay-off times. Efficient Pegasus products for treatment of pressure sores are directly related to the quality of care. The incidence of pressure sores is often associated with a poor standard of care.

Pegasus is a minor player in the US market, which is dominated by two major companies: HillRom/SSI and KCI. Even so, Pegasus has around 11%



and 3% of the home care and institutional care market, respectively. During its short time within the Group, Pegasus has reported good growth.

The market for pressure sore treatment products is growing in the US by 5-10% annually.

Treatment methods for pressure sores are prioritized within intensive care. Products used for both the prevention and treatment of pressure sores are evaluated based on their capability to reduce care time and yet deliver satisfactory patient care and thus reduce treatment costs. Intensive care is the sector where growth is lowest.

## Strategies

### Getinge/Castle

Within the health care sector, Getinge/Castle focuses on providing its customers with a product range that is as comprehensive as possible. By offering integrated systems, consisting not only of its own products, but also other companies' products made available through various alliances, Getinge/Castle can simplify the customer's administration and guarantee functional solutions.

The operation in North America can be divided up in the following product areas:

- Service, 34% of invoiced sales
- Sterilization equipment, 28%
- Surgical/operating room equipment, 17%
- Disinfecting and washing units for hospitals, 13%
- Disposable products, 8%





*The Champagne 5100 operating table.*



*A new surgical lighting system from Getinge/Castle.*

The North American health care market is expected to grow by 3 - 4% per year. The demand for consumables and service is growing more rapidly. Demand for infection control capital equipment is seen primarily in connection with the renovation and expansion of existing hospitals, with the equipment being sold in the form of larger product systems.

The market for surgical/operating theatre products has levelled out after a significant hike over the last two years. The major competitor in both the infection control and surgical segments is Steris/AMSCO.

Growth has been especially strong in the Scientific area, a trend which is expected to continue during the current year. The recent acquisition of MTP has strengthened the product range and competitiveness for this customer segment. Sales to American pharmaceutical and biotech companies, have remained stable.

Continued steady growth is reported by the profitable service operation.

### **Arjo**

The Arjo strategy is based on exploiting the company's unique competitive advantages. Arjo is the only company in North America with a sales and service organisation which covers the entire continent. Furthermore, Arjo is the only

company in its sector which is active in both patient handling and hygiene systems with a broad, comprehensive product portfolio. This is decisively important in dealings with large nursing home chains.

Another strategy is to cooperate with health care and insurance companies. The aim is to reduce the incidence of back injuries and associated compensation claims and lost working days. Through its BIPP programme (Back Injury Prevention Programme) for patient handling, Arjo guarantees customers a rapid return on investments.

The number of beds in the institutional care sector is growing by around 2% per year. Penetration for patient hygiene and transfer products is low in North America compared with other developed markets. Annual growth is expected to be approximately 10%.

Most of Arjo's sales are to nursing homes chains. The hospital segment, which has not been a marketing target in the past, has good growth potential.

The fastest growing market segment is assisted living facilities. Growth in this segment is around 20% per year.

### **Pegasus**

Pegasus distributes therapeutic specialist mattresses, used for the treatment and prevention of pressure/bed sores.

Around 90% of revenue is generated by rental of the products. The degree of service is an important element in customer agreements and service availability is often 24 hours a day, seven days a week.

Pegasus is carrying out a number of clinical trials involving more than 3,000 patients. The aim is to assess its products' effectiveness as treatment.

# Directors' Report

## Sales and market overview

The Getinge Group's orders received increased by 12.1% to SEK 4,304 million (3,840). Organic growth for comparable units, calculated in local currencies, was 4%.

Net turnover rose by 18.7% to SEK 4,345 million (3,661). Adjusted for corporate acquisitions, disposals and exchange rate fluctuations, net turnover was up by 9.5%.

Demand has been good during the year in the Group's main markets, Western Europe and North America. Orders received from markets in the Far East, Japan and the former Soviet Union have diminished. In other markets, volumes have been at a comparable level to the previous year.

Business areas, Hygiene Systems and Patient Handling, which also includes the new acquisition, Pegasus, have reported positive volume trends in most markets. The Disinfection business area continues to perform well, especially in sales to the pharmaceutical industry.

Orders received in business area *Scientific* (formerly Pharmaceutical Industry) are at a satisfactory level from a historical perspective, whereas the volume trend in business area *Sterilization Health Care*, which is more dependent on demand in developing countries, has been unsatisfactory.

## Profits

The operating profit increased by 23.3% to SEK 668.8 million (542.4), which corresponds to 15.4% (14.8%) of invoiced sales. Before items affecting comparability, the increase was 19.2%.

Net financial items totalled -SEK 65 million (-39.9), of which net interest items made up -SEK 62.7 million (-45.4). The Group's profit before tax climbed by 20.2% to SEK 602.6 million (501.5), which corresponds to 13.9% (13.7%) of invoiced sales.

## Capital employed

The total value of stocks at the end of 1998 was SEK 770.7 million (831.7), corresponding to 17.7% (18.1%) of sales.

Accounts receivable totalled SEK 1,356.3 million (1,068.4), corresponding to 31.2% (23.2%) of sales. This increase on the previous year was

caused by the high level of invoicing in the last two months of 1998. Capital employed within the Group was SEK 2,610.6 million (2,535.2). The return on capital employed was 25% (23.4%). Goodwill totalled SEK 1,034.2 million (901) at the end of the financial year.

## Investments

Investments in machinery, equipment and buildings amounted to a net total of SEK 141.4 million (126.2).

## Acquisitions and sales

For Getinge, company acquisitions are an important complement to organic growth. The long-term aim is that acquisitions will account for half of the total profit growth of around 15%. During the year, the Group has made eight acquisitions, which combined have annual sales of around SEK 800 million and 600 employees.

With the acquisition in April of the English Pegasus Group, business area *Patient Handling* entered a new field of operations with good growth potential – special purpose mattresses for treatment of pressure and bed sores. The Pegasus Group, led from England, has a sales company in the US, in addition to a company in its domestic market. Two other acquisitions were made within the business area during the year: Medibol (Belgium- Netherlands) and Egerton Hospital Equipment Ltd (England). Egerton products – special purpose beds and pressure sore mattresses for hospitals and nursing homes – complement the existing Pegasus product range.

Egerton will be integrated with Pegasus England, which will become the leading player in the English market for pressure sore treatment with a market share of around 25%. The company is included in the Group's results from 1 January 1999, and integration will contribute positively to profits during the current financial year.

Kemiterm A/S has been acquired by business area *Scientific*. The Danish company manufactures and markets water distillation equipment and pure steam generators units for the pharmaceutical industry.

On 31 December 1998, business area *Disinfection* acquired the MTP Corporation in the US which manufactures

and markets washer disinfectors for the Life-Science market. The acquisition will create considerable synergy gains and is expected to make a positive contribution to the Group's pre-tax profit in 1999.

Business area *Sterilization Health Care* has made three important acquisitions during the year: SMI (France), OMASA (Italy) and Royal Linden (Netherlands). These acquisitions make Getinge the market leader in the respective countries. In addition to strengthening the Group's global service and distribution organisation, the acquisitions also create better conditions for competitive, streamlined production. After the acquisitions, the global market share held by Getinge was 24% (20%). The acquisitions are included in the Group's financial results as from the fourth quarter of 1998 and are expected to have a positive effect on the Group's 1999 performance.

Distribution, previously a business area, is no longer a part of the Group, having been distributed as a dividend in kind to Getinge Industrier shareholders. In the summer of 1998, it was listed on the stock exchange under the name, Lifco.

## Product development

The product development resources of business area *Scientific* have been principally used to improve product design and optimise product performance. In addition, CPS equipment (Closure Processing System), which is being introduced, has been further refined. This equipment, together with the Kemiterm product range, opens up new business opportunities for the Getinge Group in the aseptic handling field.

The EU's Medical Device Directive (MDD) came into effect on 14 June 1998. The product range offered by business area *Sterilization Health Care* has been adapted to comply with the directive. A compact autoclave for small health care facilities, GE 203C VAC, has been launched. An enhanced version of the previously introduced IT-based document handling system for sterilized goods handling, T-DOC Label, is now on the market. The business area's centre for operating tables and lamps in Charleston has embarked on a development program which includes a new generation of operating lamps expected

to reach the market at the end of 1999.

Business area *Disinfection* has invested to broaden its product range for the pharmaceutical industry. Two new flusher disinfectors for the health and elderly care sectors, S-165 and Typhoon, were launched during the year. A development project to produce a new washer disinfectant for streamlined handling of large volumes of hospital articles is progressing.

In the business area *Hygiene Systems* product development has focused on widening the product range aimed at the growing semi-institutional sector of the health care market. These investments will lead to product launches in the latter part of 1999. In the product range intended for institutional customers, development has been concentrated on evolving a new modular bath range and a height-adjustable shower chair with improved ergonomics for nursing staff.

There is an ongoing major investment in business area *Patient Handling* to develop a new generation of lifts. The products, covering both active and passive lifts for institutional customers, will be introduced at the end of 1999.

#### Currency matters

Most of the Getinge Group's operations are located outside Sweden. This situation entails an exposure to risks in connection with fluctuations in the Swedish krona in relation to other currencies. These risks are principally linked to the fact that purchasing and sales transactions are often carried out in foreign currencies (transaction risk) and that foreign subsidiaries' operations in local currencies are converted to Swedish krona in the Consolidated Accounts (conversion risk). The conversion risk is also expressed in changes to the shareholders' equity, which the Group has invested in foreign subsidiaries, in conjunction with new closing rates of exchange.

The Group has established central routines for hedging both capital invested and anticipated future commercial net flows in order to limit this risk exposure.

Net assets of the Group in foreign currencies are hedged, either fully or in part, through loans and currency futures. On 31 December 1998, the Group had outstanding futures contracts of this kind totalling SEK 1,945.3 million (1,572.3), including loans. As the

exchange rate effects are entered as profits in the hedging company in conjunction with the redemption of the contract, and are then subject to taxation, the size of the futures contract is adapted so that after the fiscal effect, they correspond to the shareholders' equity in the subsidiaries.

The Group hedges anticipated future commercial net flows to reduce the effect of exchange rate fluctuations on revenues. The balance between the futures contract amount and retained liquid funds is hedged in accounting to the original contract rate through the purchase and sale of the balance value in foreign currencies. On the basis of this principle, there was an asset item at year-end of SEK 15.6 million (last year liability -SEK 40.6 million).

#### Taxes

The Group's total taxes amounted to SEK 125.9 million (100.2), corresponding to 20.9% (20%) of pre-tax profit. The fact that the Group's profit has, in part, been generated by foreign subsidiaries with a lower tax burden, and that the Group can utilise loss deductions, explains why the tax burden falls short of the level based on the Swedish corporate tax rate of 28% (see Note 6).

#### Financial position

The Group's net debt amounted to SEK 1,722.4 million (1,075.9) and the Group's cash flow before investments and disposals of operations was SEK 127.9 million (247.7). Shareholders' equity in the Group at year-end was SEK 1,221 million (1,372.8), which gave an equity/assets ratio of 27.6% (36.5%). During the year, Getinge Distribution (Lifco) was distributed to shareholders, which meant that shareholders' equity in the Group decreased by SEK 510.5 million.

#### Employees

There were 3,724 employees on 31 December 1998, (3,125 excluding Getinge Distribution (Lifco) 794 (731) of whom were employed in Sweden. Of the total figure for 1998, 628 are employed in companies acquired during the year.

#### The Board of Directors

At the Annual General Meeting in April 1998, six board members were appointed with no deputies. In July, Lena Torell, one of the newly appointed

board members, was named as a Director at the EU commission. Its regulations do not permit the pursuit of commercial activities, therefore she has unfortunately resigned from the Getinge Industrier board. The employees have been represented by two board members with two deputies. The board held six meetings in 1998 and one in January 1999, at which the financial results for 1998 were dealt with and subsequently published.

At the board meeting in December 1998, procedures were established to comply with the Companies Act as from January 1999. This contains guidelines for the operation of the board and in practice codifies the way in which the board has previously worked. The board has sent written instructions to the CEO on matters including financial reporting and the position of the parent company and Group.

#### The year 2000

In 1998, the Getinge Group carried out work to prepare the business for Y2K-related problems. At the start of the year, a number of activities commenced focused on four main areas, to ensure that

1. The Group's products are Y2K-compatible.
2. The Group's operating systems and applications are adapted for 2000.
3. The Group's hardware, computers and PCs are Y2K-compliant.
4. Ensuring that production machines and imbedded systems (alarm systems, etc) are harmonised for 2000.

Follow-ups and checks have been carried out by Group Management during the year. The Group's products have been completely adapted for 2000. Points two, three and four will be fully met in the third quarter of 1999.

#### Forecast

The profit forecast for 1999 is a profit before tax of around SEK 675 million (602.6). This forecast takes into account good volume trends for business in elderly care, an improved performance by business area Sterilization Health Care and positive contributions to the profit via new acquisitions.

### Proposed allocation of profits

The Group's unrestricted shareholders' equity, as per the Balance Sheet, totals SEK 344.8 million.

The following Parent Company earnings are at the disposal of the Annual General Meeting:

Net profit for the year	208.2 SEK m
Profit carried forward	77.5 SEK m
<b>Total</b>	<b>285.7 SEK m</b>

The Board and the Chief Executive Officer propose

*that* a dividend of SEK 3.25 per share should be distributed to shareholders 147.6 SEK m

*that* the following sum should be carried forward 138.1 SEK m

**Total** 285.7 SEK m

*With regard to the Group's and the Parent Company's profits and position in general, reference is made to the following Account documents.*

Getinge, 10 March 1999



Carl Bennet

*Chairman*



Fredrik Arp



Anders Frick



Roger Holtback



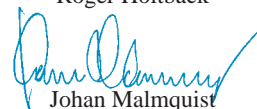
Thomas Esko

*Swedish Metal Workers'  
Union Representative*



Gert Klarén

*Swedish Foremans' and  
Supervisors' Representative*



Johan Malmquist

*President and CEO*

Our Auditors Report was submitted on 15 March 1999

Arthur Andersen AB



Mats Fredricson

*Authorised Public Accountant*

## Income Statements

SEK m	Note	THE GROUP		PARENT COMPANY	
		1998	1997	1998	1997
Net turnover	1	4,345.0	3,661.0	–	–
Costs of goods sold		–2,405.1	–2,047.2	–	–
<b>Gross profit</b>		<b>1,939.9</b>	1,613.8	–	–
Selling expenses		–803.9	–625.4	–	–
Administrative expenses		–391.1	–343.2	–27.7	–25.0
Research & Development costs		–108.6	–106.2	–	–1.4
Other operating income		22.5	10.2	–	4.6
Other operating expenses		–5.9	–1.3	–	–0.5
<b>Operating profit before items affecting comparability</b>	1,2	<b>652.9</b>	547.9	–27.7	–22.3
Structural and rationalization costs		–	–50.0	–	–8.2
Disposal of operations	22	15.9	44.5	–	–
<b>Operating profit/loss</b>	20,21	<b>668.8</b>	542.4	–27.7	–30.5
Interest income	3	23.4	27.9	87.8	56.0
Interest expenses	3	–86.1	–73.3	–107.4	–81.6
Other financial items	4	–2.3	5.5	242.4	488.2
Associated companies' operating profit		–1.2	–1.0	–1.2	–1.0
<b>Profit after financial items</b>		<b>602.6</b>	501.5	193.9	431.1
Appropriations	5	–	–	59.4	72.9
<b>Profit before tax</b>		<b>602.6</b>	501.5	253.3	504.0
Taxes	6	–125.9	–100.2	–45.1	–1.3
<b>Net profit for the year</b>		<b>476.7</b>	401.3	208.2	502.7

The lines up to and including “operating profit before items affecting comparability” and “structural and rationalization costs” have been cleared for the business area Distribution (Lifco), whose operating profit has been accounted for net in the line “Disposal of operations”. See note 22.

## Balance Sheets

SEK m	Note	THE GROUP		PARENT COMPANY	
		1998	1997	1998	1997
<b>ASSETS</b>					
<b>Fixed assets</b>					
Intangible fixed assets	2	1,034.2	901.0	–	–
Tangible fixed assets	2,19	684.1	589.6	3.4	3.5
Shares in subsidiaries	7	–	–	2,876.8	3,229.3
Shares in associated companies	8	4.2	5.4	4.2	5.4
Long-term receivables		8.4	4.9	–	–
Deferred tax liability	6	63.5	–	–	–
<b>Total fixed assets</b>		<b>1,794.4</b>	<b>1,500.9</b>	<b>2,884.4</b>	<b>3,238.2</b>
<b>Current assets</b>					
Stock-in-trade	9	770.7	831.7	–	–
Advances to suppliers		1.1	1.7	–	–
Short-term receivables	10	1,663.9	1,257.9	2,366.1	1,241.3
Liquid funds	11,14	196.6	167.4	71.5	82.5
<b>Total current assets</b>		<b>2,632.3</b>	<b>2,258.7</b>	<b>2,437.6</b>	<b>1,323.8</b>
<b>TOTAL ASSETS</b>		<b>4,426.7</b>	<b>3,759.6</b>	<b>5,322.0</b>	<b>4,562.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital	12,13	90.8	90.8	90.8	90.8
Restricted reserves		785.4	559.5	2,044.7	2,044.7
<b>Total restricted shareholders' equity</b>	12,13	<b>876.2</b>	<b>650.3</b>	<b>2,135.5</b>	<b>2,135.5</b>
Profit brought forward		–131.9	321.2	77.5	235.9
Net profit for the year		476.7	401.3	208.2	502.7
<b>Total unrestricted shareholders' equity</b>	12,13	<b>344.8</b>	<b>722.5</b>	<b>285.7</b>	<b>738.6</b>
<b>Total shareholders' equity</b>		<b>1,221.0</b>	<b>1,372.8</b>	<b>2,421.2</b>	<b>2,874.1</b>
<b>Untaxed reserves</b>		<b>–</b>	<b>–</b>	<b>17.5</b>	<b>17.4</b>
<b>Provisions</b>					
Provisions for pensions, interest bearing	14	27.8	26.7	–	–
Provisions for deferred tax	6	–	11.6	45.1	–
Restructuring reserves	15	154.3	90.4	–	–
Other provisions		49.1	41.5	–	–
<b>Total provisions</b>		<b>231.2</b>	<b>170.2</b>	<b>45.1</b>	<b>–</b>
<b>Long-term liabilities</b>					
Interest-bearing long-term loans	14	50.2	31.0	–	–
Other long-term liabilities		37.3	2.4	–	–
<b>Total long-term liabilities</b>		<b>87.5</b>	<b>33.4</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Interest-bearing short-term loans	14,16	1,841.0	1,185.6	2,807.6	1,657.7
Other current liabilities	6,17	1,046.0	997.6	30.6	12.8
<b>Total current liabilities</b>		<b>2,887.0</b>	<b>2,183.2</b>	<b>2,838.2</b>	<b>1,670.5</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>4,426.7</b>	<b>3,759.6</b>	<b>5,322.0</b>	<b>4,562.0</b>
Pledged assets	18	21.7	27.0	–	–
Contingent liabilities	18	172.0	107.2	153.0	277.2

## Statements of Source and Application of Funds

SEK m	THE GROUP		PARENT COMPANY	
	1998	1997	1998	1997
<b>Operations</b>				
Operating profit/loss	668.8	542.4	-27.7	-30.5
Depreciation	149.7	134.8	0.2	0.2
Financial items	-65.0	-39.9	222.7	461.6
Share in profits of associated companies	-1.2	-1.0	-	-
Taxes paid	-111.0	-80.3	-	-1.3
<b>Cash flow before changes to operating capital, investments and disposals</b>	<b>641.3</b>	556.0	<b>195.2</b>	430.0
<b>Changes in operating capital</b>				
Stock-in-trade	-39.0	-125.1	-	-
Current receivables	-337.5	-150.9	-12.9	-363.4
Current operating liabilities	-18.6	77.0	17.8	-224.0
Restructuring reserves:				
– allocated	-	50.0	-	-
– utilised	-118.3	-159.3	-	-
<b>Cash flow before investments and disposals</b>	<b>127.9</b>	247.7	<b>200.1</b>	-157.4
<b>Investments and disposals</b>				
Direct net investments in machinery, fixtures & fittings and buildings	-141.4	-126.2	-0.1	-0.3
Net of corporate acquisitions and disposal of operations	-579.6	37.5	-183.6	127.0
Disposal of Lifco (Business area Distribution) via dividend	622.5	-	536.1	-
<b>Cash flow after investments and disposals</b>	<b>29.4</b>	159.0	<b>552.5</b>	-30.7
<b>Financial activities</b>				
Change in long-term receivables	-1.3	-12.5	-	-
Change in deferred tax	-9.7	18.3	-	-
Dividend paid	-124.9	-113.6	-124.9	-113.6
Dividend paid, Lifco (Business area Distribution)	-510.5	-	-536.1	-
Group contribution received from subsidiaries	-	-	59.5	72.9
<b>Other items</b>				
Translation difference in shareholders' equity	-29.5	-7.9	-	-
<b>Decrease+/Increase - of interest bearing net debt</b>	<b>-646.5</b>	43.3	<b>-49.0*</b>	-71.4

\*When calculating the change for the parent company, interest bearing receivables from the subsidiaries have been used to balance liabilities to them.

# Comments to the Accounts

## Consolidated Accounts

Getinge's accounts comprise the Parent Company and all companies in which Getinge Industrier AB directly or indirectly owns more than half of the shares' votes.

Companies acquired are consolidated in the Consolidated Accounts in accordance with the acquisition accounting method. Arjo is reported from the 1995 merger in accordance with the pooling method.

Companies acquired during the year have been included in the Consolidated Income Statement from the date of acquisition. An assessment of deferred tax on acquired untaxed reserves is made in conjunction with the acquisition. Deferred tax on the difference between the calculated market values of assets and liabilities and the fiscal residual value are further calculated to the extent that the difference is not included in untaxed reserves.

When eliminating internal transactions, the fiscal effect is also calculated on the basis of rates of taxation then applicable in the respective country.

Untaxed reserves earned after the acquisition are, in the Consolidated Balance Sheet, divided into deferred tax liability and restricted shareholders' equity, employing the effective rate of taxation in the respective country.

Getinge employs the so-called current method when converting foreign subsidiary companies' Balance Sheets and Income Statements. This means that all assets and liabilities in the subsidiaries are converted at the closing day rate, whilst all item in the Income Statements are converted at the average rate. The translation differences arising in this context are an effect both of the difference between the average rates of the Income Statements and the closing day rates, and of the fact that net investments are converted a different rate at the end of the year than at the beginning of the year. Translation differences are not carried forward in the Income Statement and are instead carried directly to equity.

The Parent Company, or Parent Companies of sub-Groups, raise loans or enter into future contracts in foreign currencies as a balance against net investments in foreign subsidiaries. The exchange rate differences on these loans/

futures, after deductions for fiscal effects attributable thereto, have been carried directly to equity in the Consolidated Balance Sheet to the extent that they correspond to the translation difference in the shareholders' equity in the foreign subsidiaries hedged in this fashion.

## Revenue recognition

Income is included in the accounts when principally all risks and rights connected with the ownership have been transferred to the buyer, which occurs in connection with delivery. In cases where customer-specific orders are more than 90% complete and it is possible to calculate remaining costs with full certainty, the total order value is included in accrued income in the balance sheet and provision is made for the remaining costs under accrued costs.

## Foreign currency

### *Receivables and liabilities in foreign currencies*

Receivables and liabilities in foreign currencies are valued at the closing day rates and unrealized exchange rate profits and losses are included in the results. Future hedged receivables and liabilities have been valued at the valid futures rate.

Advances from customers are booked at the exchange rates applying when each advance was received, since repayment is not envisaged.

Exchange rate profits (losses) on operating-related receivables and liabilities are reported as other operating income (operating costs).

Exchange rate differences regarding financial assets and liabilities are reported under Other financial items. See also above regarding translation differences etc. under "Consolidated Accounts".

### *Hedging of future flows*

Futures contracts relating to the hedging of future in and out payments in foreign foreign currency are not valued at closing day rates. To safeguard the value of the income from foreign hedging, the Group assesses the future commercial net (cash) flow. The difference between the future contracts amount and the liquid amount received is safeguarded in the accounts at the original futures rate by buying and selling the difference in foreign currency.

## Tangible fixed assets

Tangible fixed assets, consisting of machinery, fixtures and fittings and properties, are reported at their acquisition value with deductions for the accumulated depreciation according to plan.

## Depreciation according to plan

Depreciation according to plan is based on the acquisition values of the assets and their estimated economic lifespans.

<i>Depreciation according to plan,</i>	<i>%</i>
for production machinery	7
for machinery and equipment	7
for production tools	20
for vehicles	25
for computer equipment	33
for buildings	3
for land improvements	3
for land	0

Consolidated goodwill arising in conjunction with corporate acquisitions is depreciated linearly according to the plan drawn up for each acquisition over their anticipated economic life. For long-term strategic corporate acquisitions, the depreciation period can be extended to up to 20 years, from the maximum period otherwise applied of 10 years. This is the case with the goodwill item in most of the Group's acquisitions, when the companies referred to are of a medico-technical nature with base products which are deemed of strategic importance for the Group.

## Stock-in trade

Stock has been valued at whichever is the lower of the acquisition value in accordance with the first in/first out (FIFO) principle, and true value. The stock-in-trade includes a share of indirect costs which is related to this. With regard to customer-specific orders, see above under the heading "Income customer-specific accounts".

## Accounts receivable

Accounts receivable are reported net after allocation for uncertain accounts receivable. Allocations for uncertain accounts receivable are based on individual assessments of the accounts receivable, taking expected customer losses into account.

### Research and Development

Research and Development costs are carried to operating costs directly when they arise.

### Pensions

All pension commitments not taken over from insurance companies or otherwise hedged through funding by an external party, are reported under liabilities in the Balance Sheet.

### Taxes

The parent company's taxes consist partly of tax paid when this is current and partly of deferred tax on transitional reserves which are attributed to the company's profit on the transfer of shares in a subsidiary to another com-

pany within the Group.

Tax legislation in Sweden allows for allocation to special reserves and funds. Companies can thus, within certain limits, dispose and retain reported operating profits without being immediately taxed. The untaxed reserves are subject to tax only when they are dissolved. In the event of the operations making a loss, the untaxed reserves can however be utilized to cover the losses without being taxed. Taxation of the transitional reserves for the transfer of shares within the Group is current for the parent company, if and when the transferred shares are sold out from a sub-group to a new owner outside the Group.

### Financial leasing

Properties, which are disposed of under

leasing agreements on terms and conditions whereby the Getinge Group enjoys benefits thereof and bears the financial risk associated with the use of the properties for the majority of their economic life, are reported as assets at the value of the minimum leasing fees, and with deductions for the annual depreciation, in the same manner as if the asset was owned. Remaining payment liabilities are reported under Liabilities.

### Group contributions

Group contributions for the parent company have been accounted for in the income statement pending a final recommendation from the Swedish Financial Accounting Standards Council.

## Notes

<b>NOTE 1 Net turnover and profit per division and geographic market:</b>	NET TURNOVER		OPERATING PROFIT*	
	1998	1997	1998	1997
<b>Geographic market</b>				
Sweden	239.0	216.4	254.9	224.5
Nordic countries, other	125.0	124.1	7.6	-0.7
Western Europe, other	1,826.0	1,462.5	291.2	213.2
Eastern Europe	156.5	111.6	2.3	-3.1
USA and Canada	1,662.8	1,304.7	97.0	110.5
Asia, Australia, Africa, Middle East, Latin America	335.7	441.7	-0.1	3.5
<b>Total</b>	<b>4,345.0</b>	<b>3,661.0</b>	<b>652.9</b>	<b>547.9</b>
<b>Division</b>				
Scientific	579.2	434.1	107.5	66.8
Sterilization - Health Care	1,259.4	1,225.1	95.6	147.5
Disinfection	777.1	693.8	159.9	141.0
Hygiene Systems	760.1	661.9	114.1	88.4
Patient Handling	902.9	572.5	168.8	102.5
Medical Product line	66.3	73.6	6.9	4.9
Break-down Getinge Industrier/Distribution (Lifco)	-	-	-	-3.2
<b>Total</b>	<b>4,345.0</b>	<b>3,661.0</b>	<b>652.9</b>	<b>547.9</b>

\* before items affecting comparability

<b>NOTE 2 Acquisition values of fixed assets, etc.</b>	THE GROUP		THE PARENT COMPANY	
	1998	1997	1998	1997
<b>Intangible fixed assets (goodwill)</b>				
Opening acquisition value	1,040.0	971.3	-	-
Purchases incl. corporate acquisitions	575.1	30.8	-	-
Disposals/scrapping	-484.8	-3.6	-	-
Translation difference	39.5	41.5	-	-
Closing accumulated acquisition value	1,169.8	1,040.0	-	-
Opening depreciation	-139.2	-83.0	-	-
Disposals/scrapping	51.8	0.9	-	-
Depreciation for the year	-43.0	-51.6	-	-
Translation difference	-5.2	-5.3	-	-
Closing accumulated depreciation	-135.6	-139.0	-	-
Closing residual value according to plan	1,034.2	901.0	-	-

Disposals/scrapping for 1998 refers entirely to the goodwill relating to the dividend in kind of Lifco.

<b>NOTE 2 (cont.)</b>	<i>THE GROUP</i>		<i>THE PARENT COMPANY</i>	
	<b>1998</b>	1997	<b>1998</b>	1997
<b>Tangible fixed assets, specification</b>				
Opening acquisition value	1,137.0	1,065.1	4.1	3.9
Purchases, incl. corporate acquisitions	440.5	144.6	0.1	0.2
Disposals/scrapping	-310.6	-148.8	-0.3	-
Translation difference	33.8	76.1	-	-
Closing accumulated acquisition values	1,300.7	1,137.0	3.9	4.1
Opening depreciation	-547.2	-449.3	-0.6	-0.5
In new companies on acquisition	-115.6	-11.0	-	-
Disposals/scrapping	170.1	41.0	0.3	-
Depreciation for the year	-106.8	-83.2	-0.2	-0.1
Translation difference	-17.1	-44.9	-	-
Closing accumulated depreciation	-616.6	-547.4	-0.5	-0.6
Closing residual value according to plan	684.1	589.6	3.4	3.5

Disposals/scrapping for 1998 refers entirely to the fixed assets relating to the dividend in kind of Lifco of -SEK 73.7 million, net.

#### **Buildings and land**

Opening acquisition value	482.3	513.0	3.4	3.3
Purchases, incl. corporate acquisitions	120.5	40.0	-	0.1
Disposals/scrapping	-107.3	-83.8	-	-
Translation difference	12.2	13.1	-	-
Closing accumulated acquisition values	507.7	482.3	3.4	3.4
Opening depreciation	-145.1	-125.5	-0.3	-0.2
In new companies on acquisition	-6.0	-	-	-
Disposals/scrapping	26.7	5.3	-	-
Depreciation for the year	-11.4	-17.0	-0.1	-0.1
Translation difference	-3.0	-7.9	-	-
Closing accumulated depreciation	-138.8	-145.1	-0.4	-0.3
Closing residual value according to plan	368.9	337.2	3.0	3.1

#### **Machinery and other technical equipment**

Opening acquisition value	360.7	344.8	-	-
Purchases, incl. corporate acquisitions	46.4	37.9	-	-
Disposals/scrapping	-70.0	-41.0	-	-
Translation difference	6.8	19.0	-	-
Closing accumulated acquisition values	343.9	360.7	-	-
Opening depreciation	-212.7	-174.8	-	-
In new companies on acquisition	-12.3	-10.6	-	-
Disposals/scrapping	50.3	23.3	-	-
Depreciation for the year	-28.7	-31.8	-	-
Translation difference	-4.8	-18.8	-	-
Closing accumulated depreciation	-208.2	-212.7	-	-
Closing residual value according to plan	135.7	148.0	-	-

#### **Equipment tools and installations**

Opening acquisition value	289.7	205.1	0.7	0.6
Purchases, incl. corporate acquisitions	260.9	54.5	0.1	0.1
Disposals/scrapping	-131.8	-13.7	-0.3	-
Translation difference	14.7	43.8	-	-
Closing accumulated acquisition values	433.5	289.7	0.5	0.7
Opening depreciation	-189.6	-148.9	-0.3	-0.3
In new companies on acquisition	-97.2	-0.4	-	-
Disposals/scrapping	93.3	12.4	0.3	-
Depreciation for the year	-66.6	-34.4	-0.1	-0.0
Translation difference	-9.5	-18.3	-	-
Closing accumulated depreciation	-269.6	-189.6	-0.1	-0.3
Closing residual value according to plan	163.9	100.1	0.4	0.4

<b>NOTE 2 (cont.)</b>	<i>THE GROUP</i>		<i>THE PARENT COMPANY</i>	
	<b>1998</b>	1997	<b>1998</b>	1997
<b>New work in progress</b>				
Opening acquisition value	0.7	2.2	–	–
Purchases, incl. corporate acquisitions	2.0	8.6	–	–
Disposals/scrapping	–	–	–	–
Reclassifications	–1.4	–10.3	–	–
Translation difference	–	0.2	–	–
Closing accumulated acquisition values	1.3	0.7	–	–

#### **Advances pertaining to tangible fixed assets**

Opening acquisition value	3.6	–	–	–
Purchases, incl. corporate acquisitions	10.7	3.6	–	–
Closing accumulated acquisition values	14.3	3.6	–	–

The total tax assessment value of the Group's properties in Sweden was SEK 65.7 million (SEK 71.8 m), of which SEK 6.0 million (SEK 11.1 m) is for land.

#### **Specification of depreciation for the year**

Buildings and land	–11.4	–17.0	–	–
Machinery and other technical installations	–28.7	–31.8	–	–
Equipment, tools and installations	–66.6	–34.4	–0.2	–0.1
Total depreciation, tangible fixed assets	–106.7	–83.2	–0.2	–0.1
Intangible assets (goodwill)	–43.0	–51.6	–	–
Total depreciation, fixed assets	–149.7	–134.8	–0.2	–0.1

Depreciation is part of the operating profit's various (sub-)items.

<b>NOTE 3 Interest</b>	<i>THE GROUP</i>		<i>THE PARENT COMPANY</i>	
	<b>1998</b>	1997	<b>1998</b>	1997
Interest income from subsidiaries	–	–	82.0	47.7
Other interest income	23.4	27.9	5.8	8.3
Interest expenses, subsidiaries	–	–	–31.8	–20.0
Other interest expenses	–86.1	–73.3	–75.6	–61.6
Total interest	–62.7	–45.4	–19.6	–25.6

<b>NOTE 4 Other financial items</b>	<i>THE GROUP</i>		<i>THE PARENT COMPANY</i>	
	<b>1998</b>	1997	<b>1998</b>	1997
Dividends from subsidiaries	–	–	104.0	572.9
Profit/loss on internal sales of shares in subsidiaries	–	–	160.7	–71.4
Currency gain/loss	2.8	7.8	–21.1	–13.4
Other	–5.1	–2.3	–1.2	0.1
Total, other financial items	–2.3	5.5	242.4	488.2

The Parent company has raised loans or entered into futures contracts in foreign currencies as a balance against the net assets in subsidiaries.

– SEK 25.3 million (–SEK 14.7 m) of the exchange rate differences on these loans/futures has been carried directly to shareholders' equity in the Consolidated Accounts during 1998.

<b>NOTE 5 Appropriations</b>	<i>THE PARENT COMPANY</i>	
	<b>1998</b>	1997
Depreciation in excess of plan	–0.1	–0.0
Group contributions received	59.5	72.9
Total	59.4	72.9

<b>NOTE 6 Taxes</b>	<i>THE GROUP</i>		<i>THE PARENT COMPANY</i>	
	<b>1998</b>	1997	<b>1998</b>	1997
<b>Tax cost</b>				
Actual tax cost	–111.0	–80.2	–	–1.3
Deferred tax	–14.9	–20.0	–45.1	–
Total tax cost	–125.9	–100.2	–45.1	–1.3
<b>Tax liabilities</b>				
Current tax recoverables	–	5.1	–	–
Current tax liabilities	–52.4	–	–0.6	–0.2
Deferred tax recoverables	63.5	–	–	–
Deferred tax liabilities	–	–11.6	–45.1	–
Total net tax recoverables/liabilities	11.1	–6.5	–45.7	–0.2

**NOTE 6 (cont.)**

Full provision for tax has been made, which also covers ongoing disputes with the tax authorities. Fiscal deficits in separate countries which, when utilized in full, correspond to an asset value of approximately SEK 59 million (SEK 130 m), are not included in the Balance Sheet, whilst SEK 140.6 million (SEK 96.8 m) has been taken into the Balance Sheet.

Unlike the Group accounts, the Parent company's accounts cannot take deferred tax on untaxed reserves into consideration. The deferred tax liability on untaxed reserves in the Parent company amounts to SEK 4.9 million (SEK 4.9 m); the deferred tax cost for the year had been SEK 0.0 million (SEK 0.0 m). Deferred tax on transitional reserves that relates to the parent company's profit from transferring shares in the subsidiary Lequeux SA to the recently formed subsidiary, Getinge/Arjo France SA. SEK 45.1 million has been charged to the parent company's results but has been cancelled in the Group's figures.

**NOTE 7 Shares in subsidiaries**

Parent company's holding	Registered office	Swedish company reg. no.	Number of shares 1998	Book value, SEK million 1998	Book value, SEK million 1997
Arjo AB	Eslöv	556473-1700	23,062,334	<b>2,008.6</b>	2,008.0 <sup>1)</sup>
Axima Instrument AB	Solna	556058-7809	2,500	<b>3.5</b>	3.5
Getinge AB	Halmstad	556031-2687	50,000	<b>452.2</b>	452.2
Getinge Aeroplane AB	Halmstad	556535-6317	100	<b>0.1</b>	0.1
Getinge Airship AB	Halmstad	556535-6309	100	<b>0.1</b>	0.1
Getinge Disinfection AB	Halmstad	556042-3393	25,000	<b>117.7</b>	117.7
Getinge Letting AB	Göteborg	556495-6976	1,000	<b>0.1</b>	0.1
Getinge Skärhamn AB	Tjörn	556412-3569	500	<b>3.4</b>	3.4
LIC Audio AB	Solna	556058-7460	1,000	<b>5.6</b>	5.6
LIC Care AB	Halmstad	556465-3185	–	–	521.8 <sup>2)</sup>
Getinge Australia Pty Ltd	Australia		39,500	<b>8.6</b>	8.6
Getinge D.S.E. NV	Belgium		600	<b>1.5</b>	1.5
Getinge/Arjo A/S	Denmark		508	<b>1.5</b>	0.4 <sup>3)</sup>
OY Getinge AB	Finland		15	<b>0</b>	0
Getinge/Arjo France SA	France		150,250	<b>216.3</b>	– <sup>4)</sup>
Lequeux SA	France		41,000	–	55.0 <sup>4)</sup>
Getinge Scientific KK	Japan		10,000	<b>0.6</b>	– <sup>5)</sup>
Getinge Sterilizing Equipment Inc	Canada		1,230,100	<b>1.3</b>	1.3
Getinge Industries Zhuhai (Ltd)	China		1,000	<b>1.1</b>	1.1
Getinge/Arjo A/S	Norway		4,500	<b>5.0</b>	5.0
Getinge Poland Sp Zoo	Poland		500	<b>12.7</b>	12.7
Getinge Reinsurance AG	Switzerland		2,000	<b>12.7</b>	12.7
NeuroMédica SA	Spain		40,000	<b>15.6</b>	15.6
Getinge South Africa (Pty) Ltd	South Africa		500	<b>7.9</b>	2.2 <sup>6)</sup>
Arjo Holding Österreich GmbH	Austria		500	<b>0.4</b>	0.4
Getinge Industrier GmbH	Austria		2	<b>0.3</b>	0.3
<b>Total book value</b>				<b>2,876.8</b>	<b>3,229.3</b>

The Parent company's holdings of shares in the subsidiaries constitutes the entire capital and voting rights of the respective company.

<sup>1)</sup> In connection with the final settlement for 1995's compulsory purchase of the shares in Arjo AB, the acquisition costs of SEK 0.6 million have been added on.

<sup>2)</sup> At the AGM on 23 April 1998, Getinge Industrier AB's shareholders decided to effect a dividend in kind of all the shares in Lifco AB with the previously-called firm LIC Care AB.

<sup>3)</sup> Arjo Danmark A/S, previously owned by the Swedish subsidiaries Arjo AB and Arjo Holding AB, has merged with Getinge A/S in Denmark, through an issue in kind, following which Getinge A/S has changed its name to Getinge /Arjo A/S.

<sup>4)</sup> Getinge/Arjo France SA was formed during the year, following which Getinge Industrier's previously directly-owned subsidiary, Lequeux SA, has been taken in to Getinge/Arjo France SA against newly-issued shares valued at FRF 150.0 million.

<sup>5)</sup> Getinge Scientific KK, Japan, was formed during the year.

<sup>6)</sup> The shareholders' equity in Getinge South Africa (Pty) Ltd, South Africa, has risen by ZAR 3.5 million through a new share issue.

**Subsidiaries of sub-Groups:**

The Getinge Industrier Group, with its business in many countries, is organised into sub-Groups in several categories, and the legal structure cannot therefore be reflected in a tabular presentation. The following is a list of the companies which are part of Getinge Industrier's sub-Groups.

The ownership interest is 100% in all cases except that of Lequeux Algérie, where the Group's voting rights and share of the capital is 76%. The outstanding minority interest in Lequeux Algérie is, from the point of view of the Group, very small, and has not been included as an item in the Consolidated Accounts. Minority shareholdings of 5% and 20% exist in Getinge-Kemiterm A/S and Medibol Beheer BV, respectively, which, due to the basis of the existing agreement, have been taken up in the consolidated accounts as Group associates by having their future redemption prices entered as liabilities.

**Sweden:**

Arjo Finance Sweden AB,  
556473-1718 Eslöv

Arjo Holding AB,  
556402-6663 Eslöv

Arjo Hospital Equipment AB,  
556090-4095 Eslöv

Arjo International AB,  
556528-1440 Eslöv

Arjo Sverige AB,  
556528-4600 Eslöv

Fjärrbilar Lastbils AB,  
556496-6728 Göteborg

Getinge Development AB,  
556004-5444 Halmstad

Getinge Fleet AB,  
556467-9560 Halmstad

Getinge Hospital AB,  
556547-8780 Halmstad

Getinge Leasing AB,  
556495-2371 Göteborg

Getinge Rental AB,  
556495-6935 Göteborg

Getinge Scientific AB,  
556547-8798 Halmstad

Getinge Sverige AB,  
556509-9511 Halmstad

Getinge Uthyrnings AB,  
556495-2363 Göteborg

**Algeria:**

Lequeux Algérie

**Australia**

Arjo Hosp Equipm Pty Ltd Australia

**Austria**

Arjo SIC GmbH  
Getinge Medizin-Geräte  
Service GmbH

**Belgium**

Arjo Hospital Equipment NV SA  
Medibol Invest NV  
Medibol NV  
Medibol Technics NV  
Medibol Holding NV

**Brazil**

Getinge Brasil Ltda

**Canada**

Arjo Canada Inc  
Getinge/Castle Canada Ltd

**Czech Republic**

Arjo Hospital Equipment sro

**Denmark**

Arjo Ergonor A/S  
Getinge-Kemiterm A/S

**France**

Arjo Equipm Hosp SA France  
Filance SA  
Getinge Production France SAS  
Lancer SNC  
Lequeux SA  
Peristel SA  
Stérilisation Médical International SA  
Stirn SA

**Germany**

Arjo Holding Deutschland GmbH  
Arjo Systeme GmbH  
Getinge Medizin-Geräte  
Service GmbH  
Getinge Produktions GmbH  
Getinge Van Dijk  
Medizintechnik GmbH  
Lancer GmbH  
Marc Horn GmbH  
Meditechnik GmbH  
ZK Hospital Bedarfs GmbH

**Greece**

Getinge/Castle International Ltd

**Hong Kong**

Arjo Ltd Hong Kong  
Getinge/Castle Asia Ltd

**Italy**

Arjo Italia Spa  
Omasa Getinge S.p.A.  
THE S.p.A.

**Japan**

Arjo Japan KK  
Getinge Scientific KK

**Netherlands**

Arjo BV  
Arjo Nederland BV  
Getinge Holding BV  
Getinge Nederland BV  
Lancer Holland B.V.  
Linden Holding BV  
Medibol Beheer BV  
Medibol Medical Products BV  
Medibol Technics BV  
Royal Linden BV

**Poland**

Arjo Poland Sp.z.o.o.

**Spain**

Arjo Spain S.A.  
Lequeux Española SL

**Switzerland**

Arjo Sic AG Switzerland

**UK**

Arjo Ltd UK  
Buchanan Leasing Ltd  
Egerton Hospital Equipment Ltd  
Getinge Disinfection Ltd  
Getinge Industrier Holding UK Ltd  
James Ind Ltd UK  
Lettersecond Ltd  
Nursing Care Products Ltd  
Pegasus Airwave Ltd  
Rowan Leasing Ltd  
The Sterilizing Equipment Co Ltd

**USA**

Arjo Inc USA  
Arjo Manufacturing Co  
Arjo USA Inc.  
Getinge Disinfection Inc  
Getinge/Castle, Inc  
Grand Traverse Technologies Inc  
Lancer USA Inc  
Pegasus Airwave Inc

**NOTE 8 Shares in associated companies**

	<i>Capital and voting rights</i>	<b>1998</b>	<b>1997</b>
Steritec GmbH, Tyskland	30%	<b>4.2</b>	5.4
<b>Total</b>		<b>4.2</b>	5.4

**NOTE 9 Stock-in-trade**

	<i>THE GROUP</i>		<i>THE PARENT COMPANY</i>	
	<b>1998</b>	1997	<b>1998</b>	1997
Raw materials	<b>275.7</b>	255.3	–	–
Work in progress	<b>77.3</b>	101.1	–	–
Finished products	<b>417.7</b>	475.3	–	–
<b>Total</b>	<b>770.7</b>	831.7	–	–

<b>NOTE 10 Current receivables</b>	THE GROUP		THE PARENT COMPANY	
	1998	1997	1998	1997
Receivables from subsidiaries	–	–	2,353.2	1,238.4
Accounts receivable	1,356.3	1,068.4	–	–
Tax receivable	–	5.1	–	–
Pre-paid costs and accrued income (mainly profit/loss recognised customer orders)	209.6	122.6	12.7	1.9
Other current receivables	98.0	61.8	0.2	1.0
<b>Total current receivables</b>	<b>1,663.9</b>	<b>1,257.9</b>	<b>2,366.1</b>	<b>1,241.3</b>

**NOTE 11 Unutilized overdraft facilities**

The granted, unutilized overdraft for the Group was SEK 0.0 million (SEK 21.1 m).

<b>NOTE 12 The Group's shareholders' equity</b>	Share capital	Restricted	Unrestricted	Total
		reserves	reserves	
Opening balance, 1/1/98	90.8	559.5	722.5	1,372.8
Dividend			–635.4	–635.4
Net profit for the year			476.7	476.7
Final settlement, compulsory purchase of Arjo shares			–0.5	–0.5
Transfers between restricted and unrestricted equity		225.9	–225.9	–
Translation differences			7.4	7.4
<b>Closing balance, 31/12/98</b>	<b>90.8</b>	<b>785.4</b>	<b>344.8</b>	<b>1,221.0</b>

The wholly-owned subsidiary Arjo AB, 556473-1700 has been consolidated since 1995 according to the pooling method.

<b>NOTE 13 Parent company's shareholders' equity</b>	Share capital	Restricted	Unrestricted	Total
		reserves	reserves	
Opening balance, 1/1/98	90.8	2,044.7	738.6	2,874.1
Dividend			–661.1	–661.1
Net profit for the year			208.2	208.2
<b>Closing balance, 31/12/98</b>	<b>90.8</b>	<b>2,044.7</b>	<b>285.7</b>	<b>2,421.2</b>

The nominal value of each share is SEK 2.00. The share capital breaks down into 3,037,986 A-class shares with 10 voting rights each, and 42,383,646 B-class shares with one voting right each.

<b>NOTE 14 The Group's interest-bearing debt</b>	THE GROUP		
	1998	1997	Change
Current interest-bearing debt to credit institutions	1,841.0	1,185.6	655.4
Long-term debts to credit institutions*	50.2	31.0	19.2
Allocated to pensions	27.8	26.7	1.1
Less liquid funds	–196.6	–167.4	–29.2
<b>Net, interest-bearing debt</b>	<b>1,722.4</b>	<b>1,075.9</b>	<b>646.5</b>

\* Of the long-term debt, SEK 2.1 million (11.5 m) is due for payment in 5 years or later.

<b>NOTE 15 Restructuring reserves</b>	31/12/97	Provision	Utilization	Exchange rate	31/12/98
				difference	
In connection with corporate acquisitions	56.2	181.3	–87.7	4.5	154.3
1997's rationalisation programme	27.3	3.8	–31.1	–	–
Business Area Distribution (Lifco)	1.9	–	–1.9	–	–
Other	5.0	–5.5	0.5	–	–
<b>Total</b>	<b>90.4</b>	<b>179.6</b>	<b>–120.2</b>	<b>4.5</b>	<b>154.3</b>

<b>NOTE 16 Current interest-bearing loans</b>	THE GROUP		THE PARENT COMPANY	
	1998	1997	1998	1997
Debts to credit institutions	1,841.0	1,185.6	1,735.1	1,056.8
Debts to subsidiaries	–	–	1,072.5	600.9
<b>Total current interest-bearing loans</b>	<b>1,841.0</b>	<b>1,185.6</b>	<b>2,807.6</b>	<b>1,657.7</b>

<b>NOTE 17 Other current liabilities</b>	THE GROUP		THE PARENT COMPANY	
	1998	1997	1998	1997
Debts to subsidiaries	–	–	–	1.9
Accounts payable	349.3	391.8	1.2	1.7
Tax liability	52.4	–	0.6	0.2
Accrued costs and pre-paid costs	426.0	384.2	28.2	8.4
Advances from customers	88.8	111.6	–	–
Other current debts	129.5	110.0	0.6	0.6
<b>Total, other current liabilities</b>	<b>1,046.0</b>	<b>997.6</b>	<b>30.6</b>	<b>12.8</b>

<b>NOTE 18 Contingent liabilities and pledged assets 1998</b>	THE GROUP		THE PARENT COMPANY	
	1998	1997	1998	1997
<b>Contingent liabilities</b>				
Blocked bank assets	0.6	3.1	–	–
Assets burdened with restricted title	21.1	23.9	–	–
<b>Total</b>	<b>21.7</b>	<b>27.0</b>	<b>–</b>	<b>–</b>
<b>Pledged assets</b>				
Guarantees and other contingent liabilities	172.0	107.2	153.0	277.2
<b>Total</b>	<b>172.0</b>	<b>107.2</b>	<b>153.0</b>	<b>277.2</b>

Of the pledged assets, SEK 21.1 million (23.9 m) serves as security for interest-bearing debts to credit institutions, while funds in banks of SEK 0.6 million (3.1 m) are blocked as security for possible commitments.

<b>NOTE 19 Leasing</b>	<i>Paid</i>	<i>Due</i>	2000	2001	2002	2003	≥2004
	1998	1999					
<b>Financial leasing</b>							
Long-term, interest-bearing liability			11.8	5.8	3.6	2.4	2.0
Current, interest-bearing liability	10.6	11.2					
<b>Total financial leasing</b>	<b>10.6</b>	<b>11.2</b>	<b>11.8</b>	<b>5.8</b>	<b>3.6</b>	<b>2.4</b>	<b>2.0</b>
Undertakings for operational leasing	33.3	30.7	23.0	15.4	5.0	3.2	2.4

<b>Fixed assets owned through financial leasing</b>	Buildings	Machinery	Equipment,
	and land	and plant	tools, etc.
Acquisition value	25.0	0.7	7.1
Accumulated depreciation	–7.3	–0.7	–3.7
<b>Book value</b>	<b>17.7</b>	<b>0.0</b>	<b>3.4</b>

<b>NOTE 20 Average number of employees</b>	1998			1997		
	Male	Female	Total	Male	Female	Total
Australia	59	7	66	57	8	65
Austria	17	2	19	12	3	15
Belgium	22	3	25	12	10	22
Canada	27	9	36	26	10	36
China	5	1	6	5	1	6
Czech Republic	7	2	9	7	2	9
Denmark	25	4	29	58	25	83
Finland	6	1	7	6	3	9
France	320	68	388	263	56	319
Germany	158	45	203	167	59	226
Greece	3	1	4	3	1	4
Hongkong	6	4	10	6	3	9
Italy	32	12	44	13	7	20
Japan	2	–	2	2	–	2
Netherlands	106	31	137	51	26	77
Norway	14	3	17	24	15	39
Poland	10	3	13	10	3	13
South Africa	49	7	56	56	7	63
Spain	9	7	16	10	7	17
Sweden	680	111	791	743	204	947
Switzerland	14	4	18	13	4	17
UK	322	65	387	348	80	428
USA	824	169	993	839	265	1,104
<b>Total</b>	<b>2,717</b>	<b>559</b>	<b>3,276</b>	<b>2,731</b>	<b>799</b>	<b>3,530</b>

<b>The Parent company</b>	1998			1997		
	Male	Female	Total	Male	Female	Total
Sweden	6	2	8	5	2	7

<b>NOTE 21 Staff costs</b>	1998			1997		
	Management	Other	Total	Management	Other	Total
<b>Total salary costs</b>						
<b>The Group</b>						
Salaries and remuneration	52.8	989.9	1,042.7	58.1	997.0	1,055.1
Social security costs	7.5	212.2	219.7	9.8	215.0	224.8
Pension costs	4.8	51.3	56.1	5.0	40.1	45.1
<b>Total</b>	<b>65.1</b>	<b>1,253.4</b>	<b>1,318.5</b>	<b>72.9</b>	<b>1,252.1</b>	<b>1,325.0</b>

NOTE 21 (cont.) Salaries and remuneration per country	1998				1997			
	Management	of which, bonus	Other	Total	Management	of which, bonus	Other	Total
<b>The Group</b>								
Australia	1.3	0.2	11.4	12.7	1.3	0.1	12.4	13.7
Austria	0.7	–	5.9	6.6	1.9	0.4	4.6	6.5
Belgium	1.5	0.1	3.3	4.8	0.8	0.1	6.1	6.9
Canada	1.3	0.3	7.0	8.3	1.3	0.3	6.7	8.0
China	–	–	0.5	0.5	–	–	0.5	0.5
Czech Republic	0.3	0.1	0.5	0.8	0.2	–	0.4	0.6
Denmark	1.3	0.1	10.8	12.1	5.4	0.1	23.9	29.3
Finland	0.6	–	1.6	2.2	0.6	–	2.0	2.6
France	4.4	1.3	83.5	87.9	3.0	1.0	72.4	75.4
Germany	8.7	1.8	71.0	79.7	8.7	1.2	74.9	83.6
Greece	–	–	1.0	1.0	–	–	1.0	1.0
Hongkong	1.9	0.2	2.9	4.8	1.7	0.1	2.5	4.2
Italy	2.4	1.0	11.8	14.2	2.1	0.9	4.9	7.0
Japan	–	–	1.8	1.8	–	–	0.6	0.6
Netherlands	3.0	0.5	38.0	41.0	2.2	0.5	21.9	24.1
Norway	0.6	–	5.8	6.4	1.5	0.2	10.2	11.7
Poland	0.3	–	1.8	2.1	0.3	–	1.6	1.9
South Africa	0.3	–	5.0	5.3	0.7	0.4	6.9	7.6
Spain	1.5	0.3	3.8	5.3	1.3	0.3	4.2	5.5
Sweden	7.4	1.2	204.4	211.8	12.9	2.0	227.5	240.4
Switzerland	1.3	0.2	8.4	9.7	1.0	–	8.2	9.2
UK	6.5	1.9	110.3	116.8	5.5	1.4	117.5	123.0
USA	7.5	2.0	399.4	406.9	5.7	1.1	386.1	391.8
<b>Total</b>	<b>52.8</b>	<b>11.2</b>	<b>989.9</b>	<b>1,042.7</b>	<b>58.1</b>	<b>10.1</b>	<b>997.0</b>	<b>1,055.1</b>

Total salary costs	1998			1997			
	Management	Other	Total	Management	Other	Total	
<b>The Parent company</b>							
Salaries and remuneration		3.5	3.4	6.9	2.9	3.0	5.9
Social security costs		1.2	1.1	2.3	1.0	1.0	2.0
Pension costs		0.2	1.8	2.0	0.3	0.1	0.4
<b>Total</b>		<b>4.9</b>	<b>6.3</b>	<b>11.2</b>	<b>4.2</b>	<b>4.1</b>	<b>8.3</b>

Directors' fees, totalling SEK 250,000 (Last year SEK 1,057,000 incl. 4 month's salary as President & CEO) have been paid to the Chairman of the Board. Salary, remuneration and benefits totalling SEK 3,499,000 (SEK 2,892,000 for 8 months) have been paid to the President & CEO. In addition, the company has taken out a pension insurance for the President & CEO for a maximum premium, which is deductible, to come into force at the age of 65. Upon termination of employment by the company, the President & CEO is entitled to salary during a period of notice corresponding to one year. Fees to other directors totalling SEK 406,000 (SEK 345,000) have been paid.

Salaries and car allowance have been paid to persons at Group management level. Housing benefit has also been paid to persons on the Group management team. The usual pension undertakings within the framework of the general pension scheme also exist. Upon termination of employment by the company, the person given notice has the right to salary during a period of notice of at least 6 months and at most one year. The Group has not issued synthetic options. In March 1998, the company's largest shareholder issued a number of call options on shares in Geringe Industrier AB to the Group management and staff in management positions at the Group. For each option the purchaser has paid the sum of SEK 14.00 to the seller, with an expiry date of March 2003 and an exercise price of SEK 211. The holders of these options break down as follows in March 1999:

Group management	Country	Number of options		Country	Number of options
Stefan Bengtsson	Sweden	30,000	Johan Malmquist	Sweden	60,000
Harald Castler	Sweden	30,000	Bengt Sjöholm	Sweden	30,000
Ulf Grunander	Sweden	30,000	Andrew Wozencroft	UK	30,000
Christophe Hammer	France	30,000	Persons in management positions		
Albrecht Knauf	Germany	30,000	in the subsidiaries, 32 persons		152,100
Sven Kristensson	Sweden	30,000	<b>Total</b>		<b>452,100</b>

#### NOTE 22 Disposal of operations

At the AGM on 23 April 1998, the shareholders decided to effect a dividend in kind of the shares in the Distribution business area (Lifco). Below is shown the business area's audited, accumulative, invoiced sales and operating profit, up to and including 30 April 1998 (31 December 1997).

	4 months		12 months	
	1 Jan 98 - 30 Apr 98		1 Jan 97 - 30 Dec 97	
Invoiced sales		367.9		939.6
Operating profit		15.9		44.5
As a percentage of invoiced sales		4.3%		4.7%

# Auditors' Report

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***To the Annual General Meeting of Getinge Industrier AB, company registration number 556408-5032:***

We have audited the financial statements, consolidated accounts, the accounts and the administration of the Board of Directors and the Chief Executive Officer of Getinge Industrier AB for 1998. These accounts and the administration of the Company are the responsibility of the Board of Directors and the Chief Executive Officer.

Our responsibility is to express an opinion on the financial statements, consolidated accounts and the administration based on our audit. We conducted our audit in accordance with Generally Accepted Accounting Principles. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and Chief Executive Officer, as well as evaluating the overall presentation of information in the financial statements and consolidated accounts. We have examined significant decisions, actions taken and circumstances of the Company, in order to be able to determine the possible liability to the Company of any Board Member or the Chief Executive Officer, or whether they have in some way acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association

We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, financial statements and the consolidated accounts have been prepared in accordance with Annual Accounts Act, and consequently we recommend:

*that* the income statements and the balance sheets for the Parent Company and the Group be adopted, and

*that* the profit of the Parent Company be dealt with in accordance with the proposal in the Directors' Report.

In our opinion, the Board Members and Chief Executive Officer have not committed any act, or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend:

*that* the Members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Getinge, 15 March 1999

Arthur Andersen AB



Mats Fredricson

*Authorised Public Accountant*

## Board of Directors and Auditors

### THE BOARD

**Carl Bennet**, born 1951.

*Chairman since 1997.*

President and CEO of Elanders AB. Chairman of the Board of Halmstad University and Fyrtech Microelectronics AB, Lifco AB and Scanrec AB.

Member of the Board of AGA AB and Troponor AB.

Holds 6,073,386 Getinge shares via a privately-owned company.

**Fredrik Arp**, born 1953.

*Member of the Board since 1998.*

President and CEO of Trelleborg AB. Member of the Board of Nolato AB, Industrieförbundet and Sveriges Verkstadsindustrier.

Holds 1,500 Getinge shares.

**Anders Frick**, born 1945.

*Member of the Board since 1997.*

Former President of Arjo AB.

Member of the Board of AB Fagerhult, Humlegården Fastighets AB, Lifco AB, Nordbanken Södra Regionen, Securitas AB and Sweco AB. Holds 8,000 Getinge shares.

**Roger Holtback**, born 1945.

*Deputy Chairman of the Board since 1998.*

*Member of the Board since 1990.*

President and CEO of Investment AB Bure. Chairman of the Board of Gunnebo AB, Nobel Biocare AB, Scribona AB and Nordic Capital Review Committee. Member of the Board of Investment AB Bure, TBG, Monaco and Svenska Mässan/Hotell Gothia. Holds 12,000 Getinge shares.

**Johan Malmquist**, born 1961.

President and CEO.

Employed since 1990.

Holds 5,000 shares and 60,000 options in Getinge.

*Appointed by the employees*

**Thomas Esko**, born 1957.

*Representative Member of the Board on behalf of the Swedish Metalworkers' Union since 1996.*

Employed by Getinge AB.

Holds 300 Getinge shares.

**Leif Holmgren**, born 1947.

*Deputy Representative Member on behalf of the Swedish Metalworkers' Union since 1989.* Employed by Getinge Disinfection AB.

Holds 0 Getinge shares.

**Gert Klarén**, born 1944.

*Representative Member on behalf of the Swedish Foremen's and Supervisors' Association, SALF, since 1989.*

Employed by Getinge AB.

Holds 300 Getinge shares.

**Inge Nilsson**, born 1959.

*Deputy Representative Member on behalf of the Swedish Union of Clerical and Technical Employees in Industry, SIF, since 1998.* Employed by Getinge Disinfection AB. Holds 0 Getinge shares.

### AUDITOR

Arthur Andersen AB.

Company auditors since 1989. Senior Auditor:

**Mats Fredricson**, born 1944.

*Authorised Public Accountant.*

*Mats Fredricson*



*From left: Leif Holmgren, Thomas Esko, Fredrik Arp, Gert Klarén, Carl Bennet, Anders Frick, Inge Nilsson, Roger Holtback and Johan Malmquist.*



# Group Management



## GROUP MANAGEMENT

### Johan Malmquist,

born 1961.  
*President and CEO.*  
 Employed since 1990.  
 Holds 5,000 shares and  
 60,000 options in Getinge.

### Stefan Bengtsson,

born 1953.  
*Vice President Business Area  
 Hygiene Systems and  
 President of Arjo Hospital  
 Equipment.*  
 Employed since 1994.  
 Holds 150 shares and 30,000  
 options in Getinge.

### Harald Castler,

born 1957.  
*Sales and Marketing Director  
 of Getinge and President of  
 Getinge Hospital.*  
 Employed since 1988.  
 Holds 3,000 shares and  
 30,000 options in Getinge

### Ulf Grunander,

born 1954.  
*Chief Financial Officer.*  
 Employed since 1993.  
 Holds 5,000 shares and  
 30,000 options in Getinge

### Christophe Hammer,

born 1958.  
*Vice President Business Area  
 Disinfection and President of  
 Lancer S.A.*  
 Employed since 1992.  
 Holds 30,000 options in  
 Getinge

### Albrecht Knauf,

born 1951.  
*Sales and Marketing Director  
 of Arjo and President of Arjo  
 Systeme GmbH.*  
 Employed since 1980.  
 Holds 3,000 shares and  
 30,000 options in Getinge

### Sven Kristensson,

born 1962  
*Vice President Business Area  
 Sterilization Health Care and  
 President of Getinge AB.*  
 Employed since 1998.  
 Holds 200 shares and 30,000  
 options in Getinge

### Bengt Sjöholm,

born 1953.  
*Vice President Business Area  
 Scientific and President of  
 Getinge Scientific.*  
 Employed since 1982.  
 Holds 3,000 shares and  
 30,000 options in Getinge

### Creighton White,

born 1957.  
*President of Getinge Ameri-  
 cas Group and President of  
 Getinge Castle Inc.*  
 Employed since 1995.  
 Holds 0 shares or options in  
 Getinge

### Andrew Wozencroft,

born 1952.  
*Vice President Business Area  
 Patient Handling and  
 President of Arjo Ltd.*  
 Employed since 1978.  
 Holds 7,260 shares and  
 30,000 options in Getinge.

# Getinge's group companies



**Head office:** Getinge Industrier AB, P.O. Box 69, SE-310 44 Getinge, Tel +46-351 55500, Fax +46 355492 •President and CEO J. Malmquist

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