

Nolato AB (publ) year-end report 2017

Very strong performance across all business areas

■ Fourth quarter of 2017 in brief

- Sales increased to SEK 1,926 million (1,352)
- Operating profit (EBITA) amounted to SEK 230 million (130)
- EBITA margin of 11.9% (9.6)
- Profit after tax was SEK 180 million (95)
- Earnings per share increased to SEK 6.84 (3.61)
- Cash flow after investments was SEK 157 million (135, excl. acquisitions)

■ Full year 2017 in brief

- Sales increased to SEK 6,720 million (4,447)
- Operating profit (EBITA) was SEK 763 million (457)
- Earnings per share increased to SEK 21.74 (12.77)
- The equity/assets ratio was 45% (47) and net financial liability SEK 153 million (408)
- The Board of Directors proposes a dividend of SEK 12.50 (10.50) per share

■ Group highlights

SEK million unless otherwise specified	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales	1,926	1,352	6,720	4,447
Operating profit (EBITDA) ¹⁾	286	180	980	636
Operating profit (EBITA) ²⁾	230	130	763	457
EBITA margin, %	11.9	9.6	11.4	10.3
Operating profit (EBIT) ³⁾	227	126	749	443
Profit after financial income and expense	225	125	731	438
Profit after tax	180	95	572	336
Earnings per share, before and after dilution, SEK *	6.84	3.61	21.74	12.77
Adjusted earnings per share, before dilution, SEK ⁴⁾ *	6.92	3.72	22.16	13.19
Cash flow after investments, excl. acquisitions and disposals	157	135	496	245
Net investm. affecting cash flow, excl. acq. and disposals	65	55	277	221
Cash conversion, % ⁵⁾	—	—	66	55
Return on capital employed, %	26.6	20.6	26.6	20.6
Return on shareholders' equity, %	29.4	19.0	29.4	19.0
Equity/assets ratio, %	45	47	45	47
Net financial liabilities (–)	– 153	– 408	– 153	– 408

* At the end of the period the Group had two share warrant programmes, Series 1 and Series 2. Series 1 has redemptions from 01/05/2019 to 15/12/2019 and Series 2 from 01/05/2020 to 15/12/2020. The subscription price is SEK 296.30 for Series 1 and SEK 485.10 for Series 2. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the programmes provide a maximum of 436,700 new class B shares.

¹⁾ Operating profit (EBITDA): Earnings before financial income and expense, taxes and depreciation/amortisation.

²⁾ Operating profit (EBITA): Earnings before financial income and expense, taxes and amortisation of intangible assets arising from acquisitions.

³⁾ Operating profit (EBIT): Earnings before financial income and expense and taxes.

⁴⁾ Adjusted earnings per share: Profit after tax, excluding amortisation of intangible assets arising from acquisitions, divided by the average number of shares.

⁵⁾ Cash conversion: Cash flow after investments, excl. acquisitions and disposals, divided by operating profit (EBIT). Cash flow and operating profit have been adjusted by non-recurring items, if any.

This document is a translation from Swedish. In the event of any difference between this version and the Swedish original, the latter shall prevail.

Fourth quarter 2017

- Sales were SEK 1,926 million (1,352); adjusted for currency, sales grew by a very strong 46%
- Substantially higher volumes for Integrated Solutions in new product areas compared with the previous year
- Strong growth and earnings increase across all business areas
- Operating profit (EBITA) rose by 77% to SEK 230 million (130) and the margin was a strong 11.9% (9.6)

■ Sales

Consolidated sales rose by 42% to SEK 1,926 million (1,352). Adjusted for currency, sales growth was an exceptionally strong 46%. Organic growth was strong for all business areas, but was exceptionally strong for Integrated Solutions.

Medical Solutions sales rose to SEK 511 million (463); adjusted for currency, sales grew by a strong 12%. Sales increased in both Medical Devices and Pharma Packaging and most product areas experienced positive growth.

Integrated Solutions sales doubled to SEK 900 million (448); adjusted for currency, sales increased by an exceptionally strong 112%. Very high volumes continued to be supplied for the vaporiser heating products (VHP) product area in the quarter. Heating devices in particular continued to enjoy high launch volumes during the quarter. It is estimated that end-customer demand and Nolato's delivered volumes will reach an equilibrium in the second half of 2018, roughly at the level of volumes in the fourth quarter of 2017. Mobile phone volumes were relatively weak in the quarter.

Industrial Solutions sales increased to SEK 518 million (443); adjusted for currency, sales grew by a strong 17%. There was positive development of volumes in almost all product areas, particularly automotive and hygiene.

■ Profit

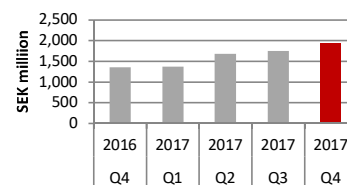
The Group's operating profit (EBITA) increased sharply to SEK 230 million (130).

Operating profit (EBITA) increased to SEK 68 million (59) for Medical Solutions, to SEK 116 million (41) for Integrated Solutions and to SEK 52 million (36) for Industrial Solutions.

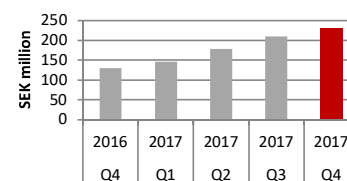
The EBITA margin for Medical Solutions rose to 13.3% (12.7). The margin has benefited from a more advantageous product mix. For Integrated Solutions, the EBITA margin was a very strong 12.9% (9.2). Very high volumes and consequent capacity utilisation had a positive effect on the margin. The EBITA margin for Industrial Solutions was 10.0% (8.1). The previous year's margin was negatively affected by high costs relating to new project starts and fluctuating volumes.

Overall, the Group's EBITA margin was a very strong 11.9% (9.6).

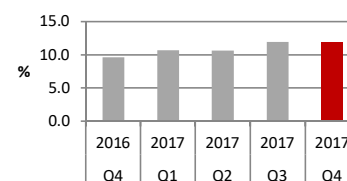
■ Sales



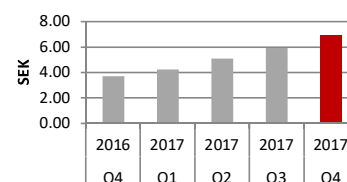
■ Operating profit (EBITA)



■ EBITA margin



■ Adjusted earnings per share



Sales, operating profit (EBITA) and EBITA margin by business area

SEK million	Sales Q4/2017	Sales Q4/2016	Op. Profit EBITA Q4/2017	Op. Profit EBITA Q4/2016	EBITA margin Q4/2017	EBITA margin Q4/2016
Medical Solutions	511	463	68	59	13.3%	12.7%
Integrated Solutions	900	448	116	41	12.9%	9.2%
Industrial Solutions	518	443	52	36	10.0%	8.1%
Intra-Group adj., Parent Co	- 3	- 2	- 6	- 6	—	—
Group total	1,926	1,352	230	130	11.9%	9.6%

Operating profit (EBITA): Earnings before financial income and expense, taxes and amortisation of intangible assets arising from acquisitions.

Operating profit (EBIT) was SEK 227 million (126).

Profit after net financial income/expense was SEK 225 million (125). Net financial income/expense included currency exchange rate fluctuations affecting earnings by SEK 1 million (1).

Profit after tax was SEK 180 million (95). Earnings per share, basic and diluted, were SEK 6.84 (3.61). Adjusted earnings per share excluding amortisation of intangible assets arising from acquisitions were SEK 6.92 (3.72).

Full year 2017

Sales and earnings

Consolidated sales rose by 51% to SEK 6,720 million (4,447) in 2017. Adjusted for currency and acquisitions, sales rose by an exceptionally strong 41%.

Sales for Medical Solutions rose by 19% to SEK 1,955 million (1,645), sales for Integrated Solutions sales doubled to SEK 2,810 million (1,402), and for Industrial Solutions they rose by 40% to SEK 1,968 million (1,409).

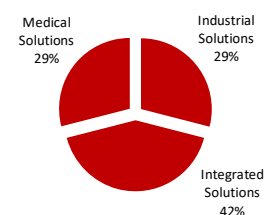
Consolidated operating profit (EBITA) amounted to SEK 763 million (457), giving an EBITA margin of 11.4% (10.3). Operating profit (EBIT) was SEK 749 million (443).

Profit after net financial income/expense rose to SEK 731 million (438).

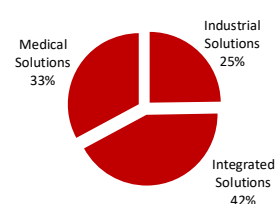
Profit after tax was SEK 572 million (336). Earnings per share, basic and diluted, rose to SEK 21.74 (12.77). Adjusted earnings per share excluding amortisation of intangible assets arising from acquisitions increased to SEK 22.16 (13.19). The effective tax rate was 22% (23).

The return on capital employed was 26.6% (20.6). Return on equity was 29.4% (19.0). Cash conversion was 66% (55). Cash conversion was negatively affected by increased working capital requirements and continued high investments principally due to continued expansion efforts.

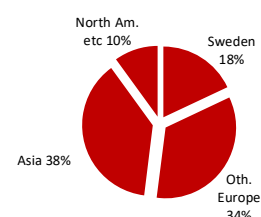
Business areas' share of sales



Business areas' share of operating profit (EBITA)



Sales by geographic markets



Medical Solutions

Sales and profit full year (SEK million)	2017	2016
Sales	1,955	1,645
Operating profit (EBITA)	257	216
EBITA margin (%)	13.1	13.1
Operating profit (EBIT)	247	203

Medical Solutions sales rose to SEK 1,955 million (1,645); adjusted for currency and acquisitions, sales growth was a strong 10%. Acquisitions contributed an additional SEK 157 million. Volumes increased in both the Medical Devices and Pharma Packaging sectors, but especially in Medical Devices in which the ramp-up of new customer projects made a positive contribution. 2017 was marked by high project activity and healthy project capacity utilisation.

Operating profit (EBITA) rose to SEK 257 million (216). The EBITA margin was 13.1% (13.1)

The businesses acquired in 2016 are performing well and according to plan. Owing to the strong growth of recent years, Nolato is expanding production capacity in Hungary, Sweden and Switzerland.

Integrated Solutions

Sales and profit full year (SEK million)	2017	2016
Sales	2,810	1,402
Operating profit (EBITA)	332	131
EBITA margin (%)	11.8	9.3
Operating profit (EBIT)	332	131

Integrated Solutions sales doubled to SEK 2,810 million (1,402); adjusted for currency, sales growth was an exceptionally strong 102%. The focus on expanding this business area's customer and product base has shown very positive development, particularly for VHPs (vaporiser heating products).

Operating profit (EBITA) increased sharply to SEK 332 million (131). The EBITA margin was a strong 11.8% (9.3). High volumes and consequent high capacity utilisation had a positive effect on the margin.

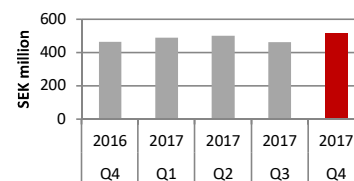
Industrial Solutions

Sales and profit full year (SEK million)	2017	2016
Sales	1,968	1,409
Operating profit (EBITA)	195	134
EBITA margin (%)	9.9	9.5
Operating profit (EBIT)	191	133

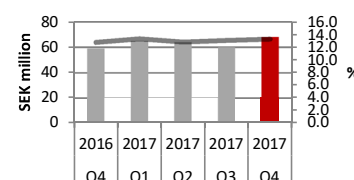
Industrial Solutions sales increased to SEK 1,968 million (1,409); adjusted for currency and acquisitions, sales growth was a strong 19%. Acquisitions contributed an additional SEK 288 million. There was positive development of volumes in most product areas, particularly automotive and hygiene. Advanced market positions and a high level of invoicing for development work and production equipment for forthcoming production contributed to the strong growth.

Operating profit (EBITA) increased to SEK 195 million (134), with an EBITA margin of 9.9% (9.5). The business acquired in 2016 is performing well and according to plan.

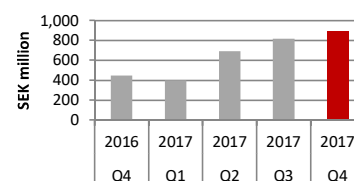
Medical Solutions sales



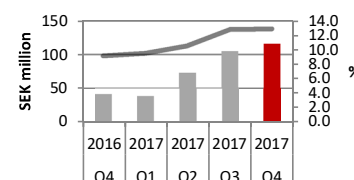
Medical Solutions operating profit (EBITA) & EBITA margin %



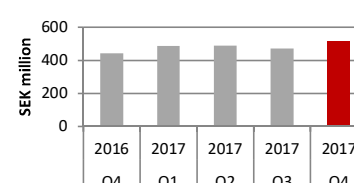
Integrated Solutions sales



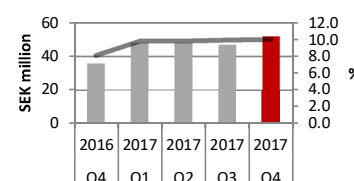
Integrated Solutions operating profit (EBITA) & EBITA margin %



Industrial Solutions sales



Industrial Solutions operating profit (EBITA) & EBITA margin %



Cash flow

Significantly higher earnings have resulted in strong cash flow after investments. For the full year 2017 it amounted to SEK 496 million (SEK 245 million excluding acquisitions, SEK –153 million including acquisitions). The change in working capital was a negative SEK 126 million (–41). Net investments affecting cash flow increased to SEK 277 million (SEK 221 million excluding acquisitions). Including acquisitions last year, net investments amounted to SEK 277 million (619).

Cash flow after investments for the fourth quarter increased to SEK 157 million (SEK 135 million excluding acquisitions). The sharp increase in profit made a positive contribution, while the change in working capital was negative in the quarter. Net investments affecting cash flow increased to SEK 65 million (SEK 55 million excluding acquisitions). Including acquisitions, net investments amounted to SEK 65 million (437).

Financial position

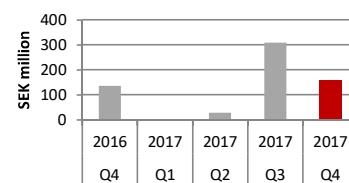
Nolato's financial position remains good and debt decreased during the year as a result of the strong earnings and positive cash flow.

Interest-bearing assets totalled SEK 669 million (411), and interest-bearing liabilities and provisions totalled SEK 822 million (819).

Dividends totalling SEK 276 million (263) were paid to shareholders in the second quarter. Consequently, net debt amounted to SEK 153 million (408). Shareholders' equity was SEK 2,159 million (1,850). The equity/assets ratio was 45% (47).

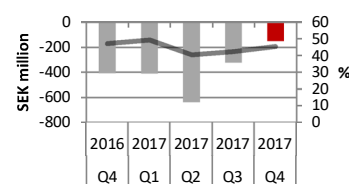
One of the Group's credit agreements was extended and increased in the second quarter. Consequently, Nolato has long-term credit agreements of between four and five years totalling approximately SEK 1.1 billion. Short-term financial credit facilities of approximately SEK 200 million are also available.

Cash flow after investments



Excluding acquisitions and disposals

Net financial liabilities (–) & assets/equity ratio



Consolidated performance analysis

	Q4 2017	Q4 2016	Full year 2017	Full year 2016
SEK million				
Net sales	1,926	1,352	6,720	4,447
Gross profit excl. depreciation/amortisation	366	242	1,291	891
As a percentage of net sales	19.0	17.9	19.2	20.0
Costs	– 80	– 62	– 311	– 255
As a percentage of net sales	4.2	4.6	4.6	5.7
Operating profit (EBITDA)	286	180	980	636
As a percentage of net sales	14.8	13.3	14.6	14.3
Depreciation and amortisation	– 56	– 50	– 217	– 179
Operating profit (EBITA)	230	130	763	457
As a percentage of net sales	11.9	9.6	11.4	10.3
Amortisation of intangible assets arising from acquisitions	– 3	– 4	– 14	– 14
Operating profit (EBIT)	227	126	749	443
Financial income and expense	– 2	– 1	– 18	– 5
Profit after financial income and expense	225	125	731	438
Tax	– 45	– 30	– 159	– 102
As a percentage of profit after financial income and expense	20.0	24.0	21.8	23.3
Profit after tax	180	95	572	336

■ Financial position

SEK million	31/12/2017	31/12/2016
Interest-bearing liabilities, credit institutions	– 638	– 617
Interest-bearing pension liabilities	– 184	– 202
Total borrowings	– 822	– 819
Cash and bank	669	411
Net financial liabilities (–)	– 153	– 408
Working capital	390	327
<i>As a percentage of sales (avg.) (%)</i>	<i>5.3</i>	<i>5.9</i>
Capital employed	2,980	2,668
<i>Return on capital employed (avg.) (%)</i>	<i>26.6</i>	<i>20.6</i>
Shareholders' equity	2,159	1,850
<i>Return on shareholders' equity (avg.) (%)</i>	<i>29.4</i>	<i>19.0</i>

■ Personnel

The average number of employees during the year was 7,249 people (6,418). The increase in the number of employees in the year is primarily attributable to Integrated Solutions's operations in China and acquisitions.

■ Significant risks and uncertainty factors

The business risks and risk management of the Group and the Parent Company, along with the management of financial risks, are described in the 2016 Annual Report on pages 21, 56 – 57, and in Note 4 on pages 67 – 68.

No significant events have occurred during the period that would significantly affect or change these descriptions of the Group's and the Parent Company's risks or the management thereof.

■ Seasonal effects

Nolato does not experience any significant seasonal variations. However, in the third quarter sales within Industrial Solutions, and to a certain degree Medical Solutions, can be negatively affected by the fact that the holiday period falls in this quarter both for Nolato and its customers.

■ Events after the balance sheet date

In the first quarter of 2018 Nolato will recognise a distribution from the previous bankruptcy of a customer in 2006. This is estimated to amount to approximately SEK 20 million and will be recognised under other operating income for the Group, but will not have an effect on any business area's earnings. No other significant events have occurred since the end of the period.

■ Dividend

At the Annual General Meeting, the Board of Directors and the President and CEO will propose that the dividend be increased to SEK 12.50 per share (SEK 10.50), which corresponds to SEK 329 million (276). The pay-out ratio is 57% (82). The dividend yield was 2.3% in relation to the listed share price at 31 December 2017. Nolato's dividend policy is to propose a dividend that exceeds 50% of profit after tax, taking account of Nolato's long-term development opportunities, financial position and investment needs.

■ Ownership and legal structure

Nolato AB (publ), with Swedish corporate identity number 556080-4592, is the Parent Company of the Nolato Group.

Nolato's Class B shares are listed on Nasdaq Stockholm in the Mid Cap segment, where they are included in the Industrials sector.

There were 13,947 shareholders at 31 December. The largest shareholders are the Jorlén family with 10%, the Boström family and the Hamrin family with 9% each, Didner & Gerge Funds with 8% and Lannebo Funds with 6% of the capital.

■ The Parent Company

For the parent company, which has no operating activities, sales amounted to SEK 50 million (46). Profit after financial income and expense increased to SEK 275 million (70), owing mainly to higher earnings from investments in group companies. Contingent liabilities amounted to 116 MSEK (141).

■ Accounting and valuation principles

Nolato's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The consolidated year-end report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and the applicable provisions of the Swedish Annual Accounts Act. The Swedish Securities Market Act has been applied in relation to publication of this interim report.

The consolidated accounts have been prepared in accordance with the same principles as those applied in the most recent Annual Report, which are described in the 2016 Annual Report on pages 64 – 66.

The new or revised IFRS standards or IFRIC interpretations, which came into effect on 1 January 2017, have not had any material effect on the consolidated income statement or balance sheet.

The interim report for the Parent Company was prepared in accordance with Chapter 9 of the Swedish Annual Accounts Act.

■ IFRS 9 Financial Instruments

IFRS 9 will be applied from 1 January 2018 but it is assessed that it will not have any material quantitative effect on the Group's accounting of financial instruments.

In qualitative terms, the new standard will affect Nolato's accounting and valuation policies in the next annual accounts with regard to financial instruments. Disclosures about the application of hedge accounting will also be updated.

■ Contact:

- Christer Wahlquist, President and CEO, tel. +46705 804848.
- Per-Ola Holmström, CFO, tel. +46705 763340.

This information is information that Nolato AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 14:30 CET on 7 February 2018.

This report has not been audited by the Company's auditors.

■ IFRS 15 Revenue from Contracts with Customers

In 2016, Nolato carried out a detailed analysis of major customer contracts within the Group's three business areas; Medical Solutions, Integrated Solutions and Industrial Solutions. Nolato's analysis reviewed the performance obligations included in such contracts and how they are fulfilled. Nolato has valued and established transaction prices, including an allocation for performance obligations. This analysis has not been assessed to result in any need to amend current policies for the accounting of revenue from contracts with customers.

In qualitative terms, the standard will affect Nolato's accounting and valuation policies in the next annual accounts with regard to revenue recognition.

■ Annual General Meeting

The Annual General Meeting will be held at 4 pm on 24 April 2018 in Grevie, Sweden. Shareholders who would like to submit proposals to the nomination committee can contact the Chairman of the nomination committee, Henrik Jorlén by email at henrik.jorlen@gmail.com or by post at Kommendörsgatan 4, 269 77 Torekov, Sweden.

■ Financial calendar

- 2017 Annual Report: Nolato's Annual Report will be published on the company's website, www.nolato.se, during week 13. A copy of the Annual Report will also be sent to those Nolato shareholders who have specifically requested such.
- Three-month interim report 2018: 24 April 2018
- 2018 Annual General Meeting: 24 April 2018
- Six-month interim report 2018: 19 July 2018
- Nine-month interim report 2018: 24 October 2018

*Torekov, 7 February 2018
Nolato AB (publ)
The Board of Directors*

THE COMPANY IN BRIEF

■ Nolato's business

Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

Operations encompass everything from individual components, which the customer assembles in its own product, to complete products that are ready for delivery to a customer's client.

Nolato also develops and manufactures its own products, such as pharmaceutical packaging.

■ Nolato's business model

Nolato's business model is based on close, long-term, innovative collaboration with our customers. By being part of their process at an early stage and providing support during both the development and production phases, Nolato helps its customers create a product that is as competitive as possible.

Nolato creates added value for its customers and owners through progressive, leading technology, extensive expertise in development and design, advanced project management and highly efficient production.

■ Nolato's strategies

- Early involvement in customers' development processes
- Close and long-term collaboration/partnerships with our customers
- Innovative, integrated and high-tech solutions
- High productivity/Lean manufacturing
- Advancing up the value chain/Greater added value
- Global presence
- Responsible business practice

Consolidated income statement (summary)

SEK million	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales	1,926	1,352	6,720	4,447
Cost of goods sold	- 1,616	- 1,160	- 5,642	- 3,733
Gross profit	310	192	1,078	714
Other operating income	4	14	12	18
Selling expenses	- 29	- 33	- 116	- 115
Administrative expenses	- 53	- 43	- 205	- 170
Other operating expenses	- 5	- 4	- 20	- 4
	- 83	- 66	- 329	- 271
Operating profit	227	126	749	443
Financial income and expense	- 2	- 1	- 18	- 5
Profit after financial income and expense	225	125	731	438
Tax	- 45	- 30	- 159	- 102
Profit after tax	180	95	572	336
All earnings are attrib. to the Parent Co.'s shareholders				
Depreciation/amortisation	59	54	231	193
Earnings per share, before and after dilution (SEK) *	6.84	3.61	21.74	12.77
Number of shares at the end of the period, before dilution *	26,307,408	26,307,408	26,307,408	26,307,408
Number of shares at the end of the period, after dilution *	26,342,651	26,307,408	26,342,651	26,307,408
Average number of shares, before dilution *	26,307,408	26,307,408	26,307,408	26,307,408
Average number of shares, after dilution *	26,328,203	26,307,408	26,315,844	26,307,408

* At the end of the period the Group had two share warrant programmes, Series 1 and Series 2. Series 1 has redemptions from 01/05/2019 to 15/12/2019 and Series 2 from 01/05/2020 to 15/12/2020. The subscription price is SEK 296.30 for Series 1 and SEK 485.10 for Series 2. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the programmes provide a maximum of 436,700 new class B shares.

Consolidated comprehensive income

SEK million	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Profit after tax	180	95	572	336
Other comprehensive income				
<i>Items that cannot be transferred to profit for the period</i>				
Revaluations of defined benefit pension plans	- 1	10	16	8
Tax attributable to items that cannot be transferred to profit for the period	1	- 2	- 2	- 2
	—	8	14	6
<i>Items that have been converted or can be converted into profit for the period</i>				
Translation differences for the period on transl. of foreign oper.	27	5	- 6	12
Changes in the fair val. of cash flow hedges for the per. *	- 1	- 1	3	- 2
Tax attr. to changes in the fair val. of cash flow hedges *	—	—	- 1	—
	26	4	- 4	10
Other comprehensive income, net of tax	26	12	10	16
Total comp. income for the period attributable to the Parent Co.'s shareholders	206	107	582	352

* Financial instruments are measured at fair value in the statement of financial position, pursuant to measurement hierarchy Level 2.

Consolidated balance sheet (summary)

SEK million	31/12/2017	31/12/2016
Assets		
Non-current assets		
Intangible non-current assets	813	849
Property, plant and equipment	1,243	1,205
Non-current financial assets	2	2
Other non-current receivables	1	1
Deferred tax assets	52	46
Total fixed assets	2,111	2,103
Current assets		
Inventories	530	393
Accounts receivable	1,128	819
Other current assets * ²⁾	314	198
Cash and bank	669	411
Total current assets	2,641	1,821
Total assets	4,752	3,924
Shareholders' equity and liabilities		
Shareholders' equity	2,159	1,850
Long-term liabilities and provisions ¹⁾	757	803
Deferred tax liabilities ¹⁾	103	88
Current liabilities and provisions * ^{1) 3)}	1,733	1,183
Total liabilities and provisions	2,593	2,074
Total shareholders' equity and liabilities	4,752	3,924
¹⁾ Interest-bearing/non-interest-bearing liabilities and provisions:		
Interest-bearing liabilities and provisions	822	819
Non-interest-bearing liabilities and provisions	1,771	1,255
Total liabilities and provisions	2,593	2,074
* Financial instruments are measured at fair value in the statement of financial position, pursuant to measurement hierarchy Level 2.		
²⁾ Derivative assets are included in other current assets at	8	10
³⁾ Derivative liabilities are included in current liabilities and provisions at	—	4

Changes in consolidated shareholders' equity (summary)

SEK million	Full year 2017	Full year 2016
Shareholders' equity at the beginning of the period	1,850	1,759
Total comprehensive income for the period	582	352
Dividends	– 276	– 263
Share warrants included in incentive programmes	3	2
Shareholders' equity at the end of period attrib. to Parent Co's shareholders	2,159	1,850

In 2016, a dividend totalling SEK 276 million was paid to the Parent Company's shareholders, corresponding to a dividend of SEK 10.50 per share. At the end of the period the Group had two share warrant programmes, Series 1 and Series 2. Series 1 has redemptions from 01/05/2019 to 15/12/2019 and Series 2 from 01/05/2020 to 15/12/2020. The subscription price is SEK 296.30 for Series 1 and SEK 485.10 for Series 2. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the programmes provide a maximum of 436,700 new class B shares.

Consolidated cash flow statement (summary)

SEK million	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Cash flow from op. activities bef. changes in working capital	310	140	899	507
Changes in working capital	- 88	50	- 126	- 41
Cash flow from operating activities	222	190	773	466
Cash flow from investment activities	- 65	- 437	- 277	- 619
Cash flow before financing activities	157	- 247	496	- 153
Cash flow from financing activities	- 68	414	- 222	157
Cash flow for the period	89	167	274	4
Cash and cash equivalents at the beginning of the period	561	240	411	403
Exchange rate difference in liquid assets	19	4	- 16	4
Cash and cash equivalents at the end of the period	669	411	669	411

Earnings per share

SEK million	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Profit after tax	180	95	572	336
Adjusted earnings:				
Amortisation of intangible assets arising from acquis.	3	4	14	14
Tax on amortisation	- 1	- 1	- 3	- 3
Adjusted earnings	182	98	583	347
Average number of shares, before dilution *	26,307,408	26,307,408	26,307,408	26,307,408
Average number of shares, after dilution *	26,328,203	26,307,408	26,315,844	26,307,408
Earnings per share, before and after dilution (SEK) *	6.84	3.61	21.74	12.77
Adjusted earnings per share, before dilution (SEK) *	6.92	3.72	22.16	13.19
Adjusted earnings per share, after dilution (SEK) *	6.91	3.72	22.15	13.19

Five-year overview

	2017	2016	2015	2014	2013
Net sales (SEK million)	6,720	4,447	4,726	4,234	4,522
Operating profit (EBITA) (SEK million)	763	457	570	470	427
EBITA margin (%)	11.4	10.3	12.1	11.1	9.4
Operating profit (EBIT) (SEK million)	749	443	556	454	411
Profit after financial income and expense (SEK million)	731	438	555	462	403
Profit after tax (SEK million)	572	336	420	364	314
Cash flow after investments, excl. acq. and disposals (SEK million)	496	245	288	127	362
Cash conversion (%)	66	55	52	28	82
Return on capital employed (%)	26.6	20.6	29.6	28.4	26.7
Return on shareholders' equity (%)	29.4	19.0	25.3	25.0	24.9
Net financial liabilities (-) assets (+) (SEK million)	- 153	- 408	122	59	122
Equity/assets ratio (%)	45	47	54	54	52
Earnings per share, before and after dilution (SEK) *	21.74	12.77	15.97	13.84	11.94
Adjusted earnings per share, before dilution (SEK) *	22.16	13.19	16.35	14.29	12.39
Dividend per share (2017 proposal) (SEK)	12.50	10.50	10.00	8.50	8.00
Average number of employees	7,249	6,418	7,759	8,020	9,357

* At the end of the period the Group had two share warrant programmes, Series 1 and Series 2. Series 1 has redemptions from 01/05/2019 to 15/12/2019 and Series 2 from 01/05/2020 to 15/12/2020. The subscription price is SEK 296.30 for Series 1 and SEK 485.10 for Series 2. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the programmes provide a maximum of 436,700 new class B shares.

Quarterly data (summary)

		Q1	Q2	Q3	Q4	Full year
Net sales (SEK million)	2017	1,370	1,675	1,749	1,926	6,720
	2016	1,022	1,037	1,036	1,352	4,447
	2015	1,073	1,280	1,084	1,289	4,726
Operating profit (EBITDA) (SEK million)	2017	199	232	263	286	980
	2016	155	152	149	180	636
	2015	164	208	185	180	737
Operating profit (EBITA) (SEK million)	2017	146	178	209	230	763
	2016	113	110	104	130	457
	2015	123	167	142	138	570
EBITA margin (%)	2017	10.7	10.6	11.9	11.9	11.4
	2016	11.1	10.6	10.0	9.6	10.3
	2015	11.5	13.0	13.1	10.7	12.1
Operating profit (EBIT) (SEK million)	2017	142	174	206	227	749
	2016	110	106	101	126	443
	2015	119	163	139	135	556
Profit after financial income and expense (SEK million)	2017	138	170	198	225	731
	2016	109	103	101	125	438
	2015	121	162	137	135	555
Profit after tax (SEK million)	2017	108	131	153	180	572
	2016	83	79	79	95	336
	2015	93	125	105	97	420
Cash flow from operating activities (SEK million)	2017	67	103	381	222	773
	2016	93	113	70	190	466
	2015	217	9	153	153	532
Cash flow from operations per share before dilution (SEK) *	2017	2.55	3.92	14.48	8.44	29.38
	2016	3.54	4.30	2.66	7.22	17.71
	2015	8.25	0.34	5.82	5.82	20.22
Cash flow after investments, excl. acq. and disp. (SEK million)	2017	3	28	308	157	496
	2016	30	61	19	135	245
	2015	104	- 52	120	116	288
Cash fl. aft. inv., excl. acq. and disp. per sh. bef. dilut. (SEK) *	2017	0.11	1.06	11.71	5.97	18.85
	2016	1.14	2.32	0.72	5.13	9.31
	2015	3.95	- 1.98	4.56	4.41	10.95
Cash fl. aft. inv., excl. acq. and disp. per sh. aft. dilut. (SEK) *	2017	0.11	1.06	11.71	5.96	18.85
	2016	1.14	2.32	0.72	5.13	9.31
	2015	3.95	- 1.98	4.56	4.41	10.95
Earnings per share, before and after dilution (SEK) *	2017	4.11	4.98	5.82	6.84	21.74
	2016	3.16	3.00	3.00	3.61	12.77
	2015	3.54	4.75	3.99	3.69	15.97
Adjusted earnings per share, before dilution (SEK) *	2017	4.22	5.09	5.93	6.92	22.16
	2016	3.23	3.12	3.12	3.72	13.19
	2015	3.65	4.86	4.07	3.77	16.35
Shareholders' equity per share, before and after dilution (SEK) *	2017	74	69	74	82	82
	2016	70	63	66	70	70
	2015	65	60	64	67	67
Return on total capital (%)	2017	14.0	14.8	16.1	17.1	17.1
	2016	17.8	16.0	14.7	13.7	13.7
	2015	17.6	19.5	19.8	18.3	18.3
Return on capital employed (%)	2017	20.8	22.3	24.7	26.6	26.6
	2016	27.2	24.8	22.4	20.6	20.6
	2015	28.5	31.6	32.0	29.6	29.6
Return on operating capital (%)	2017	24.3	25.7	29.1	32.1	32.1
	2016	34.2	28.9	26.1	24.4	24.4
	2015	34.7	36.4	37.3	35.3	35.3
Return on shareholders' equity (%)	2017	20.0	22.9	26.2	29.4	29.4
	2016	23.2	22.5	19.7	19.0	19.0
	2015	25.1	30.1	29.6	25.3	25.3
Closing share price Nolato B (Nasdaq Stockholm)	2017	267.00	316.50	393.00	539.00	539.00
	2016	227.50	221.50	263.00	263.00	263.00
	2015	208.50	189.50	210.00	257.50	257.50

* At the end of the period the Group had two share warrant programmes, Series 1 and Series 2. Series 1 has redemptions from 01/05/2019 to 15/12/2019 and Series 2 from 01/05/2020 to 15/12/2020. The subscription price is SEK 296.30 for Series 1 and SEK 485.10 for Series 2. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the programmes provide a maximum of 436,700 new class B shares.

Quarterly data business areas

Net sales (SEK million)		Q1	Q2	Q3	Q4	Full year
Medical Solutions	2017	487	498	459	511	1,955
	2016	390	397	395	463	1,645
	2015	344	365	368	387	1,464
Integrated Solutions	2017	399	692	819	900	2,810
	2016	300	311	343	448	1,402
	2015	418	584	434	581	2,017
Industrial Solutions	2017	488	489	473	518	1,968
	2016	334	331	301	443	1,409
	2015	312	332	282	325	1,251
Group adjustments, Parent Company	2017	- 4	- 4	- 2	- 3	- 13
	2016	- 2	- 2	- 3	- 2	- 9
	2015	- 1	- 1	—	- 4	- 6
Group total	2017	1,370	1,675	1,749	1,926	6,720
	2016	1,022	1,037	1,036	1,352	4,447
	2015	1,073	1,280	1,084	1,289	4,726

Operating profit (EBITA) (SEK million)		Q1	Q2	Q3	Q4	Full year
Medical Solutions	2017	65	64	60	68	257
	EBITA margin (%)	13.3	12.9	13.1	13.3	13.1
	2016	52	53	52	59	216
	EBITA margin (%)	13.3	13.4	13.2	12.7	13.1
	2015	46	47	51	47	191
	EBITA margin (%)	13.4	12.9	13.9	12.1	13.0
Integrated Solutions	2017	38	73	105	116	332
	EBITA margin (%)	9.5	10.5	12.8	12.9	11.8
	2016	33	28	29	41	131
	EBITA margin (%)	11.0	9.0	8.5	9.2	9.3
	2015	47	101	63	61	272
	EBITA margin (%)	11.2	17.3	14.5	10.5	13.5
Industrial Solutions	2017	48	48	47	52	195
	EBITA margin (%)	9.8	9.8	9.9	10.0	9.9
	2016	34	34	30	36	134
	EBITA margin (%)	10.2	10.3	10.0	8.1	9.5
	2015	34	34	30	34	132
	EBITA margin (%)	10.9	10.2	10.6	10.5	10.6
Group adjustments, Parent Company	2017	- 5	- 7	- 3	- 6	- 21
	2016	- 6	- 5	- 7	- 6	- 24
	2015	- 4	- 15	- 2	- 4	- 25
Group total	2017	146	178	209	230	763
	EBITA margin (%)	10.7	10.6	11.9	11.9	11.4
	2016	113	110	104	130	457
	EBITA margin (%)	11.1	10.6	10.0	9.6	10.3
	2015	123	167	142	138	570
	EBITA margin (%)	11.5	13.0	13.1	10.7	12.1

Depreciation/amortisation (SEK million)		Q1	Q2	Q3	Q4	Full year
Medical Solutions	2017	27	27	27	27	108
	2016	22	22	23	25	92
	2015	20	22	22	22	86
Integrated Solutions	2017	9	8	8	8	33
	2016	9	9	9	9	36
	2015	11	11	10	10	42
Industrial Solutions	2017	21	22	23	24	90
	2016	14	15	16	20	65
	2015	14	12	14	13	53
Group total	2017	57	57	58	59	231
	2016	45	46	48	54	193
	2015	45	45	46	45	181

■ Group financial highlights

	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales (SEK million)	1,926	1,352	6,720	4,447
Sales growth (%)	42	5	51	– 6
Percentage of sales outside Sweden (%)	83	83	82	76
Operating profit (EBITDA) (SEK million)	286	180	980	636
Operating profit (EBITA) (SEK million)	230	130	763	457
EBITA margin (%)	11.9	9.6	11.4	10.3
Profit after financial income and expense (SEK million)	225	125	731	438
Profit margin (%)	11.7	9.2	10.9	9.8
Profit after tax (SEK million)	180	95	572	336
Return on total capital (%)	17.1	13.7	17.1	13.7
Return on capital employed (%)	26.6	20.6	26.6	20.6
Return on operating capital (%)	32.1	24.4	32.1	24.4
Return on shareholders' equity (%)	29.4	19.0	29.4	19.0
Equity/assets ratio (%)	45	47	45	47
Debt/equity (%)	38	44	38	44
Interest coverage ratio (times)	54	49	56	67
Net investments affecting cash flow, excl. acq. and disposals (SEK million)	65	55	277	221
Cash flow after inv., excl. acq. and disp. (SEK million)	157	135	496	245
Cash conversion (%)	—	—	66	55
Net financial liabilities (–)	– 153	– 408	– 153	– 408
Earnings per share, before and after dilution (SEK) *	6.84	3.61	21.74	12.77
Adjusted earnings per share, before dilution (SEK) *	6.92	3.72	22.16	13.19
Adjusted earnings per share, after dilution (SEK) *	6.91	3.72	22.15	13.19
Cash flow from operations per share, before dilution (SEK) *	8.44	7.22	29.38	17.71
Cash flow from operations per share, after dilution (SEK) *	8.43	7.22	29.37	17.71
Cash flow per share, excl. acq. and disp., bef. dilution (SEK) *	5.97	5.13	18.85	9.31
Cash flow per share, excl. acq. and disp., aft. dilution (SEK) *	5.96	5.13	18.85	9.31
Shareholders' equity per share, before and after dilution (SEK) *	—	—	82	70
Average number of employees	—	—	7,249	6,418

* At the end of the period the Group had two share warrant programmes, Series 1 and Series 2. Series 1 has redemptions from 01/05/2019 to 15/12/2019 and Series 2 from 01/05/2020 to 15/12/2020. The subscription price is SEK 296.30 for Series 1 and SEK 485.10 for Series 2. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the programmes provide a maximum of 436,700 new class B shares.

■ Reconciliation of consolidated income before tax

SEK million	Full year 2017	Full year 2016
Operating profit (EBIT)		
Medical Solutions	247	203
Integrated Solutions	332	131
Industrial Solutions	191	133
Group adjustments, Parent Company	– 21	– 24
Consolidated operating profit (EBIT)	749	443
Financial income and expense (not distributed by business areas)	– 18	– 5
Consolidated profit before tax	731	438

■ Parent Company income statement (summary)

SEK million	Q4 2017	Q4 2016	Full year 2017	Full year 2016
Net sales	10	6	50	46
Selling expenses	- 1	- 2	- 6	- 5
Administrative expenses	- 12	- 10	- 51	- 44
Other operating income	2	—	6	2
Other operating expenses	- 7	- 8	- 25	- 27
Operating profit	- 8	- 14	- 26	- 28
Profit from participations in Group companies	183	24	260	92
Financial income	25	5	46	20
Financial expenses	- 1	- 12	- 5	- 14
Profit after financial income and expense	199	3	275	70
Appropriations	244	241	244	241
Tax	- 66	- 50	- 66	- 49
Profit after tax	377	194	453	262
Depreciation/amortisation	- 1	—	—	—

■ Parent Company balance sheet (summary)

SEK million	31/12/2017	31/12/2016
Assets		
Intangible fixed assets	3	—
Property, plant and equipment	1	1
Financial assets	1,625	1,653
Deferred tax assets	5	13
Total fixed assets	1,634	1,667
Other receivables	705	498
Cash and bank	73	75
Total current assets	778	573
Total assets	2,412	2,240
Shareholders' equity and liabilities		
Shareholders' equity	1,295	1,118
Untaxed reserves	200	163
Other provisions	13	13
Long-term liabilities	519	545
Current liabilities	385	401
Total shareholders' equity and liabilities	2,412	2,240

Transactions with related parties:

SEK million	Period	Services sold	Services bought	Interest income	Interest expenses	Res. from shares in Group comp.	Rec. fr. rel. part. on bal. sh. date	Liab. to rel. part. on bal. sh. date
Related party								
Subsidiary	Full year 2017	50	- 5	20	—	260	1,086	346
Subsidiary	Full year 2016	46	- 4	20	—	92	907	344

None of the company's Board members or senior executives currently have, or have previously had, any direct or indirect involvement in any business transaction with the company which is, or was, of an unusual character in terms of its conditions. Nor has the Group issued any loans, pledged any guarantees or entered into any surety arrangements for any of the company's Board members or senior executives.

Definitions - IFRS measures

Earnings per share

Earnings for the period that are attributable to the parent company's owners divided by the average number of outstanding shares.

Operating profit (EBIT)

Earnings before financial income and expense and taxes.

Definitions - Alternative performance measures

Nolato presents certain financial measures in this report that are not defined according to IFRS. Nolato considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment of trends and the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should not therefore be regarded as substitutes for measures defined according to IFRS.

Return on total capital

Profit after financial income and expense, plus financial expenses as a percentage of average total capital in the balance sheet.

Return on capital employed

Profit after financial income and expense, plus financial expenses as a percentage of average capital employed. Capital employed consists of total capital less non-interest-bearing liabilities and provisions.

Return on operating capital

Operating profit as a percentage of average operating capital. Operating capital consists of total capital less non-interest-bearing liabilities and provisions, less interest-bearing assets.

Return on shareholders' equity

Profit after tax as a percentage of average shareholders' equity.

EBITA margin

Operating profit (EBITA) as a percentage of net sales.

Average number of shares

The average basic number of shares comprises the parent company's weighted average number of outstanding shares during the period. After dilution, a weighted average of the shares that may be issued under the ongoing share warrant programme is added, but only insofar as the average listed share price for the period exceeds the subscription price of the warrants.

Adjusted earnings per share

Profit after tax, excluding amortisation of intangible assets arising from acquisitions, divided by the average number of shares.

Cash flow from operating activities per share

Cash flow from operating activities, divided by the average number of shares.

Cash flow per share, excl. acq. and disposals

Cash flow before financing activities, divided by the average number of shares.

Cash conversion

Cash flow after investments, excl. acquisitions and disposals, divided by operating profit (EBIT). Cash flow and operating profit have been adjusted by non-recurring items, if any.

Net debt

Interest-bearing liabilities and provisions less interest-bearing assets.

Interest coverage ratio

Profit after financial income and expense, plus financial expenses, divided by financial expenses.

Operating profit (EBITDA)

Earnings before financial income and expense, taxes and depreciation/amortisation.

Operating profit (EBITA)

Earnings before financial income and expense, taxes and amortisation of intangible assets arising from acquisitions.

Debt/equity ratio

Interest-bearing liabilities and provisions divided by shareholders' equity.

Equity/assets ratio

Shareholders' equity as a percentage of total capital in the balance sheet.

Profit margin

Profit after financial income and expense as a percentage of net sales.

Forward-looking information

Some of the items reported relate to future events and actual outcomes may differ materially. In addition to those factors explicitly commented on, other factors may also materially affect the actual outcome, such as economic conditions, exchange rates and interest rate levels, political risks, competition and pricing, product development, commercialisation and technical difficulties, supply problems and customer credit losses.

