

Nolato AB (publ) three-month interim report 2018

Strong growth and increased earnings across all business areas

■ First quarter of 2018 in brief

- Sales increased to SEK 2,039 million (1,370)
- Operating profit (EBITDA) rose to SEK 264 million (146) incl. non-recurring items of SEK 20 million (0)
- The EBITA margin amounted to 12.9% (10.7), or 12.0% (10.7) excluding non-recurring items
- Profit after tax was SEK 206 million (108)
- Basic earnings per share were SEK 7.83 (4.11)
- Cash flow after investments totalled SEK 187 million (3)
- Sustained strong financial position

■ Group highlights

SEK million unless otherwise specified	Note	Q1 2018*	Q1 2017	Rolling 12 months*	Full year 2017
Net sales	1	2,039	1,370	7,389	6,720
Operating profit (EBITDA) ¹⁾		322	199	1,103	980
Operating profit (EBITA) ²⁾		264	146	881	763
EBITA margin, %		12.9	10.7	11.9	11.4
Operating profit (EBIT) ³⁾	2	261	142	868	749
Profit after financial income and expense	2	256	138	849	731
Profit after tax		206	108	670	572
Basic earnings per share, SEK	3	7.83	4.11	25.47	21.74
Diluted earnings per share, SEK	3	7.80	4.11	25.43	21.74
Basic adjusted earnings per share, SEK ⁴⁾	3	7.91	4.22	25.85	22.16
Diluted adjusted earnings per share, SEK ⁴⁾	3	7.88	4.22	25.81	22.15
Cash flow after investments, excl. acquisitions and disposals		187	3	680	496
Net investments affecting cash flow, excl. acquisitions and disposals		109	64	322	277
Cash conversion, % ⁵⁾		—	—	77	66
Return on capital employed, %		29.8	20.8	29.8	26.6
Return on shareholders' equity, %		32.6	20.0	32.6	29.4
Equity/assets ratio, %		47	49	47	45
Net financial assets (+) / liabilities (–)		40	– 410	40	– 153

* Including non-recurring items of SEK 20 million in Q1 2018 that had a positive impact on earnings.

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.

First quarter 2018

- Sales rose to SEK 2,039 million (1,370); adjusted for currency, growth was an exceptionally strong 55%
- Substantially higher volumes for Integrated Solutions within new product areas compared with the previous year
- Strong growth and increased earnings across all business areas
- Operating profit (EBITA) rose to SEK 264 million (146) incl. non-recurring items of SEK 20 million (0)
- The EBITA margin amounted to 12.9% (10.7), or a very strong 12.0% (10.7) excluding non-recurring items

Sales

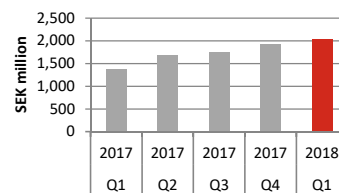
Consolidated sales rose by 49% to SEK 2,039 million (1,370). Adjusted for currency, growth was an exceptionally strong 55%. Organic growth was strong for all business areas, but was exceptionally strong for Integrated Solutions.

Medical Solutions sales rose to SEK 532 million (487); adjusted for currency, sales grew by a strong 10%. Volumes grew particularly within Medical Devices, where new customer projects have made a positive contribution.

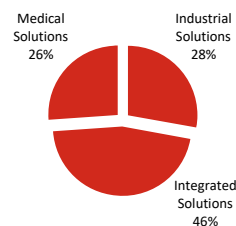
Integrated Solutions sales rose by 135% to SEK 939 million (399); adjusted for currency, sales increased by an exceptionally strong 157%. Very high volumes continued to be supplied for the vaporiser heating products (VHP) product area in the quarter. Heating Devices in particular enjoyed continued high launch volumes in the quarter, and these are expected to continue at a high level in the second quarter. In the second half of 2018, end-customer demand is anticipated to account for the majority of volumes, although at a sustained high level. Mobile phone volumes were relatively weak in the quarter.

Industrial Solutions sales increased to SEK 568 million (488); adjusted for currency, sales grew by a strong 16%. There was positive development of volumes in almost all product areas, particularly automotive and hygiene.

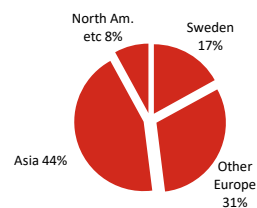
Sales



Business areas' share of sales



Sales by geographic markets



Profit

The Group's operating profit (EBITA) increased sharply to SEK 264 million (146). Excluding non-recurring items, profit amounted to SEK 244 million (146).

Operating profit (EBITA) increased to SEK 69 million (65) for Medical Solutions, to SEK 120 million (38) for Integrated Solutions and to SEK 57 million (48) for Industrial Solutions.

The EBITA margin for Medical Solutions was 13.0% (13.3). For Integrated Solutions the EBITA margin rose to a very strong 12.8% (9.5). Very high volumes and consequent capacity utilisation had a positive effect on the margin. The EBITA margin for Industrial Solutions was 10.0% (9.8). Overall, the Group's EBITA margin was 12.9% (10.7). Excluding non-recurring items, the EBITA margin rose to a very strong 12.0% (10.7).

Operating profit (EBIT) was SEK 261 million (142); excluding non-recurring items profit increased to SEK 241 million (142).

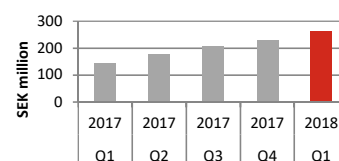
Profit after net financial income/expense rose to SEK 256 million (138). Net financial income/expense included currency exchange rate fluctuations affecting earnings by SEK -2 million (-2).

During the quarter, a distribution from the previous bankruptcy of a customer in 2006 was recognised, which boosted earnings by SEK 20 million (0) in other operating income. This non-recurring item has been recognised at Group level and has consequently not affected the profit of the business areas.

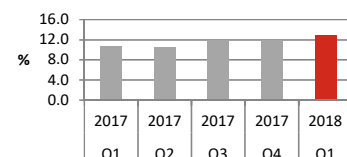
Profit after tax rose to SEK 206 million (108). Basic earnings per share increased to SEK 7.83 (4.11). Excluding non-recurring items, basic earnings per share amounted to SEK 7.03 (4.11). Adjusted basic earnings per share excluding amortisation of intangible assets arising from acquisitions were SEK 7.91 (4.22). The effective tax rate was 19.5% (21.7). Excluding non-recurring items, the tax rate was 21.6% (21.7).

Return on capital employed was 29.8% for the last 12-month period (26.6% for the 2017 calendar year). Return on equity was 32.6% for the last 12 months (29.4% for the 2017 calendar year).

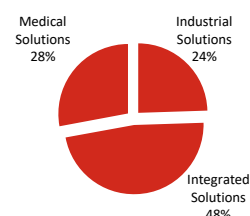
Operating profit (EBITA)



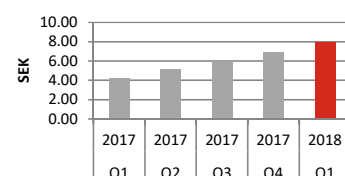
EBITA margin



Business areas' share of operating profit (EBITA)



Basic adjusted earnings per share



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

SEK million	Sales Q1/2018	Sales Q1/2017	Op. Profit EBITA Q1/2018	Op. Profit EBITA Q1/2017	EBITA margin Q1/2018	EBITA margin Q1/2017
Medical Solutions	532	487	69	65	13.0%	13.3%
Integrated Solutions	939	399	120	38	12.8%	9.5%
Industrial Solutions	568	488	57	48	10.0%	9.8%
Intra-Group adj., Parent Co	—	- 4	18*	- 5	—	—
Group total	2,039	1,370	264	146	12.9%	10.7%

* Including non-recurring items of SEK 20 million in Q1 2018 that had a positive impact on earnings.

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

Medical Solutions

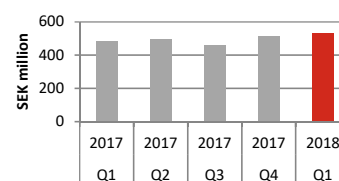
Sales and profit Q1 (SEK million)	2018	2017
Sales	532	487
Operating profit (EBITA)	69	65
EBITA margin (%)	13.0	13.3
Operating profit (EBIT)	67	62

Medical Solutions sales rose to SEK 532 million (487); adjusted for currency, sales grew by a strong 10%. Volumes grew particularly within Medical Devices, where new customer projects have made a positive contribution.

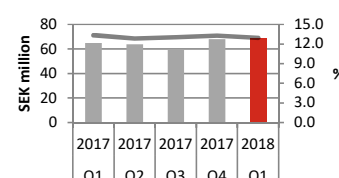
Operating profit (EBITA) rose to SEK 69 million (65). The EBITA margin was 13.0% (13.3), although last year benefited from a favourable product mix.

Strong growth has meant that, as per previously communicated decisions, Nolato is expanding production capacity in Hungary, Sweden and Switzerland. This work is proceeding according to plan and is estimated to be complete around year-end.

Medical Solutions sales



Medical Solutions operating profit (EBITA) & EBITA margin %



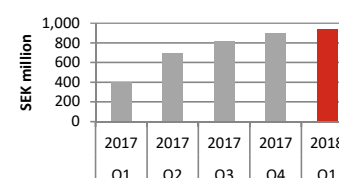
Integrated Solutions

Sales and profit Q1 (SEK million)	2018	2017
Sales	939	399
Operating profit (EBITA)	120	38
EBITA margin (%)	12.8	9.5
Operating profit (EBIT)	120	38

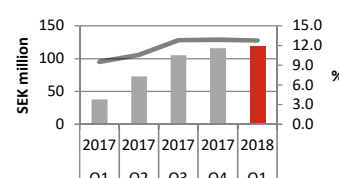
Integrated Solutions sales rose by 135% to SEK 939 million (399); adjusted for currency, sales increased by an exceptionally strong 157%. Very high volumes continued to be delivered for the vaporiser heating products (VHP) product area during the quarter. Heating Devices in particular enjoyed continued high launch volumes in the quarter, and these are expected to continue at a high level in the second quarter. In the second half of 2018, end-customer demand is anticipated to account for the majority of volumes, although at a sustained high level. Mobile phone volumes were relatively weak in the quarter.

Operating profit (EBITA) rose to SEK 120 million (38). The EBITA margin grew to a very strong 12.8% (9.5). Very high volumes and consequent capacity utilisation had a positive effect on the margin.

Integrated Solutions sales



Integrated Solutions operating profit (EBITA) & EBITA margin %



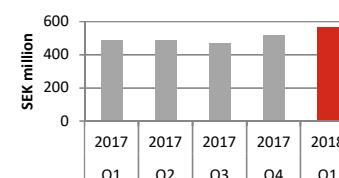
Industrial Solutions

Sales and profit Q1 (SEK million)	2018	2017
Sales	568	488
Operating profit (EBITA)	57	48
EBITA margin (%)	10.0	9.8
Operating profit (EBIT)	56	47

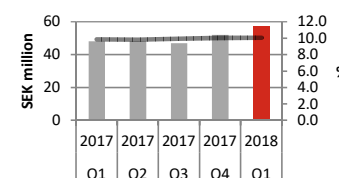
Industrial Solutions sales increased to SEK 568 million (488); adjusted for currency, sales grew by a strong 16%. There was positive development of volumes in almost all product areas, particularly automotive and hygiene. Advanced market positions and a sustained high level of invoicing for development work and production equipment for forthcoming production contributed to the strong growth.

Operating profit (EBITA) increased to SEK 57 million (48), with an EBITA margin of 10.0% (9.8).

Industrial Solutions sales



Industrial Solutions operating profit (EBITA) & EBITA margin %



Cash flow

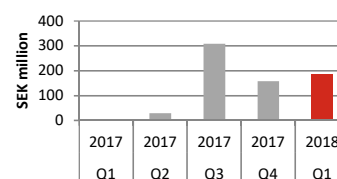
Cash flow after investments in first quarter increased to SEK 187 million (3). Excluding non-recurring items, cash flow amounted to SEK 158 million (3). The sharp increase in profit has made a positive contribution. The change in working capital was positive in the quarter despite the high growth, as a result of continued use of supplier finance programmes by the Group's customers.

Net investments affecting cash flow rose to SEK 109 million (64). Ongoing expansion of production facilities and investments in capacity in response to strong growth are resulting in increased investment.

Financial position

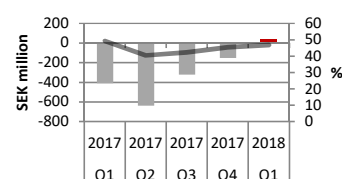
Interest-bearing assets increased to SEK 817 million (311), and interest-bearing liabilities and provisions rose to SEK 777 million (721). Net financial assets consequently totalled SEK 40 million (net financial liability of SEK –410 million). The strong cash flow of the last 12 months has reduced net debt. Shareholders' equity rose to SEK 2,412 million (1,955). The equity/assets ratio was 47% (49). Adjusted for the proposed dividend of SEK 329 million, the equity/assets ratio was 43% (45).

Cash flow after investments



Excluding acquisitions and disposals

Net financial assets (+) liabilities (–) & assets/equity ratio



Consolidated performance analysis

SEK million	Note	Q1 2018	Q1 2017	Full year 2017
Net sales	1	2,039	1,370	6,720
Gross profit excl. depreciation/amortisation		397	280	1,291
As a percentage of net sales		19.5	20.4	19.2
Costs		– 75	– 81	– 311
As a percentage of net sales		3.7	5.9	4.6
Operating profit (EBITDA)		322	199	980
As a percentage of net sales		15.8	14.5	14.6
Depreciation and amortisation		– 58	– 53	– 217
Operating profit (EBITA)		264	146	763
As a percentage of net sales		12.9	10.7	11.4
Amortisation of intangible assets arising from acquisitions		– 3	– 4	– 14
Operating profit (EBIT)	2	261	142	749
Financial income and expense	2	– 5	– 4	– 18
Profit after financial income and expense	2	256	138	731
Tax		– 50	– 30	– 159
As a percentage of profit after financial income and expense		19.5	21.7	21.8
Profit after tax		206	108	572

Financial position

SEK million	31/03/2018	31/03/2017	31/12/2017
Interest-bearing liabilities, credit institutions	– 588	– 518	– 638
Interest-bearing pension liabilities	– 189	– 203	– 184
Total borrowings	– 777	– 721	– 822
Cash and bank	817	311	669
Net financial assets (+) / liabilities (–)	40	– 410	– 153
Working capital	340	421	390
As a percentage of sales (avg.) (%)	5.1	7.0	5.3
Capital employed	3,188	2,676	2,980
Return on capital employed (avg.) (%)	29.8	20.8	26.6
Shareholders' equity	2,412	1,955	2,159
Return on shareholders' equity (avg.) (%)	32.6	20.0	29.4

■ Personnel

The average number of employees during the period was 6,239 people (6,077).

■ 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 2017 Annual Report on pages 52 – 53, and in Note 28 on pages 75 – 77.

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

No significant events have occurred since the end of the period.

■ Ownership and legal structure

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

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

There were 13,902 shareholders at 31 March. The largest shareholders are the Jorlén family with 10%, the Boström family and the Hamrin family with 9% each, Didner & Gerge Funds with 7%, Lannebo Funds and SSB Client Omnibus with 5% each, of the capital.

■ The Parent Company

For the parent company, which has no operating activities, sales amounted to SEK 16 million (14). Profit after financial income and expense increased to SEK 67 million (–10), owing mainly to higher earnings from investments in group companies.

Contingent liabilities amounted to SEK 116 million (135).

■ 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 24 April 2018.

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

■ 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 2017 Annual Report.

The new or revised IFRS standards or IFRIC interpretations, which came into effect on 1 January 2018, 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 16 Leases

IFRS 16 Leases replaces IAS 17 as of 1 January 2019. The standard removes the requirement in IAS 17 for the lessee to classify leases as either operating or finance leases, and instead introduces a collective model for all leases. In this model the lessee must recognise (a) assets and liabilities for all leases with a lease term of more than 12 months, with the exception of assets with a low value; and (b) depreciation of leased assets separately from debt interest on leases in the income statement.

The next interim report, for the first six months, intends to set out how IFRS 16 Leases will affect consolidated financial statements.

■ Financial information schedule

■ Six-month interim report 2018: 19 July 2018

■ Nine-month interim report 2018: 24 October 2018

Torekov, 24 April 2018

Nolato AB (publ)

Christer Wahlquist, President and CEO

THE COMPANY IN BRIEF

■ Nolato's business

Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, consumer electronics, 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	Note	Q1 2018	Q1 2017	Rolling 12 months	Full year 2017
Net sales	1	2,039	1,370	7,389	6,720
Cost of goods sold		– 1,698	– 1,141	– 6,199	– 5,642
Gross profit		341	229	1,190	1,078
Other operating income		20	—	32	12
Selling expenses		– 31	– 31	– 116	– 116
Administrative expenses		– 50	– 51	– 204	– 205
Other operating expenses		– 19	– 5	– 34	– 20
		– 80	– 87	– 322	– 329
Operating profit	2	261	142	868	749
Financial income and expense	2	– 5	– 4	– 19	– 18
Profit after financial income and expense	2	256	138	849	731
Tax		– 50	– 30	– 179	– 159
Profit after tax		206	108	670	572
All earnings are attrib. to the Parent Co.'s shareholders					
Depreciation/amortisation		61	57	235	231
Basic earnings per share, SEK*	3	7.83	4.11	25.47	21.74
Diluted earnings per share, SEK*	3	7.80	4.11	25.43	21.74
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*		26,449,857	26,307,408	26,449,857	26,342,651
Average number of shares, before dilution*		26,307,408	26,307,408	26,307,408	26,307,408
Average number of shares, after dilution*		26,396,255	26,307,408	26,338,424	26,315,844

* 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	Q1 2018	Q1 2017	Rolling 12 months	Full year 2017
Profit after tax	206	108	670	572
Other comprehensive income				
<i>Items that cannot be transferred to profit for the period</i>				
Revaluations of defined benefit pension plans	—	—	16	16
Tax attributable to items that cannot be transferred to profit for the period	—	—	– 2	– 2
	—	—	14	14
<i>Items that have been converted or can be converted into profit for the period</i>				
Translation differences for the period on translation of foreign operations	47	– 5	46	– 6
Changes in the fair value of cash flow hedges for the period*	—	2	1	3
Tax attributable to changes in the fair value of cash flow hedges*	—	—	– 1	– 1
	47	– 3	46	– 4
Other comprehensive income, net of tax	47	– 3	60	10
Total comp. income for the period attributable to the Parent Co.'s shareholders	253	105	730	582

* 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	31/03/2018	31/03/2017	31/12/2017
Assets			
Non-current assets			
Intangible non-current assets	831	848	813
Property, plant and equipment	1,329	1,224	1,243
Non-current financial assets	2	2	2
Other non-current receivables	1	1	1
Deferred tax assets	55	44	52
Total fixed assets	2,218	2,119	2,111
Current assets			
Inventories	590	434	530
Accounts receivable	1,213	891	1,128
Other current assets* ²⁾	310	212	314
Cash and bank	817	311	669
Total current assets	2,930	1,848	2,641
Total assets	5,148	3,967	4,752
Shareholders' equity and liabilities			
Shareholders' equity	2,412	1,955	2,159
Long-term liabilities and provisions ¹⁾	782	808	757
Deferred tax liabilities ¹⁾	98	88	103
Current liabilities and provisions* ^{1) 3)}	1,856	1,116	1,733
Total liabilities and provisions	2,736	2,012	2,593
Total shareholders' equity and liabilities	5,148	3,967	4,752
¹⁾ Interest-bearing/non-interest-bearing liabilities and provisions:			
Interest-bearing liabilities and provisions	777	721	822
Non-interest-bearing liabilities and provisions	1,959	1,291	1,771
Total liabilities and provisions	2,736	2,012	2,593
* 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	3	13	8
³⁾ Derivative liabilities are included in current liabilities and provisions at	16	2	—

Changes in consolidated shareholders' equity (summary)

SEK million	Q1 2018	Q1 2017	Full year 2017
Shareholders' equity at the beginning of the period	2,159	1,850	1,850
Total comprehensive income for the period	253	105	582
Dividends	—	—	– 276
Share warrants included in incentive programme	—	—	3
Shareholders' equity at the end of period attrib. to Parent Co's shareholders	2,412	1,955	2,159

In 2017, 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	Q1 2018	Q1 2017	Rolling 12 months	Full year 2017
Cash flow from operating activities before changes in working capital	287	168	1,018	899
Changes in working capital	9	- 101	- 16	- 126
Cash flow from operating activities	296	67	1,002	773
Cash flow from investment activities	- 109	- 64	- 322	- 277
Cash flow before financing activities	187	3	680	496
Cash flow from financing activities	- 73	- 100	- 195	- 222
Cash flow for the period	114	- 97	485	274
Cash and cash equivalents at the beginning of the period	669	411	—	411
Exchange rate difference in liquid assets	34	- 3	—	- 16
Cash and cash equivalents at the end of the period	817	311	—	669

Note 1 Revenue from contracts with customers

SEK million	Q1 - 2018				Q1 - 2017				Full year - 2017			
	Sum	Medical Sol.	Integr. Sol.	Indust. Sol.	Sum	Medical Sol.	Integr. Sol.	Indust. Sol.	Sum	Medical Sol.	Integr. Sol.	Indust. Sol.
Sweden	339	43	16	280	329	41	56	232	1,235	167	122	946
Other Europe	639	351	58	230	615	348	49	218	2,297	1,288	164	845
North America etc.	165	119	5	41	122	85	11	26	613	429	66	118
Asia	896	19	860	17	308	13	283	12	2,588	71	2,458	59
Elimination internal sales	—				- 4				- 13			
Tot. revenues fr. customer contracts	2,039	532	939	568	1,370	487	399	488	6,720	1,955	2,810	1,968

The above table essentially covers products transferred at a specific date.

For the first three months of the year, the Group recognised reversals of previously impaired trade receivables and contract assets of SEK 1 million (1). Impairment losses are recognised in the cost of sold goods.

Note 2 Reconciliation of consolidated income before tax

SEK million	Q1 2018	Q1 2017	Rolling 12 months	Full year 2017
Operating profit (EBIT)				
Medical Solutions	67	62	252	247
Integrated Solutions	120	38	414	332
Industrial Solutions	56	47	200	191
Group adjustments, Parent Company*	18	- 5	2	- 21
Consolidated operating profit (EBIT)*	261	142	868	749
Financial income and expense (not distributed by business areas)	- 5	- 4	- 19	- 18
Consolidated profit before tax*	256	138	849	731

* Including non-recurring items of SEK 20 million in Q1 2018 that had a positive impact on earnings.

■ Note 3 Earnings per share (IFRS measures)

SEK million	Q1 2018	Q1 2017	Rolling 12 months	Full year 2017
Profit after tax	206	108	670	572
Average number of shares, before dilution	26,307,408	26,307,408	26,307,408	26,307,408
Basic earnings per share (SEK)	7.83	4.11	25.47	21.74
Non-recurring items	– 21	—	– 21	—
Profit after tax excl. non-recurring items	185	108	649	572
Basic earnings per share excl. non-recurring items (SEK)	7.03	4.11	24.67	21.74
Dilutive shares from Series 1 incentive programme with exercise price SEK 296.30 per share; total 240,500 warrants	74,880	—	17,049	8,436
Dilutive shares from Series 2 incentive programme with exercise price SEK 485.10 per share; total 196,200 warrants	13,967	—	13,967	—
Average number of shares, after dilution	26,396,255	26,307,408	26,338,424	26,315,844
Diluted earnings per share (SEK)	7.80	4.11	25.43	21.74
Diluted earnings per share excl. non-recurring items (SEK)	7.01	4.11	24.64	21.74
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	26,449,857	26,307,408	26,449,857	26,342,651

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.

■ Adjusted earnings per share (alternative performance measures)

SEK million	Q1 2018	Q1 2017	Rolling 12 months	Full year 2017
Profit after tax	206	108	670	572
Adjusted earnings:				
Amortisation of intangible assets arising from acquisitions	3	4	13	14
Tax on amortisation	– 1	– 1	– 3	– 3
Adjusted earnings	208	111	680	583
Average number of shares, before dilution	26,307,408	26,307,408	26,307,408	26,307,408
Basic adjusted earnings per share (SEK)	7.91	4.22	25.85	22.16
Non-recurring items	– 21	—	– 21	—
Adjusted earnings after tax, excl. non-recurring items	187	111	659	583
Basic adjusted earnings per share excl. non-recurring items (SEK)	7.11	4.22	25.05	22.16
Average number of shares, after dilution	26,396,255	26,307,408	26,338,424	26,315,844
Diluted adjusted earnings per share (SEK)	7.88	4.22	25.81	22.15
Diluted adjusted earnings per share excl. non-recurring items (SEK)	7.08	4.22	25.02	22.15

■ Five-year overview

IFRS measures	Note	2017	2016	2015	2014	2013
Operating profit (EBIT) (SEK million)	2	749	443	556	454	411
Earnings per share, before and after dilution (SEK)	3	21.74	12.77	15.97	13.84	11.94
Alternative performance measures						
Net sales (SEK million)	1	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
Profit after financial income and expense (SEK million)	2	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
Basic adjusted earnings per share (SEK)	3	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

Including any non-recurring items.

Quarterly data (summary)

IFRS measures	Note		Q1*	Q2	Q3	Q4	Full year
Operating profit (EBIT) (SEK million)	2	2018	261	—	—	—	—
	2	2017	142	174	206	227	749
		2016	110	106	101	126	443
Basic earnings per share (SEK)	3	2018	7.83	—	—	—	—
	3	2017	4.11	4.98	5.82	6.84	21.74
		2016	3.16	3.00	3.00	3.61	12.77
Diluted earnings per share (SEK)	3	2018	7.80	—	—	—	—
	3	2017	4.11	4.98	5.82	6.84	21.74
		2016	3.16	3.00	3.00	3.61	12.77
Alternative performance measures							
Net sales (SEK million)	1	2018	2,039	—	—	—	—
	1	2017	1,370	1,675	1,749	1,926	6,720
		2016	1,022	1,037	1,036	1,352	4,447
Operating profit (EBITDA) (SEK million)		2018	322	—	—	—	—
		2017	199	232	263	286	980
		2016	155	152	149	180	636
Operating profit (EBITA) (SEK million)		2018	264	—	—	—	—
		2017	146	178	209	230	763
		2016	113	110	104	130	457
EBITA margin (%)		2018	12.9	—	—	—	—
		2017	10.7	10.6	11.9	11.9	11.4
		2016	11.1	10.6	10.0	9.6	10.3
Profit after financial income and expense (SEK million)	2	2018	256	—	—	—	—
	2	2017	138	170	198	225	731
		2016	109	103	101	125	438
Profit after tax (SEK million)		2018	206	—	—	—	—
		2017	108	131	153	180	572
		2016	83	79	79	95	336
Cash flow from operating activities (SEK million)		2018	296	—	—	—	—
		2017	67	103	381	222	773
		2016	93	113	70	190	466
Cash flow from operations per share before dilution (SEK)		2018	11.25	—	—	—	—
		2017	2.55	3.92	14.48	8.44	29.38
		2016	3.54	4.30	2.66	7.22	17.71
Cash flow after investments, excl. acq. and disp. (SEK million)		2018	187	—	—	—	—
		2017	3	28	308	157	496
		2016	30	61	19	135	245
Cash fl. aft. inv., excl. acq. and disp. per sh. bef. dilut. (SEK)		2018	7.11	—	—	—	—
		2017	0.11	1.06	11.71	5.97	18.85
		2016	1.14	2.32	0.72	5.13	9.31
Basic adjusted earnings per share (SEK)	3	2018	7.91	—	—	—	—
	3	2017	4.22	5.09	5.93	6.92	22.16
		2016	3.23	3.12	3.12	3.72	13.19
Shareholders' equity per share, before dilution (SEK)		2018	92	—	—	—	—
		2017	74	69	74	82	82
		2016	70	63	66	70	70
Return on total capital (%)		2018	18.8	—	—	—	—
		2017	14.0	14.8	16.1	17.1	17.1
		2016	17.8	16.0	14.7	13.7	13.7
Return on capital employed (%)		2018	29.8	—	—	—	—
		2017	20.8	22.3	24.7	26.6	26.6
		2016	27.2	24.8	22.4	20.6	20.6
Return on operating capital (%)		2018	36.8	—	—	—	—
		2017	24.3	25.7	29.1	32.1	32.1
		2016	34.2	28.9	26.1	24.4	24.4
Return on shareholders' equity (%)		2018	32.6	—	—	—	—
		2017	20.0	22.9	26.2	29.4	29.4
		2016	23.2	22.5	19.7	19.0	19.0
Closing share price Nolato B (Nasdaq Stockholm)		2018	609.00	—	—	—	—
		2017	267.00	316.50	393.00	539.00	539.00
		2016	227.50	221.50	263.00	263.00	263.00

* Including non-recurring items of SEK 20 million in Q1 2018 that had a positive impact on earnings.

Quarterly data business areas

Alternative performance measures

Net sales (SEK million)	Note		Q1	Q2	Q3	Q4	Full year
Medical Solutions	1	2018	532	—	—	—	—
	1	2017	487	498	459	511	1,955
		2016	390	397	395	463	1,645
Integrated Solutions	1	2018	939	—	—	—	—
	1	2017	399	692	819	900	2,810
		2016	300	311	343	448	1,402
Industrial Solutions	1	2018	568	—	—	—	—
	1	2017	488	489	473	518	1,968
		2016	334	331	301	443	1,409
Group adjustments, Parent Company	1	2018	—	—	—	—	—
	1	2017	– 4	– 4	– 2	– 3	– 13
		2016	– 2	– 2	– 3	– 2	– 9
Group total	1	2018	2,039	—	—	—	—
	1	2017	1,370	1,675	1,749	1,926	6,720
		2016	1,022	1,037	1,036	1,352	4,447

Operating profit (EBITA) (SEK million)		Q1	Q2	Q3	Q4	Full year
Medical Solutions	2018	69	—	—	—	—
	EBITA margin (%)	13.0	—	—	—	—
	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
Integrated Solutions	2018	120	—	—	—	—
	EBITA margin (%)	12.8	—	—	—	—
	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
Industrial Solutions	2018	57	—	—	—	—
	EBITA margin (%)	10.0	—	—	—	—
	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
Group adjustments, Parent Company*	2018	18	—	—	—	—
	2017	– 5	– 7	– 3	– 6	– 21
	2016	– 6	– 5	– 7	– 6	– 24
Group total	2018	264	—	—	—	—
	EBITA margin (%)	12.9	—	—	—	—
	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

* Including non-recurring items of SEK 20 million in Q1 2018 that had a positive impact on earnings.

Depreciation/amortisation (SEK million)		Q1	Q2	Q3	Q4	Full year
Medical Solutions	2018	28	—	—	—	—
	2017	27	27	27	27	108
	2016	22	22	23	25	92
Integrated Solutions	2018	8	—	—	—	—
	2017	9	8	8	8	33
	2016	9	9	9	9	36
Industrial Solutions	2018	25	—	—	—	—
	2017	21	22	23	24	90
	2016	14	15	16	20	65
Group total	2018	61	—	—	—	—
	2017	57	57	58	59	231
	2016	45	46	48	54	193

■ Group financial highlights

		Q1 2018*	Q1 2017	Rolling 12 months*	Full year 2017
IFRS measures					
	Note				
Basic earnings per share (SEK)	3	7.83	4.11	25.47	21.74
Diluted earnings per share (SEK)	3	7.80	4.11	25.43	21.74
Alternative performance measures					
Net sales (SEK million)	1	2,039	1,370	7,389	6,720
Sales growth (%)		49	34	54	51
Percentage of sales outside Sweden (%)		83	76	83	82
Operating profit (EBITDA) (SEK million)		322	199	1,103	980
Operating profit (EBITA) (SEK million) ¹⁾		264	146	881	763
EBITA margin (%) ¹⁾		12.9	10.7	11.9	11.4
Profit after financial income and expense (SEK million)	2	256	138	849	731
Profit margin (%)		12.6	10.1	11.5	10.9
Profit after tax (SEK million)		206	108	670	572
Return on total capital (%) ¹⁾		18.8	14.0	18.8	17.1
Return on capital employed (%) ¹⁾		29.8	20.8	29.8	26.6
Return on operating capital (%) ¹⁾		36.8	24.3	36.8	32.1
Return on shareholders' equity (%) ¹⁾		32.6	20.0	32.6	29.4
Equity/assets ratio (%)		47	49	47	45
Debt/equity (%)		32	37	32	38
Interest coverage ratio (times)		48	59	53	56
Net investments affecting cash flow, excl. acq. and disposals (SEK million)		109	64	322	277
Cash flow after investments, excl. acq. and disposals (SEK million)		187	3	680	496
Cash conversion (%) ¹⁾		—	—	77	66
Net financial assets (+) / liabilities (–) (SEK million)		40	– 410	40	– 153
Basic adjusted earnings per share (SEK)	3	7.91	4.22	25.85	22.16
Diluted adjusted earnings per share (SEK)	3	7.88	4.22	25.81	22.15
Cash flow from operations per share, before dilution (SEK)		11.25	2.55	38.09	29.38
Cash flow from operations per share, after dilution (SEK)		11.21	2.55	38.04	29.37
Cash flow per share, excl. acquisitions and disposals, before dilution (SEK)		7.11	0.11	25.85	18.85
Cash flow per share, excl. acquisitions and disposals, after dilution (SEK)		7.08	0.11	25.82	18.85
Shareholders' equity per share, before dilution (SEK)		92	74	92	82
Shareholders' equity per share, after dilution (SEK)		91	74	91	82
Average number of employees		6,239	6,077	—	7,249

* Including non-recurring items of SEK 20 million in Q1 2018 that had a positive impact on earnings.

1) KPIs calculated as specified on page 17.

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.

Alternative performance measures

SEK million unless otherwise specified	Note	Q1 2018	Q1 2017	Rolling 12 months	Full year 2017
Operating profit (EBITDA)		322	199	1,103	980
Non-recurring items		- 20	—	- 20	—
Adjusted operating profit (EBITDA)		302	199	1,083	980
Operating profit (EBIT)	2	261	142	868	749
Reversal of amortisation of intangible assets arising in connection with acquisitions		3	4	13	14
Operating profit (EBITA)		264	146	881	763
Non-recurring items		- 20	—	- 20	—
Adjusted operating profit (EBITA)		244	146	861	763
EBITA margin (%)		12.9	10.7	11.9	11.4
Adjusted EBITA margin (%)		12.0	10.7	11.7	11.4
Profit after financial income and expense	2	256	138	849	731
Non-recurring items		- 20	—	- 20	—
Adjusted profit after financial income and expense		236	138	829	731
Profit margin (%)		12.6	10.1	11.5	10.9
Adjusted profit margin (%)		11.6	10.1	11.2	10.9
Profit after tax		206	108	670	572
Non-recurring items		- 20	—	- 20	—
Tax on non-recurring items		- 1	—	- 1	—
Adjusted profit after tax		185	108	649	572
Cash flow after investments, excluding acquisitions and disposals		—	—	680	496
Non-recurring items (affecting cash flow)		—	—	- 29	—
Adjusted cash flow after investments, excluding acquisitions and disposals		—	—	651	496
Operating profit (EBIT)	2	—	—	868	749
Non-recurring items		—	—	- 20	—
Adjusted operating profit (EBIT)		—	—	848	749
Cash conversion (%)		—	—	77	66

Non-recurring items consist of a distribution from the previous bankruptcy of a customer in 2006. This boosted earnings by SEK 20 million (0) in other operating income. This non-recurring item has been recognised at Group level and has consequently not affected the profit of the business areas.

SEK million unless otherwise specified	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Profit after financial income and expense, rolling 12 months	849	731	631	534	467				
Financial expense, rolling 12 months	16	13	13	9	8				
Adjusted profit after financial income and exp., rolling 12 months	865	744	644	543	475				
Total capital, accumulated for the period	5,148	4,752	4,612	4,487	3,967	3,924	3,025	2,948	3,047
Average total capital, last 5 quarters	4,593	4,348	4,003	3,670	3,382				
Return on total capital (%)	18.8	17.1	16.1	14.8	14.0				
Adjusted profit after financial income and exp., rolling 12 months	865	744	644	543	475				
Capital employed, accumulated for the period	3,188	2,980	2,836	2,836	2,676	2,668	2,033	1,958	2,075
Average capital employed, last 5 quarters	2,903	2,799	2,610	2,434	2,282				
Return on capital employed (%)	29.8	26.6	24.7	22.3	20.8				
Operating profit (EBIT), rolling 12 months	868	749	648	543	475				
Capital employed, accumulated for the period	3,188	2,980	2,836	2,836	2,676	2,668	2,033	1,958	2,075
Cash and bank	- 817	- 669	- 561	- 380	- 311	- 411	- 240	- 250	- 391
Operating capital, accumulated for the period	2,371	2,311	2,275	2,456	2,365	2,257	1,793	1,708	1,684
Average operating capital, latest 5 quarters	2,356	2,333	2,229	2,116	1,961				
Return on operating capital (%)	36.8	32.1	29.1	25.7	24.3				
Profit after tax, rolling 12 months	670	572	487	413	361				
Shareholders' equity, accumulated for the period	2,412	2,159	1,950	1,815	1,955	1,850	1,741	1,653	1,829
Average shareholders' equity, latest 5 quarters	2,058	1,946	1,862	1,803	1,806				
Return on shareholders' equity (%)	32.6	29.4	26.2	22.9	20.0				

■ Parent Company income statement (summary)

SEK million	Q1 2018	Q1 2017	Rolling 12 months	Full year 2017
Net sales	16	14	52	50
Selling expenses	- 2	- 1	- 7	- 6
Administrative expenses	- 12	- 15	- 48	- 51
Other operating income	3	—	9	6
Other operating expenses	- 9	- 7	- 27	- 25
Operating profit	- 4	- 9	- 21	- 26
Profit from participations in Group companies	79	—	339	260
Financial income	4	5	45	46
Financial expenses	- 12	- 6	- 11	- 5
Profit after financial income and expense	67	- 10	352	275
Appropriations	—	—	244	244
Tax	—	—	- 66	- 66
Profit after tax	67	- 10	530	453
Depreciation/amortisation	—	—	—	—

■ Parent Company balance sheet (summary)

SEK million	31/03/2018	31/03/2017	31/12/2017
Assets			
Intangible fixed assets	4	4	3
Property, plant and equipment	1	1	1
Financial assets	1,623	1,651	1,625
Deferred tax assets	6	13	5
Total fixed assets	1,634	1,669	1,634
Other receivables	735	451	705
Cash and bank	98	37	73
Total current assets	833	488	778
Total assets	2,467	2,157	2,412
Shareholders' equity and liabilities			
Shareholders' equity	1,362	1,108	1,295
Untaxed reserves	200	163	200
Other provisions	14	13	13
Long-term liabilities	536	546	519
Current liabilities	355	327	385
Total shareholders' equity and liabilities	2,467	2,157	2,412

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	Q1 2018	16	- 1	4	—	79	1,098	385
Subsidiary	Q1 2017	14	- 1	5	—	—	871	398

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.

