

Nolato AB (publ) six-month interim report 2019

Normalised inventory situation at Integrated Solutions

■ Second quarter of 2019 in brief

- Sales totalled SEK 1,987 million (2,302)
- Operating profit (EBITA) was SEK 233 million (266)
- EBITA margin of 11.7% (11.6)
- Profit after tax was SEK 180 million (204)
- Basic earnings per share were SEK 6.82 (7.75)
- Cash flow after investments was SEK 178 million (352)

■ First six months of 2019 in brief

- Sales totalled SEK 3,643 million (4,341)
- Operating profit (EBITA) was SEK 408 million (530 incl. non-recurring items of SEK 20 million)
- Basic earnings per share were SEK 11.80 (15.59)
- Cash flow after investments was SEK 203 million (539)
- Sustained strong financial position

■ Group highlights

SEK million unless otherwise specified	Note	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018*	Rolling 12 months*	Full year 2018*
Net sales	1	1,987	2,302	3,643	4,341	7,404	8,102
Operating profit (EBITDA) ¹⁾		321	325	580	647	1,122	1,189
Operating profit (EBITA) ²⁾		233	266	408	530	827	949
EBITA margin, %		11.7	11.6	11.2	12.2	11.2	11.7
Operating profit (EBIT) ³⁾	2	232	264	405	525	821	941
Profit after financial income and expense	2	223	257	389	513	797	921
Profit after tax		180	204	311	410	623	722
Basic earnings per share, SEK	3	6.82	7.75	11.80	15.59	23.65	27.44
Diluted earnings per share, SEK	3	6.81	7.70	11.77	15.52	23.59	27.37
Basic adjusted earnings per share, SEK ⁴⁾	3	6.82	7.83	11.88	15.74	23.81	27.67
Diluted adjusted earnings per share, SEK ⁴⁾	3	6.81	7.78	11.84	15.67	23.74	27.59
Cash flow after investm., excl. acquisitions and disposals		178	352	203	539	257	593
Net investm. affecting cash fl., excl. acquis. and disposals		87	120	192	229	415	452
Cash conversion, % ⁵⁾		—	—	—	—	31	60
Return on capital employed, %		23.6	32.0	23.6	32.0	23.6	29.7
Return on shareholders' equity, %		24.5	34.9	24.5	34.9	24.5	30.4
Equity/assets ratio, %		47	43	47	43	47	50
Net financial assets excl. pension- & lease liabilities		190	253	190	253	190	341

* Including non-recurring items of SEK +20 million in Q1 2018 and SEK –17 million in Q3 2018, which affected operating profit by a net amount of SEK +3 million.

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.

Second quarter 2019

- Sales totalled SEK 1,987 million (2,302), which adjusted for currency and Group structure was a decrease of 17%
- Strong performance by Medical Solutions
- Normalised inventory situation at Integrated Solutions
- Inventory adjustments affected Industrial Solutions
- Operating profit (EBITA) was SEK 233 million (266)
- Strong EBITA margin of 11.7% (11.6)
- Cash flow after investments was SEK 178 million (352)

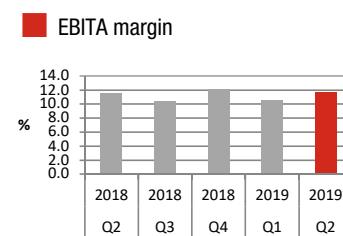
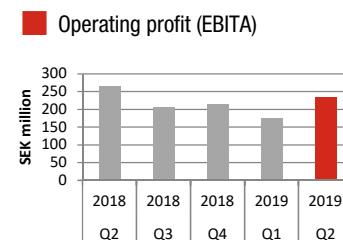
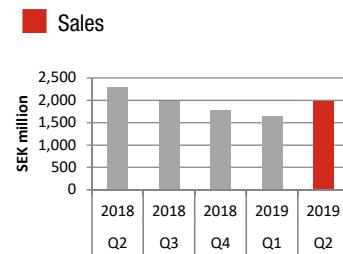
Sales

Consolidated sales totalled SEK 1,987 million (2,302). Adjusted for currency and Group structure, this was a decrease of 17%.

Medical Solutions sales rose to SEK 634 million (562); adjusted for currency, sales grew by a strong 9%. Volumes increased in both the Medical Devices and Pharma Packaging sectors, and most product areas experienced positive growth. For the second half of the year sales are expected to be in line with last year, which had very high sales from development work and additional billing of production equipment.

Integrated Solutions sales decreased to SEK 821 million (1,186); adjusted for currency, sales declined by 35%. Following inventory adjustments in Vaporiser Heating Products (VHP) late last year and in the first quarter of this year, the inventory situation has now normalised. As previously assessed by Nolato, sales for the quarter exceeded the level in the fourth quarter of 2018. The second quarter of last year saw very high launch volumes and build-up of inventory by the customer. Growth in the EMC area was excellent, while volumes for mobile phones were weak in the quarter.

Industrial Solutions sales totalled SEK 541 million (554); adjusted for currency and Group structure, sales decreased by 3%. Inventory adjustments for a customer in the hygiene area, which had a negative impact on the first quarter, continued in the second quarter. Volumes were stable in most other product areas.



■ Profit

The Group's operating profit (EBITA) was SEK 233 million (266) in the second quarter.

Operating profit (EBITA) increased to SEK 82 million (73) for Medical Solutions, while for Integrated Solutions it declined to SEK 107 million (140), and for Industrial Solutions it decreased, to SEK 46 million (55).

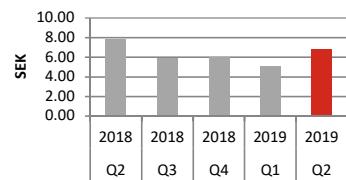
The EBITA margin for Medical Solutions was 12.9% (13.0). For Integrated Solutions, the EBITA margin rose to a very strong 13.0% (11.8). Sequentially higher volumes and a favourable product mix had a positive effect on the margin. Good volumes of older products in Vaporiser Heating Products (VHP) with high production efficiency, high EMC volumes and currency effects had a positive impact on the margin. The EBITA margin for Industrial Solutions was 8.5% (9.9). The lower margin was due to continued unsatisfactory efficiency of one production facility, combined with lower volumes in the hygiene area. Measures implemented to enhance efficiency are gradually leading to an improvement in the margin. Overall, the Group's EBITA margin grew to a strong 11.7% (11.6).

Operating profit (EBIT) was SEK 232 million (264).

Profit after net financial income/expense was SEK 223 million (257).

Profit after tax was SEK 180 million (204). Basic earnings per share were SEK 6.82 (7.75). Adjusted basic earnings per share excluding amortisation of intangible assets arising from acquisitions amounted to SEK 6.82 (7.83).

■ Adjusted basic earnings per share



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

SEK million	Sales Q2/2019	Sales Q2/2018	Operating profit EBITA Q2/2019	Operating profit EBITA Q2/2018	EBITA margin Q2/2019	EBITA margin Q2/2018
Medical Solutions	634	562	82	73	12.9%	13.0%
Integrated Solutions	821	1,186	107	140	13.0%	11.8%
Industrial Solutions	541	554	46	55	8.5%	9.9%
Intra-Group adj., Parent Co	- 9	—	- 2	- 2	—	—
Group total	1,987	2,302	233	266	11.7%	11.6%

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

First six months 2019

Sales and earnings

Consolidated sales totalled SEK 3,643 million (4,341) for the first six months of 2019. Adjusted for currency and Group structure, this was a decrease of 20%.

Sales for Medical Solutions rose by 14% to SEK 1,245 million (1,094), while for Integrated Solutions they decreased by 37% to SEK 1,333 million (2,125) and declined for Industrial Solutions by 4% to SEK 1,074 million (1,122).

The Group's operating profit (EBITA) was SEK 408 million (SEK 510 million excluding non-recurring items). Overall, the Group's EBITA margin was 11.2% (11.7% excluding non-recurring items).

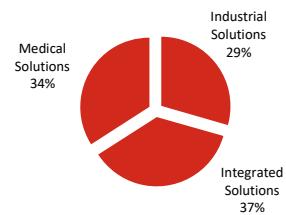
Operating profit (EBIT) amounted to SEK 405 million (SEK 505 million excluding non-recurring items).

Profit after net financial income/expense was SEK 389 million (513). Last year, there was a positive impact on profit of SEK 20 million as a result of a distribution from a customer bankruptcy in 2006, under other operating income. This non-recurring item was recognised at Group level and did not impact the business areas' profit.

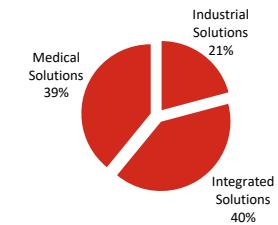
Profit after tax was SEK 311 million (410). Basic earnings per share were SEK 11.80 (SEK 14.67 excluding non-recurring items). Adjusted basic earnings per share excluding amortisation of intangible assets arising from acquisitions amounted to SEK 11.88 (15.74). The effective tax rate was 20.1% (20.1).

The return on capital employed was 23.6% for the last 12 months (29.7% for the 2018 calendar year). Return on equity was 24.5% for the last 12 months (30.4% for the 2018 calendar year).

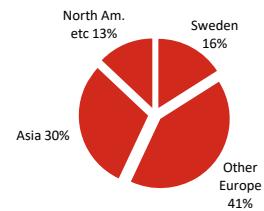
Business areas' share of sales



Business areas' share of operating profit (EBITA)



Sales by geographic markets



■ Medical Solutions

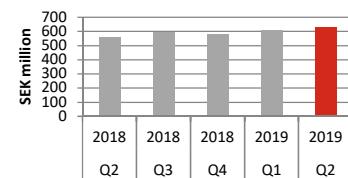
Sales and profit Q1-Q2 (SEK million)

	2019	2018
Sales	1,245	1,094
Operating profit (EBITA)	160	142
EBITA margin (%)	12.9	13.0
Operating profit (EBIT)	159	139

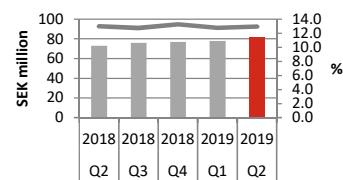
Medical Solutions sales rose to SEK 1,245 million (1,094); adjusted for currency, sales grew by a strong 9%. Sales increased in both Medical Devices and Pharma Packaging, and most product areas experienced positive growth. For the second half of the year sales are expected to be in line with last year, which had very high sales from development work and additional billing of production equipment.

Operating profit (EBITA) rose to SEK 160 million (142). The EBITA margin was 12.9% (13.0). Expanded production capacity was completed according to plan.

■ Medical Solutions sales



■ Medical Solutions operating profit (EBITA) & EBITA margin %



■ Integrated Solutions

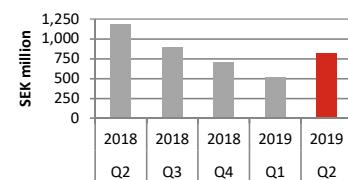
Sales and profit Q1-Q2 (SEK million)

	2019	2018
Sales	1,333	2,125
Operating profit (EBITA)	164	260
EBITA margin (%)	12.3	12.2
Operating profit (EBIT)	164	260

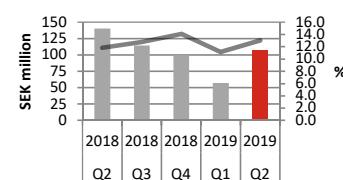
Integrated Solutions sales decreased to SEK 1,333 million (2,125); adjusted for currency, sales decreased by 42%. Following inventory adjustments in Vaporiser Heating Products (VHP) late last year and in the first quarter of this year, the inventory situation has now normalised. As a result of this the first quarter began with low volumes, but these grew sequentially in the second quarter. However, the second quarter of last year saw very high launch volumes and build-up of inventory by the customer. Growth in the EMC area was excellent, while volumes for mobile phones were weak.

Operating profit (EBITA) was SEK 164 million (260). The EBITA margin was 12.3% (12.2).

■ Integrated Solutions sales



■ Integrated Solutions operating profit (EBITA) & EBITA margin %



■ Industrial Solutions

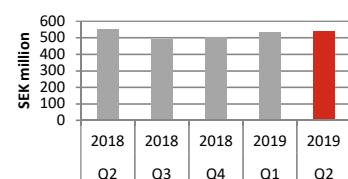
Sales and profit Q1-Q2 (SEK million)

	2019	2018
Sales	1,074	1,122
Operating profit (EBITA)	90	112
EBITA margin (%)	8.4	10.0
Operating profit (EBIT)	88	110

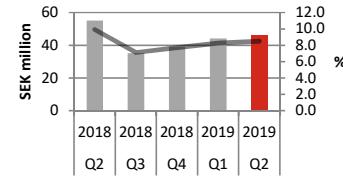
Industrial Solutions sales totalled SEK 1,074 million (1,122); adjusted for currency and Group structure, sales decreased by 5%. Inventory adjustments for a customer in the hygiene area had a negative effect. Furthermore, restructuring of production equipment at a customer in the automotive segment resulted in low volumes in the first quarter. Volumes were stable in most other product areas.

Operating profit (EBITA) totalled SEK 90 million (112), with an EBITA margin of 8.4% (10.0). The lower margin was due to continued unsatisfactory efficiency of one production facility, combined with lower volumes. Measures implemented to improve efficiency are gradually having an effect.

■ Industrial Solutions sales



■ Industrial Solutions operating profit (EBITA) & EBITA margin %



■ Cash flow

Cash flow after investment in the second quarter decreased to SEK 178 million (352). Lower earnings had a negative impact. The second quarter of last year saw a strongly positive change in working capital, which was not the case to the same extent in the second quarter of this year.

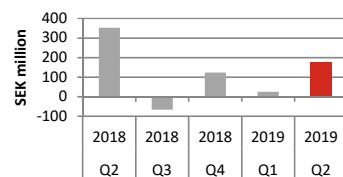
Net investment affecting cash flow totalled SEK 87 million (120).

A dividend totalling SEK 368 million (329) was paid to shareholders in the second quarter.

Cash flow after investments also decreased in the first six months of the year to SEK 203 million (SEK 510 million excluding non-recurring items) as a result of lower earnings and, in particular, a non-positive change in working capital. On an accumulated basis, investment affecting cash flow totalled SEK 192 million (229).

Cash conversion for the last 12 months was 31% (60% for the 2018 calendar year).

■ Cash flow after investments

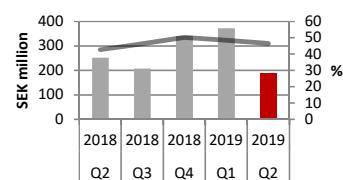


Excluding acquisitions and disposals

■ Financial position

Interest-bearing assets were SEK 828 million (891), and interest-bearing financial liabilities were SEK 638 million (638). Net financial assets consequently totalled SEK 190 million (253). There are also interest-bearing pension liabilities of SEK 196 million (191) and interest-bearing lease liabilities of SEK 331 million (0). Shareholders' equity rose to SEK 2,604 million (2,301). The equity/assets ratio increased to 47% (43).

■ Net financial assets & assets/equity ratio



■ Financial position

SEK million	30/06/2019	30/06/2018	31/12/2018
Interest-bearing liabilities, credit institutions	-638	-638	-612
Cash and bank	828	891	953
Net financial assets	190	253	341
Interest-bearing pension liabilities	-196	-191	-182
Net financial liabilities (-) / assets (+) incl. pension liabilities	-6	62	159
Lease liabilities	-331	—	—
Net financial liabilities (-) / assets (+) incl. pension- & lease liabilities	-337	62	159
Working capital	361	101	228
<i>As a percentage of sales (avg.) (%)</i>	3.1	4.0	3.8
Capital employed	3,771	3,131	3,387
<i>Return on capital employed (avg.) (%)</i>	23.6	32.0	29.7
Shareholders' equity	2,604	2,301	2,592
<i>Return on shareholders' equity (avg.) (%)</i>	24.5	34.9	30.4

■ Consolidated performance analysis

SEK million	Note	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Net sales	1	1,987	2,302	3,643	4,341	7,404	8,102
Gross profit excl. depreciation/amortisation		402	395	755	792	1,456	1,493
<i>As a percentage of net sales</i>		20.2	17.2	20.7	18.2	19.7	18.4
Costs		- 81	- 70	- 175	- 145	- 334	- 304
<i>As a percentage of net sales</i>		4.1	3.0	4.8	3.3	4.5	3.8
Operating profit (EBITDA)		321	325	580	647	1,122	1,189
<i>As a percentage of net sales</i>		16.2	14.1	15.9	14.9	15.2	14.7
Depreciation and amortisation		- 88	- 59	- 172	- 117	- 295	- 240
Operating profit (EBITA)		233	266	408	530	827	949
<i>As a percentage of net sales</i>		11.7	11.6	11.2	12.2	11.2	11.7
Amortisation of intangible assets arising from acquisitions		- 1	- 2	- 3	- 5	- 6	- 8
Operating profit (EBIT)	2	232	264	405	525	821	941
Financial income and expense	2	- 9	- 7	- 16	- 12	- 24	- 20
Profit after financial income and expense	2	223	257	389	513	797	921
Tax		- 43	- 53	- 78	- 103	- 174	- 199
<i>As a percentage of profit after financial income and exp.</i>		19.3	20.6	20.1	20.1	21.8	21.6
Profit after tax		180	204	311	410	623	722

■ Personnel

The average number of employees during the period was 5,521 (6,612). The decrease in the number of employees is especially attributable to Integrated Solutions in China.

■ 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 2018 Annual Report on pages 53 – 55, and in Note 30 on pages 79 – 82.

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.

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

There were 12,839 shareholders at 30 June. The largest shareholders are the Jorlén family with 10%, the Boström family and the Hamrin family with 9% each, Capital Group with 7%, Lannebo Funds with 6%, Handelsbanken Funds and Didner & Gerge Funds with 3% each, of the capital.

■ The Parent Company

Sales in the Parent Company, which is not an operating company, amounted to SEK 35 million (31). Profit after financial income and expense amounted to SEK 143 million (101), owing mainly to higher earnings from investments in group companies. Contingent liabilities amounted to SEK 107 million (106).

■ Contact:

- Christer Wahlquist, President and CEO, tel. +46 705 804848
- Per-Ola Holmström, CFO, tel. +46 705 763340

■ Webcast conference call on 18 July:

In connection with the interim report, Nolato will hold a webcast conference call in English at 3.00 p.m. CET. Nolato will be represented by President and CEO Christer Wahlquist and CFO Per-Ola Holmström, who will present the interim report and answer questions. Information regarding telephone numbers and website is available at <https://financialhearings.com/event/11897>. The presentation will be available at www.nolato.com/ir after publication of the interim report. The webcast will be available at the same address after the live broadcast.

■ Capital Markets Day, 17 September:

Nolato is holding a capital markets day on 17 September in Hörby, Sweden at one of the Group's medical companies. The programme will focus on the next stage of the Group's growth opportunities from a global perspective. There will also be a detailed presentation of selected aspects of the business areas' operations. The day starts at 11.00 a.m. CET. Those wishing to attend must pre-register no later than 6.00 p.m. CET on 16 September by emailing eija.lindberg@nolato.com or by calling +46 766 331872.

■ 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 2018 Annual Report.

Of the new or revised IFRS standards or IFRIC interpretations, which came into effect on 1 January 2019, only IFRS 16 Leases have had a 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.

Prior to publication this information constituted inside information that Nolato AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 2 p.m. CET on 18 July 2019.

■ IFRS 16 Leases

In transitioning to IFRS 16 on 1 January 2019 the Group has used a modified retrospective method, meaning that the 2018 financial year is not recalculated. The lease liability is the sum of the net present value of all future lease payments. The simplification rule, that a right-of-use asset (prior to adjustments for any advance payments) should correspond to the lease liability, was applied at transition. All components, with the exception of property tax in Sweden, have been deemed to be a lease component. Exemptions to not recognise short-term leases and low-value assets have also been applied.

The discount rate is based on high-quality mortgage bond yields in Sweden, with reference to the term of leases, which for foreign companies are then adjusted for differences between 10-year government bond yields of Sweden and foreign countries.

The largest asset class for leases is property, such as production plants and offices.

■ Impact on Group from IFRS 16 Leases

The following figures and key performance indicators are Nolato's impact of IFRS 16.

Impact on consolidated balance sheet of IFRS 16 SEK million	Before transition 31/12/2018	Adjustment due to transition	Adj. open. bal. 01/01/2019
Property, plant & equipment	1,518	362	1,880
Total fixed assets (increase of balance sheet item)	1,518	362	1,880
Long-term liabilities and provisions (interest-bearing)	704	292	996
Current liabilities and provisions (interest-bearing)	90	70	160
Total interest-bearing liabilities and provisions (increase of balance sheet item)	794	362	1,156

Impact on consolidated income statement of IFRS 16	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
SEK million						
Cost of goods sold	20	—	40	—	40	—
EBITDA (increase of performance measure)	20	—	40	—	40	—
Depreciation in cost of goods sold	− 19	—	− 38	—	− 38	—
EBITA/EBIT (increase of performance measure)	1	—	2	—	2	—
Interest expenses	− 3	—	− 6	—	− 6	—
Profit after financial income and expense (decrease of performance measure)	− 2	—	− 4	—	− 4	—
Tax	1	—	1	—	1	—
Profit after tax (decrease of performance measure)	− 1	—	− 3	—	− 3	—
Effect on basic earnings per share (SEK)	− 0.04	—	− 0.11	—	− 0.11	—

Impact on consolidated balance sheet of IFRS 16

SEK million	30/06/2019	30/06/2018	31/12/2018
Property, plant & equipment	329	—	—
Deferred tax assets	1	—	—
Total fixed assets	330	—	—
Other current assets	—	—	—
Total current assets	—	—	—
Total assets (increase of balance sheet item)	330	—	—
Shareholders' equity	− 3	—	—
Long-term liabilities and provisions (interest-bearing)	263	—	—
Current liabilities and provisions (interest-bearing)	68	—	—
Current liabilities and provisions (non-interest-bearing)	2	—	—
Total liabilities and provisions	333	—	—
Total shareholders' equity and liabilities (increase of balance sheet item)	330	—	—

Impact on consolidated cash flow statement of IFRS 16

SEK million	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Operating profit	1	—	2	—	2	—
<i>Adjustments for items not included in cash flow:</i>						
Depreciation	19	—	38	—	38	—
Interest paid	− 3	—	− 6	—	− 6	—
Cash flow from oper. act. before changes in working capital	17	—	34	—	34	—
Other changes in working capital	− 1	—	2	—	2	—
Cash flow from operating activities	16	—	36	—	36	—
Cash flow from financing activities	− 16	—	− 36	—	− 36	—
Cash flow for the period	—	—	—	—	—	—

■ Financial information schedule

- Nine-month interim report 2019: 23 October 2019
- 2019 year-end report: 10 February 2020
- Three-month interim report 2020: 4 May 2020
- 2020 Annual General Meeting: 4 May 2020
- Six-month interim report 2020: 17 July 2020
- Nine-month interim report 2020: 23 October 2020
- 2020 year-end report: 10 February 2021

The Board of Directors and the President give their assurance that this interim report provides a true and fair view of the operations, financial position and earnings of the company and the Group, and describe the significant risks and uncertainty factors faced by the company and the companies included in the Group.

Torekov 18 July 2019

Fredrik Arp
Chairman of the Board

<i>Dag Andersson</i> <i>Board member</i>	<i>Sven Boström-Svensson</i> <i>Board member</i>	<i>Lovisa Hamrin</i> <i>Board member</i>
<i>Åsa Hedin</i> <i>Board member</i>	<i>Henrik Jorlén</i> <i>Board member</i>	<i>Lars-Åke Rydh</i> <i>Board member</i>
<i>Jenny Sjödahl</i> <i>Board member</i>	<i>Björn Jacobsson</i> <i>Board member</i>	<i>Håkan Svensson</i> <i>Board member</i>
	<i>Employee representative</i>	<i>Employee representative</i>
		<i>Christer Wahlquist</i> <i>President and CEO</i>

■ Review report

Nolato AB, corporate identity number 556080-4592

Introduction

We have reviewed the condensed interim report for Nolato AB as at June 30, 2019 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Torekov 18 July 2019

Ernst & Young AB
Joakim Falck
Authorised public accountant

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	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Net sales	1	1,987	2,302	3,643	4,341	7,404	8,102
Cost of goods sold		- 1,670	- 1,966	- 3,057	- 3,664	- 6,238	- 6,845
Gross profit		317	336	586	677	1,166	1,257
Other operating income		1	2	1	22	16	37
Selling expenses		- 32	- 30	- 63	- 61	- 121	- 119
Administrative expenses		- 59	- 59	- 119	- 109	- 227	- 217
Other operating expenses		5	15	—	- 4	- 13	- 17
		- 85	- 72	- 181	- 152	- 345	- 316
Operating profit	2	232	264	405	525	821	941
Financial income and expense	2	- 9	- 7	- 16	- 12	- 24	- 20
Profit after financial income and expense	2	223	257	389	513	797	921
Tax		- 43	- 53	- 78	- 103	- 174	- 199
Profit after tax		180	204	311	410	623	722
All earnings are attrib. to the Parent Co.'s shareholders							
Depreciation/amortisation regarding non-current assets		89	61	175	122	301	248
Basic earnings per share, SEK*	3	6.82	7.75	11.80	15.59	23.65	27.44
Diluted earnings per share, SEK*	3	6.81	7.70	11.77	15.52	23.59	27.37
Number of shares at the end of the period, before dilution*		26,456,658	26,307,408	26,456,658	26,307,408	26,456,658	26,307,408
Number of shares at the end of the period, after dilution*		26,485,524	26,480,767	26,485,524	26,480,767	26,485,524	26,427,262
Average number of shares, before dilution*		26,382,033	26,307,408	26,357,158	26,307,408	26,337,258	26,307,408
Average number of shares, after dilution*		26,429,995	26,478,393	26,427,448	26,424,425	26,409,561	26,384,021

* At the end of the period the Group had three share warrant programmes, Series 1, Series 2 and Series 3. Series 1 has redemptions from 01/05/2019 to 15/12/2019, Series 2 from 01/05/2020 to 15/12/2020 and Series 3 from 01/05/2021 to 15/12/2021. The subscription price is SEK 296.30 for Series 1, SEK 485.10 for Series 2 and SEK 502.00 for Series 3. In June 149,250 class B shares were subscribed for under Series 1 and 91,250 class B shares remain to be redeemed. Upon full subscription, the programmes provide a maximum of 480,950 new class B shares. The programmes have been taken into account in calculating the number of shares after dilution.

■ Consolidated comprehensive income

SEK million		Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Profit after tax		180	204	311	410	623	722
Other comprehensive income							
Items that cannot be transferred to profit for the period							
Revaluations of defined benefit pension plans		- 10	—	- 10	—	- 7	3
Tax attributable to items that cannot be transferred to profit for the period		2	—	2	—	1	- 1
		- 8	—	- 8	—	- 6	2
Items that have been converted or can be converted into profit for the period							
Translation differences for the period on transl. of foreign oper.		- 28	17	33	64	5	36
Changes in the fair value of cash flow hedges for the period*		1	- 4	—	- 4	3	- 1
Tax attr. to changes in the fair value of cash flow hedges*		—	1	—	1	- 1	—
		- 27	14	33	61	7	35
Other comprehensive income, net of tax		- 35	14	25	61	1	37
Total comp. income for the period attributable to the Parent Co.'s shareholders		145	218	336	471	624	759

* 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	30/06/2019	30/06/2018	31/12/2018
Assets			
Non-current assets			
Intangible non-current assets	798	845	780
Property, plant and equipment	1,892	1,410	1,518
Non-current financial assets	2	2	2
Other non-current receivables	1	1	1
Deferred tax assets	76	56	111
Total fixed assets	2,769	2,314	2,412
Current assets			
Inventories	553	769	566
Accounts receivable	1,105	974	949
Other current assets ^{*)2)}	338	433	276
Cash and bank	828	891	953
Total current assets	2,824	3,067	2,744
Total assets	5,593	5,381	5,156
Shareholders' equity and liabilities			
Shareholders' equity	2,604	2,301	2,592
Long-term liabilities and provisions ¹⁾	1,098	802	795
Deferred tax liabilities ¹⁾	95	85	116
Current liabilities and provisions ^{*)1)3)}	1,796	2,193	1,653
Total liabilities and provisions	2,989	3,080	2,564
Total shareholders' equity and liabilities	5,593	5,381	5,156
¹⁾ Interest-bearing/non-interest-bearing liabilities and provisions:			
Interest-bearing liabilities and provisions	1,165	829	794
Non-interest-bearing liabilities and provisions	1,824	2,251	1,770
Total liabilities and provisions	2,989	3,080	2,564
* 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⁾ Derivative liabilities are included in current liabilities and provisions at			

■ Changes in consolidated shareholders' equity (summary)

SEK million	Q1 - Q2 2019	Q1 - Q2 2018	Full year 2018
Shareholders' equity at the beginning of the period	2,592	2,159	2,159
Total comprehensive income for the period	336	471	759
Dividends	- 368	- 329	- 329
Share warrants included in incentive programme	—	—	3
Excercise of warrants included in incentive programme	44	—	—
Shareholders' equity at the end of period attrib. to Parent Co's shareholders	2,604	2,301	2,592

In 2019, a dividend totalling SEK 368 million was paid to the Parent Company's shareholders, corresponding to a dividend of SEK 14.00 per share. At the end of the period the Group had three share warrant programmes, Series 1, Series 2 and Series 3. Series 1 has redemptions from 01/05/2019 to 15/12/2019, Series 2 from 01/05/2020 to 15/12/2020 and Series 3 from 01/05/2021 to 15/12/2021. The subscription price is SEK 296.30 for Series 1, SEK 485.10 for Series 2 and SEK 502.00 for Series 3. In June 149,250 class B shares were subscribed for under Series 1 and 91,250 class B shares remain to be redeemed. Upon full subscription, the programmes provide a maximum of 480,950 new class B shares. The programmes have been taken into account in calculating the number of shares after dilution.

■ Consolidated cash flow statement (summary)

SEK million	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Cash flow from op. activities bef. changes in work. cap.	201	215	395	502	853	960
Changes in working capital	64	257	—	266	– 181	85
Cash flow from operating activities	265	472	395	768	672	1,045
Cash flow from investment activities	– 87	– 120	– 192	– 229	– 361	– 398
Cash flow before financing activities	178	352	203	539	311	647
Cash flow from financing activities	– 372	– 295	– 362	– 368	– 387	– 393
Cash flow for the period	– 194	57	– 159	171	– 76	254
Cash and cash equivalents at the beginning of the period	1,034	817	953	669	—	669
Exchange rate difference in liquid assets	– 12	17	34	51	—	30
Cash and cash equivalents at the end of the period	828	891	828	891	—	953

■ Note 1 Revenue

SEK million	Q1 - Q2 - 2019			Q1 - Q2 - 2018			Full year - 2018		
	Sum	Sol.	Sol.	Sum	Sol.	Sol.	Sum	Sol.	Sol.
Sweden	595	77	14	504	650	75	34	541	1,189
Other Europe	1,588	826	277	485	1,291	722	100	469	2,889
North America etc.	361	295	12	54	346	255	17	74	716
Asia	1,108	47	1,030	31	2,054	42	1,974	38	3,315
Elimination internal sales	– 9	—	—	—	—	—	—	—	– 7
Tot. revenues fr. customer contracts	3,643	1,245	1,333	1,074	4,341	1,094	2,125	1,122	8,102

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

For the first six months of the year, the Group recognised an increase of impaired trade receivables of SEK 12 million, recognised in the cost of goods sold.

■ Note 2 Reconciliation of consolidated income before tax

SEK million	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Operating profit (EBIT)				
Medical Solutions	159	139	311	291
Integrated Solutions	164	260	377	473
Industrial Solutions	88	110	160	182
Group adjustments, Parent Company*	– 6	16	– 27	– 5
Consolidated operating profit (EBIT)*	405	525	821	941
Financial income and expense (not distributed by business areas)	– 16	– 12	– 24	– 20
Consolidated profit before tax*	389	513	797	921

* Including non-recurring items of SEK +20 million in Q1 2018 and SEK –17 million in Q3 2018, which affected operating profit by a net amount of SEK +3 million.

■ Note 3 Earnings per share (IFRS measures)

SEK million	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Profit after tax	180	204	311	410	623	722
Average number of shares, before dilution	26,382,033	26,307,408	26,357,158	26,307,408	26,337,258	26,307,408
Basic earnings per share (SEK)	6.82	7.75	11.80	15.59	23.65	27.44
Non-recurring items	—	— 3	—	— 24	17	— 7
Profit after tax excl. non-recurring items	180	201	311	386	640	715
Basic earnings per share excl. non-recurring items (SEK)	6.82	7.64	11.80	14.67	24.30	27.18
Dilutive shares from Series 1 incentive programme with exercise price SEK 296.30 per share; total 240,500 warrants, of which 149,250 shares were subscribed for in June	47,962	126,734	70,290	92,503	72,303	76,613
Dilutive shares from Series 2 incentive programme with exercise price SEK 485.10 per share; total 196,200 warrants	—	44,251	—	24,514	—	—
Dilutive shares from Series 3 incentive programme with exercise price SEK 502.00 per share; total 193,500 warrants	—	—	—	—	—	—
Average number of shares, after dilution	26,429,995	26,478,393	26,427,448	26,424,425	26,409,561	26,384,021
Diluted earnings per share (SEK)	6.81	7.70	11.77	15.52	23.59	27.37
Diluted earnings per share excl. non-recurring items (SEK)	6.81	7.59	11.77	14.61	24.23	27.10
Number of shares at the end of the period, before dilution	26,456,658	26,307,408	26,456,658	26,307,408	26,456,658	26,307,408
Number of shares at the end of the period, after dilution	26,485,524	26,480,767	26,485,524	26,480,767	26,485,524	26,427,262

At the end of the period the Group had three share warrant programmes, Series 1, Series 2 and Series 3. Series 1 has redemptions from 01/05/2019 to 15/12/2019, Series 2 from 01/05/2020 to 15/12/2020 and Series 3 from 01/05/2021 to 15/12/2021. The subscription price is SEK 296.30 for Series 1, SEK 485.10 for Series 2 and SEK 502.00 for Series 3. In June 149,250 class B shares were subscribed for under Series 1 and 91,250 class B shares remain to be redeemed. Upon full subscription, the programmes provide a maximum of 480,950 new class B shares. The programmes have been taken into account in calculating the number of shares after dilution.

■ Adjusted earnings per share (alternative performance measures)

SEK million	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Profit after tax	180	204	311	410	623	722
Adjusted earnings:						
Amortisation of intangible assets arising from acquisitions	1	2	3	5	6	8
Tax on amortisation	— 1	—	— 1	— 1	— 2	— 2
Adjusted earnings	180	206	313	414	627	728
Average number of shares, before dilution	26,382,033	26,307,408	26,357,158	26,307,408	26,337,258	26,307,408
Adjusted basic earnings per share (SEK)	6.82	7.83	11.88	15.74	23.81	27.67
Non-recurring items	—	— 3	—	— 24	17	— 7
Adjusted earnings after tax, excl. non-recurring items	180	203	313	390	644	721
Adj. basic earnings per share excl. non-recurring items (SEK)	6.82	7.72	11.88	14.82	24.45	27.41
Average number of shares, after dilution	26,429,995	26,478,393	26,427,448	26,424,425	26,409,561	26,384,021
Adjusted diluted earnings per share (SEK)	6.81	7.78	11.84	15.67	23.74	27.59
Adj. diluted earnings per share excl. non-recurring items (SEK)	6.81	7.67	11.84	14.76	24.39	27.33

■ Five-year overview

IFRS measures	2018	2017	2016	2015	2014
Operating profit (EBIT) (SEK million)	941	749	443	556	454
Basic earnings per share (SEK)	27.44	21.74	12.77	15.97	13.84
Diluted earnings per share (SEK)	27.37	21.74	12.77	15.97	13.84
Alternative performance measures					
Net sales (SEK million)	8,102	6,720	4,447	4,726	4,234
Operating profit (EBITA) (SEK million)	949	763	457	570	470
EBITA margin (%)	11.7	11.4	10.3	12.1	11.1
Profit after financial income and expense (SEK million)	921	731	438	555	462
Profit after tax (SEK million)	722	572	336	420	364
Cash flow after investments, excl. acq. and disposals (SEK million)	593	496	245	288	127
Cash conversion (%)	60	66	55	52	28
Return on capital employed (%)	29.7	26.6	20.6	29.6	28.4
Return on shareholders' equity (%)	30.4	29.4	19.0	25.3	25.0
Net financial assets (+) liabilities (-), excl. pension- & lease liab. (SEK million)	341	31	- 206	249	187
Equity/assets ratio (%)	50	45	47	54	54
Adjusted basic earnings per share (SEK)	27.67	22.16	13.19	16.35	14.29
Adjusted diluted earnings per share (SEK)	27.59	22.15	13.19	16.35	14.29
Dividend per share (SEK)	14.00	12.50	10.50	10.00	8.50
Average number of employees	6,449	7,249	6,418	7,759	8,020

Including any non-recurring items.

■ Quarterly data (summary)

IFRS measures	Note	Q1	Q2	Q3	Q4	Full year
Operating profit (EBIT) (SEK million)	2	2019	173	232	—	—
	2	2018	261	264	203	213
		2017	142	174	206	227
Basic earnings per share (SEK)	3	2019	4.98	6.82	—	—
	3	2018	7.83	7.75	5.85	6.01
		2017	4.11	4.98	5.82	6.84
Diluted earnings per share (SEK)	3	2019	4.97	6.81	—	—
	3	2018	7.80	7.70	5.81	5.98
		2017	4.11	4.98	5.82	6.84
Alternative performance measures						
Net sales (SEK million)	1	2019	1,656	1,987	—	—
	1	2018	2,039	2,302	1,980	1,781
		2017	1,370	1,675	1,749	1,926
Operating profit (EBITDA) (SEK million)		2019	259	321	—	—
		2018	322	325	267	275
		2017	199	232	263	286
Operating profit (EBITA) (SEK million)		2019	175	233	—	—
		2018	264	266	205	214
		2017	146	178	209	230
EBITA margin (%)		2019	10.6	11.7	—	—
		2018	12.9	11.6	10.4	12.0
		2017	10.7	10.6	11.9	11.9
Profit after financial income and expense (SEK million)	2	2019	166	223	—	—
	2	2018	256	257	198	210
		2017	138	170	198	225
Profit after tax (SEK million)		2019	131	180	—	—
		2018	206	204	154	158
		2017	108	131	153	180
Cash flow from operating activities (SEK million)		2019	130	265	—	—
		2018	296	472	39	238
		2017	67	103	381	222
Cash flow from operations per share before dilution (SEK)		2019	4.94	10.04	—	—
		2018	11.25	17.94	1.48	9.05
		2017	2.55	3.92	14.48	8.44
Cash flow after investments, excl. acq. and disp. (SEK million)		2019	25	178	—	—
		2018	187	352	– 68	122
		2017	3	28	308	157
Cash fl. aft. inv., excl. acq. and disp. per sh. bef. dilut. (SEK)		2019	0.95	6.75	—	—
		2018	7.11	13.38	– 2.58	4.64
		2017	0.11	1.06	11.71	5.97
Adjusted basic earnings per share (SEK)	3	2019	5.06	6.82	—	—
	3	2018	7.91	7.83	5.93	6.01
		2017	4.22	5.09	5.93	6.92
Shareholders' equity per share, before dilution (SEK)		2019	106	98	—	—
		2018	92	87	92	99
		2017	74	69	74	82
Return on total capital (%)		2019	16.1	15.2	—	—
		2018	18.8	19.6	19.1	18.4
		2017	14.0	14.8	16.1	17.1
Return on capital employed (%)		2019	25.3	23.6	—	—
		2018	29.8	32.0	31.2	29.7
		2017	20.8	22.3	24.7	26.6
Return on operating capital (%)		2019	34.4	31.6	—	—
		2018	36.8	41.1	41.1	40.0
		2017	24.3	25.7	29.1	32.1
Return on shareholders' equity (%)		2019	25.9	24.5	—	—
		2018	32.6	34.9	33.1	30.4
		2017	20.0	22.9	26.2	29.4
Closing share price Nolato B (Nasdaq Stockholm)		2019	386.50	566.50	—	—
		2018	609.00	723.00	548.00	366.50
		2017	267.00	316.50	393.00	539.00

Including non-recurring items of SEK +20 million in Q1 2018 and SEK –17 million in Q3 2018, which affected operating profit by a net amount of SEK +3 million.

■ Quarterly data business areas

Alternative performance measures

	Note	Q1	Q2	Q3	Q4	Full year
Net sales (SEK million)						
Medical Solutions	1	2019	611	634	—	—
	1	2018	532	562	596	580
		2017	487	498	459	511
Integrated Solutions	1	2019	512	821	—	—
	1	2018	939	1,186	892	703
		2017	399	692	819	900
Industrial Solutions	1	2019	533	541	—	—
	1	2018	568	554	492	505
		2017	488	489	473	518
Group adjustments, Parent Company	1	2019	—	—9	—	—
	1	2018	—	—	—	—7
		2017	—4	—4	—2	—3
Group total	1	2019	1,656	1,987	—	—
	1	2018	2,039	2,302	1,980	1,781
		2017	1,370	1,675	1,749	1,926
Operating profit (EBITA) (SEK million)		Q1	Q2	Q3	Q4	Full year
Medical Solutions	2019	78	82	—	—	—
	EBITA margin (%)	12.8	12.9	—	—	—
	2018	69	73	76	77	295
	EBITA margin (%)	13.0	13.0	12.8	13.3	13.0
	2017	65	64	60	68	257
	EBITA margin (%)	13.3	12.9	13.1	13.3	13.1
Integrated Solutions	2019	57	107	—	—	—
	EBITA margin (%)	11.1	13.0	—	—	—
	2018	120	140	114	99	473
	EBITA margin (%)	12.8	11.8	12.8	14.1	12.7
	2017	38	73	105	116	332
	EBITA margin (%)	9.5	10.5	12.8	12.9	11.8
Industrial Solutions	2019	44	46	—	—	—
	EBITA margin (%)	8.3	8.5	—	—	—
	2018	57	55	35	39	186
	EBITA margin (%)	10.0	9.9	7.1	7.7	8.8
	2017	48	48	47	52	195
	EBITA margin (%)	9.8	9.8	9.9	10.0	9.9
Group adjustments, Parent Company*	2019	—4	—2	—	—	—
	2018	18	—2	—20	—1	—5
	2017	—5	—7	—3	—6	—21
Group total	2019	175	233	—	—	—
	EBITA margin (%)	10.6	11.7	—	—	—
	2018	264	266	205	214	949
	EBITA margin (%)	12.9	11.6	10.4	12.0	11.7
	2017	146	178	209	230	763
	EBITA margin (%)	10.7	10.6	11.9	11.9	11.4

* Including non-recurring items of SEK +20 million in Q1 2018 and SEK —17 million in Q3 2018, which affected operating profit by a net amount of SEK +3 million.

Depreciation/amortisation (SEK million)

		Q1	Q2	Q3	Q4	Full year
Medical Solutions	2019	39	40	—	—	—
	2018	28	28	28	28	112
	2017	27	27	27	27	108
Integrated Solutions	2019	17	17	—	—	—
	2018	8	8	8	7	31
	2017	9	8	8	8	33
Industrial Solutions	2019	30	32	—	—	—
	2018	25	25	28	26	104
	2017	21	22	23	24	90
Parent Company	2019	—	—	—	—	—
	2018	—	—	—	1	1
	2017	—	—	—	—	—
Group total	2019	86	89	—	—	—
	2018	61	61	64	62	248
	2017	57	57	58	59	231

■ Group financial highlights

IFRS measures	Note	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018*	Rolling 12 months*	Full year 2018*
Basic earnings per share (SEK)	3	6.82	7.75	11.80	15.59	23.65	27.44
Diluted earnings per share (SEK)	3	6.81	7.70	11.77	15.52	23.59	27.37
Alternative performance measures							
Net sales (SEK million)	1	1,987	2,302	3,643	4,341	7,404	8,102
Sales growth (%)		-14	37	-16	43	-8	21
Percentage of sales outside Sweden (%)		86	86	84	85	85	86
Operating profit (EBITDA) (SEK million)		321	325	580	647	1,122	1,189
Operating profit (EBITA) (SEK million) ¹⁾		233	266	408	530	827	949
EBITA margin (%) ¹⁾		11.7	11.6	11.2	12.2	11.2	11.7
Profit after financial income and expense (SEK million)	2	223	257	389	513	797	921
Profit margin (%) ¹⁾		11.2	11.2	10.7	11.8	10.8	11.4
Profit after tax (SEK million)		180	204	311	410	623	722
Return on total capital (%) ¹⁾		15.2	19.6	15.2	19.6	15.2	18.4
Return on capital employed (%) ¹⁾		23.6	32.0	23.6	32.0	23.6	29.7
Return on operating capital (%) ¹⁾		31.6	41.1	31.6	41.1	31.6	40.0
Return on shareholders' equity (%) ¹⁾		24.5	34.9	24.5	34.9	24.5	30.4
Equity/assets ratio (%)		47	43	47	43	47	50
Debt/equity (%)		45	36	45	36	45	31
Interest coverage ratio (times)		24	35	23	41	29	40
Net investm. affecting cash flow, excl. acquisitions and disposals (SEK million)		87	120	192	229	415	452
Cash flow after investments, excl. acquisitions and disposals (SEK million)		178	352	203	539	257	593
Cash conversion (%) ¹⁾		—	—	—	—	31	60
Net financial assets, excl. pension- & lease liabilities (SEK million)		190	253	190	253	190	341
Adjusted basic earnings per share (SEK)	3	6.82	7.83	11.88	15.74	23.81	27.67
Adjusted diluted earnings per share (SEK)	3	6.81	7.78	11.84	15.67	23.74	27.59
Cash flow from operations per share, before dilution (SEK)		10.04	17.94	14.99	29.19	25.52	39.72
Cash flow from operations per share, after dilution (SEK)		10.03	17.83	14.96	29.04	25.45	39.52
Cash flow after investments excluding acquisitions and disposals, per share, before dilution (SEK)		6.75	13.38	7.70	20.49	9.75	22.54
Cash flow after investments excluding acquisitions and disposals, per share, after dilution (SEK)		6.73	13.29	7.68	20.38	11.78	22.43
Shareholders' equity per share, before dilution (SEK)		—	—	98	87	—	99
Shareholders' equity per share, after dilution (SEK)		—	—	98	87	—	98
Average number of employees		—	—	5,521	6,612	—	6,449

* Including non-recurring items of SEK +20 million in Q1 2018 and SEK -17 million in Q3 2018, which affected operating profit by a net amount of SEK +3 million.

1) KPIs calculated as specified on page 23.

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.

Adjusted earnings per share

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

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, if they are in-the-money, but only insofar as the average listed share price for the period exceeds the subscription price of the warrants.

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.

Cash flow after inv. act. excl. acq. and disposals, per share

Cash flow after investing activities excl. acquisitions and disposals, 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.

Debt/equity ratio

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

EBIT margin

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

Equity/assets ratio

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

Interest coverage ratio

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

Net financial assets (+) / liabilities (-)

Interest-bearing liabilities from credit institutions less interest-bearing assets.

Operating profit (EBITA)

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

Operating profit (EBITDA)

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

Profit margin

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

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.

Return on total capital

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

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	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	12 months	Rolling 12 months	Full year 2018
Operating profit (EBITDA)		321	325	580	647	1,122	1,122	1,189
Non-recurring items	—	—	—	—	—20	17	17	—3
Adjusted operating profit (EBITDA)		321	325	580	627	1,139	1,186	
Operating profit (EBIT)	2	232	264	405	525	821	821	941
Reversal of amortisation of intangible assets arising in connection with acquisitions	1	2	3	5	6	6	6	8
Operating profit (EBITA)		233	266	408	530	827	827	949
Non-recurring items	—	—	—	—	—20	17	17	—3
Adjusted operating profit (EBITA)		233	266	408	510	844	946	
EBITA margin (%)		11.7	11.6	11.2	12.2	11.2	11.2	11.7
Adjusted EBITA margin (%)		11.7	11.6	11.2	11.7	11.4	11.4	11.7
Profit after financial income and expense	2	223	257	389	513	797	797	921
Non-recurring items	—	—	—	—	—20	17	17	—3
Adjusted profit after financial income and expense		223	257	389	493	814	918	
Profit margin (%)		11.2	11.2	10.7	11.8	10.8	10.8	11.4
Adjusted profit margin (%)		11.2	11.2	10.7	11.4	11.0	11.3	
Profit after tax		180	204	311	410	623	623	722
Non-recurring items	—	—	—	—	—20	17	17	—3
Tax on non-recurring items	—	—	—3	—	—4	—	—	—4
Adjusted profit after tax		180	201	311	386	640	715	
Cash flow after investm., excl. acquisitions and disposals		—	—	—	—	257	257	593
Non-recurring items (affecting cash flow)	—	—	—	—	—	—	—	—29
Adjusted cash fl. after investm., excl. acq. and disposals		—	—	—	—	257	257	564
Operating profit (EBIT)	2	—	—	—	—	821	821	941
Non-recurring items	—	—	—	—	—	17	17	—3
Adjusted operating profit (EBIT)		—	—	—	—	838	838	938
Cash conversion (%)		—	—	—	—	31	31	60

Non-recurring items consist of a distribution from the previous bankruptcy of a customer in 2006 and a capital loss on a divested business. The dividend in Q1 2018 had a positive effect on operating profit of SEK +20 million (0) within other operating income and the capital loss in Q3 2018 had a negative impact on operating profit of SEK —17 million (0) within other operating expenses. These non-recurring items have been recognised at Group level and have consequently not affected the profit of the business areas.

SEK million unless otherwise specified	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Profit after financial income and expense, rolling 12 months	797	831	921	936	936	—	—	—	—
Financial expense, rolling 12 months	29	26	24	23	21	—	—	—	—
Adjusted profit after financial income and exp., rolling 12 months	826	857	945	959	957	—	—	—	—
Total capital, at the end of period	5,593	5,733	5,156	5,229	5,381	5,148	4,752	4,612	4,487
Average total capital, last 5 quarters	5,418	5,329	5,133	5,024	4,876	—	—	—	—
Return on total capital (%)	15.2	16.1	18.4	19.1	19.6	—	—	—	—
Adjusted profit after financial income and exp., rolling 12 months	826	857	945	959	957	—	—	—	—
Capital employed, at the end of period	3,771	3,982	3,387	3,225	3,131	3,188	2,980	2,836	2,836
Average capital employed, last 5 quarters	3,499	3,383	3,182	3,072	2,994	—	—	—	—
Return on capital employed (%)	23.6	25.3	29.7	31.2	32.0	—	—	—	—
Operating profit (EBIT), rolling 12 months	821	853	941	955	958	—	—	—	—
Capital employed, at the end of period	3,771	3,982	3,387	3,225	3,131	3,188	2,980	2,836	2,836
Cash and bank, at the end of period	—828	—1,034	—953	—818	—891	—817	—669	—561	—380
Operating capital, at the end of period	2,943	2,948	2,434	2,407	2,240	2,371	2,311	2,275	2,456
Average operating capital, latest 5 quarters	2,594	2,480	2,353	2,321	2,331	—	—	—	—
Return on operating capital (%)	31.6	34.4	40.0	41.1	41.1	—	—	—	—
Profit after tax, rolling 12 months	623	647	722	744	743	—	—	—	—
Shareholders' equity, at the end of period	2,604	2,783	2,592	2,422	2,301	2,412	2,159	1,950	1,815
Average shareholders' equity, latest 5 quarters	2,540	2,502	2,377	2,249	2,127	—	—	—	—
Return on shareholders' equity (%)	24.5	25.9	30.4	33.1	34.9	—	—	—	—

■ Parent Company income statement (summary)

SEK million	Q2 2019	Q2 2018	Q1 - Q2 2019	Q1 - Q2 2018	Rolling 12 months	Full year 2018
Net sales	16	15	35	31	67	63
Selling expenses	-2	-1	-4	-3	-8	-7
Administrative expenses	-13	-13	-25	-25	-49	-49
Other operating income	—	1	2	4	3	5
Other operating expenses	-11	-13	-25	-22	-50	-47
Operating profit	-10	-11	-17	-15	-37	-35
Profit from participations in Group companies	182	58	182	137	540	495
Financial income	4	3	8	7	15	14
Financial expenses	-15	-16	-30	-28	-62	-60
Profit after financial income and expense	161	34	143	101	456	414
Appropriations	—	—	—	—	252	252
Tax	-5	-1	2	-1	-52	-55
Profit after tax	156	33	145	100	656	611
Depreciation/amortisation	—	—	—	—	1	1

■ Parent Company balance sheet (summary)

SEK million	30/06/2019	30/06/2018	31/12/2018
Assets			
Intangible fixed assets	1	3	1
Property, plant and equipment	1	1	1
Financial assets	1,734	1,637	1,675
Deferred tax assets	14	14	—
Total fixed assets	1,750	1,655	1,677
Other receivables	468	305	903
Cash and bank	101	—	59
Total current assets	569	305	962
Total assets	2,319	1,960	2,639
Shareholders' equity and liabilities			
Shareholders' equity	1,398	1,065	1,577
Untaxed reserves	199	200	199
Deferred tax liabilities	—	—	6
Other provisions	14	14	12
Long-term liabilities	578	550	556
Current liabilities	130	131	289
Total shareholders' equity and liabilities	2,319	1,960	2,639

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	Jan-Jun 2019	35	-3	8	—	182	901	145
Subsidiary	Jan-Jun 2018	31	-3	7	—	137	703	185

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.