

Nolato AB (publ) year-end report 2019

Good performance by all business areas

■ Fourth quarter of 2019 in brief

- Sales increased to SEK 2,296 million (1,781)
- Operating profit (EBITA) rose to SEK 271 million (214) excl. a non-recurring item of SEK –22 million
- EBITA margin of 11.8% (12.0%) excl. a non-recurring item
- Profit after tax was SEK 206 million (158)
- Basic earnings per share increased to SEK 8.36 (6.01) excl. non-recurring items
- Cash flow after investment rose to SEK 601 million (122) excl. acquisitions

■ Full year 2019 in brief

- Sales totalled SEK 7,919 million (8,102)
- Operating profit (EBITA) was SEK 917 million (946) excl. non-recurring items
- Basic earnings per share were SEK 27.20 (SEK 27.18) excl. non-recurring items
- The equity/assets ratio was 48% (50) and net financial assets were SEK 666 million (341)
- The Board proposes a 4% increase in the dividend to SEK 14.50 (14.00) per share

■ Group highlights

SEK million unless otherwise specified	Note	Q4 2019*	Q4 2018	Full year 2019*	Full year 2018**
Net sales	1	2,296	1,781	7,919	8,102
Operating profit (EBITDA) ¹⁾		357	275	1,263	1,189
Operating profit (EBITA) ²⁾		249	214	895	949
EBITA margin, %		10.8	12.0	11.3	11.7
Operating profit (EBIT) ³⁾	2	246	213	887	941
Profit after financial income and expense	2	236	210	857	921
Profit after tax		206	158	703	722
Basic earnings per share, SEK	3	7.76	6.01	26.60	27.44
Diluted earnings per share, SEK	3	7.75	5.98	26.60	27.37
Basic adjusted earnings per share, SEK ⁴⁾	3	7.84	6.01	26.82	27.67
Diluted adjusted earnings per share, SEK ⁴⁾	3	7.83	5.98	26.82	27.59
Cash fl. after investments, excl. acquisitions and disposals		601	122	800	593
Net investments affecting cash fl., excl. acq. and dispos.		81	116	360	452
Cash conversion, % ⁵⁾		—	—	88	60
Return on capital employed, %		23.1	29.7	23.1	29.7
Return on shareholders' equity, %		25.5	30.4	25.5	30.4
Equity/assets ratio, %		48	50	48	50
Net financial assets excluding pension- & lease liabilities		666	341	666	341

* Including a non-recurring item of SEK –22 million in operating profit in Q4 2019 and tax effects of SEK +6 million, which impacted profit after tax by SEK –16 million.

** 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.

¹⁻⁵⁾ See definitions of IFRS measures and alternative performance measures on page 21.

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

Fourth quarter 2019

- Sales amounted to SEK 2,296 million (1,781); adjusted for currency, sales increased by 22%
- Good growth across all business areas, with very strong growth for Integrated Solutions
- Operating profit (EBITA) was SEK 271 million (214) excl. non-recurring items
- The EBITA margin amounted to a strong 11.8% (12.0), excl. non-recurring items

Sales

Consolidated sales totalled SEK 2,296 million (1,781). Adjusted for currency, sales growth was 22%.

Medical Solutions sales amounted to SEK 627 million (580); adjusted for currency, sales increased by 4%. Sales increased in both Medical Devices and Pharma Packaging.

Integrated Solutions sales amounted to SEK 1,097 million (703); adjusted for currency, sales increased by a very strong 45%. The previous year's volumes were low because of inventory adjustments for Vaporiser Heating Products (VHP). In addition, Nolato's customer launched new variants of heating products on the market, which made a positive contribution in the quarter as a result of inventory build-up by the customer. Growth in the EMC area continued to be impacted by a cautious Asian market for network equipment, while mobile phone volumes performed well.

Industrial Solutions sales amounted to SEK 573 million (505); adjusted for currency, sales increased by 10%. New customer projects within general industry were initiated in the quarter, boosting sales. Part of this billing is non-recurring, which accounts for around half of the business area's growth.

Profit

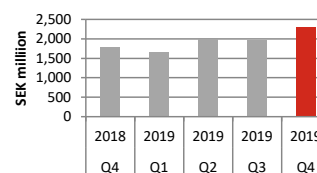
The Group's operating profit (EBITA) increased to SEK 271 million (214) million excluding non-recurring items. Including non-recurring items, profit amounted to SEK 249 million (214).

Operating profit (EBITA) increased to SEK 80 million (77) for Medical Solutions, to SEK 147 million (99) for Integrated Solutions and to SEK 47 million (39) for Industrial Solutions.

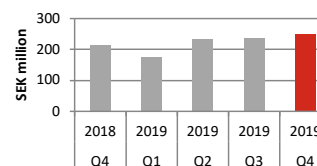
The EBITA margin for Medical Solutions was 12.8% (13.3). For Integrated Solutions, the EBITA margin was a very strong 13.4% (14.1). Good volumes of older products in Vaporiser Heating Products (VHP), with high production efficiency and good capacity utilisation in mobile phones, had a positive impact on the margin. The margin for the previous year was boosted by 2.0 percentage points as a result of the business area receiving compensation from Chinese authorities. The EBITA margin for Industrial Solutions was 8.2% (7.7). The margin was negatively affected by just under one percentage point as a result of high start-up costs for new general industry customer projects.

Overall, the Group's EBITA margin was 11.8% (12.0%) excluding non-recurring items. Including non-recurring items, the margin was 10.8% (12.0).

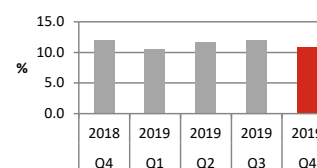
Sales



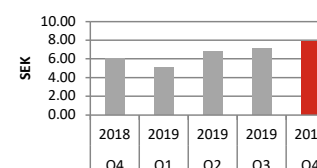
Operating profit (EBITA)



EBITA margin



Adjusted basic earnings per share



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

SEK million	Sales Q4/2019	Sales Q4/2018	Operating profit EBITA Q4/2019	Operating profit EBITA Q4/2018	EBITA margin Q4/2019	EBITA margin Q4/2018
Medical Solutions	627	580	80	77	12.8%	13.3%
Integrated Solutions	1,097	703	147	99	13.4%	14.1%
Industrial Solutions	573	505	47	39	8.2%	7.7%
Intra-Group adj., Parent Co*	– 1	– 7	– 25	– 1	—	—
Group total	2,296	1,781	249	214	10.8%	12.0%

* Including a non-recurring item of SEK –22 million in operating profit in Q4 2019.

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

Operating profit (EBIT) increased to SEK 246 million (213).

Profit after net financial income/expense was SEK 236 million (210).

Profit after tax was SEK 206 million (158). Basic earnings per share increased to SEK 7.76 (6.01). Excluding non-recurring items, basic earnings per share amounted to SEK 8.36 (6.01). Adjusted basic earnings per share excluding amortisation of intangible assets arising from acquisitions were SEK 7.84 (6.01).

Full year 2019

Sales and earnings

Consolidated sales totalled SEK 7,919 million (8,102). Adjusted for currency and Group structure, sales decreased by 7%.

Sales for Medical Solutions rose by 9% to SEK 2,484 million (2,270), while for Integrated Solutions they decreased by 12% to SEK 3,292 million (3,720) and increased for Industrial Solutions by 2% to SEK 2,159 million (2,119).

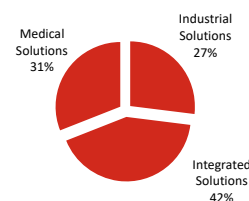
The Group's operating profit (EBITA) was SEK 895 million (949). Excluding non-recurring items, profit amounted to SEK 917 million (946). In January Nolato announced that it plans to consolidate operations in UK-based Nolato Jaycare and that one of the company's production plants is to be closed by December 2020 at the latest. The cost of the closure is estimated at approximately SEK 35 million, of which around SEK 30 million affects cash flow. Non-recurring costs of SEK 22 million were expensed in the fourth quarter and the remaining SEK 13 million is expected to be expensed in the first quarter of 2020. These non-recurring items were recognised at Group level and have consequently not affected the profit of the business areas. The EBITA margin amounted to a strong 11.6% (11.7), excl. non-recurring items. Operating profit (EBIT) was SEK 887 million (941).

Profit after net financial income/expense was SEK 857 million (921).

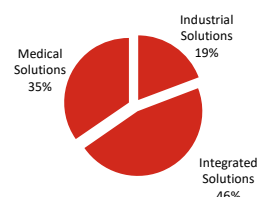
Profit after tax was SEK 703 million (722). Basic earnings per share totalled SEK 26.60 (27.44). Excluding non-recurring items, basic earnings per share amounted to SEK 27.20 (27.18). Adjusted basic earnings per share excluding amortisation of intangible assets arising from acquisitions amounted to SEK 26.82 (27.67). The effective tax rate was 18.0% (21.6). Excluding non-recurring items and adjustment to a lower tax rate in Switzerland (one-off effect), the tax rate was 18.2% (22.1). The tax rate is lower than previously estimated owing in part to a lower tax rate in Switzerland and an increased share of earnings in China at the end of the year.

The return on capital employed was 23.1% (29.7%). Return on equity was 25.5% (30.4). Cash conversion rose to 88% (60).

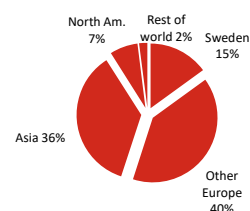
Business areas' share of sales



Business areas' share of operating profit (EBITA)



Sales by geographic markets



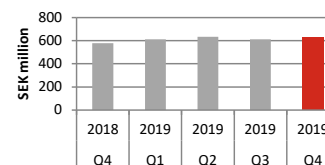
Medical Solutions

Sales and profit full year (SEK million)	2019	2018
Sales	2,484	2,270
Operating profit (EBITA)	320	295
EBITA margin (%)	12.9	13.0
Operating profit (EBIT)	317	291

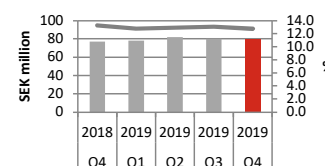
Medical Solutions sales amounted to SEK 2,484 million (2,270); adjusted for currency, sales increased by 5%. Sales increased in both Medical Devices and Pharma Packaging, and most product areas experienced good growth. Growth in the second half of the year was affected by strong comparative figures, which contained very high development sales and billing of production equipment.

Operating profit (EBITA) rose to SEK 320 million (295). The EBITA margin was 12.9% (13.0).

Medical Solutions sales



Medical Solutions operating profit (EBITA) & EBITA margin %



Integrated Solutions

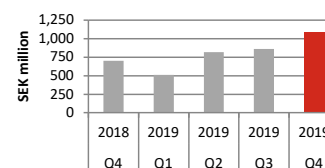
Sales and profit full year (SEK million)	2019	2018
Sales	3,292	3,720
Operating profit (EBITA)	427	473
EBITA margin (%)	13.0	12.7
Operating profit (EBIT)	427	473

Integrated Solutions sales amounted to SEK 3,292 million (3,720); adjusted for currency, sales decreased by 18%. Following inventory adjustments in Vaporiser Heating Products (VHP) towards the end of the previous year and in the first quarter of 2019, the inventory situation normalised. The first quarter consequently began with low volumes, but these grew sequentially over the remaining quarters of the year. Heating Devices started delivering new product variants in the third and fourth quarters, which made a positive contribution. Volumes in the EMC area were stable over the period, while mobile phones were initially weak but performed well in the second half of the year.

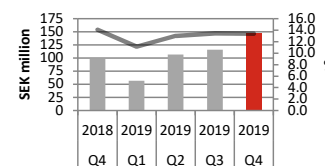
Operating profit (EBITA) was SEK 427 million (473). The EBITA margin was a strong 13.0% (12.7).

Nolato completed the acquisition of US-based Ja-Bar Silicone Corporation in the fourth quarter. The final purchase price for the company was SEK 93 million (debt free company). The company, which has annual sales equivalent to approximately SEK 150 million with good profitability, strengthens Nolato's offering in process- and materials-based electronics shielding solutions for electromagnetic compatibility or 'EMC'. The company was consolidated into the Group as of 18 December 2019. The transaction is expected to have a marginal positive effect on Nolato's earnings per share in 2020. The acquisition was financed using existing credit agreements.

Integrated Solutions sales



Integrated Solutions operating profit (EBITA) & EBITA margin %



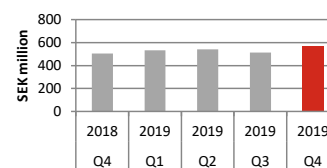
■ Industrial Solutions

Sales and profit full year (SEK million)	2019	2018
Sales	2,159	2,119
Operating profit (EBITA)	181	186
EBITA margin (%)	8.4	8.8
Operating profit (EBIT)	176	182

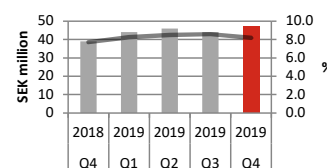
Industrial Solutions sales were SEK 2,159 million (2,119); adjusted for currency and Group structure, sales were unchanged. Inventory adjustments in the hygiene area in the first half of the year had a negative effect. New customer projects in general industry were started in the fourth quarter, boosting sales. Part of this billing is non-recurring. Volumes were stable over the year in most other product areas.

Operating profit (EBITA) totalled SEK 181 million (186), with an EBITA margin of 8.4% (8.8). The lower margin is due to the unsatisfactory efficiency of a production plant and high start-up costs in the fourth quarter for new general industry customer projects. Implemented and ongoing efficiency improvements are gradually having an effect.

■ Industrial Solutions sales



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



■ Cash flow

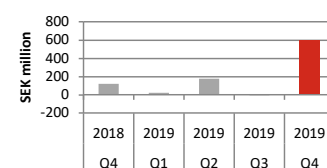
Cash flow after investment in the fourth quarter amounted to a very strong SEK 601 million (122), excluding acquisitions. Including acquisitions, cash flow after investment was SEK 508 million (122). The improvement in cash flow was due to increasing profit, a low level of investment and a significant reduced working capital. Working capital was low at the end of the quarter as a result of a combination of relatively high sales and short credit periods in the first two months of the quarter. In addition, to a lesser extent, as a result of accrual effects with quicker settlement of sold trade receivables than in the third quarter.

Investment affecting cash flow decreased to SEK 81 million (116), excluding acquisitions. Including acquisitions, it amounted to SEK 174 million (116).

For the full year 2019, cash flow after investment rose to SEK 800 million (593) excluding acquisitions and divestments. The improvement in cash flow was due to lower investment and lower working capital needs. Including acquisitions and divestments, cash flow amounted to SEK 707 million (647). On an accumulated basis, net investment affecting cash flow totalled SEK 360 million (452), excluding acquisitions/divestments.

A dividend totalling SEK 368 million (329) was paid to shareholders in the second quarter. Cash conversion for 2019 was 88% (60).

■ Cash flow after investments



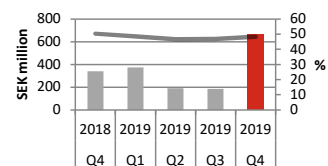
Excluding acquisitions and disposals

Financial position

Interest-bearing assets amounted to SEK 1,362 million (953), and interest-bearing financial liabilities were SEK 696 million (612). Net financial assets consequently totalled SEK 666 million (341). There are also interest-bearing pension liabilities of SEK 246 million (182) and interest-bearing lease liabilities of SEK 277 million (0). Shareholders' equity rose to SEK 2,966 million (2,592). A dividend totalling SEK 368 million (329) was paid to shareholders in the second quarter. The equity/assets ratio was 48% (50).

Nolato has long-term credit agreements totalling approximately SEK 1.1 billion. Short-term financial credit facilities of around SEK 100 million are also available.

Net financial assets & equity/assets ratio



Financial position

SEK million	31/12/2019	31/12/2018
Interest-bearing liabilities, credit institutions	– 696	– 612
Cash and bank	1,362	953
Net financial assets	666	341
Interest-bearing pension liabilities	– 246	– 182
Net financial assets including pension liabilities	420	159
Lease liabilities	– 277	–
Net financial assets including pension- & lease liabilities	143	159
Working capital	280	228
<i>As a percentage of sales (avg.) (%)</i>	<i>3.2</i>	<i>3.8</i>
Capital employed	4,184	3,387
<i>Return on capital employed (avg.) (%)</i>	<i>23.1</i>	<i>29.7</i>
Shareholders' equity	2,966	2,592
<i>Return on shareholders' equity (avg.) (%)</i>	<i>25.5</i>	<i>30.4</i>

Consolidated performance analysis

SEK million	Note	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	1	2,296	1,781	7,919	8,102
Gross profit excl. depreciation/write-downs/amortisation		454	347	1,612	1,493
<i>As a percentage of net sales</i>		<i>19.8</i>	<i>19.5</i>	<i>20.4</i>	<i>18.4</i>
Costs		– 97	– 72	– 349	– 304
<i>As a percentage of net sales</i>		<i>4.2</i>	<i>4.0</i>	<i>4.4</i>	<i>3.8</i>
Operating profit (EBITDA)		357	275	1,263	1,189
<i>As a percentage of net sales</i>		<i>15.5</i>	<i>15.4</i>	<i>15.9</i>	<i>14.7</i>
Depreciation, write-downs and amortisation		– 108	– 61	– 368	– 240
Operating profit (EBITA)		249	214	895	949
<i>As a percentage of net sales</i>		<i>10.8</i>	<i>12.0</i>	<i>11.3</i>	<i>11.7</i>
Amortisation of intangible assets arising from acquisitions		– 3	– 1	– 8	– 8
Operating profit (EBIT)	2	246	213	887	941
Financial income and expense	2	– 10	– 3	– 30	– 20
Profit after financial income and expense	2	236	210	857	921
Tax		– 30	– 52	– 154	– 199
<i>As a percentage of profit after financial income and expense</i>		<i>12.7</i>	<i>24.8</i>	<i>18.0</i>	<i>21.6</i>
Profit after tax		206	158	703	722

■ Personnel

The average number of employees during the year was 5,941 people (6,449). The decrease in the number of employees in the year is primarily attributable to Integrated Solutions's operations 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

In January Nolato announced that it plans to close a production unit in the UK in 2020. The costs of the closure were partially recognised in the fourth quarter of 2019, and are also estimated to affect the first quarter of 2020. No other significant events have occurred since the end of the period.

■ Dividend

At the Annual General Meeting, the Board of Directors and the President and CEO will propose that the dividend be increased to SEK 14.50 per share (SEK 14.00), which corresponds to SEK 385 million (368). The pay-out ratio is 55% (51). The dividend yield was 2.6% in relation to the listed share price at 31 December 2019. Nolato's dividend policy is to propose a dividend that exceeds 50% of profit after tax, taking account of Nolato's long-term development opportunities, financial position and investment needs.

■ Ownership and legal structure

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

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

There were 11,592 shareholders at 31 December. The largest shareholders are the Jorlén family with 10%, the Boström family with 9%, the Hamrin family with 8%, Capital Group and Lannebo Funds with 7% each, Didner & Gerge Funds with 4%, Handelsbanken Funds with 2%, of the capital.

■ Contact:

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

■ Webcast conference call on 10 February:

In connection with the year-end report, Nolato will hold a webcast conference call in English at 3.30 p.m. CET. Nolato will be represented by President and CEO Christer Wahlquist and CFO Per-Ola Holmström, who will present the year-end report and answer questions. Information regarding telephone numbers and website is available at <https://financialhearings.com/event/12324>. The presentation will be available at www.nolato.com/ir after publication of the year-end report. The webcast will be available at the same address after the live broadcast.

Prior to publication this information constituted inside information that Nolato AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the above contact persons, at 2:30 p.m. CET on 10 February 2020.

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

■ The Parent Company

For the parent company, which has no operating activities, sales amounted to SEK 60 million (63). Profit after financial income and expense was SEK 396 million (414). Contingent liabilities amounted to 252 MSEK (145).

■ 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.

■ 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	Before transition 31/12/2018	Adjustment due to transition	Adj. open. bal. 01/01/2019
SEK million			
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	Q4 2019	Q4 2018	Full year 2019	Full year 2018
SEK million				
Cost of goods sold	21	—	80	—
EBITDA (increase of performance measure)	21	—	80	—
Depreciation in cost of goods sold	– 19	—	– 75	—
EBITA/EBIT (increase of performance measure)	2	—	5	—
Interest expenses	– 3	—	– 11	—
Profit after financial income and expense (decrease of performance measure)	– 1	—	– 6	—
Tax	—	—	1	—
Profit after tax (decrease of performance measure)	– 1	—	– 5	—
Effect on basic earnings per share (SEK)	– 0.04	—	– 0.19	—

Impact on consolidated balance sheet of IFRS 16	31/12/2019	31/12/2018
SEK million		
Property, plant & equipment	274	—
Total fixed assets	274	—
Total assets (increase of balance sheet item)	274	—
Shareholders' equity	– 5	—
Long-term liabilities and provisions (interest-bearing)	207	—
Current liabilities and provisions (interest-bearing)	70	—
Current liabilities and provisions (non-interest-bearing)	2	—
Total liabilities and provisions	279	—
Total shareholders' equity and liabilities (increase of balance sheet item)	274	—

Impact on consolidated cash flow statement of IFRS 16	Q4 2019	Q4 2018	Full year 2019	Full year 2018
SEK million				
Operating profit	2	—	5	—
<i>Adjustments for items not included in cash flow:</i>				
Depreciation	19	—	75	—
Interest paid	– 3	—	– 11	—
Cash flow from oper. act. before changes in working capital	18	—	69	—
Other changes in working capital	– 1	—	2	—
Cash flow from operating activities	17	—	71	—
Cash flow from financing activities	– 17	—	– 71	—
Cash flow for the period	—	—	—	—

■ Annual General Meeting

The Annual General Meeting will be held at 4 p.m. CET on 4 May 2020 in Grevie, Sweden. Shareholders who would like to submit proposals to the nomination committee can contact the Chairman of the nomination committee, Henrik Jorlén by email at henrik.jorlen@gmail.com or by post at Kommendörsgatan 4, 269 77 Torekov, Sweden.

■ Financial calendar

- 2019 Annual Report: Nolato's Annual Report will be published on the company's website, www.nolato.com, during week 14. A copy of the Annual Report will also be sent to those Nolato shareholders who have specifically requested such.
- 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

Torekov, 10 February 2020

Nolato AB (publ)

The Board of Directors

The company in brief

■ Nolato's business

Nolato is a global, advanced high-tech cooperation partner and manufacturer of polymer products and systems for leading customers in well-defined market areas such as medical technology, pharmaceuticals, consumer electronics, telecom, automotive, hygiene and other selected industrial sectors.

With its many years of experience, in-depth materials and processes expertise, early involvement in customer projects, advanced project management and detailed knowledge of each customer's specific requirements, Nolato is an effective and innovative partner.

■ Nolato's business model

Our business model is based on three decentralised business areas, which with their own decision-making and shared ambitions endeavour to fulfil our vision and financial targets.

The sharing of experience between our business areas, leading-edge technology, wide-ranging development and design know-how, advanced project management and efficient production allow us to establish long-term, innovative cooperation with our customers and partners and generate added value for both them and our shareholders.

Our shared values of being professional, well organised and responsible are reflected in everything we do.

■ 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	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	1	2,296	1,781	7,919	8,102
Cost of goods sold		– 1,949	– 1,494	– 6,671	– 6,845
Gross profit		347	287	1,248	1,257
Other operating income		– 6	10	2	37
Selling expenses		– 32	– 29	– 126	– 119
Administrative expenses		– 57	– 55	– 231	– 217
Other operating expenses		– 6	—	– 6	– 17
		– 101	– 74	– 361	– 316
Operating profit	2	246	213	887	941
Financial income and expense	2	– 10	– 3	– 30	– 20
Profit after financial income and expense	2	236	210	857	921
Tax		– 30	– 52	– 154	– 199
Profit after tax		206	158	703	722
All earnings are attrib. to the Parent Co.'s shareholders					
Depreciation/write-downs/amortisation reg. non-current assets		111	62	376	248
Basic earnings per share, SEK*	3	7.76	6.01	26.60	27.44
Diluted earnings per share, SEK*	3	7.75	5.98	26.60	27.37
Number of shares at the end of the period, before dilution*		26,548,008	26,307,408	26,548,008	26,307,408
Number of shares at the end of the period, after dilution*		26,548,982	26,427,262	26,548,982	26,427,262
Average number of shares, before dilution*		26,543,778	26,307,408	26,431,806	26,307,408
Average number of shares, after dilution*		26,576,638	26,410,507	26,432,001	26,384,021

* At the end of the period the Group had two share warrant programmes. The first programme, Series 2 and Series 3, effects basic earnings per share. Series 2 has redemptions from 01/05/2020 to 15/12/2020 and Series 3 from 01/05/2021 to 15/12/2021. The subscription price is SEK 485.10 for Series 2 and SEK 502.00 for Series 3. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the first programme provide a maximum of 389,700 new class B shares.

■ Consolidated comprehensive income

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit after tax	206	158	703	722
Other comprehensive income				
<i>Items that cannot be transferred to profit for the period</i>				
Revaluations of defined benefit pension plans	– 45	3	– 66	3
Tax attributable to items that cannot be transferred to profit for the period	6	– 1	11	– 1
	– 39	2	– 55	2
<i>Items that have been converted or can be converted into profit for the period</i>				
Translation differences for the period on transl. of foreign oper.	– 40	6	21	36
Changes in the fair val. of cash flow hedges for the period*	4	2	2	– 1
Tax attr. to changes in the fair value of cash flow hedges*	—	– 1	—	—
	– 36	7	23	35
Other comprehensive income, net of tax	– 75	9	– 32	37
Total comp. income for the period attributable to the Parent Co.'s shareholders	131	167	671	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	31/12/2019	31/12/2018
Assets		
Non-current assets		
Intangible non-current assets	852	780
Property, plant and equipment	1,839	1,518
Non-current financial assets	2	2
Other non-current receivables	1	1
Deferred tax assets	58	111
Total fixed assets	2,752	2,412
Current assets		
Inventories	667	566
Accounts receivable	1,051	949
Other current assets* ²⁾	302	276
Cash and bank	1,362	953
Total current assets	3,382	2,744
Total assets	6,134	5,156
Shareholders' equity and liabilities		
Shareholders' equity	2,966	2,592
Long-term liabilities and provisions ¹⁾	1,179	795
Deferred tax liabilities ¹⁾	110	116
Current liabilities and provisions* ^{1) 3)}	1,879	1,653
Total liabilities and provisions	3,168	2,564
Total shareholders' equity and liabilities	6,134	5,156
¹⁾ Interest-bearing/non-interest-bearing liabilities and provisions:		
Interest-bearing liabilities and provisions	1,219	794
Non-interest-bearing liabilities and provisions	1,949	1,770
Total liabilities and provisions	3,168	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	5	5
³⁾ Derivative liabilities are included in current liabilities and provisions at	1	4

■ Changes in consolidated shareholders' equity (summary)

SEK million	Full year 2019	Full year 2018
Shareholders' equity at the beginning of the period	2,592	2,159
Total comprehensive income for the period	671	759
Dividends	– 368	– 329
Share warrants included in incentive programmes	—	3
Exercise of warrants included in incentive programmes	71	—
Shareholders' equity at the end of period attrib. to Parent Co's shareholders	2,966	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 two share warrant programmes. The first programme, Series 2 and Series 3, effects basic earnings per share. Series 2 has redemptions from 01/05/2020 to 15/12/2020 and Series 3 from 01/05/2021 to 15/12/2021. The subscription price is SEK 485.10 for Series 2 and SEK 502.00 for Series 3. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the first programme provide a maximum of 389,700 new class B shares.

Consolidated cash flow statement (summary)

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Cash flow from op. activities bef. changes in working capital	328	238	1,005	960
Changes in working capital	354	—	155	85
Cash flow from operating activities	682	238	1,160	1,045
Cash flow from investment activities	– 174	– 116	– 453	– 398
Cash flow before financing activities	508	122	707	647
Cash flow from financing activities	36	2	– 315	– 393
Cash flow for the period	544	124	392	254
Cash and cash equivalents at the beginning of the period	851	818	953	669
Exchange rate difference in liquid assets	– 33	11	17	30
Cash and cash equivalents at the end of the period	1,362	953	1,362	953

Note 1 Revenue

SEK million	Full year - 2019				Full year - 2018			
	Sum	Medical Sol.	Integr. Sol.	Indust. Sol.	Sum	Medical Sol.	Integr. Sol.	Indust. Sol.
Sweden	1,173	157	35	981	1,189	140	51	998
Other Europe	3,148	1,620	548	980	2,889	1,492	473	924
North America	608	464	14	130	564	408	29	127
Asia	2,852	105	2,683	64	3,315	94	3,155	66
Rest of world	154	138	12	4	152	136	12	4
Elimination internal sales	– 16				– 7			
Tot. revenues fr. customer contracts	7,919	2,484	3,292	2,159	8,102	2,270	3,720	2,119

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

For the full year 2019, the Group recognised increased provision of previously impaired trade receivables and contract assets of SEK 12 million (10). Impairment losses are recognised in the cost of goods sold.

Note 2 Reconciliation of consolidated income before tax

SEK million	Full year 2019	Full year 2018
Operating profit (EBIT)		
Medical Solutions	317	291
Integrated Solutions	427	473
Industrial Solutions	176	182
Group adjustments, Parent Company*	– 33	– 5
Consolidated operating profit (EBIT)*	887	941
Financial income and expense (not distributed by business areas)	– 30	– 20
Consolidated profit before tax	857	921

* Including a non-recurring item of SEK –22 million in operating profit in Q4 2019.

* 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	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit after tax	206	158	703	722
Average number of shares, before dilution	26,543,778	26,307,408	26,431,806	26,307,408
Basic earnings per share (SEK)	7.76	6.01	26.60	27.44
Non-recurring items	16	—	16	— 7
Profit after tax excl. non-recurring items	222	158	719	715
Basic earnings per share excl. non-recurring items (SEK)	8.36	6.01	27.20	27.18
Dilutive shares from Series 1 incentive programme with exercise price SEK 296.30 per share; total 240,600 warrants	—	103,099	—	76,613
Dilutive shares from Series 2 incentive programme with exercise price SEK 485.10 per share; total 196,200 warrants	19,599	—	195	—
Dilutive shares from Series 3 incentive programme with exercise price SEK 502.00 per share; total 193,500 warrants	13,261	—	—	—
Average number of shares, after dilution	26,576,638	26,410,507	26,432,001	26,384,021
Diluted earnings per share (SEK)	7.75	5.98	26.60	27.37
Diluted earnings per share excl. non-recurring items (SEK)	8.35	5.98	27.20	27.10
Number of shares at the end of the period, before dilution	26,548,008	26,307,408	26,548,008	26,307,408
Number of shares at the end of the period, after dilution	26,548,982	26,427,262	26,548,982	26,427,262

At the end of the period the Group had two share warrant programmes. The first programme, Series 2 and Series 3, effects basic earnings per share. Series 2 has redemptions from 01/05/2020 to 15/12/2020 and Series 3 from 01/05/2021 to 15/12/2021. The subscription price is SEK 485.10 for Series 2 and SEK 502.00 for Series 3. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the first programme provide a maximum of 389,700 new class B shares.

■ Adjusted earnings per share (alternative performance measures)

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Profit after tax	206	158	703	722
Adjusted earnings:				
Amortisation of intangible assets arising from acquisitions	3	1	8	8
Tax on amortisation	— 1	— 1	— 2	— 2
Adjusted earnings	208	158	709	728
Average number of shares, before dilution	26,543,778	26,307,408	26,431,806	26,307,408
Adjusted basic earnings per share (SEK)	7.84	6.01	26.82	27.67
Non-recurring items	16	—	16	— 7
Adjusted earnings after tax, excl. non-recurring items	224	158	725	721
Adj. basic earnings per share excl. non-recurring items (SEK)	8.44	6.01	27.43	27.41
Average number of shares, after dilution	26,576,638	26,410,507	26,432,001	26,384,021
Adjusted diluted earnings per share (SEK)	7.83	5.98	26.82	27.59
Adj. diluted earnings per share excl. non-recurring items (SEK)	8.43	5.98	27.43	27.33

■ Five-year overview

IFRS measures	2019	2018	2017	2016	2015
Operating profit (EBIT) (SEK million)	887	941	749	443	556
Basic earnings per share, (SEK)	26.60	27.44	21.74	12.77	15.97
Diluted earnings per share, (SEK)	26.60	27.37	21.74	12.77	15.97
Alternative performance measures					
Net sales (SEK million)	7,919	8,102	6,720	4,447	4,726
Operating profit (EBITA) (SEK million)	895	949	763	457	570
EBITA margin (%)	11.3	11.7	11.4	10.3	12.1
Profit after financial income and expense (SEK million)	857	921	731	438	555
Profit after tax (SEK million)	703	722	572	336	420
Cash flow after investments, excl. acq. and disposals (SEK million)	800	593	496	245	288
Cash conversion (%)	88	60	66	55	52
Return on capital employed (%)	23.1	29.7	26.6	20.6	29.6
Return on shareholders' equity (%)	25.5	30.4	29.4	19.0	25.3
Net financial assets (+) liabilities (–), excl. pension- & lease liab. (SEK million)	666	341	31	– 206	249
Equity/assets ratio (%)	48	50	45	47	54
Adjusted basic earnings per share (SEK)	26.82	27.67	22.16	13.19	16.35
Adjusted diluted earnings per share (SEK)	26.82	27.59	22.15	13.19	16.35
Dividend per share (2019 proposal) (SEK)	14.50	14.00	12.50	10.50	10.00
Average number of employees	5,941	6,449	7,249	6,418	7,759

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	236	246	887
	2	2018	261	264	203	213	941
		2017	142	174	206	227	749
Basic earnings per share (SEK)	3	2019	4.98	6.82	7.02	7.76	26.60
	3	2018	7.83	7.75	5.85	6.01	27.44
		2017	4.11	4.98	5.82	6.84	21.74
Diluted earnings per share (SEK)	3	2019	4.97	6.81	7.01	7.75	26.60
	3	2018	7.80	7.70	5.81	5.98	27.37
		2017	4.11	4.98	5.82	6.84	21.74
Alternative performance measures							
Net sales (SEK million)	1	2019	1,656	1,987	1,980	2,296	7,919
	1	2018	2,039	2,302	1,980	1,781	8,102
		2017	1,370	1,675	1,749	1,926	6,720
Operating profit (EBITDA) (SEK million)		2019	259	321	326	357	1,263
		2018	322	325	267	275	1,189
		2017	199	232	263	286	980
Operating profit (EBITA) (SEK million)		2019	175	233	238	249	895
		2018	264	266	205	214	949
		2017	146	178	209	230	763
EBITA margin (%)		2019	10.6	11.7	12.0	10.8	11.3
		2018	12.9	11.6	10.4	12.0	11.7
		2017	10.7	10.6	11.9	11.9	11.4
Profit after financial income and expense (SEK million)	2	2019	166	223	232	236	857
	2	2018	256	257	198	210	921
		2017	138	170	198	225	731
Profit after tax (SEK million)		2019	131	180	186	206	703
		2018	206	204	154	158	722
		2017	108	131	153	180	572
Cash flow from operating activities (SEK million)		2019	130	265	83	682	1,160
		2018	296	472	39	238	1,045
		2017	67	103	381	222	773
Cash flow from operations per share before dilution (SEK)		2019	4.94	10.04	3.13	25.69	43.81
		2018	11.25	17.94	1.48	9.05	39.72
		2017	2.55	3.92	14.48	8.44	29.38
Cash flow after investments, excl. acq. and disp. (SEK million)		2019	25	178	– 4	601	800
		2018	187	352	– 68	122	593
		2017	3	28	308	157	496
Cash fl. aft. inv., excl. acq. and disp. per sh. bef. dilut. (SEK)		2019	0.95	6.75	– 0.15	22.64	30.19
		2018	7.11	13.38	– 2.58	4.64	22.54
		2017	0.11	1.06	11.71	5.97	18.85
Adjusted basic earnings per share (SEK)	3	2019	5.06	6.82	7.09	7.84	26.82
	3	2018	7.91	7.83	5.93	6.01	27.67
		2017	4.22	5.09	5.93	6.92	22.16
Shareholders' equity per share, before dilution (SEK)		2019	106	98	107	112	112
		2018	92	87	92	99	99
		2017	74	69	74	82	82
Return on total capital (%)		2019	16.1	15.2	15.5	15.6	15.6
		2018	18.8	19.6	19.1	18.4	18.4
		2017	14.0	14.8	16.1	17.1	17.1
Return on capital employed (%)		2019	25.3	23.6	23.4	23.1	23.1
		2018	29.8	32.0	31.2	29.7	29.7
		2017	20.8	22.3	24.7	26.6	26.6
Return on operating capital (%)		2019	34.4	31.6	30.7	31.0	31.0
		2018	36.8	41.1	41.1	40.0	40.0
		2017	24.3	25.7	29.1	32.1	32.1
Return on shareholders' equity (%)		2019	25.9	24.5	24.7	25.5	25.5
		2018	32.6	34.9	33.1	30.4	30.4
		2017	20.0	22.9	26.2	29.4	29.4
Closing share price Nolato B (Nasdaq Stockholm)		2019	386.50	566.50	525.50	550.00	550.00
		2018	609.00	723.00	548.00	366.50	366.50
		2017	267.00	316.50	393.00	539.00	539.00

Including a non-recurring item of SEK –22 million in operating profit in Q4 2019 and tax effects of SEK +6 million, which impacted profit after tax by SEK –16 million.

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

Net sales (SEK million)	Note		Q1	Q2	Q3	Q4	Full year
Medical Solutions	1	2019	611	634	612	627	2,484
	1	2018	532	562	596	580	2,270
		2017	487	498	459	511	1,955
Integrated Solutions	1	2019	512	821	862	1,097	3,292
	1	2018	939	1,186	892	703	3,720
		2017	399	692	819	900	2,810
Industrial Solutions	1	2019	533	541	512	573	2,159
	1	2018	568	554	492	505	2,119
		2017	488	489	473	518	1,968
Group adjustments, Parent Company	1	2019	—	– 9	– 6	– 1	– 16
	1	2018	—	—	—	– 7	– 7
		2017	– 4	– 4	– 2	– 3	– 13
Group total	1	2019	1,656	1,987	1,980	2,296	7,919
	1	2018	2,039	2,302	1,980	1,781	8,102
		2017	1,370	1,675	1,749	1,926	6,720

Operating profit (EBITA) (SEK million)			Q1	Q2	Q3	Q4	Full year
Medical Solutions		2019	78	82	80	80	320
	EBITA margin (%)		12.8	12.9	13.1	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	116	147	427
	EBITA margin (%)		11.1	13.0	13.5	13.4	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	44	47	181
	EBITA margin (%)		8.3	8.5	8.6	8.2	8.4
		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	– 2	– 25	– 33
		2018	18	– 2	– 20	– 1	– 5
		2017	– 5	– 7	– 3	– 6	– 21
Group total		2019	175	233	238	249	895
	EBITA margin (%)		10.6	11.7	12.0	10.8	11.3
		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 a non-recurring item of SEK –22 million in operating profit in Q4 2019.

* 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/write-downs/amortisation (SEK million)			Q1	Q2	Q3	Q4	Full year
Medical Solutions		2019	39	40	40	41	160
		2018	28	28	28	28	112
		2017	27	27	27	27	108
Integrated Solutions		2019	17	17	16	16	66
		2018	8	8	8	7	31
		2017	9	8	8	8	33
Industrial Solutions		2019	30	32	34	35	131
		2018	25	25	28	26	104
		2017	21	22	23	24	90
Parent company, group adjustments		2019	—	—	—	19	19
		2018	—	—	—	1	1
		2017	—	—	—	—	—
Group total		2019	86	89	90	111	376
		2018	61	61	64	62	248
		2017	57	57	58	59	231

■ Group financial highlights

	Note	Q4 2019*	Q4 2018	Full year 2019*	Full year 2018**
IFRS measures					
Basic earnings per share (SEK)	3	7.76	6.01	26.60	27.44
Diluted earnings per share (SEK)	3	7.75	5.98	26.60	27.37
Alternative performance measures					
Net sales (SEK million)	1	2,296	1,781	7,919	8,102
Sales growth (%)		29	– 8	– 2	21
Percentage of sales outside Sweden (%)		86	84	85	86
Operating profit (EBITDA) (SEK million)		357	275	1,263	1,189
Operating profit (EBITA) (SEK million) ¹⁾		249	214	895	949
EBITA margin (%) ¹⁾		10.8	12.0	11.3	11.7
Profit after financial income and expense (SEK million)	2	236	210	857	921
Profit margin (%) ¹⁾		10.3	11.8	10.8	11.4
Profit after tax (SEK million)		206	158	703	722
Return on total capital (%) ¹⁾		15.6	18.4	15.6	18.4
Return on capital employed (%) ¹⁾		23.1	29.7	23.1	29.7
Return on operating capital (%) ¹⁾		31.0	40.0	31.0	40.0
Return on shareholders' equity (%) ¹⁾		25.5	30.4	25.5	30.4
Equity/assets ratio (%)		48	50	48	50
Debt/equity (%)		41	31	41	31
Interest coverage ratio (times)		24	47	25	40
Net investm. affecting cash fl., excl. acq. and disposals (SEK million)		81	116	360	452
Cash flow after investments, excl. acq. and disposals (SEK million)		601	122	800	593
Cash conversion (%) ¹⁾		—	—	88	60
Net fin. assets, excl. pension- & lease liab. (SEK million)		666	341	666	341
Adjusted basic earnings per share (SEK)	3	7.84	6.01	26.82	27.67
Adjusted diluted earnings per share (SEK)	3	7.83	5.98	26.82	27.59
Cash flow from operations per share, before dilution (SEK)		25.69	9.05	43.81	39.72
Cash flow from operations per share, after dilution (SEK)		25.66	9.01	43.75	39.52
Cash flow after investments excluding acquisitions and disposals, per share, before dilution (SEK)		22.64	4.64	30.19	22.54
Cash flow after investments excluding acquisitions and disposals, per share, after dilution (SEK)		22.61	4.62	30.15	22.43
Shareholders' equity per share, before dilution (SEK)		—	—	112	99
Shareholders' equity per share, after dilution (SEK)		—	—	112	98
Average number of employees		—	—	5,941	6,449

* Including a non-recurring item of SEK –22 million in operating profit in Q4 2019 and tax effects of SEK +6 million, which impacted profit after tax by SEK –16 million.

** 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 22.

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.

EBITA margin

Operating profit (EBITA) 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	Q4 2019*	Q4 2018	Full year 2019*	Full year 2018**
Operating profit (EBITDA)		357	275	1,263	1,189
Non-recurring items		22	—	22	– 3
Adjusted operating profit (EBITDA)		379	275	1,285	1,186
Operating profit (EBIT)	2	246	213	887	941
Reversal of amortisation of intangible assets arising in connection with acquisitions		3	1	8	8
Operating profit (EBITA)		249	214	895	949
Non-recurring items		22	—	22	– 3
Adjusted operating profit (EBITA)		271	214	917	946
EBITA margin (%)		10.8	12.0	11.3	11.7
Adjusted EBITA margin (%)		11.8	12.0	11.6	11.7
Profit after financial income and expense	2	236	210	857	921
Non-recurring items		22	—	22	– 3
Adjusted profit after financial income and expense		258	210	879	918
Profit margin (%)		10.3	11.8	10.8	11.4
Adjusted profit margin (%)		11.2	11.8	11.1	11.3
Profit after tax		206	158	703	722
Non-recurring items		22	—	22	– 3
Tax on non-recurring items		– 6	—	– 6	– 4
Adjusted profit after tax		222	158	719	715
Cash fl. after investm., excl. acquis. and disposals		—	—	800	593
Non-recurring items (affecting cash flow)		—	—	—	– 29
Adj. cash fl. after investm., excl. acquis. and disposals		—	—	800	564
Operating profit (EBIT)	2	—	—	887	941
Non-recurring items		—	—	22	– 3
Adjusted operating profit (EBIT)		—	—	909	938
Cash conversion (%)		—	—	88	60

* Non-recurring item for the closure of a production plant at Nolato Jaycare in the UK, which had a negative impact of SEK –22 million on operating profit and tax effects of SEK +6 million, which affected profit after tax with SEK –16 million. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

** 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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Profit after financial income and expense, rolling 12 months	856	831	797	831	921				
Financial expense, rolling 12 months	36	30	29	26	24				
Adjusted profit after financial income and exp., rolling 12 months	892	861	826	857	945				
Total capital, at the end of period	6,134	6,051	5,593	5,733	5,156	5,229	5,381	5,148	4,752
Average total capital, last 5 quarters	5,733	5,552	5,418	5,329	5,133				
Return on total capital (%)	15.6	15.5	15.2	16.1	18.4				
Adjusted profit after financial income and exp., rolling 12 months	892	861	826	857	945				
Capital employed, at the end of period	4,184	4,022	3,771	3,982	3,387	3,225	3,131	3,188	2,980
Average capital employed, last 5 quarters	3,869	3,677	3,499	3,383	3,182				
Return on capital employed (%)	23.1	23.4	23.6	25.3	29.7				
Operating profit (EBIT), rolling 12 months	887	855	821	853	941				
Capital employed, at the end of period	4,184	4,022	3,771	3,982	3,387	3,225	3,131	3,188	2,980
Cash and bank, at the end of period	– 1,362	– 851	– 828	– 1,034	– 953	– 818	– 891	– 817	– 669
Operating capital, at the end of period	2,822	3,171	2,943	2,948	2,434	2,407	2,240	2,371	2,311
Average operating capital, latest 5 quarters	2,864	2,781	2,594	2,480	2,353				
Return on operating capital (%)	31.0	30.7	31.6	34.4	40.0				
Profit after tax, rolling 12 months	703	655	623	647	722				
Shareholders' equity, at the end of period	2,966	2,833	2,604	2,783	2,592	2,422	2,301	2,412	2,159
Average shareholders' equity, latest 5 quarters	2,756	2,647	2,540	2,502	2,377				
Return on shareholders' equity (%)	25.5	24.7	24.5	25.9	30.4				

■ Acquisition of Ja-Bar Silicone Corporation

Description of the acquisition

Nolato has acquired US-based Ja-Bar Silicone Corporation. The company, which has annual sales equivalent to approximately SEK 150 million with good profitability, strengthens Nolato's offering in process- and materials-based electronics shielding solutions for electromagnetic compatibility or 'EMC'.

Nolato has acquired the business, consisting of net assets of Ja-Bar Silicone Corporation and controlling influence was obtained. The business was consolidated into the Nolato Group as of 18 December. The acquisition was reported using the acquisition method, with the total purchase price being allocated among the assets acquired and liabilities assumed based on their fair values. Fair value of the net assets was determined using generally accepted principles and methods. The purchase price comprises a cash payment. The acquired business will be reported under the Integrated Solutions business area. The acquisition would have contributed SEK 157 million to the Nolato Group's sales in 2019 if the company had been owned all year. The transaction is expected to have a marginal positive effect on Nolato's earnings per share in 2020. The acquisition analysis is still preliminary as the value of the assets and liabilities assumed from the acquisition has not yet been finally established.

Acquisition value, goodwill and cash flow effects (preliminary)

Acquisition value

Purchase price	93
Less fair value of acquired net assets (according to spec. below)	- 57
Goodwill	36

Goodwill arising in connection with the transaction consists of synergies that are expected to be achieved primarily as a result of increased sales volumes for the Nolato Group to customers in the Integrated Solutions business area. But also partly by means of lower costs through better purchasing terms from external suppliers, and other involvement at different levels in the Integrated Solutions business area. The goodwill is tax-deductible according to US tax rules.

Net assets (preliminary)

	Balance sheet at time of acquisition	Adjust. to fair value	Fair value
Non-current intangible assets	—	14	14
Property, plant and equipment	21	—	21
Current assets	35	—	35
Deferred tax liabilities	—	- 4	- 4
Current liabilities	- 9	—	- 9
Net assets acquired	47	10	57

Non-current intangible assets in the form of customer relationships are estimated to amount to SEK 14 million and will be amortised for accounting purposes over a period of 10 years. Gross value, fair value and the value expected to be settled on for the balance sheet item 'Accounts receivable' are all SEK 14 million. Acquisition expenses of SEK 3 million were expensed as other operating expenses.

Cash flow effects

Cash paid, acquisition value	- 93
Less acquired cash and cash equivalents	—
Net cash flow from acquisition	- 93

■ Parent Company income statement (summary)

SEK million	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	11	14	60	63
Selling expenses	- 1	- 2	- 7	- 7
Administrative expenses	- 12	- 13	- 48	- 49
Other operating income	1	1	3	5
Other operating expenses	- 12	- 12	- 48	- 47
Operating profit	- 13	- 12	- 40	- 35
Profit from participations in Group companies	286	344	468	495
Financial income	- 2	4	10	14
Financial expenses	10	- 23	- 42	- 60
Profit after financial income and expense	281	313	396	414
Appropriations	210	252	210	252
Tax	- 49	- 54	- 43	- 55
Profit after tax	442	511	563	611
Depreciation/amortisation	—	1	—	1

■ Parent Company balance sheet (summary)

SEK million	31/12/2019	31/12/2018
Assets		
Intangible fixed assets	1	1
Property, plant and equipment	1	1
Financial assets	1,854	1,675
Total fixed assets	1,856	1,677
Other receivables	954	903
Cash and bank	218	59
Total current assets	1,172	962
Total assets	3,028	2,639
Shareholders' equity and liabilities		
Shareholders' equity	1,842	1,577
Untaxed reserves	229	199
Deferred tax liabilities	5	6
Other provisions	11	12
Long-term liabilities	670	556
Current liabilities	271	289
Total shareholders' equity and liabilities	3,028	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	Full year 2019	60	- 8	10	—	468	1,350	290
Subsidiary	Full year 2018	63	- 6	14	—	495	1,312	313

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.

