

INTERIM REPORT

2020

January - September



Good performance and growth by all business areas

Third quarter of 2020 in brief

- Sales increased to SEK 2,500 million (1,980)
- Operating profit (EBITA) rose to SEK 304 million (238) excl. a non-recurring item of SEK -17 million
- EBITA margin of 12.2% (12.0) excl. a non-recurring item
- Profit after tax was SEK 211 million (186)
- Diluted earnings per share increased to SEK 7.90 (7.01)
- Cash flow after investments excl. acquisitions was SEK 82 million (-4)
- The acquisition of GW Plastics Inc. is consolidated from 1 September

First nine months of 2020 in brief

- Sales increased to SEK 6,872 million (5,623)
- Operating profit (EBITA) rose to SEK 814 million (646) excl. non-recurring items of SEK -31 million
- Diluted earnings per share increased to SEK 22.35 (18.79)
- Cash flow after investments excl. acquisitions was SEK 694 million (199)
- Sustained strong financial position, including after the acquisition

Comments from the President and CEO - The acquisition of GW Plastics provides significant volumes and a strengthened global position

All three of our business areas performed well and achieved growth in the third quarter. Consolidated sales totaled SEK 2,500 million, representing growth of a strong 22% adjusted for currency and acquisitions, with an EBITA margin of 12.2% excluding non-recurring items. On 1 September we completed the acquisition of North American group GW Plastics, our largest acquisition to date. GW Plastics, which has annual sales equal to around SEK 1.8 billion, considerably strengthens our position in North America.

Medical Solutions sales in the third quarter totaled SEK 796 million, with organic growth of 12%. Acquisition of GW Plastics contributed SEK 127 million. Growth in production volumes was strong, primarily in segments that have seen increased demand as a result of the ongoing pandemic, including in diagnostics. However, products in areas such as surgery were negatively affected because of fewer operations temporarily taking place. The margin was 12.9%, owing to high capacity utilization and a favorable sales mix.

The significant growth seen in Integrated Solutions during the year continued in the third quarter, driven by sustained high Vaporiser Heating Products (VHP) volumes. Adjusted for currency and acquisitions, sales rose by 40% to SEK 1,158 million, with a strong margin of 13.8%. VHP volumes are expected to decrease in the fourth quarter. Nolato have also made cost reductions throughout the supply chain with the customer. Nolato consequently assesses that fourth-quarter sales for this business area will be more in line with the first quarter of the year, at around SEK 900 million. EMC performance returned to normal levels, having been affected by the pandemic at the start of the year. Mobile phone volumes remained weak.

Industrial Solutions saw demand in the automotive sector increase gradually over the quarter, while other segments demonstrated good volumes. Sales were SEK 547 million; adjusted for currency and acquisitions, sales grew by 4%. Acquisition of GW Plastics contributed SEK 18 million. The EBITA margin was 8.8%, boosted by a gradual increase in volumes, primarily for the automotive sector, and by cost reductions.

Group highlights

SEK million unless otherwise specified	Note	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Net sales	1	2,500	1,980	6,872	5,623	9,168	7,919
Operating profit (EBITDA)		388	326	1,067	906	1,424	1,263
Operating profit (EBITA)		287	238	783	646	1,032	895
EBITA margin, %		11.5	12.0	11.4	11.5	11.3	11.3
Operating profit (EBIT)	2	282	236	774	641	1,020	887
Profit after financial income and expense	2	267	232	745	621	981	857
Profit after tax		211	186	595	497	801	703
Basic earnings per share, SEK	3	7.92	7.02	22.37	18.82	30.12	26.60
Diluted earnings per share, SEK	3	7.90	7.01	22.35	18.79	30.11	26.60
Basic adjusted earnings per share, SEK	3	8.07	7.09	22.63	18.98	30.46	26.82
Diluted adjusted earnings per share, SEK	3	8.05	7.09	22.61	18.94	30.45	26.82
Cash flow after investm., excl. acquis. and disposals		82	– 4	694	199	1,295	800
Net investm affecting cash flow, excl. acq. and disp.		112	87	245	279	326	360
Cash conversion, %		—	—	—	—	122	88
Return on capital employed, %		21.8	23.4	21.8	23.4	21.8	23.1
Return on shareholders' equity, %		25.0	24.7	25.0	24.7	25.0	25.5
Equity/assets ratio, %		40	47	40	47	40	48
Net financial liabilities (–) / assets (+), excluding pension- & lease liabilities		– 535	186	– 535	186	– 535	666

See definitions of IFRS measures and alternative performance measures on page 21.

Including a non-recurring item of SEK –17 million in operating profit in Q3 2020 and tax effects of SEK +3 million, which impacted profit after tax by SEK –14 million.

Including a non-recurring item of SEK –14 million in operating profit in Q1 2020 and tax effects of SEK +3 million, which impacted profit after tax by SEK –11 million.

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.

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



Christer Wahlquist, President and CEO, Nolato AB

The acquisition of GW Plastics provides significant volumes and a strong position on the North American market for the Medical Solutions business area, offering additional opportunities for growth and underpinning existing core customer relationships. The acquisition means Nolato has a solid global position on the three key continents of Asia, Europe and North America.

Third quarter 2020

- Sales totaled SEK 2,500 million (1,980); adjusted for currency and acquisitions, sales increased by 22%
- Good performance and growth by all business areas
- Operating profit (EBITA) rose to SEK 304 million (238) excl. a non-recurring item of SEK -17 million
- EBITA margin of 12.2% (12.0) excl. a non-recurring item
- Cash flow after investments excl. acquisitions was SEK 82 million (-4)
- The acquisition of GW Plastics Inc. is consolidated from 1 September

Sales

Consolidated sales totaled SEK 2,500 million (1,980). Adjusted for currency and acquisitions, sales increased by a substantial 22%.

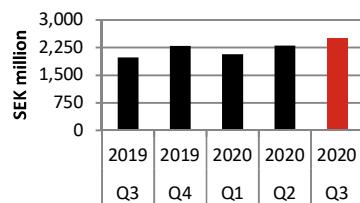
Medical Solutions sales totaled SEK 796 million (612); adjusted for currency and acquisitions, sales grew by a strong 12%. Growth in production volumes was strong, primarily in segments that have seen increased demand as a result of the pandemic, including diagnostics.

Integrated Solutions sales rose sharply, amounting to SEK 1,158 million (862), driven primarily by high demand in Vaporiser Heating Products (VHP). Adjusted for currency and acquisitions, sales rose by a strong 40%. VHP volumes have demonstrated good growth in 2020, but they have historically fluctuated between quarters. Nolato have made cost reductions with the customer throughout the supply chain, which also affects sales going forward. EMC sales were solid, while volumes for mobile phones remained weak in the quarter. Nolato assesses that fourth-quarter sales for this business area will be more in line with the first quarter of the year.

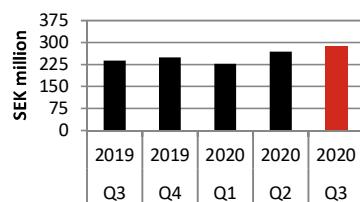
Industrial Solutions sales totaled SEK 547 million (512); adjusted for currency and acquisitions, sales grew by 4%. Demand from automotive-sector customers increased gradually over the quarter and other segments saw good volumes.

Good performance by all business areas

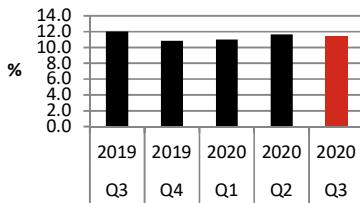
• Sales



• Operating profit (EBITA)



• EBITA margin



Profit

The Group's operating profit (EBITA) increased to SEK 304 million (238), excluding a non-recurring item of SEK –17 million. All business areas increased profit. Including non-recurring items, profit amounted to SEK 287 million (238).

Operating profit (EBITA) increased to SEK 103 million (80) for Medical Solutions, to SEK 160 million (116) for Integrated Solutions and to SEK 48 million (44) for Industrial Solutions.

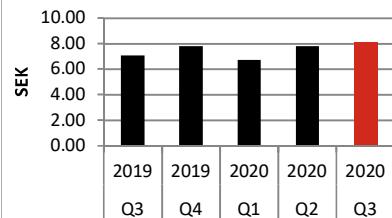
The EBITA margin for Medical Solutions was 12.9% (13.1). High capacity utilization and a favorable sales mix had a positive impact, while the acquisition affected one month in the quarter. For Integrated Solutions, the margin was a very strong 13.8% (13.5). High volumes contributed to the margin. The EBITA margin for Industrial Solutions was 8.8% (8.6). The margin was boosted by a gradual increase in volumes, primarily for the automotive sector, and by cost reductions. Overall, the Group's EBITA margin was 12.2% (12.0) excluding non-recurring items. Including non-recurring items, the margin was 11.5% (12.0).

Operating profit (EBIT) amounted to SEK 299 million (236) excluding non-recurring items. Including non-recurring items, profit amounted to SEK 282 million (236). In August Nolato announced that it had acquired the North American group GW Plastics Inc. The acquisition resulted in acquisition costs of SEK 17 million in the third quarter, which are stated as a non-recurring item. These costs have been recognized at Group level and have consequently not affected the profit of the business areas.

Profit after net financial income/expense rose to SEK 267 million (232).

Profit after tax was SEK 211 million (186). Diluted earnings per share stood at SEK 7.90 (7.01). Excluding non-recurring items, diluted earnings per share amounted to SEK 8.42 (7.01). Adjusted earnings per share after dilution but excluding amortization of intangible assets arising from acquisitions and non-recurring items, amounted to SEK 8.57 (7.09).

● Adjusted diluted earnings per share



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

SEK million	Sales Q3/2020	Sales Q3/2019	Oper. prof. Q3/2020	Oper. prof. Q3/2019	EBITA marg. Q3/2020	EBITA marg. Q3/2019
Medical Solutions	796	612	103	80	12.9%	13.1%
Integrated Solutions	1,158	862	160	116	13.8%	13.5%
Industrial Solutions	547	512	48	44	8.8%	8.6%
Intra-Group adj., Parent Co	– 1	– 6	– 24	– 2	—	—
Group total	2,500	1,980	287	238	11.5%	12.0%

Including a non-recurring item of SEK –17 million in operating profit in Q3 2020.

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

First nine months 2020

Sales and earnings

Consolidated sales totaled SEK 6,872 million (5,623). Adjusted for currency and acquisitions, sales increased by a substantial 17%.

Medical Solutions sales rose by 15% to SEK 2,138 million (1,857), while for Integrated Solutions they increased by an exceptional 44% to SEK 3,161 million (2,195) and decreased for Industrial Solutions by 1% to SEK 1,576 million (1,586).

The Group's operating profit (EBITA) increased to SEK 814 million (646), excluding non-recurring items of SEK -31 million. Including non-recurring items, profit amounted to SEK 783 million (646). Overall, the Group's EBITA margin was 11.8% (11.5%) excluding non-recurring items.

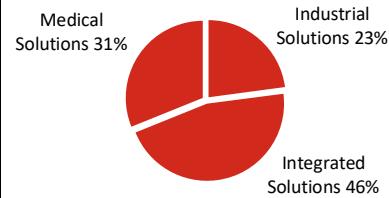
Operating profit (EBIT) rose to SEK 805 million (SEK 641), excluding non-recurring items. Including non-recurring items, profit amounted to SEK 774 million (641). In January Nolato announced that it plans to consolidate operations in UK-based Nolato Jaycare and that one of its production plants is to be closed by December 2020. The cost of the closure is estimated at approximately SEK 36 million, of which around SEK 30 million affects cash flow. Non-recurring costs of SEK 22 million were expensed in the fourth quarter of 2019 and the remaining SEK 14 million was expensed in the first quarter of 2020. In August Nolato announced that it had acquired the North American group GW Plastics Inc. The acquisition resulted in acquisition costs of SEK 17 million in the third quarter, which are stated as a non-recurring item. These non-recurring items were recognized at Group level and have consequently not affected the profit of the business areas.

Profit after net financial income/expense was SEK 745 million (621).

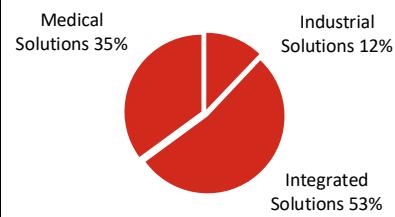
Profit after tax was SEK 595 million (497). Diluted earnings per share were SEK 22.35 (18.79). Excluding non-recurring items, diluted earnings per share were SEK 23.29 (18.79). Adjusted earnings per share after dilution but excluding amortization of intangible assets arising from acquisitions amounted to SEK 22.61 (18.94). The effective tax rate was 20.1% (20.0).

Return on capital employed was 21.8% for the last 12-month period (23.1% for the 2019 calendar year). Return on equity was 25.0% for the last 12 months (25.5% for the 2019 calendar year).

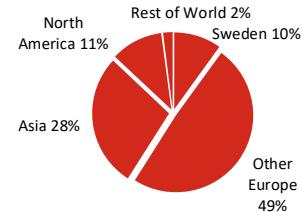
Business areas' share of sales



Business areas' share of operating profit (EBITA)



Sales by geographic markets



Medical Solutions

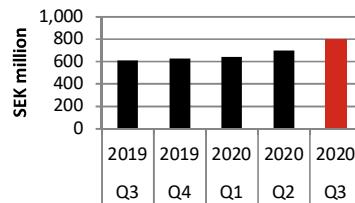
Sales and profit 9 months (SEK million)	2020	2019
Sales	2,138	1,857
Operating profit (EBITA)	290	240
EBITA margin (%)	13.6	12.9
Operating profit (EBIT)	286	238

Medical Solutions sales totaled SEK 2,138 million (1,857); adjusted for currency and acquisitions, sales grew by a strong 8%. Growth in production volume was strong, primarily in segments that have seen increased demand as a result of the pandemic, including diagnostics, while the surgery segment was negatively affected.

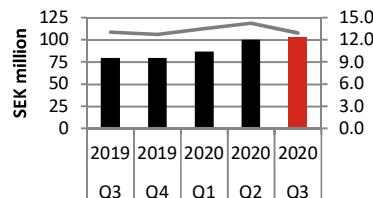
Operating profit (EBITA) rose to SEK 290 million (240).

The EBITA margin grew to a strong 13.6% (12.9). The increase was due to high capacity utilization and a favorable sales mix. As previously announced, North American group GW Plastics was acquired in the quarter. The company has annual sales equal to approximately SEK 1.8 billion, over four-fifths of which are in Medical Solutions. The acquisition was consolidated from 1 September and includes one month of the period. Integration of the company is progressing according to plan, and the acquisition means Nolato has a solid global position on the three key continents of Asia, Europe and North America. The strong growth means that Nolato will be expanding production capacity in Switzerland.

● Medical Solutions sales



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



Integrated Solutions

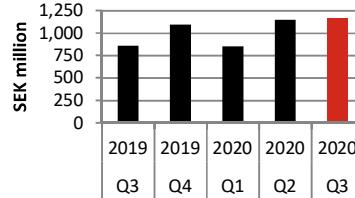
Sales and profit 9 months (SEK million)	2020	2019
Sales	3,161	2,195
Operating profit (EBITA)	437	280
EBITA margin (%)	13.8	12.8
Operating profit (EBIT)	436	280

Integrated Solutions sales rose sharply, amounting to SEK 3,161 million (2,195), driven primarily by high demand in Vaporiser Heating Products (VHP). Adjusted for currency and acquisitions, sales rose by a strong 39%. Nolato has supplied new product variants that were launched at the start of the year, which has had a positive impact. VHP volumes have demonstrated good growth in 2020, but they have historically fluctuated between quarters. Volumes are expected to decrease in the fourth quarter. Nolato have made cost reductions with the customer throughout the supply chain, which also affects sales going forward. EMC sales were solid, while volumes for mobile phones remained weak. Nolato assesses that fourth-quarter sales for this business area will be more in line with the first quarter of the year.

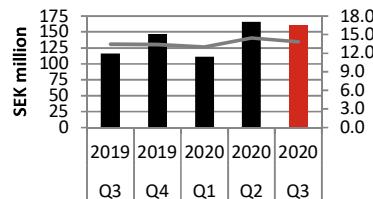
Operating profit (EBITA) rose to SEK 437 million (280).

The EBITA margin grew to a very strong 13.8% (12.8). Higher volumes contributed to the increased margin, along with the business area receiving a general subsidy from Chinese authorities. This subsidy boosted the margin by approximately 0.3 percentage points.

● Integrated Solutions sales



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



Industrial Solutions

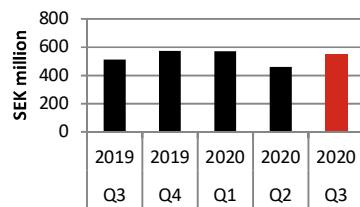
Sales and profit 9 months (SEK million)	2020	2019
Sales	1,576	1,586
Operating profit (EBITA)	106	134
EBITA margin (%)	6.7	8.4
Operating profit (EBIT)	102	131

Industrial Solutions sales totaled SEK 1,576 million (1,586); adjusted for currency and acquisitions, sales decreased by 3%. The hygiene area, which saw low volumes in the first half of last year, has returned to normal levels. Demand for certain products in this segment was high in the third quarter, and was positively affected partly as a result of the pandemic. Demand from automotive-sector customers was significantly impacted by the suspension of operations for parts of the second quarter. Production resumed in the second half of May at low volumes, since when it has gradually increased.

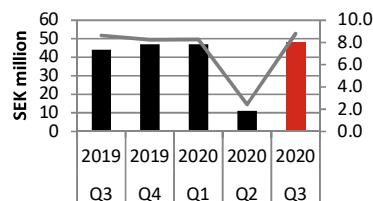
Operating profit (EBITA) was SEK 106 million (134).

The EBITA margin was 6.7% (8.4). The lower volumes, in particular for the automotive industry, affected the margin. In addition, redundancy costs had a negative impact of just over half a percentage point. As previously announced, North American group GW Plastics was acquired in the quarter. The company has annual sales equal to approximately SEK 1.8 billion; just under one-fifth of which are in Industrial Solutions. The acquisition was consolidated from 1 September and includes one month of the period.

● Industrial Solutions sales



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



Cash flow

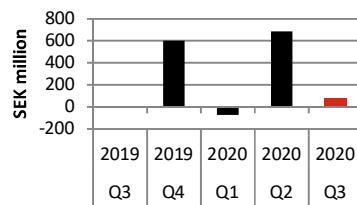
Cash flow after investments in the third quarter was SEK 82 million (−4), excluding acquisitions and related foreign exchange effects on cash flow. Tied-up working capital decreased, mainly as a result of lower inventory levels. Net investments excluding acquisitions affecting cash flow, rose to SEK 112 million (87).

On an accumulated basis following the first nine months, cash flow after investments, excluding acquisitions and related foreign exchange effects on cash flow, rose to SEK 694 million (199). The change in cash flow was due to the strong earnings, reduced tied-up working capital and slightly lower investments. Including acquisitions, cash flow after investments was SEK −772 million (199). On an accumulated basis, net investments affecting cash flow, excluding acquisitions, totaled SEK 245 million (279). Including acquisitions, investments affecting cash flow totaled SEK 1,593 million (279). Cash conversion for the last 12 months increased to 122% (88% for the 2019 calendar year). Nolato's annual general meeting resolved to postpone any decision regarding a dividend. Consequently, no dividend was paid in the second quarter, which has affected cash flow in terms of financing activities compared with the same period last year, when SEK 368 million was paid to shareholders.

Financial position

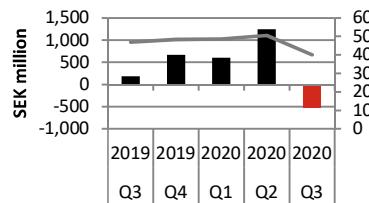
Interest-bearing assets increased to SEK 1,438 million (851), and interest-bearing financial liabilities rose to SEK 1,973 million (665). Net financial debt consequently totaled SEK −535 million (+186). The positive cash flow over the past 12-month period has increased net financial assets, and no dividend has been paid, while the acquisition of GW Plastics Inc. in the third quarter increased financial liabilities. There are also interest-bearing pension liabilities of SEK 253 million (208) and interest-bearing lease liabilities of SEK 289 million (317). Shareholders' equity rose to SEK 3,653 million (2,833). The equity/assets ratio was 40% (47) and decreased as a result of the acquisition.

● Cash flow after investments



Excluding acquisitions and disposals

● Net financial assets/liabilities & equity/assets ratio



Financial position

SEK million	30/09/2020	30/09/2019	31/12/2019
Interest-bearing liabilities, credit institutions	−1,973	−665	−696
Cash and bank	1,438	851	1,362
Net financial liabilities (−) / assets (+)	−535	186	666
Interest-bearing pension liabilities	−253	−208	−246
Net financial liabilities (−) / assets (+), incl. pension liabilities	−788	−22	420
Lease liabilities	−289	−317	−277
Net financial liabilities (−) / assets (+), including pension- & lease liabilities	−1,077	−339	143
Working capital	238	558	280
<i>As a percentage of sales (average) (%)</i>	4.3	5.7	3.2
Capital employed	6,167	4,022	4,184
<i>Return on capital employed (average) (%)</i>	21.8	23.4	23.1
Shareholders' equity	3,653	2,833	2,966
<i>Return on shareholders' equity (average) (%)</i>	25.0	24.7	25.5

Consolidated performance analysis

SEK million	Note	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Net sales	1	2,500	1,980	6,872	5,623	9,168	7,919
Gross profit excl. depreciation/amortisation		510	403	1,370	1,158	1,824	1,612
As a percentage of net sales		20.4	20.4	19.9	20.6	19.9	20.4
Costs		– 122	– 77	– 303	– 252	– 400	– 349
As a percentage of net sales		4.9	3.9	4.4	4.5	4.4	4.4
Operating profit (EBITDA)		388	326	1,067	906	1,424	1,263
As a percentage of net sales		15.5	16.5	15.5	16.1	15.5	15.9
Depreciation and amortisation		– 101	– 88	– 284	– 260	– 392	– 368
Operating profit (EBITA)		287	238	783	646	1,032	895
As a percentage of net sales		11.5	12.0	11.4	11.5	11.3	11.3
Amortisation of intangible assets arising fr. acquis.		– 5	– 2	– 9	– 5	– 12	– 8
Operating profit (EBIT)	2	282	236	774	641	1,020	887
Financial income and expense	2	– 15	– 4	– 29	– 20	– 39	– 30
Profit after financial income and expense	2	267	232	745	621	981	857
Tax		– 56	– 46	– 150	– 124	– 180	– 154
As a perc. of profit after financial inc. and exp.		21.0	19.8	20.1	20.0	18.3	18.0
Profit after tax		211	186	595	497	801	703

Personnel

The average number of employees during the period was 6,526 people (5,716). The increase in the number of employees is mainly attributable to Integrated Solutions' operations in China and the acquisition in the US.

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 2019 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, but owing to Covid-19 Nolato is operating in an environment that at the time of this report's publication is affecting the Group in various ways.

Ownership and legal structure

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

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

There were 11,822 shareholders at 30 September. The largest shareholders are the Jorlén family and the Boström family with 9% each, the Hamrin family and Capital Group with 8% each and Lannebo Funds with 7% of the capital.

● Contact:

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

● Webcast conference call on 23 October:

In connection with the interim 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 interim report and answer questions. Information regarding telephone numbers and website is available at <https://financialhearings.com/event/12327>. 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.

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 23 October 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 49 million (49). Profit after financial income and expense amounted to SEK 164 million (115).

Contingent liabilities amounted to SEK 319 million (102).

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 interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. Publication of this interim report is subject to the Swedish Securities Market Act.

The consolidated accounts have been prepared according to the same principles as in the most recent annual accounts, as set out in the Annual Report 2019.

IASB and the IFRS Interpretations Committee have issued new standards and statements that apply to financial years starting 1 January 2020 or later. There are no plans for the early application of new or amended standards for future application. None of the standards or interpretations published by IASB are expected to have a material impact on the Group or Parent Company's financial statements.

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

Nomination Committee

In accordance with a decision at Nolato's AGM on 4 May 2020, the five largest shareholders in terms of the number of votes at the end of September 2020 have appointed the following individuals to be included in Nolato's Nomination Committee ahead of the 2021 AGM: Henrik Jorlén, chairman (Jorlén family), Gun Boström (Boström family), Lovisa Hamrin (Hamrin family) and Johan Ståhl (Lannebo Funds).

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.

Annual General Meeting

The Annual General Meeting will be held on 4 May 2021.

Financial information schedule

- 2020 year-end report: 10 February 2021
- Three-month interim report 2021: 4 May 2021
- 2021 Annual General Meeting: 4 May 2021
- Six-month interim report 2021: 20 July 2021
- Nine-month interim report 2021: 28 October 2021
- 2021 year-end report: 7 February 2022

Torekov, 23 October 2020

Nolato AB (publ)

Christer Wahlquist, President and CEO



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

Nolato is a Swedish group with operations in Europe, Asia and North America.

We develop and manufacture products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, consumer electronics, telecom, automotive, hygiene and other selected industrial sectors.

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

www.nolato.com

Consolidated income statement (summary)

SEK million	Note	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Net sales	1	2,500	1,980	6,872	5,623	9,168	7,919
Cost of goods sold		– 2,090	– 1,665	– 5,784	– 4,722	– 7,733	– 6,671
Gross profit		410	315	1,088	901	1,435	1,248
Other operating income		5	7	27	8	21	2
Selling expenses		– 30	– 31	– 95	– 94	– 127	– 126
Administrative expenses		– 62	– 55	– 205	– 174	– 262	– 231
Other operating expenses		– 41	–	– 41	–	– 47	– 6
		– 128	– 79	– 314	– 260	– 415	– 361
Operating profit	2	282	236	774	641	1,020	887
Financial income and expense	2	– 15	– 4	– 29	– 20	– 39	– 30
Profit after financial income and expense	2	267	232	745	621	981	857
Tax		– 56	– 46	– 150	– 124	– 180	– 154
Profit after tax		211	186	595	497	801	703
All earnings are attrib. to the Parent Co.'s shareh.							
Depreciation/amortisation reg. non-current assets		106	90	293	265	404	376
Basic earnings per share, SEK	3	7.92	7.02	22.37	18.82	30.12	26.60
Diluted earnings per share, SEK	3	7.90	7.01	22.35	18.79	30.11	26.60
Number of shares at the end of the period, bef. dil.		26,734,308	26,539,548	26,734,308	26,539,548	26,734,308	26,548,008
Number of shares at the end of the period, after dil.		26,775,716	26,542,660	26,775,716	26,542,660	26,775,716	26,548,982
Average number of shares, before dilution		26,657,808	26,498,103	26,602,908	26,402,756	26,590,236	26,431,806
Average number of shares, after dilution		26,716,027	26,534,668	26,621,777	26,456,251	26,605,331	26,432,001

At the end of the period, the Group had two incentive programmes: Incentive Programme 2016/2021 and Incentive Programme 2019/2024. For more information please see Note 3 Earnings per share on page 15.

Consolidated comprehensive income

SEK million		Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Profit after tax		211	186	595	497	801	703
Other comprehensive income							
<i>Items that cannot be transferred to profit for the period</i>							
Revaluations of defined benefit pension plans		4	– 11	1	– 21	– 44	– 66
Tax attrib. to items that cannot be transf. to profit for the per.		– 1	3	–	5	6	11
		3	– 8	1	– 16	– 38	– 55
<i>Items that have been conv. or can be conv. into prof. for the per.</i>							
Transl. diff. for the period on transl. of foreign operations		16	28	4	61	– 36	21
Changes in the fair value of cash flow hedges for the period		– 6	– 2	– 4	– 2	–	2
Tax attrib. to changes in the fair value of cash flow hedges		2	–	1	–	1	–
		12	26	1	59	– 35	23
Other comprehensive income, net of tax		15	18	2	43	– 73	– 32
Total comp. inc. for the per. attrib. to the Parent Co.'s shareh.		226	204	597	540	728	671

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	30/09/2020	30/09/2019	31/12/2019
Assets			
Non-current assets			
Intangible non-current assets	2,278	818	852
Property, plant and equipment	2,401	1,902	1,839
Non-current financial assets	2	2	2
Other non-current receivables	1	1	1
Deferred tax assets	57	77	58
Total fixed assets	4,739	2,800	2,752
Current assets			
Inventories	1,171	700	667
Accounts receivable	1,361	1,351	1,051
Other current assets ²⁾	404	349	302
Cash and bank	1,438	851	1,362
Total current assets	4,374	3,251	3,382
Total assets	9,113	6,051	6,134
Shareholders' equity and liabilities			
Shareholders' equity	3,653	2,833	2,966
Long-term liabilities and provisions ¹⁾	1,700	1,117	1,179
Deferred tax liabilities ¹⁾	159	91	110
Current liabilities and provisions ^{1) 3)}	3,601	2,010	1,879
Total liabilities and provisions	5,460	3,218	3,168
Total shareholders' equity and liabilities	9,113	6,051	6,134
¹⁾ Interest-bearing/non-interest-bearing liabilities and provisions:			
Interest-bearing liabilities and provisions	2,515	1,190	1,219
Non-interest-bearing liabilities and provisions	2,945	2,028	1,949
Total liabilities and provisions	5,460	3,218	3,168
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	11	1	5
³⁾ Derivative liabilities are included in current liabilities and provisions at	35	33	1

Changes in consolidated shareholders' equity (summary)

SEK million	Q1 - Q3 2020	Q1 - Q3 2019	Full year 2019
Shareholders' equity at the beginning of the period	2,966	2,592	2,592
Total comprehensive income for the period	597	540	671
Dividends	—	–368	–368
Exercise of warrants included in incentive programmes	90	69	71
Shareholders' equity at the end of period attrib. to Parent Co's shareh.	3,653	2,833	2,966

At the end of the period, the Group had two incentive programmes: Incentive Programme 2016/2021 and Incentive Programme 2019/2024. In Incentive Programme 2016/2021, Series 2017/2020 has redemptions from 01/05/2020 to 15/12/2020 and Series 2018/2021 from 01/05/2021 to 15/12/2021. The subscription price is SEK 485.10 for Series 2017/2020 and SEK 502.00 for Series 2018/2021. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the programmes provide a maximum of 735,400 new class B shares.

Consolidated cash flow statement (summary)

SEK million	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Cash fl. from oper. activities bef. changes in work. cap.	– 20	282	556	677	884	1,005
Changes in working capital	96	– 199	265	– 199	619	155
Cash flow from operating activities	76	83	821	478	1,503	1,160
Cash flow from investment activities	– 1,460	– 87	– 1,593	– 279	– 1,767	– 453
Cash flow before financing activities	– 1,384	– 4	– 772	199	– 264	707
Cash flow from financing activities	926	11	858	– 351	894	– 315
Cash flow for the period	– 458	7	86	– 152	630	392
Cash and cash equiv. at the beginning of the period	1,906	828	1,362	953	—	953
Exchange rate difference in liquid assets	– 10	16	– 10	50	—	17
Cash and cash equivalents at the end of the period	1,438	851	1,438	851	—	1,362

Note 1 Revenue

SEK million	Q1 - Q3 - 2020				Q1 - Q3 - 2019				Full year - 2019			
	Sum	Med.	Integr.	Indust.	Sum	Med.	Integr.	Indust.	Sum	Med.	Integr.	Indust.
		Sol.	Sol.	Sol.		Sol.	Sol.	Sol.		Sol.	Sol.	Sol.
Sweden	701	119	8	574	858	116	31	711	1,173	157	35	981
Other Europe	3,366	1,358	1,192	816	2,374	1,222	422	730	3,148	1,620	548	980
North America	732	471	123	138	450	344	12	94	608	464	14	130
Asia	1,963	83	1,837	43	1,840	70	1,722	48	2,852	105	2,683	64
Rest of world	113	107	1	5	116	105	8	3	154	138	12	4
Elimination internal sales	– 3				– 15				– 16			
Tot. revenues fr. customer contracts	6,872	2,138	3,161	1,576	5,623	1,857	2,195	1,586	7,919	2,484	3,292	2,159

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

For the first nine months of the year, the Group recognised decreased provision of previously impaired trade receivables of SEK 11 million. Impairment losses are recognised in the cost of goods sold.

Note 2 Reconciliation of consolidated income before tax

SEK million	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Operating profit (EBIT)				
Medical Solutions	286	238	365	317
Integrated Solutions	436	280	583	427
Industrial Solutions	102	131	147	176
Group adjustments, Parent Company	– 50	– 8	– 75	– 33
Consolidated operating profit (EBIT)	774	641	1,020	887
Financial income and expense (not distributed by business areas)	– 29	– 20	– 39	– 30
Consolidated profit before tax	745	621	981	857

Including a non-recurring item of SEK –17 million in operating profit in Q3 2020. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

Including a non-recurring item of SEK –14 million in operating profit in Q1 2020. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

Including a non-recurring item of SEK –22 million in operating profit in Q4 2019. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

Note 3 Earnings per share (IFRS measures)

SEK million	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Profit after tax	211	186	595	497	801	703
Average number of shares, before dilution	26,657,808	26,498,103	26,602,908	26,402,756	26,590,236	26,431,806
Basic earnings per share (SEK)	7.92	7.02	22.37	18.82	30.12	26.60
Non-recurring items	14	—	25	—	41	16
Profit after tax excl. non-recurring items	225	186	620	497	842	719
Basic earnings per share excl. non-recurring items (SEK)	8.44	7.02	23.31	18.82	31.67	27.20
Dilutive shares from Series 2016/2019 incentive progr. with exercise price SEK 296.30 per share; total 240,600 warrants	—	18,711	—	53,495	—	—
Dilutive shares from Series 2017/2020 incentive progr. with exercise price SEK 485.10 per share; total 196,200 warrants	12,971	10,504	5,278	—	4,222	195
Dilutive shares from Series 2018/2021 incentive progr. with exercise price SEK 502.00 per share; total 193,500 warrants	45,248	7,350	13,591	—	10,873	—
Average number of shares, after dilution	26,716,027	26,534,668	26,621,777	26,456,251	26,605,331	26,432,001
Diluted earnings per share (SEK)	7.90	7.01	22.35	18.79	30.11	26.60
Diluted earnings per share excl. non-rec. items (SEK)	8.42	7.01	23.29	18.79	31.65	27.20
Numb. of shares at the end of the per., before dilution	26,734,308	26,539,548	26,734,308	26,539,548	26,734,308	26,548,008
Numb. of shares at the end of the period, after dilution	26,775,716	26,542,660	26,775,716	26,542,660	26,775,716	26,548,982

At the end of the period, the Group had two incentive programmes: Incentive Programme 2016/2021 and Incentive Programme 2019/2024. In Incentive Programme 2016/2021, Series 2017/2020 has redemptions from 01/05/2020 to 15/12/2020 and Series 2018/2021 from 01/05/2021 to 15/12/2021. The subscription price is SEK 485.10 for Series 2017/2020 and SEK 502.00 for Series 2018/2021. The programmes have been taken into account in calculating the number of shares after dilution. Upon full subscription, the programmes provide a maximum of 735,400 new class B shares.

Adjusted earnings per share (alternative performance measures)

SEK million	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Profit after tax	211	186	595	497	801	703
Adjusted earnings:						
Amort. of intangible assets arising from acquisitions	5	2	9	5	12	8
Tax on amortisation	– 1	—	– 2	– 1	– 3	– 2
Adjusted earnings	215	188	602	501	810	709
Average number of shares, before dilution	26,657,808	26,498,103	26,602,908	26,402,756	26,590,236	26,431,806
Adjusted basic earnings per share (SEK)	8.07	7.09	22.63	18.98	30.46	26.82
Non-recurring items	14	—	25	—	41	16
Adjusted earnings after tax, excl. non-recurring items	229	188	627	501	851	725
Adj. basic earnings per share excl. non-rec. items (SEK)	8.59	7.09	23.57	18.98	32.00	27.43
Average number of shares, after dilution	26,716,027	26,534,668	26,621,777	26,456,251	26,605,331	26,432,001
Adjusted diluted earnings per share (SEK)	8.05	7.09	22.61	18.94	30.45	26.82
Adj. diluted earn. per share excl. non-rec. items (SEK)	8.57	7.09	23.55	18.94	31.99	27.43

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 liabilities (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 (SEK)	—	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	2020	225	267	282	—
	2	2019	173	232	236	246 887
		2018	261	264	203	213 941
Basic earnings per share (SEK)	3	2020	6.67	7.79	7.92	—
	3	2019	4.98	6.82	7.02	7.76 26.60
		2018	7.83	7.75	5.85	6.01 27.44
Diluted earnings per share (SEK)	3	2020	6.67	7.79	7.90	—
	3	2019	4.97	6.81	7.01	7.75 26.60
		2018	7.80	7.70	5.81	5.98 27.37
Alternative performance measures	Note	Q1	Q2	Q3	Q4	Full year
Net sales (SEK million)	1	2020	2,065	2,307	2,500	—
	1	2019	1,656	1,987	1,980	2,296 7,919
		2018	2,039	2,302	1,980	1,781 8,102
Operating profit (EBITDA) (SEK million)	2020	319	360	388	—	—
	2019	259	321	326	357	1,263
	2018	322	325	267	275	1,189
Operating profit (EBITA) (SEK million)	2020	227	269	287	—	—
	2019	175	233	238	249	895
	2018	264	266	205	214	949
EBITA margin (%)	2020	11.0	11.7	11.5	—	—
	2019	10.6	11.7	12.0	10.8	11.3
	2018	12.9	11.6	10.4	12.0	11.7
Profit after financial income and exp. (SEK million)	2	2020	221	257	267	—
	2	2019	166	223	232	236 857
		2018	256	257	198	210 921
Profit after tax (SEK million)	2020	177	207	211	—	—
	2019	131	180	186	206	703
	2018	206	204	154	158	722
Cash flow from operating activities (SEK million)	2020	−3	748	76	—	—
	2019	130	265	83	682	1,160
	2018	296	472	39	238	1,045
Cash fl. from operations per share bef. dilution (SEK)	2020	−0.11	28.16	2.85	—	—
	2019	4.94	10.04	3.13	25.69	43.81
	2018	11.25	17.94	1.48	9.05	39.72
Cash flow after investments, excluding acquisitions and disposals (SEK million)	2020	−73	685	82	—	—
	2019	25	178	−4	601	800
	2018	187	352	−68	122	593
Cash flow after investments, excl. acquisitions and disposals per share before dilution (SEK)	2020	−2.75	25.79	3.08	—	—
	2019	0.95	6.75	−0.15	22.64	30.19
	2018	7.11	13.38	−2.58	4.64	22.54
Adjusted basic earnings per share (SEK)	3	2020	6.74	7.83	8.07	—
	3	2019	5.06	6.82	7.09	7.84 26.82
		2018	7.91	7.83	5.93	6.01 27.67
Shareholders' equity per share, before dilution (SEK)	2020	121	126	137	—	—
	2019	106	98	107	112	112
	2018	92	87	92	99	99
Return on total capital (%)	2020	15.7	15.8	14.7	—	—
	2019	16.1	15.2	15.5	15.6	15.6
	2018	18.8	19.6	19.1	18.4	18.4

Alternative performance measures		Q1	Q2	Q3	Q4	Full year
Return on capital employed (%)	2020	23.2	23.4	21.8	—	—
	2019	25.3	23.6	23.4	23.1	23.1
	2018	29.8	32.0	31.2	29.7	29.7
Return on operating capital (%)	2020	31.2	33.1	30.9	—	—
	2019	34.4	31.6	30.7	31.0	31.0
	2018	36.8	41.1	41.1	40.0	40.0
Return on shareholders' equity (%)	2020	26.0	25.9	25.0	—	—
	2019	25.9	24.5	24.7	25.5	25.5
	2018	32.6	34.9	33.1	30.4	30.4
Closing share price Nolato B (Nasdaq Stockholm)	2020	449.40	628.00	873.00	—	—
	2019	386.50	566.50	525.50	550.00	550.00
	2018	609.00	723.00	548.00	366.50	366.50

Including a non-recurring item of SEK -17 million in operating profit in Q3 2020 and tax effects of SEK +3 million, which impacted profit after tax by SEK -14 million.

Including a non-recurring item of SEK -14 million in operating profit in Q1 2020 and tax effects of SEK +3 million, which impacted profit after tax by SEK -11 million.

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	Note	Q1	Q2	Q3	Q4	Full year
Net sales (SEK million)						
Medical Solutions	1	2020	642	700	796	—
	1	2019	611	634	612	627 2,484
		2018	532	562	596	580 2,270
Integrated Solutions	1	2020	854	1,149	1,158	—
	1	2019	512	821	862	1,097 3,292
		2018	939	1,186	892	703 3,720
Industrial Solutions	1	2020	570	459	547	—
	1	2019	533	541	512	573 2,159
		2018	568	554	492	505 2,119
Group adjustments, Parent Company	1	2020	-1	-1	-1	—
	1	2019	—	-9	-6	-1 -16
		2018	—	—	—	-7 -7
Group total	1	2020	2,065	2,307	2,500	—
	1	2019	1,656	1,987	1,980	2,296 7,919
		2018	2,039	2,302	1,980	1,781 8,102

Alternative performance measures		Q1	Q2	Q3	Q4	Full year
Operating profit (EBITA) (SEK million)						
Medical Solutions	2020	87	100	103	—	—
	EBITA margin (%)	13.6	14.3	12.9	—	—
	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
Integrated Solutions	2020	111	166	160	—	—
	EBITA margin (%)	13.0	14.4	13.8	—	—
	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
Industrial Solutions	2020	47	11	48	—	—
	EBITA margin (%)	8.2	2.4	8.8	—	—
	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
Group adjustments, Parent Company	2020	–18	–8	–24	—	—
	2019	–4	–2	–2	–25	–33
	2018	18	–2	–20	–1	–5
Group total	2020	227	269	287	—	—
	EBITA margin (%)	11.0	11.7	11.5	—	—
	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

Including a non-recurring item of SEK –17 million in operating profit in Q3 2020. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

Including a non-recurring item of SEK –14 million in operating profit in Q1 2020. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

Including a non-recurring item of SEK –22 million in operating profit in Q4 2019. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

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. The non-recurring items has been recognised at Group level and has therefore not affected the earnings of the business areas.

Depreciation/write-downs/amortisation (SEK million)		Q1	Q2	Q3	Q4	Full year
Medical Solutions	2020	41	41	48	—	—
	2019	39	40	40	41	160
	2018	28	28	28	28	112
Integrated Solutions	2020	17	16	15	—	—
	2019	17	17	16	16	66
	2018	8	8	8	7	31
Industrial Solutions	2020	36	36	43	—	—
	2019	30	32	34	35	131
	2018	25	25	28	26	104
Parent Company	2020	—	—	—	—	—
	2019	—	—	—	19	19
	2018	—	—	—	1	1
Group total	2020	94	93	106	—	—
	2019	86	89	90	111	376
	2018	61	61	64	62	248

Group financial highlights

IFRS measures	Note	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Basic earnings per share (SEK)	3	7.92	7.02	22.37	18.82	30.12	26.60
Diluted earnings per share (SEK)	3	7.90	7.01	22.35	18.79	30.11	26.60
Alternative performance measures							
Net sales (SEK million)	1	2,500	1,980	6,872	5,623	9,168	7,919
Sales growth (%)		26	—	22	– 11	24	– 2
Percentage of sales outside Sweden (%)		92	87	90	85	89	85
Operating profit (EBITDA) (SEK million)		388	326	1,067	906	1,424	1,263
Operating profit (EBITA) (SEK million) ¹⁾		287	238	783	646	1,032	895
EBITA margin (%) ¹⁾		11.5	12.0	11.4	11.5	11.3	11.3
Profit after financial income and exp. (SEK million)	2	267	232	745	621	981	857
Profit margin (%) ¹⁾		10.7	11.7	10.8	11.0	10.7	10.8
Profit after tax (SEK million)		211	186	595	497	801	703
Return on total capital (%) ¹⁾		14.7	15.5	14.7	15.5	14.7	15.6
Return on capital employed (%) ¹⁾		21.8	23.4	21.8	23.4	21.8	23.1
Return on operating capital (%) ¹⁾		30.9	30.7	30.9	30.7	30.9	31.0
Return on shareholders' equity (%) ¹⁾		25.0	24.7	25.0	24.7	25.0	25.5
Equity/assets ratio (%)		40	47	40	47	40	48
Debt/equity (%)		69	42	69	42	69	41
Interest coverage ratio (times)		25	31	28	25	27	25
Net investments affecting cash flow, excl. acquisitions and disposals (SEK million)		112	87	245	279	326	360
Cash flow after investments, excl. acquisitions and disposals (SEK million)		82	– 4	694	199	1,295	800
Cash conversion (%) ¹⁾		—	—	—	—	122	88
Net financial assets, excl. pension- & lease liabilities (SEK million)		– 535	186	– 535	186	– 535	666
Adjusted basic earnings per share (SEK)	3	8.07	7.09	22.63	18.98	30.46	26.82
Adjusted diluted earnings per share (SEK)	3	8.05	7.09	22.61	18.94	30.45	26.82
Cash flow from operations per share, before dilution (SEK)		2.85	3.13	30.90	18.12	56.59	43.81
Cash flow from operations per share, after dilution (SEK)		2.84	3.13	30.87	18.08	56.49	43.75
Cash flow after investments excluding acquisitions and disposals, per share, before dilution (SEK)		3.08	– 0.15	26.11	7.55	– 9.93	30.19
Cash flow after investments excluding acquisitions and disposals, per share, after dilution (SEK)		3.07	– 0.15	26.09	7.53	– 9.92	30.15
Shareholders' equity per share, before dilution (SEK)		—	—	137	107	—	112
Shareholders' equity per share, after dilution (SEK)		—	—	136	107	—	112
Average number of employees		—	—	6,526	5,716	—	5,941

¹⁾ KPIs calculated as specified on pages 22 and 23.

Including a non-recurring item of SEK –17 million in operating profit in Q3 2020 and tax effects of SEK +3 million, which impacted profit after tax by SEK –14 million.

Including a non-recurring item of SEK –14 million in operating profit in Q1 2020 and tax effects of SEK +3 million, which impacted profit after tax by SEK –11 million.

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.

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 investments, excl. acquisitions 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 liabilities (-) / financial assets (+)

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	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Operating profit (EBITDA)		388	326	1,067	906	1,424	1,263
Non-recurring items		17	—	31	—	35	4
Adjusted operating profit (EBITDA)		405	326	1,098	906	1,459	1,267
Operating profit (EBIT)	2	282	236	774	641	1,020	887
Reversal of amort. of intangible assets arising in connection with acquisitions		5	2	9	5	12	8
Operating profit (EBITA)		287	238	783	646	1,032	895
Non-recurring items		17	—	31	—	53	22
Adjusted operating profit (EBITA)		304	238	814	646	1,085	917
EBITA margin (%)		11.5	12.0	11.4	11.5	11.3	11.3
Adjusted EBITA margin (%)		12.2	12.0	11.8	11.5	11.8	11.6
Profit after financial income and expense	2	267	232	745	621	981	857
Non-recurring items		17	—	31	—	53	22
Adjusted profit after financial income and expense		284	232	776	621	1,034	879
Profit margin (%)		10.7	11.7	10.8	11.0	10.7	10.8
Adjusted profit margin (%)		11.4	11.7	11.3	11.0	11.3	11.1
Profit after tax		211	186	595	497	801	703
Non-recurring items		17	—	31	—	53	22
Tax on non-recurring items		−3	—	−6	—	−12	−6
Adjusted profit after tax		225	186	620	497	842	719
Cash fl. after investm., excl. acquisitions and dispos.		—	—	—	—	1,295	800
Non-recurring items (affecting cash flow)		—	—	—	—	17	—
Adj. cash fl. after investments, excl. acq. and disp.		—	—	—	—	1,312	800
Operating profit (EBIT)	2	—	—	—	—	1,020	887
Non-recurring items		—	—	—	—	53	22
Adjusted operating profit (EBIT)		—	—	—	—	1,073	909
Cash conversion (%)		—	—	—	—	122	88

Including a non-recurring item of SEK −17 million in operating profit in Q3 2020 and tax effects of SEK +3 million, which impacted profit after tax by SEK −14 million. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

Including a non-recurring item of SEK −14 million in operating profit in Q1 2020 and tax effects of SEK +3 million, which impacted profit after tax by SEK −11 million. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

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. The non-recurring item has been recognised at Group level and has therefore not affected the earnings of the business areas.

Alternative performance measures SEK million unless otherwise specified	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Profit after financial income and exp., rolling 12 months	980	945	912	856	831				
Financial expense, rolling 12 months	38	35	36	36	30				
Adj. profit after financial inc. and exp., rolling 12 months	1,018	980	948	892	861				
Total capital, at the end of period	9,113	6,638	6,630	6,134	6,051	5,593	5,733	5,156	5,229
Average total capital, last 5 quarters	6,913	6,209	6,028	5,733	5,552				
Return on total capital (%)	14.7	15.8	15.7	15.6	15.5				
Adj. profit after financial inc. and exp., rolling 12 months	1,018	980	948	892	861				
Capital employed, at the end of period	6,167	4,514	4,480	4,184	4,022	3,771	3,982	3,387	3,225
Average capital employed, last 5 quarters	4,673	4,194	4,088	3,869	3,677				
Return on capital employed (%)	21.8	23.4	23.2	23.1	23.4				
Operating profit (EBIT), rolling 12 months	1,019	974	939	887	855				
Capital employed, at the end of period	6,167	4,514	4,480	4,184	4,022	3,771	3,982	3,387	3,225
Cash and bank, at the end of period	-1,438	-1,906	-1,333	-1,362	-851	-828	-1,034	-953	-818
Operating capital, at the end of period	4,729	2,608	3,147	2,822	3,171	2,943	2,948	2,434	2,407
Average operating capital, latest 5 quarters	3,295	2,938	3,006	2,864	2,781				
Return on operating capital (%)	30.9	33.1	31.2	31.0	30.7				
Profit after tax, rolling 12 months	801	776	749	703	655				
Shareholders' equity, at the end of period	3,653	3,353	3,220	2,966	2,833	2,604	2,783	2,592	2,422
Average shareholders' equity, latest 5 quarters	3,205	2,995	2,881	2,756	2,647				
Return on shareholders' equity (%)	25.0	25.9	26.0	25.5	24.7				

Acquisition of GW Plastics Inc.

Description of GW Plastics Inc.

Nolato has acquired GW Plastics Inc. The company has annual sales equivalent to around SEK 1.8 billion, with an estimated EBITA margin of around 7%. The acquisition provides significant volumes and a strong position in North America, offering additional opportunities for growth and underpinning existing core customer relationships. The acquisition means Nolato has a solid global position on the three key continents of Asia, Europe and North America.

GW Plastics was founded in 1955 and has established a position as an industry leader specializing in complex injection-moulded thermoplastic and silicone solutions with a significant degree of innovation and a high-tech standardized global manufacturing platform.

The company's products are mainly used in medical devices and, to a lesser extent, in vehicle systems.

Just over four-fifths of GW Plastics' business is reported under the Medical Solutions business area, with the remainder reported under Industrial Solutions.

Description of the acquisition

Nolato has acquired 100 percent of the shares in GW Plastics Inc., and obtained controlling influence. The company was acquired on 1 September and was consolidated by Nolato as of the same date. 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 was determined using generally accepted principles and methods. The acquisition price for a so-called debt-free company amounts to approximately SEK 2 billion, including a contingent consideration of SEK 0.2 billion estimated by Nolato. The maximum contingent consideration could amount to approximately SEK 0.4 billion. It is based on the outcome of the result during the period 2020–2022. The purchase price transferred is made up of a cash payment and the arrangement of a new credit agreement. The acquisition contributed SEK 145 million to the Nolato Group's revenue in the third quarter of 2020 and had a marginal positive effect on the Group's earnings per share. The acquisition analysis of the company is still preliminary and may be amended according to IFRS regulations, as the final purchase price and the value of the assets and liabilities assumed from the acquisition have not yet been finally established.

Acquisition value, goodwill and cash flow effects (preliminary)

Consideration transferred	1,442
Less fair value of acquired net assets (according to spec. below)	– 335
Goodwill	1,107

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, primarily in the US within the Medical 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 Medical Solutions business area and, to some extent, in the Industrial Solutions business area. The goodwill is not tax-deductible according to US tax rules.

	Balance sheet at time of acquisition	Adjustment to fair value	Fair value
Non-current intangible assets	—	276	276
Property, plant and equipment	638	– 78	560
Rights of use	61	—	61
Deferred tax assets	6	23	29
Current assets	681	—	681
Cash and cash equivalents	94	—	94
Provisions	– 1	—	– 1
Non-current liabilities to credit institutions	– 796	—	– 796
Deferred tax liabilities	– 32	– 64	– 96
Other current financial liabilities	– 26	—	– 26
Other current liabilities	– 447	—	– 447
	178	157	335

Non-current intangible assets in the form of customer relationships are estimated to amount to SEK 276 million and will be amortized for accounting purposes over a period of 10 years. Gross value, fair value and the value expected to be settled for the balance sheet item 'Accounts receivable' are all SEK 257 million. Acquisition expenses of SEK 27 million were expensed as other operating expenses.

Cash flow effects

Cash paid, acquisition value	1,442
Less acquired cash and cash equivalents	– 94
Net cash flow from acquisition	1,348

Parent Company income statement (summary)

SEK million	Q3 2020	Q3 2019	Q1 - Q3 2020	Q1 - Q3 2019	Rolling 12 months	Full year 2019
Net sales	16	14	49	49	60	60
Selling expenses	- 1	- 2	- 4	- 6	- 5	- 7
Administrative expenses	- 9	- 11	- 40	- 36	- 52	- 48
Other operating income	5	—	8	2	9	3
Other operating expenses	- 8	- 11	- 30	- 36	- 42	- 48
Operating profit	3	- 10	- 17	- 27	- 30	- 40
Profit from participations in Group companies	—	—	200	182	486	468
Financial income	8	4	14	12	12	10
Financial expenses	- 6	- 22	- 33	- 52	- 23	- 42
Profit after financial income and expense	5	- 28	164	115	445	396
Appropriations	—	—	—	—	210	210
Tax	5	4	6	6	- 43	- 43
Profit after tax	10	- 24	170	121	612	563
Depreciation/amortisation	—	—	—	—	—	—

Parent Company balance sheet (summary)

SEK million	30/09/2020	30/09/2019	31/12/2019					
Assets								
Intangible fixed assets	1	1	1					
Property, plant and equipment	—	1	1					
Financial assets	3,655	1,756	1,854					
Deferred tax assets	16	18	—					
Total fixed assets	3,672	1,776	1,856					
Other receivables	515	507	954					
Cash and bank	204	100	218					
Total current assets	719	607	1,172					
Total assets	4,391	2,383	3,028					
Shareholders' equity and liabilities								
Shareholders' equity	2,102	1,398	1,842					
Untaxed reserves	229	199	229					
Deferred tax liabilities	—	—	5					
Other provisions	12	14	11					
Long-term liabilities	815	599	670					
Current liabilities	1,233	173	271					
Total shareholders' equity and liabilities	4,391	2,383	3,028					
Transactions with related parties	Period	Services sold	Services bought	Interest income	Interest expenses	Result from shares in Group com.	Rec. fr. rel. part. on bal. sheet date	Liab. to rel. part. on bal. sheet date
SEK million								
Subsidiary	Q1 - Q3 2020	49	- 17	14	—	200	2,105	418
Subsidiary	Q1 - Q3 2019	49	- 18	12	—	182	948	170

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.

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